

SCRUTINY PANEL 28 JANUARY 2014

Present :- Councillor Beverly Davies (Chairman)
Councillors Nick Cope, Jo Hayes, Peter Higgins and Gerard Oxford

Substitute Members :- Councillor Will Quince for Councillor Kevin Bentley
Councillor Dennis Willetts for Councillor Marcus Harrington
Councillor Michael Lilley for Councillor Dave Harris
Councillor Barrie Cook for Councillor Mike Hogg

Also in Attendance :- Councillor Paul Smith

43. Minutes

The minutes of the meeting held on 10 December 2013 were confirmed as a correct record.

The Chairman also referred to the information pack explaining how the 'park safe' car service would work and the list of priorities for the Enforcement Officers and contact details for the Area Managers which had yet to be received by Councillors and requested that the relevant officer be reminded.

44. Items requested by members of the Panel and other Members

Councillor Quince referred to an email that had been sent to a number of Councillors concerning allegations of shortfalls at Colchester Leisure World (CLW). He was of the view that this provided an opportunity for the Panel to consider undertaking a review of the Fundamental Service Review (FSR) of Sport and Leisure which might potentially include a visit to the location and discussions between members of staff and Panel members. Not all members of the Panel had received the email referred to and were not in a position to form a view about the merits or otherwise of the Panel conducting a review.

RESOLVED that:-

- (i) The request from Councillor Quince for a review by the Panel of the Fundamental Service Review (FSR) of Sport and Leisure be noted;
- (ii) Arrangements be made for a short report to be prepared for consideration at the next available meeting of the Panel providing further details of the issues referred to by Councillor Quince as well as other relevant background information;
- (iii) Following consideration of the report referred to in (ii) above, the Panel evaluates whether the matter merits inclusion in the work programme.

45. Revenue Budget 2014-15

Councillor Davies (in respect of her Trusteeship of Colchester Community Voluntary Service) declared a non-pecuniary interest in this item pursuant to the provisions of Meetings General Procedure Rule 7(5).

Councillor Lilley (in respect of his Board Membership of Colchester Borough Homes) declared a non-pecuniary interest in this item pursuant to the provisions of Meetings General Procedure Rule 7(5).

Councillor Quince (in respect of his Trusteeship of Grassroots) declared a non-pecuniary interest in this item pursuant to the provisions of Meetings General Procedure Rule 7(5).

General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast 2014/15

The Panel received the report from the Assistant Chief Executive which, together with the Housing Revenue Account Estimates, Housing Investment Programme and the Treasury Management Strategy Statement, would be presented to the meeting of the Cabinet on 29 January 2014 and together provided a full assessment of the Council's financial position and plans.

Sean Plummer gave a detailed presentation explaining that the Revenue Budget for 2014/15 had been prepared against a background of meeting the Council's Strategic Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding and the ongoing difficult economic background. Every effort had been made to produce a balanced budget that included a higher level of savings and investment in key services which had been achieved through a budget strategy that had resulted in:-

- The delivery of savings through the fundamental service review process;
- Making efficiencies through specific budget reviews and contract renewals;
- Maximising new and existing income streams;
- Recognising cost pressures and making decisions on budget changes where necessary.

The budget included savings or additional income of £2.7m which compared to £1.8m included within the 13/14 budget. The majority of savings were based on proposals to work more efficiently and to maximise opportunities to increase income, however, budget reductions were also included. In addition, core Government funding for 2014/15 was being reduced by £1.3m which, since 2011/12 had now been reduced in total by £4.6m with a further provisional reduction of £1.3m announced for 2015/16.

The financial outlook set out within the Medium Term Financial Forecast (MTFF) showed that further reductions in funding and cost pressures faced by the Council meant that the position would remain challenging. Legislative changes such as the introduction of the Local Council Tax Support (LCTS) Scheme and the introduction of the business rates retention scheme had brought new financial risks for the Council to

consider and the budget included consideration of these issues and recommended steps to manage the risks.

The following issues were raised by Panel members:

- Councillor Davies – whether the budgets for staff training had been affected by the need to identify savings, whether the funds allocated for use by Portfolio Holders was to be continued and suggesting the reinstatement of cash payment facilities to avoid the imposition of bank charges;
- Councillor Cope – whether the references in the report to current bank interest rates would need to be revised in the light of recent forecast announcements, a request for an explanation of the difference between interest rates for investments compared to rates for borrowing and whether temporally unallocated funds could be invested over short term periods to maximise its use;
- Councillor Quince – what constituted the ongoing running costs for the Bus Station, request for more background information about the shortfall in income stream targets particularly in relation to trade waste and community alarms, the cost of agency workers for Operational Services, whether the £757k from the New Homes Bonus would actually be allocated during the year and what specific projects had been identified for investment from these funds;
- Councillor Willetts – the need for specific community projects with potential for investment to be identified within the report and appendices, for areas of risk where it was not possible to predict accurate timescales for delivery to be shown within the Medium Term Financial Forecast, how reliable was the decision to reduce the amount allocated to inflationary pressures given the recent forecasting announcements, the robustness of the Council's income stream forecasts for car parking, community alarms and trade waste given the track record of frequently needing to reduce income targets, the need for suitable modelling techniques to be used to more accurately set charging levels to optimise income, whether the £190k forecasted increase in income at the cemetery and crematorium would be from increased charges, whether the negative impact on the town had been considered when it had been agreed not to host a Tour Series event in Colchester in 2014, when the final decision on the level of Council Tax for the forthcoming year would be made and the fact that the delay meant that it would not be possible for the Panel to pre-scrutinise the issue and a request for a schedule of changes to the report compared to the contents of the previous year's budget report;
- Councillor P Higgins – the benefit for Panel members in considering the budget reports generally for information to be included, such as percentages and total income figures which would provide a sense of proportion and comparison.

In response to issues raised, the following information was provided jointly by Sean Plummer and Councillor Smith:

- There had been no specific proposals to reduce service training or the HR Central training budgets;
- The funds for Portfolio Holders had been approved as a one off initiative for one year only and was not being continued for 2014/15;
- A temporary member of staff had been employed to assist customers at the Bus Station, the positive feedback for which had prompted the post to be made

permanent with consequential ongoing cost implications associated with the Bus Station;

- The introduction of online payments by the Council had brought associated bank charges but these were much lower than the costs currently associated with cash handling;
- Further detail in relation to the trade waste income would be supplied to Councillor Quince to address his request;
- The need to use agency workers by Operational Services at certain times to provide cover for staffing gaps and this had been acknowledged in the budget;
- The intention was to allocate the increase in New Homes Bonus funding to one off investment projects to support projects delivering income or savings and community projects which were currently the subject of investigation by the Trading Board and service areas of the Council. It was not thought prudent to use the New Homes Funding to support the revenue budget and these funds were subject to change and couldn't be relied upon to remain at existing levels. It was anticipated that these investment decisions would be made by the Cabinet in the near future;
- Internal borrowing was an established mechanism used to manage the availability of funding over short periods within the financial year;
- The level of funds allocated to inflationary pressures was subject to a number of assumptions about costs such as salaries, energy and business rates and these had enabled a modest reduction for inflationary pressures to be identified;
- Overall the Council's ability to balance its budgets was considered to be good, income levels were dependent on a number of variables, some of which, such as the weather, were difficult to predict, nevertheless it was considered that the existing processes were sufficiently robust to cope with these variable circumstances;
- The report contained details of the Chief Financial Officer's view on the robustness of the estimates and it was confirmed that the assumptions that had been made were considered reasonable. Even very sophisticated prediction models included elements of risk and this was acknowledged by the inclusion of contingencies within the budget to address areas of risk;
- The specific reasons why there had been shortfalls in income for car parking were the uptake of the special offer prices and the trend towards stays being for shorter periods, for trade waste the shortfall was due to the highly competitive market whereby private companies were willing to utilise loss leaders in order to retain business, whilst for community alarms the shortfall was due to the numbers of people choosing to use the service not meeting budget targets;
- The Helpline community alarm service had been identified by the Trading Board as an area for review with current investigations to improve the revenue potential of the service;
- The cemetery and crematorium had been the subject of a review by the Trading Board which had identified proposals to generate additional income by means of the delivery of additional services, however the £190k sum did also incorporate a significant element from land charges income. The details of the cemetery and crematorium fees and charges proposals had been agreed by Cabinet in November 2013;
- The impact on the residents of Colchester had been considered by the Cabinet

members when determining whether to host another Tour Series event in the coming year however the need to absorb reduction in Government income was also an important criteria;

- The decision on the level of Council Tax for the forthcoming year was dependent on all the facts becoming available to the Council, in particular the date for the announcement of the threshold for the calling of a referendum was now not expected until later in February.

Housing Revenue Account Estimates and Housing Investment Programme 2014/15

The Panel received a report by the Head of Commercial Services, presented by Darren Brown, Financial Accountant, explaining that the Council's financial procedures required the preparation of detailed Housing Revenue Account (HRA) estimates for approval by the Cabinet, the setting of new rent levels for the forthcoming financial year and, as part of the governance process to agree the Council's revenue and capital estimates, and the Cabinet to agree the allocations to the Housing Stock Investment Programme. The HRA estimates included the new housing and garage rents and Management Fee for Colchester Borough Homes (CBH), and noted the Housing Investment Programme (HIP) contribution, linked to the HRA but detailed in a separate report.

This was the first HRA budget to be set under the terms of the new management agreement with CBH. The management fee consequently contained a larger range of budgets, and the budget was set with an emphasis on the medium term, to provide more stability and meet the governance arrangements within the new management agreement. Also this was the first HRA budget to be set in the context of the new 30 year HRA Business Plan, which had been approved by Cabinet at its meeting in November 2013. Finally, this was the third year of HRA Self-Financing which had radically altered the funding of Council Housing and the increase in investment in the housing stock and other projects.

The content and format of the reports were welcomed by the Panel members and no specific issues were identified for discussion.

Treasury Management Strategy Statement

Steve Heath, Finance Manager, presented the Treasury Management Strategy Statement to the Panel together with the Minimum Revenue Provision Policy Statement and Annual Investment Strategy prior to it being considered by Cabinet and Full Council as part of the 2014/15 budget report.

It was explained that the Council had agreed to adopt the revised CIPFA Treasury Management in the Public Services Code of Practice in February 2010 which required the Council to approve an annual Treasury Management Strategy Statement, which should be submitted for scrutiny prior to the start of the year to which it related, and to keep treasury management activities under review.

The following issues were raised by Panel members:

- Councillor Cope – whether the references in the report to current bank interest rates would need to be revised in the light of recent forecast announcements and a request for an explanation of the difference between interest rates for investments compared to rates for borrowing;
- Councillor P Higgins – whether the forecasts provided by the Treasury advisers were realistic, given latest announcements from the Government;
- Councillor Willetts – whether the risk of relaxing standards by investing in banks with lower than AAA ratings had actually been quantified;
- Councillor Hayes – the issue of Sovereignty was a factor in determining whether to choose to invest within the UK as it was likely that currency devaluation would have less impact than investments in other currencies and her view that ‘credit default swaps’ were likely to carry a degree of risk which was not acceptable.

In response to issues raised, the following information was provided jointly by Steve Heath and Councillor Smith:

- It was confirmed that borrowing rates were a lot higher than the rates achieved from investments, the Council tended to ensure its cash balances were run down in order to avoid the reliance on poor rates of return on investments;
- The difference between the borrowing and investment rates would need to vary sharply for the Council’s existing strategy to be changed, however the situation was subject to regular monitoring and any significant changes would be brought to the Panel within the regular Capital Monitoring reporting mechanism;
- The Council’s Creditworthiness Policy was detailed in the report and this provided an indication of the approach adopted in relation to risk whilst a more detailed quantitative analysis could be provided separately, if required.

RESOLVED that, following the Panel’s detailed consideration the various elements of the Revenue Budget 2014/15, as set out below, be noted:-

- (i) General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast 2014/15
- (ii) Housing Revenue Accounts Estimates 2014/15
- (iii) Housing Investment Programme 2014/15
- (iv) Treasury Management Strategy Statement 2014/15

46. Work Programme 2013-14

The Panel considered a report by the Assistant Chief Executive setting out the current Work Programme for the Panel for 2013 -14.

It was explained that it had been decided to cancel the review of Colchester Hospital in view of the recent decision by the Chief Executive to stand down. Also arrangements

were being made for an additional meeting of the Panel to take place on 24 February 2014 in order to consider the Parking Services financial position in more detail.

RESOLVED that the contents of the Work Programme be noted.