

Overview and Scrutiny Committee

Tuesday, 13th February,
2018

MINUTES

Present:

Councillor Jane Potter (Chair), Councillor Gay Hopkins (Vice-Chair) and Councillors Michael Chalk, Matthew Dormer, Andrew Fry, Paul Swansborough, Jennifer Wheeler and Nina Wood-Ford

Officers:

Jayne Pickering and Sue Hanley

Democratic Services Officer:

J Bayley

72. MEDIUM TERM FINANCIAL PLAN 2018/19 TO 2020/21 - PRE-SCRUTINY

The Executive Director of Finance and Corporate Resources presented the Medium Term Financial Plan (MTFP) 2018/19 to 2021/22. During the presentation of this report the following points were raised for Members' consideration:

- There was limited certainty in respect of funding over the following four years. The Government's four-year funding settlement, agreed a few years ago, related to the Revenue Support Grant only.
- The Council would receive only £35,000 in Revenue Support Grant in 2018/19.
- Like many local authorities the Council was scheduled to pay the Government a negative grant subsidy from 2019/20 onwards.
- A number of Councils had approached the Government expressing concerns about the negative grant payments and this was under review, the outcomes of which would be the subject of consultation later in the year.
- The Government was also scheduled to undertake a fair funding review focusing on how local government was funded. This

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Chair

would have financial implications for the Council moving forward.

- Two years previously the government had reduced the number of years for which New Homes Bonus (NHB) payments could be made from six to four years.
- Some years previously the Government had suggested that local authorities would not receive NHB funding for any applications that were turned down by the Planning Committee but were subsequently approved at appeal. This could have significant financial implications for the Council.
- The Council had not been able to meet the deadweight threshold set by the Government in order to receive the NHB funding that had been anticipated for 2018/19.
- The deadweight was calculated based on the proportion of Band D equivalent properties that had been built in Redditch.
- The authority had been advised that it would be receiving £22,000 in NHB funding for 2018/19.
- The Government had announced that all Councils could increase Council Tax by up to 3 per cent before a referendum would need to be triggered in 2018/19 and 2019/20.
- Officers had built an assumption into the MFTP that Council Tax would increase by 2.99 per cent in 2018/19 and 2019/20. In subsequent years it was proposed that Council Tax increase by £5 as it was uncertain at what level Councils would be permitted to increase Council Tax after 2019/20.
- The Council collected Council Tax on behalf of a range of partner organisations and only kept 13 per cent of the funds that were collected. The greatest proportion of Council Tax was allocated to Worcestershire County Council.
- Improvements had been made in 2017/18 in respect of the Collection Fund, which related to the difference between the amount of Council Tax that the local authority expected to collect and the amount that was actually collected.
- The Worcestershire Business Rates Pilot bid had been unsuccessful. Worcestershire County Council had requested clarification about the reasons why the bid had not been approved and had been advised that the proposal was robust but had been unsuccessful due to the volume of bids that had been submitted to the Government.
- Councils were able to keep any growth over the baseline for business rates collection.
- The government had indicated that the baseline for business rates would be reset in 2021/22, which could have significant implications for the Council's finances.
- There were some unavoidable pressures in the first year of the MFTP. Members were advised that Officers would not expect to

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see such pressures for subsequent years as these were generally financial pressures that arose unexpectedly during the year.

- The unavoidable pressures included a figure in respect of Leisure and Cultural Services as the Local Authority Trading Company (LATC) that had been approved would not be established until October 2018 and so the anticipated savings would not occur until later in the four year cycle.
- The Council had balances of £1.8 million and reserves of £1.8 million. The fact that these figures were the same was purely coincidental.
- The Council's lower limit for balances was £750,000 at the recommendation of the S151 Officer.
- Balances were savings and underspends that had been achieved.
- Reserves were funds that had been reserved for expenditure on particular projects or initiatives.
- In order to achieve a balanced budget in 2018/19 £85,000 had been drawn down from balances.
- The MTFP did not currently contain balanced budgets for the subsequent three years covered by the plan.

Following the presentation of the report Members discussed a number of matters in detail:

- The location of the developments that might impact in the following year on NHB funds. Officers agreed to clarify this and to notify Members accordingly.
- The extent to which the calculation in respect of Band D properties took into account local variances in property valuations. A similar point had been raised at the latest meeting of the Budget Scrutiny Working Group and Officers undertook to clarify the position accordingly.
- The reasons for the improvement in terms of the returns recorded for the Collection Fund. Officers advised that the service had worked really hard to address this which had had a positive impact.
- The need for the Council to work in different ways, particularly in a more commercial manner, in order to achieve greater savings and to receive additional income. Officers advised that Heads of Service were working on a number of business cases which would potentially help the authority to address this moving forward.
- The potential for projects to be launched in accordance with the Council's Acquisition and Investment Strategy and the positive impact that this could have on the Council's finances. Officers

advised that there were no projects currently planned in accordance with this strategy and all initiatives would need to be accompanied by a robust business case.

- The ongoing work of the Council's Commercialism Board and its three sub-groups focusing on income generation, contracts and assets respectively.
- The potential for the authority to utilise Council land to generate income and the work that the assets group was undertaking to investigate available opportunities.
- The Housing Growth Programme, which was in receipt of funding from the Housing Revenue Account (HRA), and the need to use some land to help develop more housing for the use of local residents.
- The savings that would be achieved in 2017/18 and the reasons why officers had been unable to achieve this level of savings in previous years.
- The potential for savings to be listed for the final three years of the MTFP and the difficulties this could create.
- The approach adopted by other Councils to listing savings for later years. Members were advised that some local authorities approved a high level MTFP in the autumn and an MTFP containing potential savings which was considered in February.
- The different approach that was being adopted by Heads of Service in terms of undertaking detailed reviews of the budgets within their remit. In many cases this had led Heads of Service to reset the baseline for their budgets in future years resulting in savings.
- The potential for the Government's review of the negative grant settlement to result in the Council no longer needing to pay this money in the long-term.
- The financial difficulties that many local authorities across the country were experiencing.
- The extensive work that had been undertaken by officers in order to achieve a balanced budget in 2018/19. Members thanked officers for their hard work.
- The reasons for the significant savings that had been achieved in respect of IT. Members were advised that a review of software had been undertaken and contracts had been cancelled where this was found to be no longer required. Further savings had been achieved through re-negotiating contracts.
- The savings in respect of fuel and vehicle costs. The Head of Environmental Services had reviewed all vehicle costs and route optimisation had helped to reduce fuel costs to the Council.
- The costs listed for the replacement of waste bins. Officers advised that the £79,000 listed equated to 2,000 bins per year.

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- The capital bids for Environmental Services and the reason £400,000 was proposed for Locality Improvement Programme. Members were advised this would involve combining two existing funds; a fund for car parking improvements and another for locality improvements.
- The extent to which the Council could afford to fund the Locality Improvement Programme. Members were advised that this would be funded from borrowing.
- The reason for including the decision not to progress with car parking charges in parks as an unavoidable pressure in the MTFP. Officers advised that this had been included in the previous MTFP and to ensure transparency it had been felt appropriate to include this in the current MTFP.
- The progress that had been made with rolling out the garden waste collection service to customers and the amount of income that had already been received for this service. Officers undertook to clarify this and to report back to Members in due course.

Officers advised that some years previously Members had requested that the figures within the table detailing the summary of the financial position for the Council be presented as in-year figures to help demonstrate the distinct costs for those years. This differed to the traditional approach that had been adopted by the Council whereby the figures were presented on a cumulative basis. Members discussed the new presentation format and noted that this was rather confusing. To make the figures easier for all Members to understand, and to ensure informed decision making in respect of the Council's budget, Members agreed that it would be helpful if future MTFP reports could be presented using cumulative figures.

RECOMMENDED that

the format of Medium Term Financial Plans be amended in future years to reflect cumulative savings and pressures over the four year period.

The Meeting commenced at 7.00 pm
and closed at 8.15 pm

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