

## APPENDIX 1

Dear Jayne,

Following the decision by Grant Thornton to issue a Section 24 notice to Redditch Borough Council, I am writing to you as Chair of the Audit, Governance and Standards Committee.

This is an extremely serious position for the council to find itself in, and it is almost unprecedented for Grant Thornton to take such action. It is clear from this notice and from their annual report, that there has been a significant deterioration in their confidence in the council's ability to take the decisions necessary to be financially sustainable.

They have stated that this is a very rare occurrence, and they specifically cite 'member decisions' as a major reason for the deterioration in confidence since the same report last year.

The AG&S committee has a duty 'to ensure good stewardship of the Council's resources and assist the Council to achieve value for money in the provision of its services'. We have a duty therefore to ensure that the council responds appropriately to the Section 24 notice, and deals with the causes of any lack of confidence expressed by Grant Thornton which motivated it to be issued.

With this in mind and acknowledging the need for transparency, I would like to ask you as Section 151 Officer the following questions, which I have categorised to help in structuring the issues appropriately .....

### **1/ 2018/19 delivery of promised savings**

The Efficiency Plan published in September 2016 contained various commitments in terms of finding budget savings through transformation and service reviews. The 2018/19 budget then committed to delivering £777K worth of savings over the course of that year, but I understand only £594K of these were subsequently delivered, leaving a variance of £168K.

*Could you please explain the reasons for this variance and give your views on the council's ability to deliver future savings?*

### **2/ 2018/19 in year decisions with financial impacts**

Last year there was a decision to delay the implementation of the creation of a 'council owned leisure company', subsequently called Rubicon Leisure. This delay cost the council £74K, as the expected savings could not therefore be made.

*Could you explain how this decision was arrived at and what was your advice regarding the financial impact?*

Additionally, I understand that the likely redundancy costs associated with the 'Leisure Co' policy became clearer over the course of last year and were seen to be increasing.

*Were these increasing costs known at the time of the decision to delay the 'Leisure Co' and was their impact on the viability of the 'Leisure Co' plan understood and taken into account?*

### **3/ 2018/19 overspends and change in level of General Fund Balances**

At the close of the 2017/18 municipal year, General Fund balances stood at £1.79M, with £250K additionally being added to Reserves. A year later, General Fund balances stood at £1.2M when the amount was projected to be £1.7M. This is a significant deterioration in the council's financial resilience as noted by Grant Thornton.

*Could you please explain how this position was arrived at over a single financial year, and whether you believe there are lessons to be learnt in terms of budget monitoring?*

*Were the council's actions over the course of 2018/19 sufficient, timely and effective? For example in terms of dealing with any projected overspends / new pressures / savings shortfalls.*

### **4/ 2019/20 budget decisions**

In the 2019/20 budget there was a decision to increase Council Tax by 2.2% when previous financial plans assumed a 2.99% increase. This decision will cost the council £218K over 4 years.

*What were the S151 officer recommendations in relation to this, and how was this decision taken in view of the fact that it was effectively unfunded?*

*In the face of the projected future deficits, highlighted by Grant Thornton, were the implications for the future council tax base and the impact on these future deficits clearly put before members to decide upon?*

In December 2015 the council agreed to invest in the Crematorium facilities and for this to be funded by increases in charges over future years of approximately 8% pa. In February last, the 2019/20 Fees and Charges report proposed an increase in charges of 3.2% instead of the previously budgeted 8%. This was approved and the decision will cost the council approximately £160K over 4 years.

*What were the officer recommendations in relation to this and how was this decision taken in view of the fact that it was effectively unfunded?*

*In the face of the projected future deficits, highlighted by Grant Thornton, were the implications of the loss of income and its impact on these future deficits clearly put before members to decide upon?*

Regarding Member Allowances, in the 2018/19 budget over 4years, inflation only increases were assumed over those upcoming years. In February 2019 members voted to increase allowances by £60K pa starting in the 2019/20 municipal year, costing the council £240K over 4 years.

*What were officer recommendations in relation to this and how was this decision taken in view of the fact that it was effectively unfunded with the predicted funding deficits?*

*Were the financial implications, the unfunded nature of this increase, and the Section 151 Officer's advice on this matter, clearly spelt out to members in the relevant reports before the proposals were voted on?*

## **5/ Council's future position regarding the deficit and financial sustainability**

When council approved the 4 year plan starting with the 2018/19 municipal year, the projected deficit for 2020/21 was £448k, which assumed that RBC would need to pay £330k to central government as a negative grant. The 2020/21 funding deficit is now projected to be £1.2m, despite the negative grant being removed from all budget forecasts.

*Can you explain why this is now the position?*

The Efficiency Plan published in September 2016, contained a figure of £2.82M of savings to be delivered in the year 2019/20.

*Can you say how much of this we now expect to achieve in the current financial year?*

## **6/ Summary**

I apologise for the number of questions, but I feel that they are appropriate and responsible given the serious nature of the position that Redditch Borough Council finds itself in. The Audit Governance & Standards Committee is responsible for approving the council's response to the Section 24 notice, and crucially for ensuring that any lessons are learnt and addressed going forward.

Therefore, I would request that these questions are considered and then discussed by the Audit, Governance & Standards committee at our meeting on Thursday September 26<sup>th</sup>.

Yours sincerely

Councillor John Fisher

Chair of Audit, Governance & Standards Committee.