



Audit, Governance & Standards Committee

Thursday, 26 September
2019

MINUTES

Present:

Councillor John Fisher (Chair), Councillor Mark Shurmer (Vice-Chair) and Councillors Salman Akbar, Tom Baker-Price, Roger Bennett, Michael Chalk, Ann Isherwood, Yvonne Smith and David Thain

Also Present:

Julian Grubb and Jennifer Wheeler

Officers:

Jayne Pickering and Sue Hanley

Senior Democratic Services Officer:

Jess Bayley

17. APOLOGIES AND NAMED SUBSTITUTES

An apology for absence was received on behalf of Councillor Nyear Nazir and Councillor Roger Bennett attended as her substitute.

18. DECLARATIONS OF INTEREST

There were no declarations of interest.

19. MINUTES

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on Monday 29th July 2019 be approved as a true and correct record and signed by the Chair.

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Chair

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20. PUBLIC SPEAKING

The Chair confirmed that there were no registered speakers on this occasion.

21. SECTION 24 ACTION PLAN

The Executive Director of Finance and Corporate Resources presented the Section 24 Action Plan, which detailed the Council's response to the Section 24 Notice that had been issued by the external auditors, Grant Thornton, to the authority.

The external auditors had confirmed that the Council's accounts for 2018/19 were unqualified. The auditors also issued a Value for Money (VfM) assessment, which focused on the Council's financial sustainability moving forward. The Council had been issued with an adverse VfM assessment because the external auditors had concerns that the authority was not financially sustainable in the long-term. The Section 24 was intended to provide a warning to the Council that it needed to take action to change the way the authority's budget was managed moving forward. Local authorities that were subject to a Section 24 Notice needed to determine whether to accept the external auditor's recommendations and then to demonstrate how the Council would respond to those recommendations. The Audit, Governance and Standards Committee had already accepted the Section 24 notice and recommendations in July 2019. Should the Committee approve the Section 24 Action Plan the report would be considered by the external auditors the following day and they would subsequently monitor the progress achieved by the Council.

A Section 24 Notice would be followed by further action should the Council not secure a balanced budget moving forward. Should the Section 151 Officer have concerns about the budget position by January/February 2020 it was possible that she would need to issue a Section 114 Notice against the authority. This is the action that had been taken in relation to Northamptonshire County Council some years previously. However, Members were advised that progress was being achieved by Officers and the Executive Committee in terms of realising savings and identifying new opportunities for income generation and it was not therefore anticipated that a Section 114 Notice would need to be issued.

There remained financial challenges for the Council. In particular there was uncertainty about the financial settlement from the

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Government which made it difficult to balance the budget over the course of the full four years of the Medium Term Financial Plan (MTFP). Lots of other Councils faced similar uncertainty but many did not deliver the same number of services as Redditch Borough Council nor did they necessarily have the same demand placed on their services by local residents. The Government had announced that there would be no change to the New Homes Bonus (NHB), which meant that the local authority would receive over £100,000 more than had been budgeted for from this source of funding. However, the Government had also indicated that local authorities would only be able to increase Council Tax by a maximum of 2% in future, rather than the 2.99% that had been possible in recent years and this would have a negative impact on the Council's budget position.

The Executive Director of Finance and Corporate Resources addressed each of the recommendations from the external auditors in turn. The first recommendation focused on the challenge of delivering £1.13 million savings in 2019/20. Members were advised that £1.1 million of savings had already been identified for delivery in 2019/20. The financial monitoring that had been undertaken to date indicated that the Council was on track to deliver these savings. The second recommendation focused on the need for the Council to deliver further significant savings for the 2020/21 budget, so that the Council would not need to use funding from balances in order to secure a balanced budget. Members were advised that there was an aim to increase balances to £1.5 million in the General Fund and £1 million in the Housing Revenue Account (HRA). The third recommendation called on the Council to produce a realistic financial plan for 2021/22 onwards. The Council would need to achieve £1.5 million in additional savings over the four-year period up to 2023.

A range of actions were already being undertaken in order to achieve ambitious saving targets. Vacant posts would not be filled unless they were considered to be business critical. Financial savings could not be retained in departments. In cases where budgets had not been spent for the last few years these would be removed from a Department. Any overspends were discussed by the Corporate Management Team (CMT) and the Executive Committee, Budget Scrutiny Working Group and CMT all received regular monitoring updates in respect of the budget position. For the HRA a review was in the process of being undertaken in respect of spending on repairs and maintenance (R&M).

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A number of lessons had been learned by the Council as Officers and the Portfolio Holders had reviewed the causes of the situation. The Committee was asked to note that in the last ten years only two services had ceased to receive funding; pre-9.30 am bus travel and free swimming. The Council had also made very few changes in terms of how services were delivered, with the exception of the introduction of Rubicon Leisure to deliver leisure services on behalf of the Council. Difficult decisions would be required from Members in respect of Council services in order to address the points raised by the external auditors.

Lessons had also been learned with respect to reporting on the financial implications of decisions that were taken by Members. In previous years information had been provided on this subject, though this had often been included within an appendix to a budget report. In future Officers intended to clearly specify the cost of action requested by Members compared to the cost of alternative actions that could be taken and this information would be included in the covering report.

The inclusion of unidentified savings in previous MTFPs had also created challenges, particularly in 2018/19. There had been £770,000 of unidentified savings to achieve in the 2019/20 budget which had not been addressed, though senior Officers had achieved the majority of identified savings that had been included in the budget. It was anticipated that this would not be a problem in future as there were only £180,000 in unidentified savings to achieve in 2019/20 and unidentified savings would no longer be included in future budgets.

The Executive Committee had approved the Council's Financial Framework. In line with this framework Officers would work to ensure that resources were allocated in accordance with the Council's strategic purposes. Further work would be undertaken to identify more savings and income generation opportunities, including at a Portfolio Holders' workshop.

The financial position of Bromsgrove District Council, with which Redditch Borough Council shared many services, was also briefly discussed. Members were advised that Bromsgrove District Council had reserves of £4 million and was achieving similar levels of savings to Redditch Borough Council every year. However, Bromsgrove District Council received more in Council Tax, both due to the larger population and to the fact that many of the properties in their district were of a higher band than in Redditch. Bromsgrove

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District Council also did not have the same costs as Redditch Borough Council as the authority did not provide the same services.

During consideration of this item the Chair explained that he had written to the Executive Director of Finance and Corporate Resources prior to the meeting with a number of questions about the Section 24 Notice. A copy of this letter was tabled at the meeting (Appendix 1).

Officers proceeded to provide a verbal response to each of the Chair's questions, as follows.

- 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 £777,000 worth of savings over the course of that year, but only £594,000 of these were subsequently delivered, leaving a variance of £168,000. Could you please explain the reasons for this variance and give your views on the Council's ability to deliver future savings?

The Committee was informed that Bereavement Services had received less income than expected on cremations, additional electricity charges and additional costs due to cremator repairs. In addition, whilst a significant growth in income had been achieved within core waste services, there had been additional costs required for running the domestic waste services. Furthermore there was a shortfall in the amount of eligible housing benefit that the Council could recover. All of these issues were being addressed as part of the current budget and financial monitoring actions.

In addition to this point Members were advised that there were a number of actions in place to ensure that savings were made in this financial year to include:

- All savings were monitored on a monthly basis with Heads of Service and budget holders during meetings with representatives of Financial Services.
- Quarterly reports to the Executive and Audit, Governance and Standards Committees would be presented which would provide detailed savings schedules, showing delivery of savings or areas of

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concern where additional income or cost reductions were not being achieved. Action plans were due to be in place from Quarter 2 2019/20 onwards to help identify how any shortfalls would be met.

- Quarterly identification of further additional income and savings was detailed on a separate schedule to ensure vacancy management savings and non-allocated savings of £181,000 were being met.
- Budgets were being adjusted to draw down additional savings in order to increase General Fund balances where appropriate.
- HRA – plans were in place to mitigate spend on R&M to ensure savings were made and to protect HRA balances.
- A freeze had been placed on vacancies and non-essential spend to help deliver additional savings to support the balances position for both the HRA and the General Fund.
- An override had been introduced for budgets where funds were no longer available and a list of orders was considered by Heads of Service on a monthly basis.

In addition the Committee was advised that work had commenced earlier than in previous years to address the MTFP deficits. Actions, both in the short-term and for the future included:

- Transparent consideration by Members of the impact of future decisions on balances and the Council's financial position.
- A detailed review of actual spend in the 2018/19 budget compared to the 2019/20 budget to enable any additional budget allocations to be released for the period 2019/20 to 2021/23.
- Consideration of all vacant posts by Heads of Service and the strategic lead Directors to ensure any excess vacant posts were released for the period 2019/20 to 2021/23.
- A review of the costs associated with support services and robust estimates of savings realised from new systems. There were particular opportunities available from automating certain services.
- A detailed review of the Council's Capital Programme to assess the need for any expenditure on projects and

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vehicles (including the replacement period for Council vehicles).

- A requirement for robust business cases to be presented where additional spend would be needed in order to meet strategic priorities.
- Maximisation of asset sales to enable the Council to receive capital receipts that could balance revenue streams within the Council.
- In addition, maximisation of rental income from remaining Council assets.
- Consideration by the Budget Scrutiny Working Group of proposed actions and progress in delivering these actions to enable proper challenge of the savings that had been proposed.
- Working with the external auditors, Grant Thornton, and other Councils to identify best practice in the identification and monitoring of savings.
- Undertaking a realistic assessment of income that could be received by the Council as a result of participating in more commercial activity.

- 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 £74,000, 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?

Officers explained that a decision had been taken to review the position in relation to the establishment of the new Leisure Company to enable the new political administration elected in May 2018 to be made aware of the detailed aims and objectives of the company. This led to a four month delay in the company being launched. There were costs associated with this delay and they were reported to Members.

Over the course of 2018/19 the likely redundancy costs arising from the introduction of Rubicon Leisure had become clearer. This revealed that those costs were higher than had originally been anticipated.

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2b) 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?

The Committee was advised that the severance costs, including pension strain figures, were estimated and not confirmed until the restructure had been implemented. This did not occur until February 2019. Therefore the costs were not known when the decision was taken to delay.

3) 2018/19 overspends and change in the level of General Fund Balances: At the close of the 2017/18 municipal year, General Fund balances stood at £1.79 million, with £250,000 additionally being added to Reserves. A year later, General Fund balances stood at £1.2 million when the amount was projected to be £1.7 million. 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?

Members were informed that there were a number of costs, totalling £560,000 that were funded from balances during 2018/19 which had not been previously anticipated. This included releasing from balances:

- £39,000 arising following the return of Property Services to Council control from the Place Partnership.
- £150,000 for the Public Sector Services Hub.
- £74,000 for general costs associated with Leisure Services.
- £89,000 to cover the general budget shortfall.
- A significant figure to cover the redundancy costs arising from the introduction of Rubicon Leisure.

3b) 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.

Officers confirmed that they accepted that decisions relating to new budget pressures could have been outlined more clearly for the consideration of Members in

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respect of the impact on balances and the future financial position of the Council. This would be addressed in future reports.

Members were asked to note that additional income and savings had been achieved in 2018/19 and regular discussions held by CMT in relation to the ongoing financial monitoring position. However, given the level of unidentified savings that had been included in the budget it had been difficult to deliver these when a number of services had unexpected overspends and shortfalls in income which could not be controlled.

- 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?

The Committee was informed that the MTFP had included a 2.99% increase every year across the four years of the plan. Members had been advised that any reduction in Council Tax would have a very small impact on individual Council Tax increases for the public but a significantly adverse impact on the financial position of the Council across the years. However, a decision had been made at Council in February 2019 to increase Council Tax by 2.2% in 2019/20.

- 4b) 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?

Officers confirmed that it was accepted that the full implications for the Council's budget had not been clear to Members when the decision had been taken at Council. This would be addressed in future through implementing the proposed changes to the authority's budget reports.

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- 4c) 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?

The Committee was advised that Officers had included an assumption that fees would increase by 8% in the budget forecast and Members had been advised of this. However, a decision had been made at a meeting of Council to increase Bereavement Services' fees by 3.2%. Officers had reduced the additional income that was expected from Bereavement Services by approximately £43,000 to reflect the loss of income.

- 4d) 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?

Officers noted that this information had been recorded in the MTFP report, though only in an appendix. Therefore, Officers accepted that the financial implications may not have been clear to Members. Planned changes to budget reports would be designed to ensure greater clarity for Members in future.

- 4e) Regarding Member Allowances, in the 2018/19 budget over four years, inflation only increases were assumed over those upcoming years. In February 2019 Members voted to increase allowances by £60,000 per annum starting in the 2019/20 municipal year, costing the Council £240,000 over four 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?

Officers explained that a report had been presented for Members' consideration on behalf of the Independent Remuneration Panel (IRP) on 5th February 2019. In the

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report it had been stated that if the Council was to accept the Panel's recommendations in full, the budget for Members' basic and special responsibility allowances for 2019 to 2020 would be approximately £200,000. The report had acknowledged that this would be an increase of £51,000 on the budgets for Members' allowances. Therefore, Members had been advised that a financial pressure would have to be included within the budget projections to support this additional funding.

- 4f) 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?

The Committee was informed that a budget pressure was included in the final MTFP to enable Members to agree the additional cost. However, Officers confirmed that it was accepted that this could have been made clearer.

- 5) Council's future position regarding the deficit and financial sustainability: When Council approved the four year plan starting with the 2018/19 municipal year, the projected deficit for 2020/21 was £448,000, which assumed that Redditch Borough Council would need to pay £330,000 to central government as a negative grant. The 2020/21 funding deficit is now projected to be £1.2 million, despite the negative grant being removed from all budget forecasts. Can you explain why this is now the position?

Members were informed that there were a number of additional pressures and changes to Government funding that were projected for the future. From the initial estimate of £448,000 the additional £719,000 changes comprised salary adjustments and funding for a new national pay model, price inflation in areas such as utilities costs, unavoidable costs, revenue bids and changes to specific grant funding. Whilst the Council had achieved over £800,000 in savings this could not offset all of those additional costs.

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- 5b) The Efficiency Plan published in September 2016, contained a figure of £2.82 million 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?

The Committee was informed that the Efficiency Plan was published in 2016 to enable the Council to secure a four year financial settlement from Government. Whilst this plan provided some certainty, it did not include NHB or business rates. The expectation was that the Efficiency Plan would be superseded by future budget reviews and therefore for 2019/20 savings had been identified of £1.4 million to ensure the budget was balanced for the financial year.

Following the presentation of the report and the letter from the Chair of the Committee Members discussed a number of areas in further detail:

- The work of the Financial Services team and the Section 151 Officer. The Committee noted that the Officers' professionalism had not been questioned and they had not been criticised in the Section 24 notice.
- The response of the external auditors to date to the action that had already been taken to address the points raised in the Section 24 Notice as well as to the Council's plans. The external auditors appeared to be satisfied with the direction of travel at the Council and had been sharing information about best practice within local government.
- The reasons for the delays with the launch of Rubicon Leisure. The Committee was advised that following the local elections in May 2018 a decision had been taken to postpone in order to provide the new political administration with time to learn more about the TECKAL company and the implications for the Council.
- The savings that had been anticipated as a result of introducing Rubicon Leisure. Officers explained that the Council had forecast £420,000 of savings over a 12 month period arising from the introduction of Rubicon Leisure.
- The extent to which the Council continued to use agency staff and the reasons why agency staff might be employed. Members were informed that agency staff continued to be utilised by the Environmental and Housing Departments for the delivery of frontline services. Agency staff were also used

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in cases where there were vacancies that needed to be filled in the interim period before a restructure took place which helped to protect permanent members of staff.

- The costs of agency staff. Members were advised that there were financial costs attached but Matrix matched the Council's expenditure on posts which helped to keep the costs at a reasonable level.
- The freeze on capital spending and the impact that this had on the Council's cash flow. Officers explained that this would have a beneficial impact on the budget for future years in relation to the Council's minimum revenue position.
- The level of balances that were considered to be financially sustainable for the Council and who determined this level. Members were informed that the Council's Section 151 Officer had identified that there needed to be £750,000 as a minimum in the Council's balances, though in the current financial circumstances the authority aimed to secure balances at a minimum of £1 million.
- The external auditor's view of the Section 151's determination in respect of the minimum level of balances that should be permitted. The Committee was informed that the external auditor's had signalled that they agreed.
- The potential for Members to vary the minimum level of balances. Officers explained that at Bromsgrove District Council Members had agreed that the minimum level of balances should be set at a higher level than that which had been identified by the Section 151 Officer.
- The savings that could be accrued from vacant posts. Members were advised that there would be salary savings for the period which would be returned to the General Fund balances rather than retained in departmental budgets.
- The asset sales which would need to take place and the rules for local authorities in respect of using capital receipts for revenue purposes. The Committee was advised that when assets were sold they could help to release money for revenue which helped to lower borrowing costs. Some capital receipts could be used for revenue as long as this was on an invest to save basis.
- The location of remaining Council assets. Members were advised that there were some small pockets of land owned by the Council, including at Far Moor Lane and the former Upper Norgrove House site.

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- The potential for the Council to provide estimates of the likely costs arising from vacant posts. Officers explained that this was included in the MTFP on a departmental basis.
- The financial returns from Housing Benefits. The Committee was informed that the Council had not been able to recover as much of the ineligible part of Housing Benefits as anticipated as there had been a number of errors due to pressures on the team. The team had since been turned around and the response times to new applications had fallen from an average of 72 days to 22.
- The use of reserves and the impact that this could have on the Council's balances. Officers explained that reserves were allocated to specific projects and staff were being encouraged to use this funding where appropriate rather than to just rely on revenue expenditure.
- The changing position of the Council's balance sheet and the need to make an assessment at the end of the financial year. Members were advised that at some stages in the year the figures could be misleading, particularly after an influx of Council Tax payments as the majority of these funds needed to be paid over to Worcestershire County Council.
- The potential for reserves to be moved into balances. The Committee was advised that where reserves were not used or no longer considered to be needed they would be moved into balances.
- The Council's arrangements for financial monitoring and the effectiveness of these arrangements. Members were advised that the external auditors had highlighted that the Council had good financial monitoring arrangements in place.
- The extent to which target points were included as part of the Council's financial monitoring arrangements. Officers explained that the monthly meetings between Heads of Service and Finance Officers and consideration of financial data at meetings of CMT would help to identify where any savings targets might not be on track.
- The role of the Budget Scrutiny Working Group in scrutinising the Council's budget position and plans to address this in detail. The Chair explained that he also sat on that group and it had recently concluded that it would be helpful for commentary to be provided in the financial monitoring reports to help build a picture over the year.
- The role of the Audit, Governance and Standards Committee in taking a more strategic overview of the budget position.

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- The impact of the Council's decision to increase Council Tax by 2.2% in 2019/20 on the budget over the four years of the MTFP. Members were advised that this represented a loss of £43,000 each year over the period of the plan.
- Capital expenditure on vehicles and whether the Council owned its vehicles. Members were advised that the Council owned all of its vehicles, though the Head of Environmental Services was in the process of undertaking a review of this.
- The standard arrangements in the private sector whereby vehicles tended to be leased. Officers advised that the difficulty could be in terms of returning vehicles in an appropriate condition at the end of a lease arrangement as there could be significant wear and tear, particularly for waste collection vehicles.
- The financial position of the Council should the authority not secure savings in 2019/20 and 2020/21. Members were advised that if savings were not achieved then by 2020/21 the Council would be spending £30,000 more per week than it would be receiving in income. This financial position was not sustainable.
- The potential that cuts would need to be made to services in order to achieve a balanced budget. Members were advised that there were a range of options available to the Council including savings, generating additional income, introducing charges for services or increasing charges to cover the costs of service delivery, changing services and ceasing to provide services. The Council did, however, need to do more than just achieve efficiency savings.
- The Council's support costs and the need to protect frontline services. The Committee was informed that overheads from support service costs needed to be reduced from 14% to closer to 10 %.
- The need for the Council to effectively achieve savings in relation to 10% of the existing budget.
- The potential for Members to make decisions about the budget based on an assessment of which services were statutory and which were discretionary. However, Officers explained that this was difficult to achieve as Councils interpreted how to deliver statutory services in different ways and the scale of that service was partly determined by need within the community. Removal of discretionary services could also have knock on implications for other services as well as the general wellbeing of local communities.

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- The influence of the Council's strategic purposes and service transformation on spending. Officers confirmed that these were both still being implemented at the Council.
- The difficult decisions that would need to be taken by Members and the issues that would be coming forward for the consideration of the Executive Committee over the next few months.
- The services that Redditch Borough Council provided which were not delivered by Bromsgrove District Council. Officers advised that there were a number of differences including the following:
 - Bromsgrove District Council did not provide grant funding to local Voluntary and Community Sector (VCS) groups like Redditch and did not have a Councillor grant scheme. The only community grant that Bromsgrove did provide was to the Citizens Advice Bureau (CAB).
 - Bromsgrove did not have an equivalent service to Dial A Ride. In Bromsgrove the BURT community transport service was managed by Age UK.
 - Bromsgrove District Council had sold the Council's housing stock in the early 2000s. Bromsgrove District Housing Trust (BDHT) had taken on responsibility for much of the social housing in the district and the Council did not have an HRA.
 - Bromsgrove District Council had chosen to outsource the Council's Leisure Services many years ago.

RESOLVED that

the responses to the Section 24 recommendations as detailed at 3.6.4, 3.6.5 and 3.6.6 of the report be approved.

(During consideration of this item there was a brief comfort break from 19.30 to 19.35 pm).

22. WORK PROGRAMME

Members were advised that the following meeting of the Committee was scheduled to take place on 31st October 2019.

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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 26th.

Yours sincerely

Councillor John Fisher

Chair of Audit, Governance & Standards Committee.

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