

**EXECUTIVE
COMMITTEE**

11th November 2019

BUDGET SCRUTINY WORKING GROUP – RECOMMENDATIONS

Relevant Portfolio Holder	Councillor David Thain
Portfolio Holder Consulted	N/A
Relevant Head of Service	Jayne Pickering, Executive Director of Finance and Corporate Resources and Claire Felton, Head of Legal, Equalities and Democratic Services.
Ward(s) Affected	All wards.
Non-Key Decision	

1. SUMMARY OF PROPOSALS

This report provides background to recommendations that have been made by the Budget Scrutiny Working Group. These recommendations have been agreed by the group, following consideration of information about the Section 24 Notice that was issued to Redditch Borough Council in July 2019 and are designed to enhance decisions made by Councillors that may have significant financial implications.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

- 1) business cases for new investment and acquisition opportunities for the Council should all be considered by the Budget Scrutiny Working Group before a decision is taken by the Executive Committee; and**
- 2) the financial implications detailed in reports to the Executive Committee should address the following points as a minimum:**
 - a) the financial costs of the proposed action;**
 - b) the source of funding for the proposed action;**
 - c) potential alternative options and the financial costs of each alternative option; and**
 - d) the financial costs to the Council where the proposed action deviates from previous Council policy.**

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3. KEY ISSUES

Background

- 3.1 At a meeting of the Budget Scrutiny Working Group held on 14th October 2019 Members considered information about the Section 24 Notice that was issued to the Council in July 2019. The group was advised that the Council has been making a lot of progress to address the concerns raised by the authority's external auditors, Grant Thornton. However, Members were also advised that additional action is required and that the budget for the full four-year period of the Medium Term Financial Plan (MTFP) will not be balanced through making efficiency savings alone. Instead, Members will need to make difficult decisions, which could involve exploring alternative ways of delivering services, cutting services and exploring commercial opportunities that could result in increased income.

Investment and Acquisition Opportunities

- 3.2 One of the methods that the Council could use to secure additional income is to agree investments and acquisitions that could result in a financial return for the Council. In January 2018 the Council approved an Acquisition and Investment strategy which delegated power for approving any proposed investments and acquisitions to the Executive Committee. This ensures that the Council can make decisions promptly which is essential to ensure that the authority can be competitive.
- 3.3 To date the Executive Committee has considered two proposed investments under the terms of this policy. Neither of these investments were subject to detailed budget scrutiny.
- 3.4 The Budget Scrutiny Working Group is not opposed to the Executive Committee making investments or acquisitions and Members recognise that these can have a positive impact on the Council's budget position. However, at a time when the Council is in a challenging financial position the group is in agreement that all future business cases for proposed investments and acquisitions should be subject to detailed budget scrutiny. This would help to provide the Executive Committee with assurance that the proposals are sound and will have a positive impact on the Council's finances. Furthermore, the group contend that this is particularly important at a time when the Public Works Loan Board (PWLb) has increased borrowing costs for local authorities to 3.01%. As the Council borrows to make investments Members need to be certain that projections for any investment are sound and have been thoroughly scrutinised.
- 3.5 The Overview and Scrutiny Committee and Budget Scrutiny Working Group can choose to scrutinise anything impacting on the Borough. However, the recommendation proposing that all business cases for new investment and acquisition opportunities should be considered by the Budget Scrutiny Working

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Group would build that requirement into Council policy. This will ensure that the group do not miss any opportunity to scrutinise future businesses cases.

Committee Reports

- 3.6 Currently the Council's report template for reports to the Executive Committee requires report authors to note the financial implications arising from the action(s) proposed in the report.
- 3.7 The Budget Scrutiny Working Group does accept that all Members, not just Executive Committee Members, can access reports, including exempt information in reports and this is a positive aspect of the Council's democratic process. This enables all Members to actively take part in decision making and enhances transparency. However, Members of the Budget Scrutiny Working Group are suggesting that improvements could be made to the way in which financial implications to proposals are reported.
- 3.8 At a meeting of the Audit, Governance and Standards Committee held on 26th September 2019 concerns were raised that the full financial implications had not been clear for a number of decisions taken by Members. Specifically, it was suggested that further information needed to be provided about the financial costs of taking alternative action as well as the financial implications arising from taking action that deviated from previous Council policy.
- 3.9 Having considered the points raised at the Audit, Governance and standards Committee meeting the Budget Scrutiny Working Group have concluded that additional financial information in Committee reports would help Members when making difficult decisions in order to balance the budget. Members of the group are therefore proposing that the following information should be provided in Committee reports which would help Members:
- Information about the financial implications of the proposed action. This should outline the costs to the Council of taking that action and the reason for those costs. Generally this information is already included in reports.
 - Details about the source of the funding for the proposed action. Members are anticipating that the report author could clarify whether the proposed action would be funded using an existing revenue budget, capital funding, reserves, external grant funding or other sources.
 - The potential alternative options that the Executive Committee or Council could approve instead of the action proposed in the report and the financial implications of these alternatives. The group are suggesting that there should be a full options appraisals with the financial implications of each detailed in reports, as this would help Members to assess the relative merits of the options available to the Council.
 - Information about the financial costs to the Council arising when a proposed action deviates from previous Council policy. The group feels that this would help to clarify the financial implications arising from making changes to policy.

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Financial Implications

- 3.10 A number of financial implications are detailed throughout the report.
- 3.11 The Budget Scrutiny Working Group contend that the recommendations detailed in this report will help to enhance the decision making process at Redditch Borough Council and will enable Members to manage the Council's budget more effectively in future.

Legal Implications

- 3.12 There are no specific legal implications.

Service / Operational Implications

- 3.13 The Budget Scrutiny Working Group has been delegated with responsibility for scrutinising the Council's budget by the Overview and Scrutiny Committee. Budget scrutiny has an important role to play in reviewing the Council's budget, assessing any previous challenges with the budget and identifying how to avoid such challenges in the future and can bring forward proposals that should make a positive contribution to the Council's budget position moving forward.
- 3.14 The group convenes meetings on an ad hoc basis and at present generally meet once a month. The group recognises that in order for the Council to be competitive the Council needs to act fast in making decisions about any investment and acquisition opportunities. To ensure that scrutiny of any such opportunities does not place the Council at a competitive disadvantage, the Budget Scrutiny Working Group is prepared to meet at short notice to assess the proposals.

Customer / Equalities and Diversity Implications

- 3.15 There are no specific customer or equalities and diversity implications.

4. RISK MANAGEMENT

- 4.1 The Budget Scrutiny Working Group is concerned that there is a risk that if the actions proposed in this report are not approved Members will be asked to make decisions with significant financial implications without proper detailed scrutiny.
- 4.2 The group is also concerned that without the additional information suggested for inclusion in the financial implications section of a report Members will not be able to make decisions informed by the full facts in respect of the financial costs to the Council of a particular action.

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5. APPENDICES

N/A

6. BACKGROUND PAPERS

Grant Thornton – Audit Findings Report 2018/19, report to the Audit, Governance and Standards Committee meeting held on 29th July 2019.

Minutes of the Audit, Governance and Standards Committee meeting held on 29th July 2019.

Financial Framework 2020/21 to 2023/24, report to the Executive Committee meeting held on 10th September 2019.

Minutes of the Executive Committee meeting held on 10th September 2019.

Section 24 Response, report to the Audit, Governance and Standards Committee meeting held on 26th September 2019.

Minutes of the Audit, Governance and Standards Committee meeting held on 26th September 2019.

AUTHOR OF REPORT

Name: Jess Bayley, Senior Democratic Services Officer (Redditch)

Email: jess.bayley@bromsgroveandredditch.gov.uk

Tel.: (01527) 64252