

Agenda Item No: 6
Report To: Cabinet
Date: 11th February 2016
Report Title: Report of Budget Scrutiny Task Group
Report Author: Member Services and Scrutiny Manager



Summary:	The Overview and Scrutiny Budget Scrutiny Task Group has scrutinised the Council's draft 2016/17 budget and regards it as legal and achievable.
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Key Decision: NO

Affected Wards:

Recommendations: 1. **The O&S Committee recommends that the Cabinet:**

- **Be advised that the O&S Committee regards the Council's draft 2016/17 budget as legal and achievable**
- **Endorses the Risk Matrices and the risks identified within them, particularly noting those that fall in the shaded part of the matrix**
- **Note that the O&S Committee would consider it inappropriate for any amendments to be made to the budget following scrutiny as it would potentially make the budget insecure (subject to any unexpected announcements on Central Government funding).**
- **Note that the O&S Committee intend to scrutinise the MTFP document at its April meeting and test the assumptions made as a starting point for scrutiny of the following year's budget.**

Policy Overview: Under the Council's Constitution the O&S Committee has a duty to scrutinise the Council's draft Revenue and Capital Budgets.

Financial Implications: As noted in the report

Risk Assessment N/A

Equalities Impact Assessment N/A

Other Material As noted in the report.

Implications:

**Exemption
Clauses:** N/A

**Background
Papers:** All individual services draft 2016/17 budgets

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Summary

Achieving a balanced budget is a fundamental requirement for the Council. The Council's provisional draft budget for 2016/17 was presented to the Cabinet on 3rd December 2015. This budget was built against a backdrop of continued economic austerity measures, which are likely to deepen further, and an increasing cost base due to inflationary pressures.

The provisional draft budget presented to the Cabinet was then submitted to the Overview and Scrutiny Committee's Budget Scrutiny Task Group for formal scrutiny.

When the draft budget was being prepared the Government's Autumn Budget statement had yet to be announced and so the draft budget was prepared using the Government's provisional figures which were published, for consultation, in the summer. Details of the settlement grant figures had also not been announced.

The Council's draft budget allowed for a 1.99% increase in Council tax.

This draft budget was scrutinised by the Overview and Scrutiny Budget Scrutiny Task Group over a series of meetings. The Task Group met on six occasions and at each meeting Members asked the relevant Officers to give the Group an overview of their service, the risks and uncertainties facing them, what savings they had achieved, and their proposed service developments.

The table attached to this report highlights the areas that the Task Group considered could be a risk to the 2016/17 budget and places them in a Risk Matrix which shows the potential likelihood of the event occurring and the material impact it would have on the Council if it were to occur. The Risk Matrix is separated into Financial risk and Operational (i.e. service quality) risk. Risks of high probability or materiality (in the shaded area of the matrix) could impact on the 2016/17 Budget and would require careful monitoring during the year.

The Minutes of each Service Budget Scrutiny meeting are available to Members and should be read in conjunction with this report for more information.

The 2016/17 budget is for the first year of the Council's 5 year Medium Term Financial Plan agreed in October 2015 when the Cabinet adopted the 'The Next Five Years' Corporate Plan 2015-2020 and the MTFP 2016-21 paper.

By the end of the Budget Scrutiny process the Task Group had not raised any issues that caused it to be concerned that the Budget for 2016/17 would not be achievable and were encouraged to know that financial position of the Council was being regularly monitored. However, it was acknowledged that the financial position in subsequent years was going to be increasingly challenging.

Keith Fearon – Member Services and Scrutiny Manager

Report of the Chairman of the Budget Scrutiny Task Group

Firstly I would like to thank Cllr's Burgess, Chilton, Link and Michael for their support and expertise in the scrutiny of the draft Budget for 2016-2017. In addition, I would like to thank Officers and staff for their support in guiding Members through the Budget Scrutiny process. Special thanks must go to Maria Seddon, Principal Accountant, for her hard work not only in the preparation of the numerous accounting spreadsheets but also her guidance through them for the members of the Task Group (TG). The extra explanations and details provided by Cllr Shorter, Keith Fearon and the Members Services Team were also invaluable when it came to ensuring the TG was able to complete their scrutiny of the Budget in a timely manner.

All Heads of Department and their Budget Managers presented their draft Budgets to the TG in order that its Members could scrutinise all draft Budget plans in detail which were then analysed/ identified/ classified for any potential risks both financially and operationally to the Budget and or the Authority. The final report and associated risk matrix are presented to all Members for their consideration and approval.

This year's draft Budget has been formed under some difficult fiscal circumstances with Central Government austerity seeing real term cuts in government grants to this authority due to the failure to eradicate the national Budget deficit. Calculations for this draft Budget have been based on an assumption that the full Council will consider and subsequently accept that a 1.99% increase in Council Tax will need to be made for this upcoming 2016-2017 Financial Year. Along with this potential changes in associated costs/ savings that are to be had given the personnel changes that have been notified and accepted amongst senior members of the Corporate Management Team have also been taken into account. Members of the TG noted their contributions to the excellent financial position that this Authority finds itself in and wishes to thank them for their efforts and hope that their future endeavours are personally fruitful whatever they may be.

The TG would furthermore like to thank all Cabinet Members who attended the respective meetings of this Group to report on their Budgets and offer poignant advice in regards to their portfolio. Thanks also to those Members that attended some meetings in order to gain a better insight into the workings of the Authority.

It is my personal opinion that the work of this TG does/ can give all Members a very good and well-rounded view of just how well and efficiently this Authority operates and that it does have some of (if not) the best Officers and staff of any Authority in not only the South East but further afield. The opportunity to Chair and work with the other Members of this Group along with Officers and staff has been an honour and a privilege.

Thank you

Larry Krause
Chair, Budget Scrutiny Task Group

Financial Risks to the Council				
Materiality	High >£500,000		5.1	4.3
	Medium £100,000– £500,000	3.1	2.2, 10.2	4.1
	Low <£100,000	1.1, 1.2, 1.3, 2.1, 2.4, 3.4, 4.2, 4.4, 5.3, 6.1, 6.3, 7.1, 7.2, 7.3, 7.4, 7.5, 8.7, 8.8, 8.9, 8.10, 8.13, 8.14, 9.2, 10.1, 10.3, 10.5, 10.6, 11.1	3.2	1.2, 5.2, 8.12, 11.2
		Low	Medium	High
	Probability			

Operational Risks to the Council				
Materiality	High	4.3		
	Medium	4.4, 7.2,	2.3, 8.9, 8.10, 8.11, 9.1, 10.1, 10.4, 10.7	8.11.1, 11.2
	Low	1.1, 1.2, 1.3, 2.1, 2.4, 3.3, 3.4, 4.2, 5.3, 6.3, 6.5, 7.3, 7.6, 8.13, 8.14, 9.3, 10.5, 11.1,	6.2,	1.3, 2.1, 3.2, 4.1, 6.4, 10.3
		Low	Medium	High
	Probability			

Risks and Uncertainties 2016-17

14 th December 2015 Corporate Property and Projects		Risk – High/Low Financial/Operational
1.1	The service needs to be adaptable to accommodate work streams derived from the Corporate Plan and to raise additional incomes for the Council and maintain the Council's corporate assets. A key risk is the ability of the service as a relatively small team to maintain service continuity given its current workload.	Financial Low Materiality Low Probability Operational Low Materiality Low Probability
1.2	Let space within the property portfolio has been assessed on the basis of current terms prevailing for the financial year 2016/17. Should this not be the case there is a risk of the income generated being lower than predicted. However, a cautious view has been taken for 2016/17.	Financial Low Materiality High Probability Operational Low Materiality Low Probability
1.3	If the Facilities Management arrangements for Park Mall and International House are brought in house further pressure will be put on the staff resource within the team.	Operational Low Materiality Low Probability Financial Low Materiality Low Probability

15 th December 2015 Cultural Services		Risk – High/Low Financial/Operational
2.1	Project list for 2016/17 – Risks associated with the likelihood of securing funding from the New Homes Bonus and other external sources and also ensuring that expertise and capacity is available within other services to support the projects.	Operational Low Materiality High Probability
2.2	Increased construction market costs and tenders could threaten the delivery of some new build projects.	Financial Medium Materiality Medium Probability
2.3	Delivery of Stour Centre Regeneration and JVC – Risks include a renewed partnership, lease and contractual arrangements for leisure management.	Operational Medium Materiality Medium Probability
2.4	Not achieving the utilities budget at the Stour Centre. Risk considered less likely given CHP working properly and the reduction in fuel prices generally.	Financial Low Materiality Low Probability Operational Low Materiality Low Probability

15 th December 2015 Planning and Development		Risk – High/Low Financial/Operational
3.1	The fluctuation in fee income remained a risk, and whilst it had been higher than anticipated the additional workload has created pressure on existing staff resources.	Financial Medium Materiality Low Probability
3.2	Speculative housing applications in advance of the new local plan remained a risk in terms of large scale appeals and associated costs. Several applications had been submitted adding to the pressure on resources and diverts it from delivering Corporate priorities and maintaining a good quality day to day service.	Financial Low Materiality Medium Probability Operational Low Materiality High Probability
3.3	The delivery of the Big 8 projects is a major risk has led to additional pressure on staff resources and will inevitably impact on day to day service delivery. The risk of slower delivery includes dangers of market downturn and loss of investor confidence. Additionally the Administration's stated aim of making the Enforcement Team more robust will also create further pressure on resources. The Task Group considered that there was an urgent need to address staffing resources to continue to support the Big 8 and additional enforcement work. Without this the robustness of the draft budget would be questioned. Note: The Task Group considered that progress on the Big 8 should be closely monitored by the Ashford Strategic Development Board and the Cabinet.	Operational Low Materiality Low Probability
3.4	Applications had increased by 17% since 2013. This has been partly offset by the limited use of consultants and service efficiencies. Caseloads remained high and service resilience was becoming stretched.	Operational Low Materiality Low Probability Financial Low Materiality Low Probability

17 th December 2015 Community & Housing – General Fund Housing		Risk – High/Low Financial/Operational
4.1	Rising house prices has resulted in previously rented properties continuing to be sold which made the acquisition of Private Sector Letting properties more difficult and placing pressure on the service with the risk of a reduction in contribution levels. Additionally, announcements were made as part of the spending review that there will be a change to	Financial Medium Materiality High Probability Operational Low Materiality High Probability

	the way the management of temporary accommodation is funded from 2017/18	
4.2	Bed and breakfast costs - the service is proactively pursuing options for another strategic purchase to reduce the Council's financial exposure to B&B costs.	Financial Low Materiality Low Probability Operational Low Materiality Low Probability
4.3	Affordable Housing Delivery – Considerable change was anticipated arising from Governments intention to move from affordable rented properties to affordable outright purchase. Further details were awaited. Also Housing Associations were reviewing their Business Plans in view of social rent reduction and Right to Buy proposals and requirements for delivery from developers was anticipated to change.	Financial High Materiality High Probability Operational High Materiality Low Probability
4.4	Welfare Reform – Although Universal Credit is due to be in place nationally from April 2017, welfare reform will continue to cause continued uncertainty for the housing sector and tenants both in the social sector and private sector.	Operational Medium Materiality Low Probability Financial Low Materiality Low Probability

17th December 2015 Community and Housing - HRA		Risk – High/Low Financial/Operational
5.1	New Build and Sheltered Housing remodelling costs – The issues of cost inflation and increases in materials and labour costs remain a sector wide issue.	Financial High Materiality Medium Probability
5.2	Social Housing Rents – the announcement in the July 2015 Budget to reduce housing rents by 1% each year for the next 4 years materially affects the financing opportunities for the Council and other providers.	Financial Low Materiality Low Probability
5.3	Welfare Reform – This remains an issue of concern with the introduction of Universal Credit but fortunately collection of rents remain high and arrears low, thus reducing the pressure on the HRA.	Financial Low Materiality Low Probability Operational Low Materiality Low Probability

22nd December 2015 Legal, Democratic and Emergency Planning		Risk – High/Low Financial/Operational
6.1	Legal Income for 2016/17 remains a risk for the same reasons as in previous years, in particular	Financial Low Materiality

	<p>the volume of large scale planning applications submitted is outside the council's direct control (although activity and interest is strong and there is a good reason to be optimistic) whilst the level of cost recovery can be affected (and has been in the past been affected) if there is negotiation of reduced recharge rates or caps in specific cases.</p>	<p>Low Probability</p>
6.2	<p>The level of major project work requiring significant legal support continues to be high and this is anticipated to continue in line with last year's predictions. The consequent increase in Strategic Development legal resource was funded by the use of reserves. An increasing focus on income generating and social housing property acquisition work has led to increased pressure on the Property and Projects Team which has to be managed. This pressure is likely to be maintained as the Council's strategy is delivered.</p> <p>The Administration also has a stated aim to make the Enforcement Team more robust and this could lead to pressures in the legal service.</p>	<p>Operational Low Materiality Medium Probability</p>
6.3	<p>The national roll out of Individual Electoral Registration (IER) from summer 2014 has presented enormous ongoing challenges for the Electoral Services team. Some additional government funding has been made available for transitional work and the team has been re-structured to meet the challenges ahead. There is an ongoing process of review of pressures and resources to meet the challenges ahead. There is also an ongoing process of review of pressures and resources as the first full IER canvass concludes at the end of 2015.</p>	<p>Financial Low Materiality Low Probability Operational Low Materiality Low Probability</p>
6.4	<p>From January 2016 the Boundary Commission review work on borough ward boundaries (following on from the Community Governance Review) will need sensitive handling and resources across corporate and democratic services.</p>	<p>Operational Low Materiality High Probability</p>
6.5	<p>Large number of FOI/EIR requests, more requests for internal reviews and some referrals to the Information Commissioner continue to be a challenge for all service areas. This risk remains the same as last year with no sign of a reducing volume of requests/appeals.</p>	<p>Operational Low Materiality Low Probability</p>

22nd December 2015 Financial Services (including Capital)		Risk – High/Low Financial/Operational
7.1	The draft budget has been built based on assumptions of the level of reductions in our budget emanating from the Comprehensive Spending Review 2015. The announcements within this and the detail that will follow with the subsequent Local Government Settlement has the potential to influence not only the deliverability of this budget but also the workload for the team.	Financial Low Materiality Low Probability
7.2	Welfare reform has been a significant risk to the service with the team working to adapt to the changes brought in and to support residents managing this change whilst seeking to maintain the services performance in both revenues and benefits aspects of the service. Details are awaited in terms of how the proposals announced in the July budget are to be implemented.	Operational Medium Materiality Low Probability Financial Low Materiality Low Probability
7.3	The council is required to have a Local Council Tax Reduction Scheme and adopted a version of the Kent scheme in 2013-14. In view of the changes to welfare reform and the increasing pressure on budgets a county wide review of the scheme has been commissioned. It is important that the scheme that is developed is able to meet the council's needs, be efficient to operate and to be affordable to residents.	Financial Low Materiality Low Probability Operational Low Materiality Low Probability
7.4	There is a risk that the level of court costs charged is challenged by the court and they do not support our calculation and seek to reduce those charges, affecting the level of income.	Financial Low Materiality Low Probability
7.5	The service receives administration grants from the government to fund the administration of the benefits service. There is a risk that the cuts to the grant do not match the transfer of caseload to Universal Credit leaving unfunded work within the department.	Financial Low Materiality Low Probability
7.6	The council's finance system is likely to become 'de-supported' due to the release of a new version therefore to remain supported the council will need to upgrade.	Operational Low Materiality Low Probability

7.7	During the year the council's actuary will undertake the triennial review of the pension fund that will set the contribution level for the coming years. This will have a potential impact on the contribution levels for 2017/18 for both the benefits accrued in the year and the recovery of any pension deficit. This will heavily be influence by the levels of investment returns and bond yields which are used to forecast the value of assets and future liabilities.	Not relevant for the 2016/17 Financial Year
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22 nd December 2015 Human Resources, Communications and Technology		Risk – High/Low Financial/Operational
8.7	2016/17 Pay Negotiations	Financial Low Materiality Low Probability
8.8	During the summer of 2015 the Government consulted on introducing a cap on public sector termination payments. Since then it has been announced that it is intended to implement this cap (together with some changes to tax allowances on severance packages) during 2016/17. HR are currently determining the possible impact of this on ABC and will be developing proposals on how ABC could handle these changes once full details are available.	Financial Low Materiality Low Probability
8.9	In addition HR are modelling the likely effect of the new National Living Wage on pay scales as there is a need to ensure that the council remains competitive and attractive as an employer. Further work will come forward during 2016/17	Financial Low Materiality Low Probability Operational Medium Materiality Medium Probability
8.10	Continuing uncertainty and difficulty in achieving compliance with PCN Code of Connection	Operational Medium Materiality Medium Probability Financial Low Materiality Low Probability
8.11	Loss of expertise from IT function - The departure of the IT Business Analyst and GIS Analyst/programmer as part of the MTFP proposals will result in a significant loss of expertise, and an associated loss of resilience within the Geographical Information Systems function, dilution of the knowledge and expertise involved in supporting core financial systems, although this risk is being actively managed within the service and a loss of business analysis capacity which underpins the requirements	Operational Medium Materiality Medium Probability

8.11.1	<p>phase of any systems development project.</p> <p>The Head of ICT is leaving at the end of March 2016 and this will result in a loss of technical knowledge and expertise as well as capacity to contribute in a strategic way through countywide networks</p>	Operational Medium Materiality High Probability
8.12	<p>There is a risk that staff will not retire on or before 1st April and this could add a pressure to the budget. A review of service requirements will need to be reviewed should this happen.</p>	Financial Low Materiality High Probability
8.13	<p>Greater collaboration with partner councils may require significant IT resource for scoping work at short notice- Work commissioned by Joint Kent Chiefs may result in proposals to change supplier, hosting or collaboration arrangements at short notice.</p>	Operational Low Materiality Low Probability Financial Low Materiality Low Probability
8.14	<p>Requirement to achieve and maintain revised standards for PCI-DSS compliance. Revised compliance regulations means significantly increased workload around IT and payment security. Possibility of significant fines and cessation of payment taking services if found in breach.</p>	Operational Low Materiality Low Probability Financial Low Materiality Low Probability

22 nd December 2015 Corporate Management and Policy and Performance		Risk – High/Low Financial/Operational
9.1	<p>Corporate Management – Partnership working is essential in terms of delivering the Big 8 projects and the Corporate Plan. The work of the Ashford Strategic Delivery Board is constantly monitored to ensure that projects are progressed.</p>	Operational Medium Materiality Medium Probability
9.2	<p>Policy and Performance- Investment in the borough and income generation are aimed at tackling reduced funding from Central Government. If this does not materialise the budget may be at risk.</p>	Financial Low Materiality Low Probability
9.3	<p>Policy and Performance – need to recruit to vacant post within the section. Without this there may be a risk of not delivering the Council's Corporate Objectives.</p>	Operational Low Materiality Low Probability

5th January 2016 Health, Parking and Community Safety		Risk – High/Low Financial/Operational
10.1	Achieving income targets for the Monitoring Centre at risk as ageing equipment limits new business development opportunities	Financial Low Materiality Low Probability Operational Medium Materiality Medium Probability
10.2	Potential loss of an income stream following the withdrawal of the Supporting People Fund which is used by the Housing Revenue Account to fund lifeline services.	Financial Medium Materiality Medium Probability
10.3	Development of the Commercial Quarter would remove approximately half of the available car parking spaces in Dover Place and therefore will affect income.	Financial Low Materiality Low Probability Operational High Probability Low Materiality
10.4	Demand for more parking enforcement associated with the expansion of on-street parking schemes and lorry parking is a risk	Operational Medium Materiality Medium Probability
10.5	A recent audit of ABC street lighting assets has identified a potential risk of up to £75,000 for repair or replacement. Proposed to be funded by the Corporate Repair and Renewal Programme	Financial Low Materiality Low Probability Operational Low Materiality Low Probability
10.6	Risk associated with potential for the Government to make changes in respect of statutory fees and charges. Statutory fees have remained fixed for many years despite increasing operational costs	Financial Low Materiality Low Probability
10.7	Workload is increasing as a consequence of the Borough's growth and there is an increasing demand for highway, transport and parking schemes. This presents both an opportunity and a pressure.	Operational Medium Materiality Medium Probability

5th January 2016 Environmental and Customer Services		Risk – High/Low Financial/Operational
11.1	In terms of the Grounds Maintenance Service, the acquisition of a depot and large plant and machinery are a risk.	Financial Low Materiality Low Probability Operational Low Materiality Low Probability

11.2	Memorial Headstone reviews are recommended to take place every five years and the service is considering a series of policy guidelines, prior to inspection work being commissioned. A report will be submitted to Cabinet in March 2016.	Financial Low Materiality High Probability Operational Medium Materiality? High Probability
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12th January 2016	General Fund Wrap Up and Capital, Repairs and Renewals	Risk – High/Low Financial/Operational
	Risks identified under individual service risks	