

Agenda Item No: 4
Report To: Overview and Scrutiny Committee
Date: 28th January 2014
Report Title: Report of Budget Scrutiny Task Group
Report Author: Senior Scrutiny Officer



Summary:	The Overview and Scrutiny Budget Scrutiny Task Group has scrutinised the Council's draft 2014/15 budget and regards it as 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 2013/14 budget as achievable**
- **Endorses the Risk Matrices and the risks identified within them, particularly noting those that fall in the shaded part of the matrix**

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 Implications: As noted in the report.

Exemption Clauses: N/A

Background Papers: All individual services draft 2014/15 budgets

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Budget Scrutiny Report

The Budget for 2014-2015 will operate under some of the severest and tightest financial constraints in the history of Local Government. It is in that context which this budget was scrutinised, examined and analysed by members of the Overview and Scrutiny Committee Budget Task Group.

At the very outset I would like to thank Cllr's Apps, Burgess, Mrs Martin and Cllr Mortimer for their steadfast commitment, and hard work through the Budget Scrutiny process, and with whom it was a pleasure to work. I would like to also thank them for electing me as Chair of the Task Group.

In addition, and on behalf of the Task Group I would like to thank Officers in Members Services who provided ongoing support and guidance for the Task Group. Furthermore, special thanks are given to the Finance team who were able to provide technical and detailed information for members of the Group through its work.

As Chair of the Budget Task Group, I would like to thank Heads of Department and Budget Holders for meeting with me prior to the Budget Scrutiny process. It was invaluable to have the opportunity to discuss budgets with Officers prior to their appearance before the Task Group and I highly recommend the approach to whoever is elected as Chair of the Task Group next year.

The Task Group asks Members to note that the Medium Term Financial Plan Task Group no longer exists. One of the difficulties the Task Group faced in scrutinising the respective departmental budgets was that Task Group members did not start the Budget Scrutiny process with detailed knowledge about budget assumptions. A special meeting of the Task Group was convened to receive information on Budget Assumptions and it is strongly recommended that future Task Group's hold a similar session at the beginning of the Budget Scrutiny process.

The Task Group believes that as next year's Budget is being formulated, and with the absence of the MTFP Task Group, it would be helpful for all members if briefings could be provided on developing budget assumptions.

The Task Group thanks Portfolio holders for attending meetings of the Task Group while their respective Budgets were scrutinised. The Task Group notes the innovation this year in Portfolio holders 'signing off' budgets and commends the approach as it builds ownership of the construction and management of departmental budgets by Portfolio holders. This also means there can be more democratic and direct accountability by Portfolio holders to the Council and to the public.

The Task Group notes the reduction in the government grant, and that the Council can continue to expect reductions in the Formula Grant. With this in mind, the Task Group strongly believes that it is prudent and good financial management to ensure that the Council Tax base remains adequate. The Task Group notes the current administration's decision to freeze Council Tax for the next two years.

The Task Group scrutinised the Budget which was based on a 2% increase in Council Tax. It is regrettable that after the Task Group had completed its work the decision on the Council Tax increase was changed to a freeze.

Many authorities are increasingly dependent on New Homes Bonus to meet budget costs. The Task Group notes that government is currently reviewing New Homes Bonus. It is likely that as central government funding becomes more and more scarce, Ashford will have to consider how best to use New Homes Bonus to meet the needs of the residents of our Borough. The decision to freeze Council Tax for two years will result in Ashford Borough Council becoming increasingly dependent on New Homes Bonus to build a base budget now and in the future.

The Task Group notes that Cabinet approved the Focus 2013-15 Corporate Plan in October 2013. The document noted the threat of inflation and contained a counter-inflationary strategy to deal with the budget gap caused by inflation. Council Tax increases were a fundamental part of this strategy. The Task Group feels that the Council must develop a clear and definite direction in its long term financial planning and to do this it must reconcile the two year Council Tax freeze with the counter inflationary strategy. There is an absolute contradiction between government policy with regard to Localism and its apparent desire to control the level of Council Tax set by local authorities.

The government's welfare reform agenda has placed extra pressures on Ashford Borough Council and these pressures will continue over the next year, especially with the arrival of Universal Credit. In order to ensure residents are supported and to ensure collection of revenue, the Council must continue to allocate resources effectively and sensitively to manage the changes. The Task Group particularly notes the work of the Welfare Intervention Officers and strongly recommends that this service should continue. The Task Group notes that the work of the Council Tax and Welfare Reform Task Group is ongoing.

It has been evident through the Budget Scrutiny process that as an authority we are becoming increasingly reliant on the voluntary and community sector to deliver our strategic goals. Without the continued cooperation of the various organisations providing assistance to residents and supporting our service delivery, delivering a good budget would be all the more difficult. We must maintain strong and positive relationships with the voluntary sector.

Homelessness has been a pressure on this Council over the past year and measures have been taken to mitigate this risk. It is important that Council continues to work on this problem as it is likely the pressure will increase. Examining the potential for a Homeless Hostel is supported by the Task Group. In addition, it is important that Council continues to strengthen relationships with private landlords, and to encourage them to take on tenants who are in receipt of welfare payments. The Task Group also supports the principle of Ashford Borough Council encouraging Credit Unions as a serious and viable alternative to payday lenders.

The Task Group examined this Budget with reference to the Focus 2013-15 documents presented at the October Cabinet Meeting. The Task Group supports the principal of the Council becoming more entrepreneurial in its function and looks forward to seeing new ideas over the coming year. It is vital that Council continues to examine different methods of increasing revenue as it becomes clearer that a move to self-sufficiency for local government is the ambition of central government. The Task Group particularly supports moves to

encourage business growth in Ashford, and to facilitate new businesses committed to providing good well paid jobs in the Borough.

Members debated and examined the risks to the Council and to the Budget as part of the Scrutiny process and they are presented to members in this report in the risk matrix for consideration and approval.

The staff of this Council will ultimately implement this Budget. The Task Group would like to thank them for their hard work and dedication to this Council and in their public service.

The Task Group concludes that the Budget is balanced, and that it is achievable. Members of the Task Group are happy to commend it to Council for decision.

Brendan Chilton

Chair of the Overview and Scrutiny Budget Task Group.

Summary

Achieving a balanced budget is a fundamental requirement for the Council. The Council's provisional draft budget for 2014/15 was presented to the Cabinet on 5th December 2012. This budget was built against a backdrop of continued economic austerity measures, and an increasing cost base due to inflationary pressures.

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 draft budget allowed for a £1m reduction in formula grant and assumed a 2% rise in Council tax. Last year low taxing councils (of which Ashford was one) were allowed more flexibility to increase their levels of council tax - and Ashford was able to increase its Band D council tax by just under £5 for the year. Even with this increase Ashford's council tax was still the lowest in Kent. No decision on the final level of council tax increase for 2014-15 will be made until the final budget is presented to the Cabinet for its approval in February.

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.

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 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 2014/15 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 2014/15 Budget and would require careful monitoring during the year.

The Minutes of the meetings are available to Members and should be read in conjunction with this report for more information.

The 2014/15 budget is for the fourth year of the council's 5 year business plan. Recommendations for delivering the remaining priorities of the final two

years of this plan were agreed in October when the Cabinet adopted the 'Focus 2013 – 15: the Corporate Plan and supporting Financial Plans' 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 2014/15 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.

Julia Vink
Senior Scrutiny Officer

Risks and Uncertainties 2014 -15

9 th December 2013 Community and Housing – General Fund (GF)		Probability	Materiality
		Financial/Operational	
1.1	Welfare reform continues to be a risk for 2014 - 15. It is hoped that the continued growth of ABC lettings and other initiatives will assist in managing the risk, but the risk remains.	H	H
		O	
1.2	A strategic purchase potentially generating an additional £300,000 net income is built into the budget. Purchase not yet finalised and income could be less (or more) than budgeted. This is a Council and Service risk.	L	M
		F	
1.3	Monitoring Centre – this non-statutory service could generate more income if additional services were successfully bid for. The new fixed term business development post would target increasing the work & therefore income. If not successful then post could be deleted and other options considered.	L	L
		O	
1.4	Occupancy of Civic Centre – future occupancy levels at risk as a current tenant is forecast to move out in 2014, this would decrease income for both occupancy and customer services.	M	L
		F	
1.5	Car parking – income has remained steady but there is uncertainty whether the Government will restrict how this income is used in the future. Free parking on designated shopping days puts a pressure on this service.	L	M
		F	
1.6	Disabled Facilities Grants – demand for these continues to grow. Funding comes from Government (2014 -15 funding to be announced) and Council's capital receipts could reduce.	M	L
		F	
1.7	Affordable Housing – good levels expected by March 2015. However, developers concerned about cost of delivery of these homes on sites and council under pressure to make concessions in order to get affordable homes built.	M	M
		O	

9 th December 2013 Community and Housing - Housing Revenue Account (HRA)		Probability	Materiality
		Financial/Operational	
2.1	Welfare Reform – this continues to be a risk – evictions have increased, but, due to council initiatives, rent collections are high and arrears levels are stable.	H	H
		F	
2.2	Disabled Adaptations – continue to be a pressure due to the continuing high demand. Appropriateness of demand needs to be monitored.	L	L
		O	
2.3	Local Authority New Build (including rebuilding/remodelling sheltered housing schemes) – financial risks are associated with each scheme/project but they are put through the HRA Business Plan financial model to ensure they are affordable within the constraints of the HRA debt cap, and approved by Members/Cabinet on a case by case basis.	L	H
		F	

16 th December 2013 Planning & Development		Probability	Materiality
		Financial/Operational	
3.1	Planning fee income can vary considerably from year to year & creates a challenge to match income with workload and resources. Flexibility to manage fees across a 3 year rolling programme would help even out the income profile and provide a more predictable base level of planning income.	M	M
		F	
3.2	Capacity to deal with increased workload could be an issue. Higher fee income could be used to offset some of this risk but fees only cover approximately 50% of total staff costs.	M	M
		O	
3.3	Tension between delivery of projects and maintaining service. Service quality levels for the standard planning service have been maintained but the primary focus on the growth agenda has resulted in slower response times.	M	M
		O	
3.4	Planning reserve reducing – no recent opportunities to top up the planning reserve (used for supporting Core Strategy review costs, inspectors' fees, appeal costs etc). Need to find alternative ways to maintain reserve otherwise it will dwindle away.	L	L
		F	

16 th December 2013 Finance		Probability	Materiality
		Financial/Operational	
4.1	Drastic reductions in funding from central government and uncertain future for local government.	H	H
		F	
4.2	Reductions in funding provided by New Homes Bonus could impact on Ward Member Grants and Single Grants Gateway.	L	L
		F	
4.3	Supporting corporate change projects may create capacity and resilience issues for the small Personnel team.	M	L
		O	
4.4	Universal Credit – delayed with timing of full roll-out still uncertain but suggested for 2016 and 2017 - will amalgamate a number of Benefits including Housing Benefit. The scheme will be administered by the Dept of Works & Pensions – leading to uncertainty about job security for staff in the Service (note councils are already on notice to plan to downsize their operations). Details of the exact role that the council will provide in supporting the delivery of UC are not to be announced until late Autumn 2014.	H	H
		O	
4.5	Creation of a Single Fraud Investigation Service (SFIS) controlled by the DWP is now confirmed for implementation during 2014 – leading to further uncertainty for staff.	H	L
		O	
4.6	Maintaining and delivering growth in business rates – and thus revenue to the council is important. Council should receive full compensation for loss of business rate revenue from recent government reductions in business rate increase.	M	H
		F	
4.7	The relatively small size of the finance (accountancy service) and increase in demand, plus extended absences due to maternity leave and sickness have affected service resilience; provision of temporary staff has helped manage the pressure for the time being. Restructuring proposed with the addition of one full time equivalent.	L	L
		O	

17 th December Legal and Democratic		Probability	Materiality
		Financial/Operational	
5.1	Legal income for 2014/15 remains a risk: number of large scale planning applications submitted are outside of the council's direct control and the level of cost recovery may be affected if there is negotiation of reduced recharge rates or caps in specific cases.	L	L
		F	
5.2	Level of major project work requiring significant legal support has increased, and is expected to continue to do so. There has been an increase in the Strategic development legal resource. Increased corporate drive for income-generating property acquisition work could lead to pressure on the Property and Projects team.	M	M
		O	
5.3	National roll-out of Individual Electoral Registration (IER) from summer 2014 will present great challenges for the Electoral Services team. Some additional government funding has been made available for transitional work, but there will be long term resource implications together with a review of the team structure.	H	L
		O	
5.4	Combined parliamentary and local elections in May 2015	H	L
		O	
5.5	Community governance – unpredictable demand for urban 'parishing' could create pressure as this could not be resourced by the existing elections team alone.	M	L
		O	

17 th December Communications and technology		Probability	Materiality
		Financial/Operational	
6.1	Continuing uncertainty & difficulty in achieving compliance with PSN Code of Connection: moving of 'goalposts' by central government and conflicting requirements from different government departments.	L	M
		O	
6.2	Migration to new KPSN supplier and changes to ongoing support arrangements.	L	L
		O	
6.3	Greater collaboration with partner councils may require significant IT resource for scoping work at short notice.	L	L
		O	
6.4	Large number of FOI/EIR requests, more requests for internal reviews and some referrals to the Information Commissioner continues to be a challenge for all service areas.	L	L
		O	

13 th January 2014 Culture and the Environment		Probability	Materiality
		Financial/Operational	
7.1	Reduction in subsidy to Ashford Leisure trust – risk if not achieved.	M	L
		F	
7.2	Grounds maintenance contract – assumes saving of £100,000 from previous year , whilst maintaining quality and value for money	L	L
		F	
7.3	Significant savings projected following the installation of Combined Heat and Power Plant - will be monitored throughout year	L	L
		F	
7.4	Potential financial implications from new refuse & recycling contract – future repair costs, unscheduled works, impact on ‘bring’ sites, garden waste income and impact of contract variations negotiated in 2013/14.	L	L
		F	
7.5	Discussions with ALT and Dance Academy re development of centre will need to be considered when awarding/considering future contracts.	L	L
		F	
7.6	Still working with John Wallace Academy and KCC re the potential transfer of management of Courtside and Pitchside, but may hold off until leisure asset procurement strategy is clear.	L	L
		F	

13 th January 2014		Probability	Materiality
Capital charges and Net Interest		Financial/Operational	
8.1	Interest rates remain at low levels and are lower than inflation thus devaluing the principal invested. Cash balances also static. Some proposed changes to investment strategy may increase investment return with managed risk.	L	M
		F	
8.2	Change in central bank policy means that central banks will no longer bail out banks before investors have taken significant 'hair cuts' on their capital. Council needs to avoid investing in banks that are weak and also to spread the risk more widely to reduce potential exposure to failure.	L	L
		F	
8.3	Opportunities to restructure the debt portfolio of the General Fund will be monitored - to deliver revenue savings through reduced interest rates.	L	L
		F	
8.4	Restructuring opportunities for the borrowing to buy out the HRA subsidy will be monitored but as this borrowing was at a discounted rate these are unlikely to occur.	L	M
		F	

13 th January 2014		Probability	Materiality
General Fund		Financial/Operational	
	None		

13 th January 2014		Probability	Materiality
Capital and Repairs and Renewals		Financial/Operational	
9.1	Capital financing – capital resources are not being replenished due to low level of sales both in General Fund and HRA; therefore borrowing of £500,000 has been built into the revenue budget from 2013/14 onwards to ensure buildings continue to be maintained	L	L
		F	
9.2	Revenue commitments – on going costs of capital projects must be assessed and included in medium term financial plan and annual budget otherwise these costs could build up pressures for future years' revenue budgets.	L	L
		F	
9.3	Debt cap (HRA) – due to the debt cap councils are limited in the amount they can borrow to fund major projects. There is the possibility that there may be additional funds available from the Government and the council could bid for a share of these. Other future funding sources include external contributions from Homes and communities Agency; capital receipts (including retained 'right to buy' receipts for one-for-one replacement); surpluses within the revenue budget.	M	M
		O	

Financial Risks to the Council				
Materiality	High >£500,000	2.3	4.6	2.1 4.1
	Medium £100,000– £500,000	1.2, 1.5 8.1, 8.4	3.1	
	Low <£100,000	3.4, 4.2, 5.1 7.2, 7.3, 7.4, 7.5, 7.6 8.2, 8.3 9.1, 9.2	1.4, 1.6 7.1	
		Low	Medium	High
	Probability			

Operational Risks to the Council				
Materiality	High			1.1 4.4
	Medium	6.1	1.7 3.2, 3.3 5.2 9.3	
	Low	1.3 2.2 4.7 6.2, 6.3, 6.4	4.3 5.5	4.5 5.3, 5.4
		Low	Medium	High
	Probability			