



OVERVIEW AND SCRUTINY COMMITTEE

Notice of a Meeting, to be held in the Council Chamber - Ashford Borough Council on Tuesday, 21st January, 2020 at 7.00 pm.

Agenda

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4. **Report of Budget Scrutiny Task Group**

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Agenda Item 4

Agenda Item No: 4
Report To: Overview and Scrutiny Committee
Date of Meeting: 21 January 2020
Report Title: Report of Budget Scrutiny Task Group
Report Author & Job Title: Abi Moffatt
Policy and Scrutiny Officer
Portfolio Holder Cllr. N Bell
Portfolio Holder for: Finance and IT



Summary: The Overview and Scrutiny Budget Scrutiny Task Group has scrutinised the council's draft 2020/21 budget over four meetings and regards it as sound and deliverable. The Task Group have made a number of recommendations that they believe will assist in managing any risks within services in the coming year.

Key Decision: NO

Significantly Affected Wards: None specifically

Recommendations: The Overview and Scrutiny Committee recommends that the Cabinet:

Recommendation 1: Increase the service contingency by £150,000, bringing the total service contingency to £350,000, to address any potential budget pressures that could arise in the planning service.

Recommendation 2: Ensures that the programme for digital transformation sets aside dedicated resource to implement new ways of working in the planning service.

Recommendation 3: Note that the Task Group are satisfied that the budget for the Corporate Property Portfolio is sound and deliverable.

Recommendation 4: Note that the Task Group have considered the council's proportion of the council tax, including the increase of £5.00 and believe this to be sound.

Recommendation 5: Note that the Task Group endorses the approach to closely monitor the number of days offered for rent collection for universal credit users.

Recommendation 6: Asks that the Head of Finance and IT reviews having more than one collection date for council tax.

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
Legal Implications	As Policy Overview above
Equalities Impact Assessment	Not required as appended to main budget report
Other Material Implications:	As noted in the report
Exempt from Publication:	NO
Background Papers:	Draft 2020/21 budget , report to Cabinet 28 November 2019
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Report Title: Report of Budget Scrutiny Task Group

Introduction and Background

1. In accordance with the council's Constitution, it has a duty to scrutinise the council's draft Capital and Revenue Budgets. The Committee constituted a Task Group made up of five Members to undertake this work, and presents its assessment of the draft Budget for 2020/21 within this report. The Management Team have since seen the recommendations made by the Task Group and endorse them.

Report of the Chairman of the Budget Scrutiny Task Group

- 2.

Summary

3. The Overview and Scrutiny Committee would like to thank all the Officers, Portfolio Holders and Lead Members who attended the Task Group meetings. The sessions yielded much information on the financial and resource challenges facing the authority and the Task Group focused on a number of key risks relating to the achievability of next year's budget.
4. The draft budget for 2020/21 was presented to the Task Group at its first meeting; this included all service budgets and financial risks. The purpose of this session was to assist Members in determining which areas to dedicate additional scrutiny time, these included the following:
 - a. The Planning service including S106
 - b. Commercial Property
 - c. Interest receipts from companies
 - d. Analysis on reserves
 - e. Capital plan including capital changes and treasury management
 - f. Collection fund – council tax and business rates
 - g. Universal Credit

Planning and S106 (Presentation)

5. In reviewing the 2020/21 draft budget for the planning and development service, the Task Group noted a number of risks relating to the delivery of the service's restructure and the management of risks regarding planning and S106 funding.
6. The Senior Accountant led a background presentation regarding financing of the Planning and Development Service. Members were shown data that represented the historical and proposed funding of the Service. Overall, Members were advised that in recent years the planning income had performed very well in comparison to its budget, no major planning appeal on

the horizon and service contingencies will all help to mitigate the risks within the Planning budget.

Service Budget and Delivery of the Planning Restructure

7. The Head of Planning & Development presented the new structure of the planning service. This included an update on vacancies in the department and changes to some posts and structure. Members were advised recruitment of Planners is still challenging and reliance on consultants is likely to carry forward into 2020/21.
8. Members queried whether there were any contingency plans in place; officers highlighted that there is a service contingency budget of £200,000 all services are able to draw on if necessary. It was also explained that all services are considered collectively when assessing the overall position; some with pressures and some with savings. Whilst the Task Group noted that the service contingency budget could be deployed if necessary, Members questioned whether this budget is sufficient to manage all service pressures.
9. In response to a question regarding how the service contingency budget is deployed, the Head of Finance & IT advised that budgets are monitored every quarter through the Financial Monitoring Report. There was consideration that a service contingency budget could be made for each specific service, however, it was concluded that increasing the service contingency budget would provide more resilience and flexibility. **(Recommendation 1)**.
10. The Head of Planning & Development and the Portfolio Holder explained that the restructure of the planning service would take several years before all the envisaged improvements were realised. It was explained that the changes relied not only on recruitment but also on cultural change and digital transformation being implemented. Members were informed that the Team Leader posts had been recruited to and it was noted that the backlog of applications had been reducing. **(Recommendation 2)**

Section 106 Funding

11. Section 106 (S106) and its risk to the budget was presented by the Head of Planning & Development. It was explained that S106 payments are not received if planning permission is not implemented and it is often the case that payments are received at different points during the building of a development, at trigger points.
12. Queries from Members were made regarding the level of dependency the budget had on S106 payments and if council projects relied on payments that had not yet been received. The Head of Finance & IT gave examples of where S106 was allocated to revenue budget through Monitoring Fees and Land Management. It was also explained that forward funding of projects attracting future S106 receipts was a decision for members. In cases where the council had decided to forward fund projects, risks were communicated to

members when considering approval. The Task Group were assured that projects funded from S106 were in the budget and the funds are available.

Commercial Property (Presentation)

13. The Head of Corporate Property & Projects gave a presentation regarding the management of the Corporate Property income and the Portfolio's priorities over the next six months. This included potentially looking at our assets differently in order to maximise the council's income, for example, questioning if our facilities managed by third party companies could be brought in-house. Members were informed that being able to understand the market demands and remaining corporately flexible posed some risk to the budget. To mitigate this reports and communications were reviewed regularly with tenants and our local/national agents.
14. The Task Group queried whether the council's investments were creating an income stream and whether there is confidence that there will be a renewal of leases. The Head of Corporate Property & Projects informed Members that the council made a financial return of circa £5.3million for the last financial year and the annual report showed that the council has overachieved its estimated return.
15. It was explained that council's assets were not always about the financial return, and there are other social and economic factors that were considered, depending on the asset in question. Furthermore, it was advised that there was confidence that leases would be renewed by tenants, for example, the Department for Work and Pensions recently renewed their lease for a 10 year period in a large office space at International House.
16. In response to a question regarding risks over the costs for refurbishment and maintenance of council assets, the Head of Corporate Property & Projects advised that there has been additional funding allocated within the 2020/21 budget for this.
17. The Task Group expressed concerns over purchasing property through borrowed funds. The Head of Finance & IT and the Senior Accountant informed Members that borrowing was used to purchase many of our assets, however, property was also purchased in other ways, for example through the use of capital receipts and reserves. No property purchased had received a downward valuation to date however; this is dependent on the local and national economic factors, not all controllable. Members were advised that the accounts team upload the asset register on the website each year, which is available to the general public to access if they wished to do so.
18. Overall, Members were satisfied with the information provided and considered the 2020/21 budget for the corporate property portfolio sound.

(Recommendation 3)

A Better Choice for Property Ltd Interest Income

19. The Senior Accountant introduced a report that provided information on the interest income received by the council's property company. The report outlined some risks to the council's budget should changes to rates occur. Members agreed that report was very informative and were satisfied that the risks to budget were being well managed.

Analysis of Reserves

20. The Task Group were presented with a document which detailed a breakdown of the council's reserves. The Senior Accountant explained the various reserve funds and their purpose.
21. Members raised concern over the expenditure compared to income for New Homes Bonus and New Initiatives Reserve, and questioned if the council could guarantee this income in future years. The Head of Finance & IT highlighted that the amount in the reserves is set aside for projects and the planned spend does not exceed this amount.
22. In respect of future New Homes Bonus income, there is still some uncertainty in future years. The Council is currently consulting on this matter.

Capital Plan

23. The Senior Accountant presented the Draft Capital Plan. Members raised concerns reading the amount of borrowing relied on within the plan. The Senior Accountant advised that the council would only borrow if this was affordable and this is tested through a business plan support by detailed financial modelling.
24. The Task Group queried what funding was being used for Elwick Place fit-outs and the Conningbrook Lakes project. The Head of Corporate Property & Projects explained that a capital contribution would be received from the commercial developers, however the council was also supporting in some areas where there was a strong business case to do so.
25. In regards to the master planning of Conningbrook the Senior Accountant advised that the majority of this funding comes from S106 contributions with only a small amount from reserves.

Business Rates and Council Tax (Presentation)

26. The Senior Accountant provided Members with some documentation that showed a breakdown of how the council tax base is calculated. The Task Group were advised that the council tax cap is currently £5.00 or 2% and the council has proposed an increase of £5.00 for 2020/21.
27. The Task Group questioned how a £5.00 increase on council tax had been arrived at and it was explained that various scenarios are modelled to determine the budget requirements. The Head of Finance & IT explained that

the proposed council tax level worked out at just over 3% and this increase would bring an additional income of £210,000 each year. Members were advised that the amount of money received by council is a very low proportion of the total council tax bill. **(Recommendation 4)**

28. In response to a question from a Member regarding losses from residents who do not pay their council tax, the Senior Accountant explained that this is considered when setting the council tax base and is included in the calculation. Assumptions are based on historical data and consultation with colleagues. Members were also assured that regular monitoring of the collection fund are in place through the quarterly financial monitoring report to members.
29. The Senior Accountant presented information which explained the council's business rates. Members were informed that assumptions were made for how many properties will be built in the Borough and also their value. The budgets are built based on the council not being in the Kent Business Rate pool, benefits from this are set aside for the Economic Risk Reserve.
30. The Task Group asked if there are provisions for non-collection of Business Rates in the budget. Members were informed that such provisions are made and are in the budget.

Universal Credit (Presentation)

31. The Head of Finance & IT presented information to the Task Group regarding how Universal Credit has had an impact on rent collection and staffing levels.
32. The Task Group were concerned with the gap between universal credit being paid and rent collection could lead to residents having insufficient funds to pay their rent. The Head of Finance & IT advised that rent was collected on 4 days of each month, almost one day per week, and this would be closely monitored by Housing to ensure this is appropriate as more claims for UC happen. The Task Group also noted the hard work carried out by the Revenue & Benefits and Housing teams and commended the services. **(Recommendation 5)**
33. Further queries around council tax collection dates were also raised by Members. It was noted that there is only one day per month for Direct Debit collections. The Director of Finance & Economy stated that this was a decision approximately fifteen years ago and should now be reviewed by the team. Members agreed that a review on this was required and a more flexible approach would benefit residents by offering multiple payment dates. **(Recommendation 6)**

Capital Charges

34. The Senior Accountant presented a report that explained the council's capital charges, net interest and recharges. Details of any issues or pressures that could have a financial impact on the delivery of the budget were also listed. Members queried whether there was a 'tipping point' to how much the council

borrowed. The Senior Accountant advised the Task Group that the council will never borrow more than what is affordable and therefore there is not necessarily a cap however there is a self-imposed cap.

35. In response to a query regarding the interest rates on short term loans, the Senior Accountant informed Members that we are in a low interest environment and the council is taking advantage of low rate short term borrowing. This is done in consultation with the council's Treasury Advisors, Arlingclose, who monitor the treasury environment closely. If the interest rate environment moves and the right time arrives to fix borrowing long term this will happen. The Head of Finance & IT also advised Members that due diligence is always carried out when borrowing and the council has more assets than it has borrowing.

Wrap Up

36. To conclude the Budget Scrutiny sessions, the Chairman of the Budget Scrutiny Task Group gave the opportunity for Members to discuss any outstanding issues regarding the budget and summarised the recommendations made.
37. There was a discussion around whether there was enough resource for the digital transformation agenda. This included the implementation on the new Planning system. It was explained that there is a budget set aside for this which will include any consultancy time that will be required.
38. The Task Group raised concerns around the overall staffing levels and performance across the council and how this is monitored. Members were advised that services do monitor service performance indicators in addition to key performance indicators that are reported to council committees. In light of concerns around the council's delivery times in some services, it was noted that the council's customer satisfaction levels held up well.
39. The Task Group agreed that further review was required regarding the council's approach to recruitment and retention particularly in the planning and legal areas. It was accepted that this would be recommended work for the wider Overview and Scrutiny Committee.

Conclusion

40. The Overview and Scrutiny Committee recommends that the Cabinet:

Recommendation 1: Increase the service contingency by £150,000, bringing the total service contingency to £350,000, to address any potential budget pressures that could arise in the planning service.

Recommendation 2: Ensures that the programme for digital transformation sets aside dedicated resource to implement new ways of working in the planning service.

Recommendation 3: Note that the Task Group are satisfied that the budget for the Corporate Property Portfolio is sound and deliverable.

Recommendation 4: Note that the Task Group have considered the council's proportion of the council tax, including the increase of £5.00 and believe this to be sound.

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Recommendation 6: Asks that the Head of Finance and IT reviews having more than one collection date for council tax.

41. The Task Group recommends to the Overview and Scrutiny Committee that:
- a. **Planning and digital transformation should form part of the Committee's work plan for 2020/21. (Paragraph 37)**
 - b. **The Head of Human Resources and Customer Services be requested to undertake a piece of work to look at recruitment and retention in the planning and legal services, and report back to the Overview and Scrutiny Committee within the next six months. (Paragraph 39)**

Contact and Email

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