

**BUDGET SCRUTINY PANEL
27TH JUNE 2017**

PRESENT: The Chair (Councillor Miah)
Councillors Bebbington, Gerrard, Jukes and Smidowicz

Strategic Director of Corporate Services
Head of Finance and Property Services
Democratic Services Officer (NA)

APOLOGIES: Councillors Parsons and Seaton

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 3rd January 2017 were confirmed as a correct record and signed.

2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

3. DECLARATIONS – THE PARTY WHIP

No declarations were made.

4. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

5. BUDGET SCRUTINY PROCESS/TERMS OF REFERENCE

The budget scrutiny process and terms of reference for the Panel as agreed by the Scrutiny Management Board at its meeting on 29th March 2017 were submitted (item 6 on the agenda filed with these minutes).

RESOLVED that the budget scrutiny process and terms of reference for the Panel be noted.

Reason

To confirm the purpose of the meeting and the work of the Panel.

6. FINAL OUTTURN FOR THE PREVIOUS FINANCIAL YEAR

The purpose of the item was to note the revenue, capital and Housing Revenue Account for 2016/17 and explain to the Panel the process behind setting the budgets.

The Strategic Director of Corporate Services and the Head of Finance and Property Services gave a presentation to the Panel which explained how the budgets were set and the process behind the decisions taken by officers. The presentation also covered the timings and suggested purpose of future meetings to ensure that the Panel were comfortable with the proposed programme of work.

The following documents had been supplied to the Panel as background reading prior to the meeting: Capital Outturn Report 2016/17, General Fund and HRA Revenue Account 2016/17, Summary Service Analysis report and detailed Service Analysis.

The Strategic Director explained that the service analysis and summary service budgets had been provided to show the Panel the differences between teams at the Council and to account for differences in expenditure. The General Fund and Capital outturn reports were included to provide context on the current situation. The Head of Finance and Property Services explained the key points which formed the meeting's discussion.

Summary of discussion:

- (i) The underspend in expenditure and additional income received had resulted in the service expenditure being under budget. There were also carry forward requests due to some projects not being completed by 31st March 2017 which contributed to the underspend. The Panel was advised that the underspend had been transferred to reserves and put the Council in a strong position for the future if money was needed. It was intended that a reserve will be set up for known projects that cover more than one financial year (e.g. Local Plan expenditure).
- (ii) The Council were building revenue reserves to cover unknown costs for the future such as changes which could affect the Housing Revenue Account. For example the premium to be paid on high value voids was still uncertain and could generate a large cost for the Council.
- (iii) There was a discussion regarding the culture of underspending at the Council with the view that a generic underspend value be attributed to the budgets. Previous underspend amounts were due to differing reasons and it could not be guaranteed to always be the same.
- (iv) The idea of "ring fencing" money for certain areas was identified but this could limit the use of funds. If there was a need for more money then the Head of Service could ask for a service pressure providing they had a viable business case to justify the need for extra funds.
- (v) The Council's substantial reserves were indicative of the Council's disciplined approach.
- (vi) The increasing pension deficit for Council employees was raised as an area of concern. The budgets under discussion did not include the employee pension as this was separate to the General Fund general expenditure. The Council were making contributions to balance out the deficit and financial support for the pension fund was available.

- (vii) The Capital Outturn for the General Fund was considered to be in an improved position to 2016/17. Additionally more controls had been put in place for both the General Fund and HRA to monitor spending, a RAG (Red, Amber, Green) rating system had been introduced as well as action plans to monitor any slippage.
- (viii) The large underspend was noted as a slippage of funds rather than a large underspend which was in part due to projects taking longer to complete so funds had been transferred into the next financial year. Members of the Panel expressed concerns that funds allocated should remain in the year they were set. Officers advised they were trying to move towards that way of working.
- (ix) The process for producing the Medium Term Financial Strategy (MTFS) was explained to the Panel, including the need for an efficiency plan. The Panel was advised that the officers looked at different efficient measures such as savings on contracts and known underspends as well as looking at productivity.

RESOLVED

1. that the process for the 2017/18 meetings be noted;
2. that Councillor Barkley is invited to the December meeting to comment on the draft budget;
3. that the presentation by the Strategic Director of Corporate Services be published on the Council's website for reference.

Reasons

1. to set the focus for the individual meetings.
2. to answer questions on any areas of interest or concern.
3. to allow access to the information.

7. FURTHER PANEL MEETING DATES 2017/18

Further meetings of the Panel in 2017/18 (to accord with the process for scrutiny of the budget as agreed by the Scrutiny Management Board) had been scheduled and notifications sent to members of the Panel as follows:

- Tuesday, 3rd October 2017 at 6:00pm
- Tuesday, 5th December 2017 at 6.00pm
- Wednesday 3rd January 2018 at 6:00pm

In addition there will be an informal meeting with Loughborough councillors in September 2017 to discuss the suggestions that had been made regarding the Loughborough Special Expenses for 2017/18.

The Panel agreed they would invite Councillor Barkley to their December meeting to comment on the draft budget and to answer questions about any areas of concern or interest.