

CORPORATE SCRUTINY COMMITTEE (SPECIAL)

27th January 2003

PRESENT:-

Labour Group

Councillor Bell (Chair) and Councillor Rose (Vice-Chair).

Conservative Group

Councillor Bladen.

In Attendance

Councillor Harrington (Labour Group).

APOLOGIES

Apologies for absence from the Meeting were received from Councillors Lauro and Stone (Labour Group) and Councillor Douglas (Conservative Group).

COS/42. **SPENDING PLANS 2003/04**

The Chief Finance Officer submitted a report to provide an outline of the budget proposals to the Scrutiny Committee. At its Meeting on 16th January 2003, the Finance and Management Committee had agreed the initial budget proposals, subject to scrutiny and public consultation. Appended to the report submitted were the proposed Revenue Budget and Capital Programme. Public consultation would take place using the six Area Meetings and this would be supplemented by a meeting with National Non-Domestic Ratepayers later that evening. The views of Council employees would be sought at a Meeting of the Joint Negotiating Group. The results of the consultation would be reported to the next Scrutiny Committee Meeting.

The Chair circulated a suggested agenda to focus on specific elements of the budget review. Initially, he suggested that Members consider the Council's current financial situation. The Chief Finance Officer was asked about the projected underspend for 2002/03. He explained the treatment of an underspend and how this was built into the base budget for the following year. Monthly monitoring meetings were held with divisional managers to identify potential budget variances. Members were referred to the budget projection table submitted to the Finance and Management Committee, which included the forecast level of balances for the period 2003/04 to 2005/06.

Consideration was given to the Council's pension liabilities. Derbyshire County Council undertook a review of the pension fund every three years and the next was due to take place in 2005. With the current financial climate, it was expected that the District Council's contribution would increase at the next pension fund review. Members discussed the costs associated with employees taking early retirement, under performance of the pension fund and the relative shortfall for South Derbyshire as compared to other local authorities.

Information was sought on the level of Council debt and the resources available to repay it. In the present financial climate, it was not economic to repay debt and the sums received from housing and land sales were set aside in bank accounts. These monies would be used to repay the debt at an appropriate time. The value of Council assets was far in excess of borrowing levels.

Officers explained the proportion of capital receipts which could be used from the sale of Council houses, housing land and non-housing land. Details had been provided of the capital receipts available at 1st April 2003, the resources allocated and those remaining for future allocation. Built into the budget was an assumed level of capital receipts each year from the sale of Council houses.

Further information was sought about the earmarked reserves held by the Council and responsibility for their management. Members' approval was always sought to propose variations to these reserves and they were usually held for a specific purpose. Examples quoted were the Commutation Adjustment Reserve, the Reserve created from the Section 106 agreement monies for future maintenance of the Swadlincote Woodlands site, the IEG Reserve and that relating to the Housing DSO. Members also considered the Council's consolidated balance sheet in terms of the valuation of its assets in the current market, minus the Council's liabilities.

The Committee then considered how the budget had been presented to Members and the public consultation being undertaken. Some people had difficulty in understanding the financial information and it was hoped that in future, this could be provided in a more simplistic way. One suggestion was to provide trading accounts for each department, which showed the actual cost of each service area. The Financial Services Manager circulated a copy of the presentation slides used for the area meetings. Discussions had been held with the Chair of the Finance and Management Committee and other Members to try and improve the way in which the budget was presented in the future. The new Financial Management System would assist data manipulation and provide a further reporting mechanism.

A Member suggested that a monthly expenditure report, showing trends against the original budget, would be useful. The Financial Services Manager explained that some confusion was caused by Local Government accountancy requirements. As an example, capital charges had to be shown with corresponding entries in revenue accounts and this could be misinterpreted as a significant budget variation. Members discussed the graphical information provided as part of the public consultation and the key financial health indicators appended to the District Audit report. Members felt it would be beneficial to receive reports which highlighted deviations from anticipated budget expenditure. The Chief Finance Officer explained that variation reports had been submitted to Service Committees to show such changes and the reasons for them. Members' feedback was welcomed, particularly on the level of detail required for future budget reports.

Budgetary control was the next item considered. Officers commented on the different terminology used to describe budgets and the control mechanisms in place via the monthly monitoring meetings with divisional managers. Members discussed particular budget allocations and Officers confirmed the Local Government accountancy requirements to include details of capital

expenditure in revenue accounts. It might be possible to amend the format of accounts presented to show the actual costs of services before internal transfers and other recharges were applied.

Consideration was given to the probable out-turn for 2002/03 and the proposals for 2003/04 and beyond. The Chair sought clarification of the increase in staffing related costs and the projected increases in committee expenditure. The Financial Services Manager explained that the probable budget for 2002/03 included the savings accrued through a number of vacant posts on the establishment. The 2003/04 budget had been based on a full establishment. Some authorities accounted for a vacancy rate, but this was considered to be less prudent.

Members questioned the contingencies built into the base-budget. Provision was made for bad debt and Officers were satisfied that the projected allowances were realistic. A question was submitted about variations to the Housing Revenue Account gross income. The Financial Services Manager explained that this was due to a loss of housing subsidy, a reduction in the numbers of Council homes and the penalties imposed following housing land sales.

Clarification was provided on the percentage level of Government grant increase and Members discussed the likely future allocations and the funding formula.

Consideration was given to the bidding process for service development proposals. The service development suggested by the Committee to progress the EMAS initiative had unfortunately been unsuccessful. The Financial Services Manager gave an outline of the process undertaken to score some 75 – 80 service development bids. A Member Panel had been appointed. It had applied scores and weightings based on the statutory requirement for the service development, the external funding attracted and alignment to District Council priorities. The scored bids had then been considered by the Service and Financial Planning Working Panel and the available resources recommended for allocation.

The Chair commented on other successful bids and spoke of the time taken to formulate bids. Officers considered the process to be open and transparent. A copy of the scoring matrix could be provided to the Committee, if required. Reference was also made to the priorities identified as a result of the budget consultation at Area Meetings.

With regard to the Council's collection fund surplus, it was noted that this was returned to ratepayers through a reduction in the subsequent year's Council Tax. Comment was also made on the percentage increase in the Council Tax base level.

The final topic addressed by the Committee was risk assessment. With the anticipated closure of the Bretby Landfill site, costs might be incurred in securing alternate refuse disposal facilities, until the proposed site at Moira became available. A further identified risk was the Council's future pension contributions.

Comment was made on the role of District Audit in terms of risk assessment. It had a wide remit to consider a range of operational and strategic issues.

Authorities would have to identify potential problems and address them. The Council would be required to produce a policy statement and a Corporate Group had been established. Training had been completed and a process would be undertaken to make risk assessment more formal and transparent. An Action Plan would be prepared and submitted to Members for consideration. With regard to managing financial risk, District Audit welcomed the Council's approach with three year forecasts of expenditure. The Chair thanked the Chief Finance Officer and the Financial Services Manager for their contributions.

R. BELL

CHAIR

The Meeting terminated at 5.50 p.m.