

# **FINANCE AND SERVICES SCRUTINY COMMITTEE**

**11 NOVEMBER 2019**

**PRESENT:** Councillor M Rand (Chairman); Councillors A Cole (In place of J Chilver), R Newcombe, M Smith and R Stuchbury. Councillors Macpherson and Mordue attended also.

**APOLOGIES:** Councillors B Everitt, N Blake, J Bloom, S Lambert, M Stamp and A Waite.

## **1. MINUTES**

RESOLVED –

That the minutes of the meeting held on 9 September, 2019, be approved as a correct record.

## **2. TREASURY MANAGEMENT 2019-20: MID YEAR REVIEW**

The Authority's Treasury Management Policy required an annual report to be brought to Council after each year end and a mid year report for the current year. A synopsis of treasury management activities had been included in the Quarterly Financial Digest submitted to the meeting.

Members were informed that the amount of money deposited with banks and building societies at the end of September 2019 was £33 million with another £3.2 million held in the two Money Market Funds. The outstanding balance on borrowings was £18.5m. As there had been no new borrowing taken out, there had been no change to the Council's Authorised and Operational Limits.

The impact of the announcement of a single Unitary District Council for Buckinghamshire on the Treasury Management of the Council was being assessed through a working group and would be progressed over the coming months.

The objectives for the Treasury Management team for 2019/20 had been laid out in the Treasury Management Strategy agreed by Council in February 2019. The main activities continued to be:-

- Foremost, to maintain, the security of the Council's deposits by only depositing with trusted financial institutions and limiting the size and length of deposit with each organisation.
- To directly manage a range of deposits in order to provide sufficient flexibility to meet day to day operational needs.
- To only undertake new long term borrowing where the business case justifies it.

The Treasury Management team continued to invest money in line with its list of approved (safe) institutions, varying the amounts and length of deposit according to the institution and the cash flow requirements at the time. Historically, the majority of the Council's lending had been with Building Societies but over the last year the Council had invested more of its portfolio with major UK banks and had also began depositing funds with other Local Authorities as a more secure option. The lending list was monitored throughout the year to take account of any changes within the sector i.e. building society mergers / conversions to banks, and ratings changes.

The Council ability to manage capital spend without additional borrowing had resulted in financial efficiencies and savings on the cost of borrowing. The variance on income generated had been offset by savings on interest charges due, due to lower than planned level of borrowing. In the six months of the financial year, a saving of £123,000 was reported on bank charges payable. Members were informed that the local government landscape for borrowing might change over time. In early October 2019, Whitehall had announced a whole percentage point increase in the rate of borrowing from the Public Works Loan Board (PWLb), for new loans. This would impact on future borrowing plans by Councils.

Although the levels of investment balances had been reducing, the rates of return earned had been assessed as being above average. For the 6 months to the end of September 2019, the weighted average rate of return for the Council was 0.85% on investments of £36.2m. The performance was in line with the model band of all Non-Metropolitan Districts (90 authorities) which ranged between 0.84%-0.94%. After raising interest rates in August 2018, the Monetary Policy Committee had voted unanimously to hold rates in their subsequent meeting to September 2019. There were however a number of economic factors e.g. Brexit which could influence interest rate changes over the coming months.

The council continued to operate two Money Market Funds to give the in-house team easy access to surplus funds. Whilst, Money Market Funds had the highest credit ratings, the interest rates offered were typically 15-25 basis points below those of Fixed term Deposits. However MMFs offered the most effective fund structure to manage the council's daily cash flow requirements.

Property Funds still offered some of the best returns on capital. Investing in a Property Fund was within the strategy but as yet the council had decided not to use them, in part due to the unitary decision.

The Committee had no substantial comments on the mid year report and thanked the in-house team for the efficient manner in which they continued to manage the Council's funds.

RESOLVED –

That the performance to date against the Treasury Management Action Plan for 2019/20 be noted.

### **3. FINANCE DIGEST: APRIL 2019 TO SEPTEMBER 2019**

The Committee received the Quarterly Financial Digest for the period to 1 April to 30 September 2019, which represented the position after the first 6 months of the 2019-20 financial year. The digest was attached as Appendix 1 to the Committee report, and Members referred to it during discussions.

As at the end of September 2019, the Council was reporting a net overspend against budgets of £783,376.. While a number of risks and issues had been identified and their impact was being monitored and managed, it was anticipated that any additional cost pressures would be offset by budget underspends and additional income across the Council and a forecast balanced budget would be delivered for the 2019-20 financial year. This had also been assumed in the Medium Term Financial Plan (MTFP) agreed by Council in February 2019.

Members were assured that timely reporting had allowed for mitigating actions to be identified by budget holders and managers across the Council to address the emerging

financial position. 2019-20 represents an exceptional year for the Council, with the move to the single unitary council in April 2020. Whilst every effort was being made to deliver a balanced budget and remain focused on continuity of service delivery, the decision had a profound impact on strategy and future planning.

The forecast level of balances for the financial year was reported as £2.353m, higher than planned. The increase to the working balances was a result of the 2018-19 financial outturn being better than forecast. Earmarked reserves were held for legitimate reasons and the use of earmarked reserves was an essential part of sound financial planning.

The year to date forecast position currently assumed the use of reserves to support some one off or exceptional spend and to offset agency costs for planning where there were unusual pressures. The use of further reserves would be assessed during the year.

Details of the significant cost pressures and efficiencies for the year to date included:-

- Savings against budget in relation to transitional relief for business rates (£110,000).
- Budget savings arising as a result of the delay in implementation of the taxi token scheme (£16,000).
- Within the environment and leisure portfolio, an overspend on staff of £103,000 relates to the use of agency staff working on planning enforcement during a period of change and restructure as a review of work processes was undertaken to realise service improvements. It was anticipated that the use of agency staff would cease in the final quarter of the financial year.
- A year-to-date overspend against budget was also reported for the housing benefit department (£45,000). Additional staff had been engaged to address a back log of work. Vacancies in this area had also led to agency use at premium cost. The department was benchmarked to be lean compared to other authorities. Currently, the staffing position was much improved and all temporary staff had been released other than those covering current vacancies or those who were funded. No recurrent staffing pressures had been assumed.
- For the period to the end of September, a number of vacancies had arisen both as a result of secondments made to the unitary team and also staff leaving the organisation. This included both members of the senior management team and also staff across the Project Management Office, Communications and the Electoral and Democratic teams. A number of the vacancies remained unfilled and had not been covered by agency staff, resulting in underspends. (£175,000).
- Pressure on SEED income due to the impact of unitary decisions had resulted in a year to date income shortfall of £42,000. Whilst pipeline council to council income remained strong, the ability to deliver it was reducing pending the transition to unitary. Resources in the team had also been diverted to support other corporate priorities.
- Staffing pressures across the planning and building control teams remained a financial pressure in the reported budgets year to date. Staffing budgets were overspent by £150K (after the use of reserves). Work continued in the area to review working practices and spend levels whilst maintaining service provision.
- A shortfall against income targets for the planning department (£277,000) was largely a result of reduced staffing capacity to deliver to targets together with a shortfall to the pre-planning application pipeline and income recovery levels.
- The Council are reporting a year to date overspend of £267,000 waste budgets. This relates largely to increased costs of waste disposal. The cost of disposal is based mainly on the commodity value of each material (plastic, card, paper etc.) and therefore the cost paid is largely outside of the Council control. This has been highlighted as a future financial risk.

There were many other less significant variances across the Council and budget holders were reviewing these on a monthly basis. The report also contained information on the use of agency/temp staff that had been discussed as a separate agenda item at the previous meeting. The spend on high cost agency staff continued to be monitored and managed in order to minimise overspends on salary budgets. The use of agency to cover vacancies and service pressures incurred a premium and often resulted in an adverse variance to agreed budgets.

Despite this, agency spend for the period July to September 2019 had been 10.5% lower than the spend over the first three months of the financial year. Agency spend for the period to date in 2019/20 was 4.4% lower than 2018/19.

The Digest at page 14 detailed the reserves and provisions currently held by the Council against specific risks and commitments. The level of reserves held would change during the financial year as commitments are confirmed and approved.

Page 15 of the Digest reported on the level of capital spend to 30 September 2019, with there being a spend of £1,286,183 to date. The spend was primarily on existing projects. The spend on existing and planned projects would be reviewed over the coming months to assess any capital slippage for the financial year.

Members were informed that no new borrowings had been taken out so the current level remained at £18.5m. The council had £36.2m invested at the end of September, in a combination of banks, building societies and money market funds.

Members sought additional information and were informed:-

- (i) on the current position with the Planning Service, including the use of temporary / agency staff to try to deal with issues now before the new Council. The pre-planning advice service had been suspended for a time but would hopefully be reinstated shortly.
- (ii) that an allowance had been made within the budget in relation to the sale of recycling materials. However the spot price for recyclable could change and was a contributory factor to a £380K cost pressure.
- (iii) that the Council had lost the tenants from the top 2 floors of 66 High Street. While this gave some flexibility for using the space for unitary projects the High Street building would need to be upgraded before it could be re-let.
- (iv) that there had been an increased demand from unitary work streams for meeting rooms at The Gateway which had reduced conference centre income.
- (v) that if AVDC staff were seconded full time to work for the Shadow Authority then their full costs would be paid for from the implementation budget. Positions could be backfilled although this often had to be done at a premium or existing staff had to take on additional workloads.
- (vi) that an additional budget provision had been made for agency staff to be used by the Planning Service.
- (vii) that there had been a temporary backlog of payments in the Housing Benefits area although this had now been resolved. This was due to the introduction of Universal Credit not reducing caseloads and work as much as had been expected. The annual audit of the Housing Benefits service had recently been completed and would be reported in due course to Members.

- (viii) that the additional Assistant Directors costs related to additional employee and agency staff costs, ongoing operational requirements and unitary cost pressures.
- (ix) that the additional Legal Services costs related mainly to supporting the Planning Service.
- (x) with an explanation of the need for the Special Expenses account to keep a reserve for unforeseen maintenance costs / expenditure.
- (xi) with a detailed explanation of all the initiatives and extra work that was being done within the Planning Service to reduce the backlog of applications which had been reduced by 23% in the last few months. Planning had been re-organised into two teams, one to deal with new applications within the statutory deadlines and a second team to deal with the backlog. The Council had received 2,200 housing planning applications in the last year which had been more than the budgeted 1,500 and the 1,700 received for the previous year.
- (xii) that some of the budgetary cost pressures in the Waste and Recycling Service were as a result of the Council having to pay to dispose of recyclates for the new contract whereas the previous contractor had paid the Council for recyclates.

RESOLVED –

That the contents of the Finance Digest and the position for the Council after the six months of the 2019-20 financial year be noted.

#### **4. WORK PROGRAMME**

There were no suggestions for agenda items to come to the next, and very last, meeting of the Scrutiny Committee on 17 February 2020.