

## COMMENTS FROM AUDIT AND SCRUTINY COMMITTEE

### Extract from the Minutes of the Meeting of the Audit and Scrutiny Committee, held on 9<sup>th</sup> December 2014

#### AS.75 MEDIUM TERM FINANCIAL STRATEGY 2015/16 TO 2018/19

The Committee was requested to consider an update of the Medium Term Financial Strategy for the period 2015/16 to 2018/19 and to provide feedback to the Cabinet and Council as part of the Budget consultation process.

The Leader of the Council was present for this item.

The Chief Finance Officer introduced the draft Medium Term Financial Strategy (MTFS) for the period 2015/16 to 2018/19 and explained that it would be subject to a number of updates before being presented for consideration of final approval in February 2015; while the Council was aware of the national pay award for Local Government employees, the full implications for this Council required further work; the Chancellor's Autumn Statement had included an announcement on Business Rates, but Officers needed to see the detail; the Council's Savings Targets needed to be updated following the Cabinet's recent decision to endorse the business case for the '2020 Vision' proposals; the Cabinet had put a cap on New Homes Bonus Revenue from 2016/17, because there had been an unusually high level of building in the Cotswolds and it was felt best to be prudent; data regarding the Gloucestershire Business Rates Pool for 2014/15 was looking positive, so Chief Finance Officers across the County were recommending to their respective Councils that they continue membership of the Pool into 2015/16; and, despite the introduction of a Single Fraud Investigation Service, there were still some residual responsibilities for the Council, which required further analysis.

The Chief Finance Officer explained that the District's parishes had all been invited to attend parish liaison meetings in December as part of the consultation process. Feedback from residents and businesses was being sought via the Council's website.

In response to Members' questions, the Leader stated that:

- There was a strong level of confidence that the Council and West Oxfordshire District Council would proceed with the 2020 Vision proposals, and a fair degree of confidence that the existing link with Cheltenham Borough Council through UBICO would result in it joining. There was a little more risk around Forest of Dean District Council, due to political uncertainty, but the Leader of that Council was working with all of its party political groups. These four Councils were the existing partners in GO Shared Services, which had established a foundation for joint working and demonstrated that the existing skillsets could deliver the levels of service and savings required. The Leader felt that the argument remained convincing, even if one or two of the potential partners were to drop out.
- If Forest of Dean District Council was to join, it had the potential to benefit most from the projected savings. However, that would not be at the cost of other Councils. The costs and savings would be apportioned to the partners Councils in a very similar model to that used when setting up UBICO.

- If another potential partner were to be identified, it would be necessary to develop a business case showing benefits for all sides. The Leader explained that there might well be the potential for new partners - there had been a lot of interest from other Councils and some exploratory discussions; and some of those Councils were outside Gloucestershire.
- With regard to a Member's comment that the Council was using its New Homes Bonus receipts to offset its routine expenditure, whereas he had received a letter from the Department for Communities and Local Government stating that the New Homes Bonus scheme had been set up to incentivise Local Authorities to allow new housing and to offset the cost of the infrastructure required to serve that new housing, the Leader stated that the figures did not show the cuts to the Council's Revenue Support Grant in recent years. The Council did use its New Homes Bonus to replace that lost funding, so it did not have sufficient money to pay for new infrastructure. Also, the bills for new drainage and sewage schemes were not this Council's responsibility, but fell to the Environment Agency, Thames Water and Severn Trent. Furthermore, the cost of a single sewage infrastructure scheme could exceed the entire New Homes Bonus awards received since the scheme began; an example being a £10million project near Willersey.
- There was a level of political risk to New Homes Bonus, in that a new Government could change it or do away with it. Looking around at Government funding, the Leader felt that the Cotswold District did incredibly poorly. He agreed with a Member's suggestion that a cap might be sensible.
- The Council received 100% of Business Rates from newly approved renewable energy projects such as solar farms. It had received no adverse comments from the parishes when they had been consulted. £45,000 in Business Rates from one solar farm was roughly equal to 1% off Council Tax. However, while this income was welcome, it was not a proper consideration for the Planning Committee when determining new applications.

In response to Members' questions, the Chief Finance Officer stated that:

- The circulated Budget had included an allowance for a 2% increase in pay in 2015/16, but the Council had now received confirmation that a 2.2% pay award had been confirmed for 2014/15 and 2015/16. The Budget figures would be updated accordingly.
- The level of savings achieved after the transfer of the Council's Leisure Centres reflected the actual savings coming through year-by-year from the contract. Previously, the Council had been presented with average savings per annum.
- With regard to the £80,000 of Capital provision for replacement gym equipment in the Council's Leisure Centres, further work had been carried out by the Leisure Client Team to evaluate the investment in equipment required. The Client Team had assessed that a further £300,000 was required and this would be the topic of a report to the Cabinet in February 2015. The report authors had been advised of the Council's previous practice to 'trickle down' equipment from Cirencester Leisure Centre to the outlying sites and/or to sell off replaced equipment. This would also form part of the report to the Cabinet.
- With regard to the projected New Homes Bonus, the funding was coming from top-slicing the Revenue Support Grant. The value of the New Homes Bonus Grant had increased since its introduction in 2011/12. The full six-year cumulative effect would first take effect from 2016/17. The value of New Homes Bonus would fluctuate thereafter. However, while the Revenue

Support Grant was top-sliced at a national level, the level of New Homes Bonus was set for each District according to the number of new homes constructed; so there was no direct link between the two.

- A review of the provision for Business Rate appeal losses indicated that the Council had slightly over-provided at the end of 2013/14. The Chancellor's Autumn Statement had included some provision to help the process. The value of the provision would be reported within the Budget Report to the Council in February 2015.
- While the Government had an expectation that the principal Council billing authorities should help their parishes by passing on the Council Tax Support Grant, it had produced no guidance on how to do so. However, the Council tried to be as fair as possible.

**RESOLVED that the updated Medium Term Financial Strategy 2015/16 to 2018/19 be noted.**

**Record of Voting - for 8, against 0, abstentions 1, absent 4.**

Extract from the Unconfirmed Minutes of the Meeting of the Audit and Scrutiny Committee, held on 27<sup>th</sup> January 2015

AS.93 DRAFT MEDIUM TERM FINANCIAL STRATEGY 2015/16 TO 2018/19 AND BUDGET 2015/16

The Committee was requested to consider an update of the Medium Term Financial Strategy for the period 2015/16 to 2018/19.

The circulated report was an update of the report considered by the Committee at its Meeting held on 9<sup>th</sup> December 2014. Subsequent to that Meeting, the Local Government Minister had announced the provisional Local Government settlement for 2015/16. Due to the General Election which was due to take place in 2015, no indicative or provisional figures had been supplied for 2016/17 or later years. The final settlement for 2015/16 was due to be announced early in February 2015 and the draft MTFS would be updated for any significant changes prior to consideration by Council on 24<sup>th</sup> February 2015.

The proposed levels of Government funding for this Council had been set out in the circulated report, which also showed recent reductions in funding. Overall, core Government funding (referred to as the Settlement Funding Assessment) would reduce by 12.5% in 2015/16.

In response to Members' questions, it was explained that:

- 15 responses to the consultation exercise may have appeared disappointing, but the Council had made various efforts to engage with the electorate with little success. As an example, Officers had proactively gone to a number of liaison meetings with Town and Parish Councils where questions had been raised but there was no significant feedback on the Council's budget proposals. However, it was suggested that the method of consultation on the Budget be added to the Committee's Work Programme, and this was AGREED.

- The £70,000 identified as one-off funding for the Planning Liaison post, funded through the Council's Priorities Fund (and to be removed from the Budget from 2015/16) was in respect of the Planning Officer post announced by the Leader of the Council when the Council approved the Budget for 2014/15 (Minute CL.64 - 24<sup>th</sup> February 2014). It was also explained that removal of the funding had not been identified as a saving because the money had been found from surplus funds and not formed part of the baseline Budget. Officers were requested to relay the Committee's request that the Head of Planning and Strategic Planning provide a report on the activities undertaken by that Officer, the successes achieved and why certain communities appeared to have missed out, despite recent major developments having been approved. The report should also cover the fact that the post was a joint one, shared with West Oxfordshire District Council, which had not been expected, and should include a note of what the Leader had said when announcing the post.
- The inclusion of the comment that "there will be a gradual increase in interest rates over the life of the MTFs, commencing in 2015/16 with an increase of 0.25%" had been based on the best advice from the Council's Treasury Management Advisers available at the time that the report had been drafted. It was acknowledged that the latest indications were that interest rates would remain low for the foreseeable future. However, Officers still felt that the comment was prudent and that the additional 0.25% would be achievable.
- The inclusion of a sum for one-off legal costs in respect of a Public Protection case was in respect of a matter previously identified to the Council. The process was still on-going Officers would update the strategy at the conclusion of the proceedings.
- With regard to the inclusion of £316,000 to enable the leisure and cultural services provider to support the Council's policy to freeze fees and charges until 2016/17, in its negotiations with SLM, the Council had made very clear that it would not find it acceptable to see a sudden spike in prices after that subsidy ended; it was expecting only marginal increases.
- It was acknowledged that, at the last Meeting, the Committee had been told of Employee Retention Payments to be made available to Development Control Officers, so Officers would relay the Committee's request for an explanation as to why employee costs for Planning and Sustainable Communities were shown to be falling, even by a small sum. The Chief Finance Officer added that this query had been picked up in the draft Agenda papers for the next Meeting of the Cabinet, and Officers were already looking into the matter.
- The Committee also requested an explanation as to why Employee costs were shown to be increasing by £200,000 each in the Chief Executive and Corporate Management team, in GO Shared Services, and in Resources. There were also some very large increases in Supplies and Services for some sections; Officers provided brief explanations and agreed to provide more detail in the Budget report to the Council, along with a Glossary and Explanatory Notes.

- The Committee was reminded that it had already agreed to request that the Chief Executive report on the implications of the 2020 Vision project, and a report from the Chief Finance Officer on GO Shared Services. It was AGREED also to amend the Work Programme by the addition of annual reports from UBICO, GO Shared Services and SLM.
- Officers reminded the Committee that GO Shared Services would ultimately be subsumed within the 2020 Vision.
- Officers would re-examine the assumption that there would be a 2% increase in service contracts, given that fuel prices were falling. For UBICO in particular - being a service reliant on transport - the fall in fuel prices should be an argument for a decrease.

The Chief Finance Officer explained that an extract from the draft Minutes, outlining the Committee's comments and queries, would form part of the Budget report to the Council, in the Appendix containing Consultation responses. In view of the timescales, it was AGREED to request that Officers first circulate the draft extract for informal approval.

A number of Members drew attention to the assumption of a Council Tax cut of 3% in 2015/16 and annual increases of 1.99% with effect from 2016/17. It was acknowledged that the public sector was still facing austerity measures, but the view was that it would be difficult to recover from the cumulative effect of a third year of cuts, which had followed two years of frozen Council Tax. It was felt that the Council would be in a period of financial uncertainty in the months leading up to the General Election in May 2015, so it needed a better financial base than would result from a further cut; especially when significant investment was needed in Affordable Housing and in Flood Defence.

In view of the above, the following Motion was Proposed and duly Seconded:-

*"That the Cabinet be requested to reconsider the proposed 3% cut in Council Tax; in view of the Government's policy of greater cuts in the Local Government sector, and in view of the urgent need to generate resources for capital investments in Flood Defence and in Affordable Housing."*

The ensuing debate gave rise to an Amendment to the effect that the word 'reconsider' be replaced by the word 'explain', which was duly Seconded. On being put to the vote, the Amendment was CARRIED, with the following Record of Voting - for 8, against 5, abstentions 0, absent 0.

**RESOLVED that:**

- (a) the following documents be noted:**
- (i) the Medium Term Financial Strategy for 2015/16 to 2018/19;**
  - (ii) the Capital Programme for 2015/16 to 2017/18;**
  - (iii) the Net Budget Requirement for 2015/16, and the Detailed Budget; and**
  - (iv) the Pay Policy Statement for 2015/16;**

**(b) the Cabinet and the Council be advised of the Committee's comments and queries on those documents, as outlined above;**

**(c) the Cabinet be requested to explain the proposed 3% cut in Council Tax, in view of the Government's policy of greater cuts in the Local Government sector, and in view of the urgent need to generate resources for capital investments in Flood Defence and in Affordable Housing.**

**Record of Voting - for 10, against 1, abstentions 2, absent 0.**

**RESPONSES TO CONSULTATION QUESTIONS FROM WEBSITE**

There were 15 responses to the website consultation. 13 responses were from residents, 1 response was from a business and 1 response was from an individual that is both a resident and responding on behalf of a business.

**Q1: We are considering reducing the Cotswolds District Council tax by 3% i.e. Band D council tax would reduce to £129. Do you agree or disagree with this?**

Strongly Agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree
8	3	0	0	4

**Q2: Do you think we should freeze car parking charges for 2015/16?**

Strongly Agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree
7	6	1	0	1

**Q3: Do you think we should freeze garden waste collection fees for 2015/16?**

Strongly Agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree
9	2	3	0	1

**Q4: The Council is planning to make savings to management overheads in 2015/16 rather than make cuts to services. Do you agree or disagree with this?**

Agree

Disagree

**Q5: The Council plans to use the income from the Government's New Homes Bonus scheme (£2.5m) to compensate for other cuts to Government funding and thereby protect local services. Do you agree or disagree with this?**

Strongly Agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree
8	4	2	1	0

**Q6: The Council is not proposing to make any changes to standards in front line services for 2015/16. Do you agree or disagree with this?**

Agree

Disagree

**Q7: The Council is not proposing to make any changes to grants to the voluntary sector for 2015/16. Do you agree or disagree with this?**

Agree

Disagree



## NARRATIVE FEEDBACK FROM WEBSITE CONSULTATION

1	Instead of cutting the council tax the Council should use this money to improve services such as litter collection and restore staffing levels in areas of frontline services such as planning, building control, waste and environmental health. If you think frontline services and staff morale have not been detrimentally affected by existing budget cuts then you are out of touch with what's going on.
2	Thank you for doing an excellent job and keeping costs down.
3	Two things: Q5. The council needs to be careful that it is not tempted into building too many affordable new homes that are in conflict with the unique character and beauty of the Cotswolds in order to maximise its take from the NHB to avoid finding further efficiency cuts needed to maintain services. Q4. A 2% increase in the salaries bill may be unjustified given that CPI inflation in October was running at 1.5%. Many central government and NHS employees are currently being restricted to 1%. Secondly, if it is not already the case and given the increasing liabilities to be funded in maintaining pension provision at present levels, pension increases should be limited to the CPI rather than the RPI rate of increases, as is the case for central government former employees.
4	Keep up reducing beaurocratic overheads without compromising front line services.
5	I only ticked Agree in the first couple of boxes because, although these cuts are very welcome, I am concerned that this could mean other services will suffer as a result. Certainly, litter collection seems to have deteriorated and the diligent scrutiny of planning applications also. I have lived in many counties in England, but CDC's services are the best I have experienced. In the 15 years that I've lived here, your customer services have proved to be excellent, both in the efficiency & quickness in which requests are actioned, and in the very polite and helpful manner in which telephone queries are handled. However, in your appreciated efforts to cut the costs incurred by your residents, it would be a shame if in doing so the beauty of the Cotswolds was detrimentally affected.
6	Keep up the good work, as a Conservative I support Smaller Government and local Authority.
7	I would rather see council tax keep pace with inflation instead of being cut. The council is supposed to provide services that I as an individual cannot provide myself. If council tax drops then inevitably these services will suffer. It is good if you are planning to make managerial cost savings but these savings could be used to improve front line services.
8	Cotswold is an affluent District with high employment. The vast majority of residents can afford to pay fair local taxes. Instead of cutting taxes, CDC should bring them up to 100% again & have more money to spend on things that affect all residents & annoy so many EG: Obscenely high parking charges in our "capital" Cirencester. It seems strange to me that Witney, (with whom we share a CEOS & some services) manages to balance its books while having FREE parking throughout the town. Result? A vibrant town centre full of good shops, a proper cinema & all major supermarkets.

9	Point 2. I do think that car parking charges in Cirencester are a deterrent to visiting the town. The town needs the dynamism of being a shopping centre and a cultural and social hub and the cost of parking combined with the threats of congestion from future planned development is, I am sure, a disincentive. Point 7. The voluntary sector is fairly active here and effective and the community is proud of this fact so I feel it is right to maintain the level of Council support. I would favour support from the council by the provision of un/under used buildings, etc. for charitable activities. Could CDC offer a store to the Food Bank, for example? Point 8. You are wise to identify roads as a GCC responsibility. They are pretty appalling in places!
10	Further reduction in Sunday parking charges (Brewery Car Park, Cirencester) if this is affordable. Consider introducing recycling for "Tetra Pak" style cartons (orange juice etc)
11	CONGRatulations to CDC for continuing over the years to find innovative ways of reducing costs and yet sustain service.
12	You will only have income from the New Homes Bonus Scheme if you allow masses of new builds in the area. In small villages like Blockley and towns like Moreton-in-Marsh the infrastructure is already stretched. The builders often build the extra schools or doctors surgeries etc many years, if at all, after the new homes are built. 3% is an enormous cut in the money coming in to the district but would not make a significant cut in household budgets. It is a disgrace to even consider a cut in the light of the enormous cuts in Government funding which drastically affect local services. We need to sustain council tax to buffer the effects on those services which dramatically affect the poor and disabled.
13	Incredible that you have managed to do this savings. Many congratulations on tremendously hard work and such an excellent outcome.

**IN ADDITION THE COUNCIL RECEIVED THE FOLLOWING RESPONSE FROM A RESIDENT:**

**I print below my views on these questions as a Resident of Tetbury.**

**I have found it necessary to address these questions without using the questionnaire as I find the latter far too restrictive and leads respondees to a narrow and inappropriate "either / or" that gives an impression of manipulation of answers possible. This leaves an unpleasant "taste", sadly.**

**1. I do not believe that there should be a reduction of Council Tax as we all need the services that are the hallmark of a civilised and modern society. Indeed, I view the current level of provision as far too low.**

**2. I have no strong views on car parking fees and their level.**

**3. I would not want a freeze to the garden waste charge.**

**4. I do not wish to seek cuts in services OR management overheads .**

**It is a false dichotomy to pit the two against each other. Quality front-line delivery is inextricably linked to quality management in order to lead , quality assure , monitor and keep relevant records. I would certainly not wish to see any more jobs lost in any services that you administer; my guess is that this is already a set of services that have been denuded of personnel at all levels. Again, this is not how a modern and civilised country / county should treat its citizens.**

**5. Pitting the Government New Homes Bonus scheme against the local services protection appears a somewhat "shabby" exercise. As I read it, it gives the impression that this may be a backdoor way of obtaining acquiescence from the public in a support for increasing house building in the Cotswolds .**

**6. Evidently, I have absolutely no wish to see cuts to the voluntary sector. Such cuts would be truly shameful.**