

## **SCRUTINY COMMITTEE - RESOURCES**

17 September 2008

### **Present:**

Councillor Coates (Chair)

Councillors D J Morrish, M A Baldwin, P J Brock, Martin, Newton, Prowse, Robson, Thompson and Wardle

Chief Executive, Director Corporate Services, Assistant Chief Executive, Head of Treasury Services and Member Services Officer (SJS)

### **Also present:**

Councillor A Fullam - *Leader, Budget and Strategic Vision*  
Councillor R Hannaford - *Portfolio Holder for Housing and Social Inclusion*

#### **49 Minutes**

The minutes of the meeting held on 18 June 2008 were taken as read and signed by the Chair as correct.

#### **50 Declarations of Interest**

Members made no declarations of interest.

### **PERFORMANCE MANAGEMENT**

#### **51 AIM Property Maintenance Progress**

The joint report of the Head of Contracts and Direct Services, Head of Housing Services, Head of Treasury Services and Head of Estates was submitted.

Scrutiny Committee – Resources noted the first quarter financial position of the £7m programme of reactive and planned property maintenance and refurbishment for 2008/2009, as detailed in the report.

(Report circulated)

#### **52 Financial Stewardship**

The report of the Head of Treasury Services was submitted.

Scrutiny Committee - Resources noted the report.

(Report circulated)

### **MATTERS FOR CONSIDERATION BY THE EXECUTIVE**

#### **53 Capital Monitoring Statement**

The Head of Treasury Services presented a report on the current position in respect of the Council's revised annual capital programme and advised Members of the anticipated level of deferred expenditure into future years.

He advised that during the first three months of the current financial year the Council spent £2,046,164 of the 2008/09 Capital Programme which equated to 6.9% of the revised Capital Programme. This compared to £2.5 million being spent in the first three months of 2007/08. The forecast spend to carry forward to 2009/10 was £997,935.

A Member queried issues surrounding the reliability and effectiveness of the wood pellet boiler at Belle Isle Nursery and whether it was likely that the installation of the wood pellet boiler at the Civic Centre would exceed the budget as was the case with the boiler at the Corn Exchange.

The Director Corporate Services confirmed that the wood pellet boilers at the Corn Exchange and Civic Centre would be dual fuel use but, until the issues with the boiler at Belle Isle Nursery had been fully assessed, their installation would be deferred. Members would be circulated with an update on the issues with the wood pellet boiler, what was being done to resolve them and the budget position with regards to the installation of the boiler at the Civic Centre in light of the increase in budget provision for the boiler at the Corn Exchange.

The Chair asked that the Committee be informed why £15,720 from the HRA Capital budget had been spent on Communal TV aerials and if this was due to the switch over to digital TV.

A Member raised a question with regards to £40,000 that had been spend on King William Street Car Park changing facilities and if this expense had been incurred because of the introduction of Civil Parking Enforcement Officers and the need to provide accommodation for them. If that was the case then he requested that officers investigate if these monies were recoverable from Devon County Council.

Scrutiny Committee - Resources supported the report and recommended approval by Executive of the current position in respect of the Council's revised annual capital programme and anticipated level of deferred expenditure into future years.

(Report circulated)

## 54 **Overview of the General Fund Budget 2008/2009**

The Head of Treasury Services presented a report on the overall projected financial position of the General Fund Revenue Budget after three months, for the 2008/09 financial year.

He informed Members that the Service Committee budgets showed a forecast under spend of £19,880 against a revised budget of £19,533,140. There was a reduction of £100,000 in respect of investment interest as a result of volatile interest rates and a decision to defer borrowing to finance the capital programme. This money had been invested at a higher interest rate until it was required. The Council was on target to deliver services within budget.

A Member raised concerns with regards to the overspend in the Scrutiny Committee – Economy Budget of £61,290; if this was due to the down turn in the economy; and if there was any possibility of any short term savings to off-set this against.

The Chief Executive stated that the first quarter of the year had indicated that car parking income was down by 2% and planning fees were down by 10%. The planning fees were down due to a reduction in construction activity.

In reply to Members' concern regarding the securing of the Council's assets in light of the volatile money markets, the Head of Treasury Services confirmed that the Fund Managers did spread the risk and invest in low risk options. The Council had a varied portfolio of investment and the Fund Managers reacted very quickly to any changes in the Market.

In answer to a Member's question, the Head of Treasury Services stated that the majority of debt over 5 years was due to over payment of housing benefit and the non- payment of council tax. The collection of this type of debt was in a lot of cases spread over a number of years due to the person's ability to pay back the debt.

The Scrutiny Committee - Resources supported the report and recommended approval by Executive of the forecast financial position for the 2008/09 financial year and the outstanding Sundry Debt position for the first quarter of 2008/09.

(Report circulated)

## **MATTER FOR CONSIDERATION BY SCRUTINY COMMITTEE - RESOURCES**

### **55 Media Speculation of a £11 Million Budget Deficit**

The Chair informed Members that this item had been placed on the agenda following media speculation about the Council's alleged budget deficit. The Chair highlighted the Committee's concern about the potential damage to the Council's reputation of the media report, as well as the negative impact on the confidence in the overall financial position of the Council.

The Director Corporate Services outlined to Members the situation in relation to the articles that appeared in the Express and Echo concerning a budget deficit of 'up to £30m' on 23 August 2008 and an £11m 'black hole' on 29 August 2008.

He stated that the figures of £11m and £30m were obtained by subtracting the 'Total Resources available' and 'Total General Fund' figures in the '2008/09' and 'Total' columns. The resulting sum of money had then been described in media reports as a massive budget deficit. The capital forecast which had been passed to the Express and Echo was similar to that included in the 2008/09 Estimates Book presented to Council in February this year. The latest schedule on which the article had been based had simply been updated with current financial projections, but both overall positions shown, remained similar.

The Director Corporate Services stated that the gap between the resources available and the planned expenditure was normal and would be financed by borrowing, additional capital receipts or grant monies. It was highlighted that most other local authorities borrowed, for example, Ipswich Borough Council currently had long term borrowing of £41.7m, Cheltenham Borough Council £42.1m and Devon County Council £613m.

He stated that Members had been aware for the last two years that because of the Council's ambitious capital investment it would no longer be 'debt free'. There was no massive budget deficit of £11m or £30m but there would be a borrowing requirement to fund the Council's investment programme in the future. There was a challenging process ahead for Members to balance the revenue budget for 2009/10 and agree a capital programme it could afford to finance. This would be settled during the normal budget process over the next six months.

In answer to a question from the Chair, the Director Corporate Services stated that a report from the Council's external auditor was due shortly and it was anticipated that it would show that the finances of the Council were in 'good health'. It was the Head of Treasury Services' responsibility as the 'Section 151 officer' to certify that any borrowing was affordable.

A Member felt that it was perfectly acceptable that the Council would be borrowing to fund its capital programme and that the media speculation of a 'black hole' was highly misleading.

The Chair invited the Leader and the Portfolio Holder for Housing and Social Inclusion to address the Committee.

The Leader addressed the Committee.

He welcomed this opportunity to reflect on what had been reported in the press. He said the Council had known for sometime about the future budgetary position and at the Community Forum at the end of last year, the public were made aware that borrowing would be necessary to fund the capital programme.

He stated that the press had contacted him with regard to the press release on 22 August 2008 referring to the proposed new swimming pool in which the article referred to 'financial pressures' and 'the prospect of cuts'. The Leader informed the Committee that he had given straight answers to questions and had said that the Council faced a deficit of more than £11 million. He stated that there may have to be a rise in Council Tax or cuts in services. He had not mentioned the words, 'black hole' in his statement and in hindsight he would have answered 'no comment' until he had the chance to contact Council officers.

He believed that the press interest had been stimulated by the Portfolio Holder faxing a copy of the circulated appendix to the press. The Leader stated that it was regrettable that this had taken place under his Leadership.

The Portfolio Holder for Housing and Social Inclusion addressed the Committee. He stated that it was regrettable that he had released the Council's budget papers to the press. He continued that despite most of the financial information being in the public domain, he should have realised that the papers were confidential, even though they had not been marked confidential or were not on blue paper. He apologised to the Committee for his actions.

In answer to a question, the Leader stated that the press release on Friday 22 August 2008 had referred to the swimming pool not going ahead as planned due to 'Financial pressures'.

The Chief Executive confirmed that the press release regarding the swimming pool had been made in response to the publication of the Scrutiny Committee - Community agenda.

The Leader confirmed that the press release regarding the swimming pool was appropriate but that an error of judgment had been made in the release of the figures circulated at the Portfolio Holders' financial briefing with the Strategic Management Team.

In response to a Member, the Leader stated that he had not signed off the press release regarding the swimming pool in which a Portfolio Holder had been quoted.

A Member asked how the two personal emails between Councillor Edwards and the Leader published in the Express and Echo on the 29 August 2008 had been made public. The Portfolio Holder for Housing and Social Inclusion stated the he had not been responsible for their release into the public domain. The Leader clarified that the emails had been copied to all Councillors.

The Chair stated that the article on 23 August 2008 had quoted the Leader as saying that 'The budget which was previously accumulated from assets is not there now, so it requires us to do a lot of borrowing'. He was concerned by this comment and confirmed that the capital programme for next year had not yet been finalised.

In answer to questions from the Chair, the Leader stated that he did not dispute the comments and that the administration was aware that reductions in expenditure would need to be found by next March and that there was concern over the level of existing services. The Leader confirmed that he stood by his statement to the Express and Echo and that the words were unedited.

In answer to questions from the Chair, the Portfolio Holder for Housing and Social Inclusion confirmed that he did not use the words 'black hole' and that the use of the word 'mess' was regrettable.

A Member reminded the Committee that the Council's external auditors had given the Council a 'good bill of health'.

Discussions took place on the way forward. A Member felt that an apology had been made and that no further time should be spent on the matter. Other Members were of the opinion that although an apology had been given and mistakes had been admitted, this matter should be referred to Council.

Councillor Martin moved that the Committee refer this matter to the Council's Monitoring Officer to advise whether it should be referred to the Standards Committee for full investigation. Councillor Wardle seconded this proposal.

The Chair proposed an amendment to include that the Committee affirmed its confidence in the state of the Council's financial position and the budgetary and audit processes involved in its financial management. The amendment was accepted by Councillors Martin and Wardle.

**RECOMMENDED** that Council:-

- (i) affirms its confidence in the state of the Council's financial position and the budgetary and audit processes involved in its financial management; and
- (ii) refers this matter to the Council's Monitoring Officer to advise whether it should be referred to the Standards Committee for full investigation.

(Report circulated)

The meeting commenced at 5.30 pm and closed at 7.25 pm

Chair