

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

CABINET SCRUTINY COMMITTEE

**Minutes of a Meeting of the Cabinet Scrutiny Committee
held on Wednesday 20th November 2013 at 6pm
in the Committee Suite, King's Court, Chapel Street, King's Lynn.**

PRESENT:

Councillors C Joyce (Chairman)
R Bird, D J Collis, I Gourlay (substitute), J Loveless (Vice-Chairman),
T Manley, Mrs K Mellish, D Tyler (substitute) and D Whitby.

Other Member Present:

Councillor B Long, Deputy Leader and Portfolio Holder for Environment.

Management Team/Officers:

Lorraine Gore, Chief Financial Officer
Dave Thomason, Deputy Chief Executive

Apologies for absence were received from Councillors A Beales, J Collop, N Daubney, A Lovett, G Sandell and M Tilbury.

CSC59: MINUTES

The minutes of the meeting held on 19th September 2013 were agreed as a correct record and signed by the Chairman.

CSC60: URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business to report.

CSC61: DECLARATIONS OF INTEREST

There were no declarations of interest.

CSC62: MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There were no Members pursuant to Standing Order 34.

CSC63: CHAIRMAN'S CORRESPONDENCE

The Chairman had no correspondence to report.

CSC64: RESPONSE TO PREVIOUS COMMITTEE RECOMMENDATIONS

There were no previous Committee recommendations.

CSC65: **MATTERS CALLED-IN PURSUANT TO STANDING ORDER 12**

There were no matters called-in pursuant to Standing Order 12.

CSC66: **MID YEAR REVIEW TREASURY REPORT 2013/2014**

Councillor I Gourlay explained that he had studied the report in some depth and had also attended and participated in the debate held at the recent Resources and Performance Panel meeting but sought assurance that the Borough Council were not facing bankruptcy. The Deputy Leader explained that he felt that the Council were in a sound financial position. The Deputy Chief Executive also explained that there was no definitive answer as to whether a local authority could technically be declared bankrupt. In the event of a local authority being faced with severe financial difficulties, it was likely that it would be put under “special measures” and the Government would intervene and provide appropriate support. The Council did have a regular guaranteed income in the form of the statutory Business Rates and Council Tax.

Councillor I Gourlay questioned whether there was a statutory requirement to allocate a certain percentage of the budget to reserves. The Deputy Chief Executive explained that as part of the annual budget setting process the Council’s policy on Balances and Reserves was considered. This determined the level of funds held in reserve. Consideration was given to issues such as the likelihood of the amount of capital receipts, the depreciation and lifespan of the Council’s assets and the Council’s fleet of vehicles. The Chartered Institute of Public Finance and Accountancy (CIPFA), the recognised accountancy body for local authorities, recommended that a minimum of 5% of the Council’s net spend should be held as a balance on the revenue account which would equate to approximately £900k. The Council currently had £3.5m allocated to ensure that they could maintain Council Tax at the proposed level. In response to a further question, it was explained that although the 5% recommended by CIPFA was not a requirement by law, the Council were required to close down their accounts taking into consideration the guidance issued by CIPFA and the auditors would deem it a breach of good practice if they did not allocate at least 5%. The Council had approximately £13/£14 million allocated to reserves some of which was earmarked for contingencies such as a potential drop in income in relation to business rates or the potential for an insurance claim etc. Reference was made to the County Council’s budget which had some £141 million allocated to reserves.

Councillor Manley referred to Table 1 of the report (page 44) and questioned what the overspend related to under the Portfolio for Environmental Improvement & Protection in the Capital Programme. The Chief Financial Officer explained that it was in relation to the black bin rollout and the stock of black bins that the Council held; the price of which had increased. In response to a further question from

Councillor Manley, it was confirmed that the Council had loaned Roydon Parish Council a sum of £4k (Investment Portfolio 2012/2013 – Table 5).

Councillor Joyce questioned in terms of risk, what safeguards the Council had in place to avoid the Administration over spending on its budget. The Deputy Chief Executive explained that the Council had a statutory obligation to balance their budget. If for any reason this was not going to be achieved, it would be brought to Members' attention and the Auditors would also intervene if concerns were raised. He reiterated that there were no statutory regulations in terms of the amount of reserves allocated by the Council. Councillor Joyce further questioned what measures the Council had in place if inadequate budget planning or unforeseen circumstances occurred that subsequently warranted additional funds. Reference was made to £31 million required for the Incinerator with Norfolk County Council and the capping the liability at £20 million. The Deputy Chief Executive explained that Members did have an obligation not to put the Council at financial risk and if this was likely to occur then appropriate action would need to be identified to rectify the position. He also explained that the Chief Financial Officer had an obligation under Section 114 of the Local Government and Finance Act 1988 to report on decisions incurring unlawful expenditure or if it appears that the authority's spending is likely to exceed its resources in any financial year. If unforeseen circumstances occurred that warranted additional financial support, consideration would need to be given to using reserves or additional borrowing. It was clarified that if such events did occur, any subsequent recommendations would be considered by Full Council.

In response to a question raised by Councillor Gourlay in terms of where the Council would seek to borrow any additional finance that may be required, the Deputy Chief Executive explained that approval would need to be sought from Full Council if the current authorised borrowing was to be exceeded. Consideration would likely be given to seek borrowing from the Public Works Loan Board whose rates were favourable. Councillor Long also drew Members attention to Table 3 (page 46) of the report that outlined the authorised limit for external debt highlighting that the revised estimate 2013/2014 should read £30m rather than £25m.

Councillor D J Collis questioned whether there were different regulations in terms of borrowing in relation to capital and revenue, to which the Deputy Chief Executive clarified that it was not possible to borrow against any revenue expenditure.

CSC67: **COST REDUCTION PROGRAMME**

The Chairman explained that Councillor J Collop had requested that this item be placed on the Agenda for the meeting but subsequently

had not been able to attend the meeting. No other Members had any questions in relation to the item.

CSC68: **PORTFOLIO HOLDERS' DECISIONS MADE UNDER DELEGATED POWERS**

There were no Portfolio Holders' Decisions to note.

CSC69: **DATE OF NEXT MEETING**

It was noted that the next meeting of the Cabinet Scrutiny Committee was scheduled to be held on Thursday 19th December at 6pm.

Meeting closed at 6.35pm