

15 NOVEMBER 2023 PERFORMANCE AND FINANCE SCRUTINY COMMITTEE, PUBLIC QUESTIONS AND ANSWERS.

Question 1 (Submitted by Mr Edmond Bain)

The Peer Challenge recently outlined the need for the Council to consider reducing the level of resident service provision from a recognised position of " gold standard" to a lesser "bronze standard". Does the Committee believe that it should be seeking clarification on this point and in turn understanding how this might impact on the residents of the borough.

Answer

The point made by the Local Government Association (LGA) Peer Challenge Team was a general point and as such does not require clarification. It recognises that many of the Council's services are delivered to a very high standard, and that in the current financial climate, it may no longer be affordable for all of these to continue to operate at that level. Making savings via changes to the specification of services, is certainly one way to secure the year-on-year cost reductions that are needed as is the option to increase income generation. The Peer Challenge Team have made a number of helpful recommendations, and it is now up to the Council to decide precisely what action it takes as a result.

Question 2 (Submitted by Mr David Chesneau)

"The council has limited control over external factors. But it still has a major influence on the borough's financial destiny. So, what, in the view of the committee, on a scale of one to ten, is the probability that the council will - in effect - be bankrupt in three to four years? Is that probability based on the assumption of modest, or significant or major changes to the council's operations?"

Answer

The recent spate of Section 114 notices being issued by local authorities have been due to specific issues pertinent to the individual Council and not generic market conditions. However, some of the latest media stories have highlighted a more generic issue with local government around increasing demand pressures combined with the inability to increase 'spending power' in real terms. Surrey Heath Borough Council is not immune to either the increased demand-led expenditure pressure, nor the ability to raise funds to support the duties of a district council.

Local authorities cannot go 'bankrupt' as there would be government intervention if s \section 114 notice were to be issued, which would ensure continuity of statutory services to residents. The Council would still be able to collect local taxation to support this.

The latest medium term financial strategy demonstrates that the Council has reserve balances to allow it to keep functioning but is facing an ongoing budget deficit, and to this end, the Administration recognises that there is a hard budgetary process ahead to reduce the shortfall between funding and expenditure plans which could mean some difficult decisions around provision of services in terms of both the standard and number of services.

Question 3 (Submitted by Mr Edmond Bain)

Does the Committee agree with many residents that there should be an Inquiry, a necessary follow up to the investigation into the purchase price, as to how it is that the Council departed from the policy agreed and approved in Full Council that all borrowing in relation to the acquisition of the retail assets should be long term fixed at, or around, 2.19%. The outcome is that the additional debt interest will be a significant drag on the performance of the Council and therefore it must be understood how it was allowed to happen and by what authority. Residents will be paying the cost for many years and will in all probability exceed the capital destruction seen.

Answer

There is no need for an inquiry to be set up as the policy was not agreed as Mr Bain states: The report clearly states: "As the Council did not have the resources to fund this purchase it would need to be funded through external borrowing. This would most likely come from the Public Works Loans Board (PWLb). PWLB interest rates, which were only fixed when the borrowing was undertaken, were likely to be at 2.19%.

Thus the actual resolution was agreed as:

(vi) the Prudential Indicators as set out in Annex C to the agenda report be approved and that actual financing of borrowing undertaken be delegated to the Executive Head of Finance in consultation with the Portfolio holder for Finance; and

So there was no departure from the policy agreed in resolution (vi) and thus it would not be an appropriate use of the Council's resources to set up an inquiry.

Question 4 (Submitted by Mr Edmond Bain)

The drafting of the briefing papers suggests that "all is well and manageable" at the Council, more of the same, "strong and secure finances" which is in conflict with the reported words of the Leader. His view is one shared by myself. Who should residents believe.

Answer

It would not be within the remit of the Committee to tell residents on what to believe – it is likely that

many will have differing opinions based on their interpretation of the numbers. The Council assesses its sustainability each year when it sets its budget in the Medium Term Financial Strategy. It will monitor this throughout the year through the budget management reports (as presented here tonight) and where appropriate taken remedial (but not kneejerk) action to the forecasted outturn position.

Question 5 (Submitted by Mr Edmond Bain)

In future can the Chairman insist that both a schedule of current borrowing, indicating the term and rate of interest, and a statement of cash projections be included in the pack as the true test of performance is the cash. Drawing on Reserves results in a cash outflow.

Answer

The Council's treasury reporting was recently delegated to the Audit, Standards and Risk Committee and this information is within the quarterly treasury report which that committee will consider at its meeting on 14 December.