

FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)

30th June 2011

PRESENT:-

Conservative Group

Councillor Wheeler (Chairman), Councillor Mrs. Watson (Vice-Chairman) and Councillors Bale (substitute for Councillor Jones), Hewlett (substitute for Councillor Lemmon), Murray, Smith and Watson.

Labour Group

Councillors Dunn (substitute for Councillor Richards), Frost, Rhind, Southerd, Taylor and Wilkins.

In attendance

Councillors Atkin and Mrs. Plenderleith (Conservative Group) and Councillor Richards (Labour Group).

APOLOGIES

Apologies for absence from the Meeting were received from Councillors Jones and Lemmon (Conservative Group) and Councillor Richards (Labour Group).

MATTERS DELEGATED TO COMMITTEE

FM/20. **DECLARATIONS OF INTEREST**

Councillors Murray and Wheeler declared personal interests in respect of the item on the Bretby Crematorium Joint Committee final accounts, as Members of the Joint Committee.

FM/21. **BRETBY CREMATORIUM JOINT COMMITTEE – FINAL ACCOUNTS**

A report was submitted to present the final accounts of the Bretby Crematorium Joint Committee for 2011/12. Lisa Turner from East Staffordshire Borough Council attended the Meeting to present the accounts and respond to Members' questions. Following the sale of the Crematorium, the Joint Committee would cease to exist and a report would be submitted to the Council Meeting on 7th July 2011 relating to consequential amendments to the Constitution and a revised political proportionality calculation.

RESOLVED:-

That the final accounts of the Bretby Crematorium Joint Committee for 2011/12 be approved and that the Chairman of the Committee be authorised to sign the accounts.

FM/22. TREASURY MANAGEMENT ANNUAL REPORT 2010/11

The Committee received a report, which detailed the Council's actual borrowing and lending for 2010/11, compared to the approved strategy, including performance against its Prudential Indicators. This was in accordance with the Local Government Act 2003 and associated regulations.

The Council's borrowing and investment strategy for the year required that its cash flow requirements were managed through short-term borrowings and bank deposits. Overall, the Council's cash flow remained positive throughout the year, as forecast. However, some short-term borrowing was undertaken towards the end of the financial year and the reasons for this were reported.

As financial monitoring reports throughout the year highlighted, the main Bank of England base rate remained at 0.5%, which continued to limit the amount of interest earned on short-term investments and bank deposits. In undertaking its treasury management functions during the year, the Council managed its activities within its prudential indicators and approved lending policy.

The detail of the report included sections on borrowing during 2010/11 and the Council's cash flow for that period. This included a graph showing the cash flow analysis. There was commentary on interest rates, temporary borrowings and budgetary implications. Also reported were other interest paid and received, the money market debt, investments, the definition of credit ratings and the general policy. Further information was provided on performance indicators, prudential indicators and the Minimum Revenue Provision, including how this was calculated and the four options available. This section of the report included the effect on South Derbyshire and the Council's statement on the Minimum Revenue Provision.

RESOLVED:-

- (1) *That the Treasury Management Annual Report for 2010/11 is approved as submitted.***
- (2) *That the Committee notes the Treasury Management Stewardship Report and Prudential Indicators for 2010/11 and that the Council complied fully with all requirements.***
- (3) *That the Statement on the Minimum Revenue Position for 2010/11 is recommended to Council for approval.***

FM/23. BUDGET OUT-TURN AND FINANCIAL POSITION 2010/11

The Committee received a report detailing the final out-turn position for 2010/11 on the main revenue and capital accounts. The report also detailed the financial position on these accounts as at 31st March 2011, as compared to that estimated in the Council's Medium-Term Financial Plan (MTFP). A context was provided and the report detailed the performance against the approved budgets on the General Fund, Housing Revenue and Capital Accounts. This was intended to provide the key information about the closedown position and its impact on overall finances. It also helped the

Council to consider at an early stage, the financial implications for the MTFP and for setting the budget for 2012/13. As part of the Council's financial planning process, the MTFP was subject to the usual periodic review, including the impact of this out-turn. The updated position would be reported to the Committee in October, ahead of the budget round for 2012/13.

On the General Fund Revenue Account, an appendix detailed the budget heads within the main policy committees, showing the approved budget compared to the actual out-turn for 2010/11. A summary of the appendix was provided in a table within the report. Commentary was provided giving an overview of service spending and spending from earmarked reserves. Further tables summarised the main variances as projected at December 2010 and the actual budget variances for 2010/11. These had resulted in a total net variance for service expenditure of £137,000 compared to budget. Subsequent sections gave detail on planning fees, housing benefit subsidy and refuse collection, recycling and street cleansing, on which questions were submitted. This section also covered the maintenance of parks and open spaces, IT replacement and upgrade and Land Charges.

Next, the consolidated position was reported in an appendix and through a table showing the final position for 2010/11. The overall deficit for the year was £93,751, which was £100,000 less than that identified in the budget. Further commentary was then provided on adjustment and provisions, contributions from earmarked reserves, the effect on the MTFP and appropriations. The General Fund Reserve Balance was reported and at 31st March 2011 it was £3,007,049.

The final accounts for the Housing Revenue Account for 2010/11 showed an improved position to that budgeted. The actual out-turn was a deficit of £105,000, which was a reduction of nearly £400,000 on that budgeted. This section of the report included the variances compared to budget in a further table. Commentary was then provided on supporting people contributions, rents and void properties and the overall position on the HRA.

Total capital spending for 2010/11 was approximately £5.5million, which was £180,000 lower than the overall budgeted programme. An analysis of the main variances was provided under the headings of Council house improvements, other housing investment, community projects, environmental projects and property and asset holdings. Next, the report looked at overall financing, the capital receipts remaining, which were approximately £513,000 higher than estimated and the sale of the Bretby Crematorium.

The position on the Collection Fund was reported and a further appendix showed that the Fund had performed better than estimated, with a small surplus of £28,000, compared to the estimated deficit of £30,000. The report concluded with information on other earmarked reserves including an analysis and commentary on each of those reserves.

Also discussed were the earmarked funding for the South Derbyshire Music Trust, the need to identify further schemes for the use of capital receipts, following the completion of the Sheltered Housing Vision and that receipts

from housing assets would continue to be directed to the Housing Revenue Account.

RESOLVED:-

(1) That the Committee approves the out-turn position for:-

- ***The General Fund Revenue Account 2010/11***
- ***The Housing Revenue Account 2010/11***
- ***Capital Expenditure and Financing 2010/11***
- ***The Collection Fund 2010/11***
- ***Reserves, Provisions and Balances 2010/11***

(2) That the Committee approves the proposed transfers to earmarked reserves for 2010/11 as set out within the report.

(3) That the remaining balances on the Corporate Services Strategic Partnership and DSO Reserves are returned to General Reserves.

FM/24. HOUSING REVENUE ACCOUNT SELF-FINANCING: TREASURY MANAGEMENT AND ACCOUNTING ISSUES

A report was submitted to provide an update on the implications of the self-financing proposals for the Council. This followed the announcement on the abolition of the current Housing Revenue Account subsidy system in April 2012. The Council would need to review and update its Treasury Management Strategy and accounting policies and these would be brought to Committee for consideration in October 2011.

Members were reminded of the Government's proposals for self-financing of Council housing. Each authority was provided with a settlement figure to move out of the housing subsidy system. The proposals were currently subject to Parliamentary scrutiny and it was expected that the Bill that would receive Royal Assent during the autumn.

The report explained the details of the settlement that each authority would have to pay, to buy out of the national subsidy system. The Government had valued the housing business at a national level and then disaggregated this for each authority. The settlement used the 2011/12 subsidy determination as its starting point and the key assumptions in the calculation of the debt to be taken on were reported. In total, the costs had increased when compared to the initial proposals published in 2010. In addition, some policy issues were also confirmed. Next, the timescales provided by the Government for this process were reported. Between now and April 2012, there were several issues that authorities would need to consider and resolve, relating to business planning, accounting and treasury management. Commentary was provided on each of these areas, together with debt aspects, a money market loan and depreciation, including the impact of the Major Repairs Allowance ceasing to exist. In terms of treasury management, the Council's initial debt from the settlement proposals was £54.8million. The borrowing limit was around £9million higher, but for such additional borrowing, it would need to be demonstrated that this was affordable.

The report then addressed funding options with commentary on bonds, credit ratings and legality and borrowing from banks. The use of a consortium approach and other options were also reported. The detailed financial implications included the assumed long-term interest rates and the likely levels of borrowing required. Members discussed the funding options, the comparative progress made to date and the time constraints, together with the specialist advice being sought and ability for future borrowing, again subject to affordability.

RESOLVED:-

- (1) That options for Debt Management are analysed and reported to the Committee in October 2011.***
- (2) That a proposed Treasury Management Strategy is reported to the Committee in December 2011.***
- (3) That an update on the accounting issues regarding debt management and depreciation following the publication of final guidance is reported to the Committee in October 2011.***
- (4) That the Committee approves the change to the Capital Policy as set out in paragraph 3.6 of the report i.e. that 25% of the proceeds from the sale of Council houses be retained in the Housing Revenue Account with effect from April 2012.***

R. WHEELER

CHAIRMAN

The Meeting terminated at 7.00p.m.