

FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)

14th January 2010

PRESENT:-

Conservative Group

Councillor Harrison (Chairman), Councillor Wheeler (Vice-Chairman) and Councillors Bladen, Mrs. Coyle, Grant, Roberts and Mrs. Wheeler.

Labour Group

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

Independent/Non-Grouped Members

Councillors Mrs. Brown and Pabla

In attendance

Councillors Atkin, Lemmon and Timms (Conservative Group).

APOLOGY

An apology for absence from the Meeting was received from Councillor Southerd (Labour Group).

MATTERS DELEGATED TO COMMITTEE

FM/72. **ASSET MANAGEMENT PLAN 2009 TO 2014**

It was reported that the Asset Management Plan (AMP) was a property strategy document, which sought to align the Council's non-housing asset base with corporate objectives, to ensure services were delivered efficiently. The AMP had substantially been re-written this year to reflect the progress made in collating data and developing asset management. As a result of this, it was able to focus more directly on the current performance of assets and future strategies. A copy of the document was appended to the report for Members' consideration.

The Chief Executive emphasised key messages within the document, explaining that the Council was preparing for when the current recession ended, to make the best use of its assets. A number of questions were submitted, initially regarding the number of properties within South Derbyshire and progress in securing additional cemetery space in the Etwall area. Reference was made to partnerships and recent press commentary. Clarification was provided on the status of the Green Bank Leisure and Grove Hall, which were both included in the

contract with SLM. Thanks were recorded to Officers for the comprehensive and clear report.

RESOLVED:-

- (1) That the Council's updated Asset Management Plan for 2009 to 2014 is approved.***
- (2) That the Plan is reviewed and updated as necessary and at least on a yearly basis.***

FM/73. **SERVICE BASE BUDGETS 2010/11**

A report was submitted to inform Members of the proposed base budget for 2010/11. It included an overview of the Committee's main spending areas and some of the main cost pressures facing its services. It was proposed that the estimated income and expenditure be included in the consolidated budget of the Council for 2010/11, subject to the Council's overall medium-term financial position. The report also set out proposals for the level of fees and charges under the responsibility of the Committee and included a summary of the Committee's existing Capital Investment Programme.

A summary and overview was provided, which explained the Committee's responsibility for some large spending areas. In accordance with Local Government accounting regulations, a substantial amount of the Committee's costs were re-charged and allocated across other services. The Council's overall financial position was then reported and it was expected that this would tighten further in 2010/11, with further impact over the life of the Medium-Term Financial Plan (MTFP) to 2015. In addition, 2011/12 had already been identified as a critical year financially for the Council in terms of the impact on the level of general reserves. The report included sections on efficiency savings identified and the Corporate Services Partnering Project.

A summary of the Committee's net revenue expenditure was reported in a table and it was estimated that this would decrease overall between 2009/10 and 2010/11 by £56,987. The main reasons for this were shown in a further table.

Reference was then made to the concessionary travel grant and the awards received for the period 2008/09 to 2010/11. The Government had reviewed where additional costs had actually been incurred and had indicated that it would change the distribution of the national pot for 2010/11. This would mean a reduction in grant of £75,000 for South Derbyshire. Similarly, housing benefit administration grant would be reduced in 2010/11 by approximately £26,000. Information was then provided on pay inflation and other changes to the base budget. These other cost increases totalled approximately £32,000 and were detailed in a further table.

The position on inflation was reported, together with proposals for funding related to concurrent functions. There were a number of other issues that could impact on

the Council's financial position that were summarised in a table, comprising business rates revaluation, the Boundary Commission review and Electoral Registration. The report explained how the 2010/11 base budget had been formulated, based generally on current service levels. Capital investment was then reported, with details given of the schemes within the approved capital investment programme. Finally, an appendix to the report showed the proposed schedule of fees and charges for 2010/11. Apart from inflationary increases, there was a proposal to introduce a new charge for Council Tax accounts, where there had been a failure to notify of a change of circumstances. It was questioned whether there would be some discretion not to levy this charge in certain cases and the need for appropriate publicity was discussed, with Officers explaining how Council Tax payers would be notified.

RESOLVED:-

- (1) That the proposed revenue income and expenditure for 2010/11 for the Committee's Services are approved and included in the Council's consolidated budget.***
- (2) That the proposed fees and charges for 2010/11 be approved as submitted.***

FM/74. **CONSOLIDATED BUDGET PROPOSALS 2010/11 AND FINANCIAL PLAN TO 2015**

A report was submitted to detail the Council's overall financial position for the 2010/11 budget round. Essentially, it built on the financial plan and strategy approved in 2009 and covered the following sections:-

- The Council's current spending and proposed base budget position for 2010/11.
- The General Fund's 5-year financial projection including proposed spending by policy committees and associated analysis to 2014/15, which formed the Medium Term Financial Plan (MTFP).
- The proposed council tax base and collection fund position.
- A review and update of the existing capital investment programme and financing available.
- Proposals for meeting the projected budget deficit in 2011/12 and shortfall in capital financing to 2015.

Initially, the report focused on the General Fund. Following the review of the Medium Term Financial Plan (MTFP), the Council's overall financial position on its General Fund was projected to remain in deficit over the five-year planning period to 2015. It was forecast to deteriorate further, following the review of current

income and expenditure and the proposed base budget for 2010/11. The critical year remained 2011/12, which was the point that general reserves fell below the safe minimum level. Therefore, by October 2010 the Council would need to identify cashable efficiency savings of approximately £375,000 per year in order to meet the longer-term budget deficit and to protect the minimum level of general reserves.

There was a need to identify capital resources, to meet outstanding commitments for covenant repayments, vehicle replacements and contributions to Disabled Facility Grants (DFGs). Currently, provision was made to meet the commitments of £1.95 million from general reserves, as a revenue contribution. This would leave reserves well below the minimum level by 2012/13 and negative by 2014/15, even if the identified savings were achieved. The main issue continued to be a reduction in the Council's income base, relating to building regulations and land charges in particular. The Council had made cashable efficiency savings during 2009/10, but this had been offset by a reduction in income, rather than increases in expenditure. Clearly, an upturn in the economic situation should provide financial benefits to the Council, but this may prove too late for the current financial position.

The effects of the national financial situation were reported. In the background was the 2010 Comprehensive Spending Review, which was the Government's review of public expenditure, including financial settlements for local government. This had been preceded by the Government's pre-budget report, which set out tough measures for public expenditure, pay and pensions from 2011/12. It was considered that future grant settlements would be severely limited and might indeed be cut in some instances. The MTFP had been revised to take account of the economic data. Based on this, the overall projection assumed the current downturn continuing into 2010, with recovery starting to have a noticeable impact by 2011/12.

The report then focused on actions and potential opportunities. The Council's financial position continued to give cause for concern, though it was noted that much of the impact was due to external factors. The short-term position had become more critical and the need to make further efficiencies more acute. However, some actions already in place could generate resources to help remedy the situation and maintain the Council's finances on a sound and stable footing. The issue was that the resources were by no means guaranteed. Full detail was given on each of the prospective areas as follows:-

- Restructure of Community Services
- Corporate Services Partnering Project
- On-going efficiency programme and income generation
- Heads of Service reviews
- Etwall Leisure Centre
- Concessionary Travel
- Disposal of Surplus Assets

The timing of these initiatives was critical and currently it was indicated that receipts would be received during 2011/12. In this case, the financial position would be much healthier and reserves would be maintained above the minimum level. In the worst case scenario, where such receipts did not accrue until 2012/13 then the level of general reserves would fall below the minimum for the year 2011/12. An interim strategy was proposed, given the issue of timing and the need to meet capital commitments. This comprised:-

- That the amount remaining in the Housing Capital Receipts Reserve of £370,000 is now set-aside to meet the covenant repayments applicable to Housing.
- That no further contributions are made to DFGs beyond 2009/10.

When capital receipts or other resources were identified, it was then recommended that priority be given to reinstating contributions to DFGs and the Housing Capital Receipts Reserve. This strategy would provide approximately £700,000 towards the capital commitments, but was still short of the £1.9million required in total. Therefore, the Council would need to draw up a full plan of action, as a contingency to meet the overall shortfall. There were risks attached to this strategy, which were detailed in the report and this put further pressure on meeting the ongoing demand for DFGs and in balancing the HRA in the longer term.

The report then examined in more detail the Council's financial settlement for 2010/11, the General Fund five-year financial projection and proposals for meeting the budget deficit and balancing the MTFP. Information was submitted with regard to Council Tax, comprising the Council Tax base, the collection fund surplus/deficit and Council Tax levels. Finally, the report focused on capital investment and financing.

The report was accompanied by a presentation from the Head of Finance and Property Services and he was thanked by several Members for this presentation and the comprehensive report. The Chairman spoke of the difficult financial position, which was probably the most critical the Council had faced. This was due mainly to wider economic issues and he spoke about the impact of reduced fee income, reducing Council house sales, Government grant and other funding stream reductions.

A question was submitted about budgeted salary increases and actual settlement levels, which had been less. A response was duly provided. With regard to asset disposals, there was concern there might be a temptation to do this prematurely, rather than maximising the value of each asset. Officers confirmed the strategy sought to position assets at this time, in readiness for coming out of the recession. An explanation was also provided on "overage", as a means of securing the best return on assets.

There was discussion about the levels of fees and charges proposed. A Member repeated concerns raised at the earlier Environmental and Development Services Committee, whilst another Member noted that certain fees had been increased significantly above the prevailing inflation rate. Officers confirmed that all fees and charges had been reviewed and explained the different approach used this year.

RESOLVED:-

- (1) That the estimates of revenue income and expenditure for 2010/11 for the General Fund be approved, together with the levels of income and expenditure.***
- (2) That the Council Tax Base for 2010/11 be approved as 31,144.4.***
- (3) That a surplus of £665,000 be declared on the Collection Fund for 2009/2010.***
- (4) That the updated 5-year financial projection on the General Fund to 2015, including associated assumptions and risks as set out in the report, be approved.***
- (5) That the “Planning Reserve” is held at this stage to provide additional resources against the uncertainty and risks associated with planning, subject to the overall financial position during 2010/11.***
- (6) That on-going efficiency savings of £375,000 are in place by October 2010 and progress is reported to the Committee on a regular basis during the coming year.***
- (7) That the updated capital investment programme and available financing to 2015 is approved.***
- (8) That no contributions are made to Disabled Facility Grants after 2009/10 pending the receipt of further capital resources.***
- (9) That the remaining amount in the Housing Capital Receipts Reserve of £370,000 is set-aside to fund outstanding covenant repayments relating to Council Houses, pending the receipt of further capital resources.***
- (10) That priority is given to providing additional resources for Disabled Facility Grants and to re-instating the Housing Capital Receipts Reserve when further capital resources are generated.***

- (11) That a full Contingency Plan is drawn up should insufficient capital or other resources be generated to meet all outstanding capital commitments and that this is reported to the Committee by October 2010.***
- (12) That the decisions made in recommendations (1) to (11) above be used as the basis for consultation with local residents, businesses, voluntary and community groups and are subject to review by the Overview and Scrutiny Committee.***

J. HARRISON

CHAIRMAN

The Meeting terminated at 7.10 p.m.