

FINANCE AND MANAGEMENT COMMITTEE

18th October 2012

**PRESENT:-**

**Conservative Group**

Councillor Wheeler (Chairman), Councillor Mrs. Watson (Vice Chairman) and Councillors Mrs. Hood (substitute for Councillor Jones), Lemmon, Smith, Stanton (substitute for Councillor Murray), and Watson

**Labour Group**

Councillors Frost, Rhind, Richards, Southerd, Taylor and Wilkins.

**In Attendance**

Councillors Harrison and Mrs. Plenderleith (Conservative Group) and Councillor Bell (Labour Group).

FM/42. **APOLOGIES**

Apologies for absence from the Meeting were received from Councillors Jones and Murray (Conservative Group).

FM/43. **MINUTES**

The Open Minutes of the Meeting held on 6th September 2012, were taken as read, approved as a true record and signed by the Chairman.

**MATTERS DELEGATED TO COMMITTEE**

FM/44. **AUDIT SUB-COMMITTEE**

**RESOLVED:-**

***That the Minutes of the Audit Sub-Committee Meeting held on 26th September 2012, be received, and any recommendations contained therein, be approved and adopted.***

FM/45. **CORPORATE SERVICES STRATEGIC PARTNERSHIP: ANNUAL REPORT 2011/12**

A report was submitted which provided details of the performance of the Partnership for the second year of the arrangements between the Council and Northgate Public Services. This was in accordance with the Council's Corporate Partnership Policy. Background was provided on the relationship between the Council and Northgate Public Services (NPS). The responsibilities of NPS were outlined within the report, and they had guaranteed to the Council a certain level of savings over the life of the 7 year contract. Further details were provided on:

- Guaranteed Savings
- Risk Reward Mechanism
- Jobs Guarantee/Regional Business Centre
- Performance Framework
- Management and Governance Arrangements

An update was given on progress and performance for 2011/12, and it was confirmed that service performance had continued to be good in almost all service areas, with all key performance indicators being met. Problems that had been experienced within the payroll service were also highlighted, along with targets which related to procurement.

**RESOLVED:-**

***That the Annual Report detailing the performance of the Partnership in 2011/12 be approved.***

FM/46. **FINANCING OF CRAZY GOLF FACILITY AT ROSLISTON FORESTRY CENTRE**

A custom made crazy golf facility, which illustrated the lifecycle of a bird, had been installed at Rosliston Forestry Centre (RFC), using external funding, approximately 4 years ago. The frame and flooring of the holes were made from timber which had rotted and become unsafe. Negotiations had been held with the designer and installer but no compensation was forthcoming, as the warranty had run out before problems had appeared. This facility had now been out of commission either partly or fully for over a year. It was prominently sighted near to the visitor centre, and its poor condition was both an embarrassment, and brought about a financial loss of approximately £4,000 per annum to the site partners.

In considering the options to finance the works, the RFC Partnership Executive considered that utilising the RFC café sinking fund provided an effective solution.

The current café operator paid rent with both a base rent and a percentage share of turnover. The share of turnover had been set up as a separate café sinking fund outside the Centre's main business plan, and for use in managing the Council's responsibilities in relation to the lease. The sinking fund arrangement had been in place since 2008 and accumulated £34,523.80. Nearly £11,000 had been utilised in replacing the windows, leaving a balance of £23,560 with an anticipated £10,000 of further income due for the period to September 2012. There were no café works pending or projected, and it was considered that using £14,000 from the fund to finance the crazy golf works was no risk to the Authority.

**RESOLVED:-**

***That the use of the Rosliston Forestry Centre café sinking fund for repairs to the Crazy Golf facility at the site, be approved.***

FM/47. **WORK PROGRAMME**

The Committee reviewed it's work programme.

**RESOLVED:-**

*That the updated work programme be noted.*

FM/48. **A REVIEW OF THE COUNCIL'S MEDIUM TERM FINANCIAL PLAN 2012 TO 2018**

In accordance with the Council's Financial Strategy, a report was submitted which reviewed and updated the Council's Medium Term Financial Plan (MTFP). A review of associated budget projections, risks and assumptions based on various scenarios for the Council's General Fund account was included within the report, along with an update on the Council's medium term financial position following the report out-turn for 2011/12, together with changes since the 2012/13 budget round. It was intended to set an indicative position ahead of the forthcoming 2013/14 budget round and aimed to gauge, in overall terms, the Council's updated financial position on its General Fund.

The Head of Corporate Services provided a supplementary update, and advised Members that Central Government had agreed to finance a Council tax freeze over the coming year. In addition, he advised that the system for the distribution of the Government Grant was changing from April 2013. A detailed settlement would be unknown until the week before Christmas, and it might provide a reduction of up to 13% next year and 8% the year after. However, the New Homes Bonus might help cushion these losses, and tables were included within the presentation which detailed the projected budget deficit along with the projected general reserves.

Perceived risks were itemised, and tables were provided which indicated projections of the implications of the reduction in Government Grant.

Full information was provided on the General Fund financial projection, and in accordance with the Financial Strategy, a 5 year planning period, on a rolling basis, had been adopted for the General Fund. The General Fund position was last reviewed in February 2012, and, at that point, there remained a projected budget deficit in the medium term, but this was being addressed through the Council's planned transformation and efficiency programme. The biggest risks in the Council's financial plan were considered to be the effects of the changes to the Local Government finance distribution system, together with further reductions in Central Government funding. An updated projection had now been completed and rolled forward to include 2017/18, in accordance with the 5 year planning period. It reflected budget savings reported to Committee since February, the effect of the 2011/12 budget outturn and other changes which were detailed in the report. The updated projection showed a much improved position overall compared to February. This was mainly due to the favourable outturn position from 2011/12, together with the impact of ongoing savings arising from efficiency and budget reviews. This had reduced the projected budget deficit and maintained balances well above the minimum level of £1m by 2017/18. It was considered that this provided a sound

financial base. However, it was stressed that this was the position before the effects of a further reduction in Government Grant.

Full details were also provided on Government Grant and Council tax levels. Currently the Council received 3 separate amounts that made up its general Government Grant, which included redistributed business rates, the Revenue Support Grant and New Homes Bonus (NHB). A current grant projection was included as a table in the report and a provisional figures for 2013/14 and 2014/15 reflected those forecast at the time of the 2010 Spending Review, and showed a continuing decline in real terms until 2014/2015. Thereafter, no further increases were assumed pending the outcome of the next spending review which would take effect from 2015/16. Based on the Government's Autumn Statement in 2011, and confirmed in Departmental figures recently issued, it now seemed certain that the overall funding for local authorities would be cut further, ahead of the next spending review. The 2010 review indicated reductions in central funding, and the Government had reviewed the spending totals and revised them downwards. Compared to 2012/13, funding reductions (excluding the NHB) of 12% and 8% were now planned for 2013/14 and 2014/15 respectively. The Government strategy for revising the spending totals was to "maintain economic stability, together with current fiscal policy". They had also set resources aside to help fund a safety net for the new redistribution system and to protect resources for the NHB until 2015/16.

The Government had also proposed to introduce a business rates retention scheme to replace the current formula grant system. This would be implemented from April 2013. This scheme would operate within the revised spending totals. Details were provided on the current system with regard to business rates, and it was confirmed that under the new system, local authorities would keep a greater proportion of their business rates raised locally. 50% of business rates would still be paid over to a national pool. It was intended that this pool be redistributed in the form of revenue support grant, as now for all local authorities. The remaining 50% would be retained locally, subject to a system of tariffs, top ups, levies and safety nets designed to afford protection for some and avoid disproportionate gains for other authorities. Authorities with a strong business rate base would compensate for those authorities in a weaker position through a system of top ups and tariffs. Although the principles of the scheme, together with how it would operate in practice were known, the key information regarding the starting point and funding levels at individual authority level were still to be set. These were expected in December.

Further information was provided on the cost of providing services in rural areas, as the Government had reviewed the factor that took account of the degree of "sparsity" in a local authority area. Additional weighting had been given to this factor to recognise the additional cost of delivering services in rural areas.

In accordance with their policy to encourage growth and new affordable homes, the Government had given a commitment that the NHB would continue and had set aside separate resources to continue this until 2015/16. Based on current and planned property growth in South Derbyshire, this

should help to offset some of the reductions in the general grants/retention scheme.

Based on a number of assumptions, the effect on the overall grant (including rate retention) and NHB were shown in a table within the report. Inputting all figures into the financial model showed that the budget deficit would increase, and reserves would be reduced fairly significantly. Whilst the level of reserves would remain above £1m until 2016/17, the budget deficit would increase quite rapidly without any further action. The level of current reserves were effectively above that and allowed a period for corrective action to be taken. Corrective action would have to be taken before 2014/15 to ensure a sustainable financial position.

**RESOLVED:-**

- (1) That the updated financial projection on the General Fund to 2018, as detailed in Appendix 1 to the report, be approved.***
- (2) That the financial projection provides the main basis for planning purposes.***
- (3) That the risks and assumptions in the financial projection be noted.***

FM/49. **OPTIONS FOR A COUNCIL TAX SUPPORT SCHEME – PROGRESS AND UPDATE**

The Head of Corporate Services delivered a presentation which provided an update on proposals to implement a local Council Tax Support Scheme for South Derbyshire. This followed the Government's proposal to abolish the national benefits scheme, as it applied to Council Tax, on 31st March 2013. This would be replaced by a new system of local support on 1st April 2013, to be determined and administered by the billing authority. The report provided an update and further analysis following the Committee's initial deliberations and proposals for a new scheme.

After considering the options at a Meeting of Finance and Management Committee on 6th September 2012, outline proposals had been agreed as itemised within the report. These proposals would produce a local scheme that would be based on the key features of the current national scheme. Consequently, basic benefit entitlement would continue to be calculated on the current parameters, thresholds and allowances etc, as the national scheme, except that non-protected working age claimants would then reduce by a straight line percentage. Each of the proposals outlined had been examined and costed further to show the effect on the current funding position. An analysis of current claimants and costs were detailed in an appendix to the report.

Full details on the current financial position were provided, along with the estimated effect on working age claimants.

It was also confirmed that further developments had taken place, and there would be a transitional grant of £100m, available nationally. This was

voluntary and subject to authorities applying. However, to be eligible for this grant, the local scheme must meet what was considered as 'best practice'. An outline of best practice was provided and it was confirmed that criteria would include:

- Households at 100% benefit capped at 8.5%
- The Taper does not increase above 25%
- No sharp reduction in support for those entering work
- No large increases in non-dependant deductions

Further guidance had been given on "small payments", which included, "Councils would rightly want to avoid collecting small payments and it may be better value for money for Councils to avoid designing schemes which sought to do so".

The eligibility and further information on the transitional grant was expected to follow and applications could be made after 31st January 2013. A table was included which showed the estimated effect of funding available and also the effect on remaining working age claimants.

It was reported that consultation on this matter was ongoing, and to date very good feedback had been provided, by focus groups in particular. It was also confirmed that any decision would now be delayed beyond 6th December 2012.

Members expressed their concern over the delays that were taking place in getting final information to Councils, and a discussion took place on benefit claimants.

It was pointed out that the "small payments", would be difficult to define, and it was also suggested that a way to raise additional revenue was to adjust Council Tax Bands.

**RESOLVED:-**

***That the updated analysis and issues detailed in the report be noted, and, subject to on-going consultation, the proposed parameters and funding for a Local Council Tax Support Scheme for South Derbyshire be developed and reported to a future Meeting of the Committee.***

FM/50. **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

**RESOLVED:-**

***That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.***

**MINUTES**

*The Exempt Minutes of the Meeting held on 6th September 2012 were received.*

**MEMORANDUM OF UNDERSTANDING BETWEEN SALVATION ARMY TRADING COMPANY LIMITED AND SOUTH DERBYSHIRE DISTRICT COUNCIL (Paragraph 1)**

*The Committee approved a Memorandum of Understanding and Co-operation between the Salvation Army Trading Company Limited and South Derbyshire District Council.*

**TENDER PROCESS FOR NON STAFF ADVERTISING (Paragraph 3)**

*It was agreed that Contract Procedure Rules be set aside for this contract.*

**COCKSHUT LAND RECREATION GROUND (Paragraph 3)**

*The Committee approved proposals for a 25 year lease.*

**ICT CONNECTION BETWEEN CIVIC OFFICES AND OAKLAND VILLAGE AND RECONFIGURATION OF THE COUNCIL'S NETWORK INFRASTRUCTURE (Paragraph 3)**

*It was agreed that Contract Procedure Rules be set aside for this contract.*

**LEGAL AND DEMOCRATIC SERVICES APPLICATION FOR VOLUNTARY REDUNDANCY (Paragraph 1)**

*The Committee approved the proposals for voluntary redundancy.*

R. WHEELER

CHAIRMAN