

FINANCE AND MANAGEMENT COMMITTEE

21st October 2010

PRESENT:-

Conservative Group

Councillor Harrison (Chairman), Councillor Murray (Vice-Chairman) and Councillors Mrs. Hood (substitute for Councillor Bladen) Grant, Lemmon, Stanton, Watson (substitute for Councillor Mrs. Coyle) and Wheeler.

Labour Group

Councillors Richards, Southerd, Taylor and Wilkins.

Independent/Non-Grouped Member

Councillor Pabla.

In attendance

Councillor Mrs. Farrington (Conservative Group) and Councillor Rhind (Labour Group).

APOLOGIES

Apologies for absence from the Meeting were received from Councillors Bladen and Mrs. Coyle (Conservative Group).

FM/38. **MINUTES**

The Open Minutes of the Meeting held on 9th September 2010 were taken as read, approved as a true record and signed by the Chairman.

MATTERS DELEGATED TO COMMITTEE

FM/39. **A REVIEW OF THE COUNCIL'S MEDIUM TERM FINANCIAL PLAN 2010 TO 2016**

A report was submitted in accordance with the Council's Financial Strategy to review and update the Council's Medium Term Financial Plan (MTFP). It included a review of the associated budget projections, risks and assumptions based on various scenarios. It considered both revenue spending and capital investment on the General Fund and Housing Revenue Accounts. The report effectively updated the Council's medium-term financial position following the reported out-turn for 2009/10, together with changes since the 2010/11 budget round. It was intended to set an indicative position ahead of the forthcoming 2011/12 budget round and in particular the outcomes from the Comprehensive Spending Review (CSR/10).

A key factor within the overall Financial Strategy was medium-term financial planning. This was to achieve a sound and sustainable financial position. The main target was to achieve a minimum level of general reserves by the end of every financial planning period. It also helped the Council to focus on the

resources that it would have available during and at the end of each period and help to identify where resources and spending were changing in the medium-term. The projections were based on a series of assumptions, which could change and affect the MTFP. The report was split into four sections covering the:-

- General Fund Revenue Account
- Capital Investment and Financing
- Housing Revenue Account (HRA)
- Budget and Financial Planning Timetable 2011/12

The detail of the report focused initially on the General Fund Revenue Account giving details of the position entering this review. A table showed the General Fund projection for the period to 2014/15. The critical year was 2011/12, where it was projected that general reserves would fall below the safe and approved minimum level of £1million. To correct this position, the Council had resolved to identify cashable savings of approximately £375,000 per year by October 2010. The need to identify capital resources to meet existing commitments of £1.25million was highlighted. The report included sections on proposed actions already in place to generate resources, a number of ongoing issues and the progress to date on action areas.

An updated projection to 2015/16 was included as a table within the report and shown in detail in an appendix. It showed that the deficit was eliminated by 2014/15, that there was a budget surplus in 2015/16, but beyond this the deficit began to fall much more sharply. A further table showed the main changes between February and October 2010, following implementation of the approved actions. A section was included on key assumptions in the current projection, again shown as a table within the report. The projection included future estimates of income from planning, building regulation and land charge fees. Similarly, income from short-term investments and bank deposits was projected in a further table.

The report included sections on pensions and the national position following on from the Coalition Government's review of public expenditure. It included details of the review of key assumptions, risks and other financial issues, before turning to pay awards, the Pay and Grading Review and the position on general inflation. An analysis of overall inflation provision was reported in a further table.

Next, the report looked at fees and charges and the interest payable and receivable. A section was included on land charges and the potential implications relating to the revocation of statutory fees on charging for environmental information. The potential for refund of past fee income had lead to a prudent approach of £100,000 being included in the MTFP to cover any claims. Further sections concerned the Housing and Planning Delivery Grant and insurance premiums. A further updated projection was provided at this point in the report, showing that the level of balances would still be around the recommended minimum level by 2015/16. However, it was reiterated this was before the impact of any potential reduction in Government grant and still assumed an annual increase in Council Tax of 2.5%. This was effectively the starting point based on the most up to date information and analysis pending

the Comprehensive Spending Review. The CSR was considered in the next section of the report, which looked at Government spending, the Revenue Support Grant and redistributed business rates. The illustrative effects for the Council were shown in a number of tables based on reductions in grant support of 5%, 10% and 25%.

Next, council tax was discussed and it was expected that guidance or direction would be issued to local authorities on future council tax levels. The Government had indicated it expected a council tax freeze for the years 2011/12 and 2012/13. A further illustration showed the impact of a Council Tax freeze alongside the moderate grant scenario of a 10% reduction.

Next, the report looked at the National Concessionary Travel Scheme and the implications for South Derbyshire when the costs and funding transferred to first tier authorities.

Further sections of the report looked at the need to review current spending and other issues, the spending trend, the Council's efficiency programme and service reviews, the Corporate Services Partnership and the minimum level of balances. A conclusion was provided on the General Fund.

Next, the report addressed Capital Investment and financing. The Council faced a shortfall in resources to finance its current capital commitments on final covenant repayments and the replacement of vehicles and plant. The latest capital programme was attached to the report. There were currently no substantive schemes beyond 2010/11 other than those that were externally funded. The implications of the Comprehensive Spending Review on these externally funded schemes was also recognised. The key issue of financing covenants and vehicles to 2015/16 remained with £1.5million required. This section of the report also looked at the relocation of the Council's Depot and the potential receipt this could generate. Information was also provided on a VAT windfall, which could total over £400,000.

Next, the report looked at the Housing Revenue Account (HRA). Commentary was provided on the position on entering this review, the budget out-turn for 2009/10 and changes to housing subsidy for 2009/10. The projection had been updated to reflect the better outturn for 2009/10. It also took account of latest stock numbers, minor changes to 2010/11 subsidy allowances, rent convergence and actual rent levels and interest rates and inflation. Further detail was provided on each of these areas. A table showed an analysis of rent increases assumed over the next six years, to achieve convergence. Inflation on repairs and maintenance, together with pay had been reviewed for the next three years. A revised HRA projection was attached as a further appendix and showed that the HRA fell below the minimum balance level of £½million by 2014/15. The report concluded with a summary on the HRA and the potential for a new self-financing system, expected as part of the Comprehensive Spending Review.

Officers were congratulated on addressing the budget deficit ahead of the Comprehensive Spending Review. There was discussion about previous years' balance levels and Officers agreed to supply information on the levels of reserves for the previous four years. Questions were submitted about rent

convergence and the likelihood of Council Tax levels being frozen, to which Officers responded. Further questions were submitted about the impact of the Comprehensive Spending Review, however, Officers advised that detailed information would not be available until later in the year.

RESOLVED:-

- (1) That the updated financial projection on the General Fund to 2016 as detailed in Appendix 2 be approved.***
- (2) That the potential effects of various Revenue Support Grant Settlements from 2011/12 as modelled in the report be noted.***
- (3) That base budgets for Transport, Grounds Maintenance, Waste Collection and Recycling, together with Street Cleansing be scrutinised robustly during the 2011/12 budget round.***
- (4) That the updated capital investment and financing programme to 2016 as detailed in Appendix 3 be approved.***
- (5) That the updated financial projection on the Housing Revenue Account to 2020 as detailed in Appendix 4 be approved.***
- (6) That the Budget and Financial Planning Timetable for 2011/12 as detailed in Appendix 5 be approved.***
- (7) That an updated report on the outcomes of CSR 10 and its effects upon the Council's Medium Term Financial Plan be presented to the Committee on 2nd December 2010.***

FM/40. **MORTGAGE INTEREST RATE**

It was reported that the Council was required to declare the Local Average Rate of Interest on its mortgages at six-monthly intervals. Borrowers were charged the higher of the Standard National Rate, which was currently 3.13% or the local average rate, which had been calculated at 5.13%.

RESOLVED:-

That the Committee declares the Local Average Rate of Interest for the period October 2010 to March 2011 at 5.13%.

FM/41. **LAND CHARGES**

A report was submitted to inform Members of the effect of the withdrawal of the statutory personal search fee by Central Government and the proposed way forward for the Land Charges service. The Local Land Charges service operated a property search service for customers. The report dealt with private search companies (PSCs) but also had implications relating to solicitors or conveyancers that used the service. PSCs inspected the Local Land Charges Register by appointment for a statutory fee of £22. DEFRA had issued a statement that the statutory personal search fee was to be revoked in August

2010 and that authorities should stop charging with immediate effect. The Government had made its decision, having considered the implications of the Environmental Information Regulations.

The report outlined the financial impact of the withdrawal of the statutory personal search fee. The total income for the period 1st January 2005 to 31st July 2010 was £100,056. It was unlikely that the whole of this money would be recovered. DEFRA had advised that local authorities needed to take their own legal advice in terms of making repayments, stating that each case would depend on its own facts. The Council would look closely at any claims and considered that it was the responsibility of PSCs and individuals to provide evidence that money was owed. The Council would not necessarily be making any refunds at this stage until definitive guidance was provided at the national level. It was important to note that whilst the Council was unable to charge a fee, there continued to be costs associated with both the maintenance of the register and the search provision to our other customers. It was not anticipated that the actual number of searches would reduce, but it was hoped that by adjusting the fee structure on a cost recovery basis that the section would be able to increase the number of full official searches.

The financial implications reiterated the impact of the decision on personal search fees and cross-referenced to the earlier report on the Medium-Term Financial Plan. It recognised that the statutory personal search fee was only a portion of the search process. This brought into question the current levels of fees for the official search product. Approval was sought to reduce fee levels in an attempt to maintain the market share against private search companies on a cost recovery basis. It was suggested that the fee for a residential search be reduced from £99 to £75. Income projections were provided, based on the revised amounts and including a potential shift from personal searches to official searches, due to the fee reduction.

It was proposed that the fee for commercial searches be increased from £135 to £150, and to reduce the cost of the LLC1 search from £28 to £25 for residential properties. A proposed fee structure was appended to the report for Members' consideration.

It was questioned whether the Government's opinion on the EIR could be challenged, but it was felt there was no way forward on this. Clarification was sought on the position on reclaiming fees and Members asked to be advised if the amount claimed was going to exceed that budgeted for.

RESOLVED:-

- (1) That the fee structure for the services provided by the Land Charges section as set out in the Appendix A to the report be approved for implementation on 1st November 2010.***
- (2) That the Chief Executive, in consultation with the Chairman of Finance & Management Committee, be authorised to make any changes to the fee structure as required by the evolving situation, including any other administrative changes needed to the Land Charges service and report back to Committee.***

- (3) ***That any alternative charging options available under other legislation be investigated, in conjunction with the Local Government Association and Local Land Charges Institute.***

FM/42. **WORKFORCE DEVELOPMENT STRATEGY ANNUAL REPORT 2009/10 AND ACTION PLAN 2010/14**

A report was submitted to update Members on progress and achievements from the Workforce Development Strategy. This linked the delivery of the Council's strategic objectives, detailed in the Corporate Plan with the planning, organisation and development of the workforce.

It was reported that the Workforce Development Strategy built on the framework and outcomes achieved through the previous People Strategy. In 2010, the Local Government Association/Improvement and Development Agency provided updated guidance, which had been incorporated into the Workforce Development Strategy, to respond to particular workforce challenges. The new guidance retained the five strategic priorities with some minor changes:-

- Organisational Development
- Leadership Development
- Skills Development
- Recruitment and Retention
- Pay and Rewards

The Workforce Development Strategy and Action Plan set out how the Council would tackle these issues and the outcomes that were expected. These were detailed under the five strategic priorities, with related actions, resources, timescales and measures of success.

Sections of the report provided an evidence base, looked at the achievements so far and key priorities for 2010/11. The implications of the long-term partnership with Northgate were also reported.

RESOLVED:-

- (1) ***That the refreshed Workforce Development Strategy 2009/14 and Action Plan be approved.***
- (2) ***That the Committee notes the key achievements and progress made on the Action Plan for the year ending 31st March 2010.***

FM/43. **WORK PROGRAMME**

The Committee was asked to review its work programme.

Note: At 7.00 p.m. Councillor Grant left the Meeting.

RESOLVED:-

That the updated Work Programme be received and noted.

FM/44. **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 9th September 2010 were received.

A REVIEW OF INTERNAL AUDIT: FUTURE SERVICE DELIVERY
(Paragraph 3)

The Committee considered options for the future delivery of the Internal Audit function.

J. HARRISON

CHAIRMAN