

FINANCE AND MANAGEMENT COMMITTEE

15th February 2005

**PRESENT:-**

**Labour Group**

Councillor Wilkins (Chair), Councillor Pabla (Vice-Chair) and Councillors Carroll, Lauro, Mulgrew, Southerd, Southern and Taylor (substitute for Councillor Whyman, M.B.E.).

**Conservative Group**

Councillors Harrison, Lemmon, Nalty, Mrs. Renwick and Mrs. Wheeler.

**In Attendance**

Councillors Jones, Lane and Murphy (Labour Group) and Councillor Atkin (Conservative Group)

**APOLOGY**

An apology for absence from the Meeting was received from Councillor Whyman, M.B.E. (Conservative Group).

FM/92. **MINUTES**

The Open Minutes of the Meeting held on 25th November 2004 were taken as read, approved as a true record and signed by the Chair.

FM/93. **DECLARATIONS OF INTEREST**

The Chair declared a prejudicial interest in respect of item No. 20 – Reduction or Remission of the Non-Domestic Rate, relating to the application from the Old Post Centre.

FM/94. **MEMBERS QUESTIONS AND REPORTS**

(a) Former Councillor Jack Lester

Members observed a minute's silence in memory of former District Councillor Jack Lester. Details were provided of the funeral arrangements and tributes were led by Councillor Carroll, the Deputy Leader of the Council. Further tributes were made by Councillor Mrs. Wheeler, Councillor Southerd and the Chief Executive.

(b) Telecommunications Base Mast Working Panel

The Committee approved nominations to this Working Panel as follows:-

Labour Group

Councillors Whyman, M.B.E. and Shepherd

Conservative Group  
Councillors Bladen and Ford

FM/95. **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEES – REVIEW OF THE BUDGET PROPOSALS**

Councillor Murphy presented a report from the Corporate Scrutiny Committee on its review of the budget proposals. The report outlined the Committees' views on the development of the 2005/06 budget and made recommendations in respect of arrangements for future budgets, including monitoring and management. To provide background, Members were reminded of the Corporate Scrutiny Committee's role with regard to the budget review. The Committee had met with the Chair of Finance and Management Committee in August to discuss the approach to the budget review. The Scrutiny Committee chose to focus on three main areas:-

- Arrangements for the development of the annual budget (including consultation with local people and other key stakeholders).
- The alignment of resources with corporate and service priorities.
- Budget monitoring and management.

The budget proposals had been discussed on four occasions and an outline was given of the main topics discussed at each Meeting. Particular thanks were recorded to the Head of Finance and Property Services and the Deputy Chief Executive for their contributions.

A number of key issues had emerged from the work:-

- The robustness of assumptions underlying base budgets.
- The alignment of resources to corporate and service priorities.
- The budget timetable and arrangements for consulting local people and other stakeholders on spending priorities and proposals.
- The 'shifting resources' project and the delivery of the 'Gershon' efficiency savings.
- The role of Policy and Scrutiny Committees in budget development and financial management.
- Member training.

In conclusion, the report explained the Committees' focus on arrangements for the development of the budget, rather than its content. The recommendations made within the report were intended to assist in challenging assumptions regarding base budgets, to ensure the alignment of financial resources to corporate and service priorities, to implement successfully the 'shifting resources' project and to engage stakeholders in the budget process. The Committee gave consideration to the Scrutiny Committee's recommendations on the budget proposals.

Councillor Harrison considered the report had robust and rigorous recommendations. He sought clarification on the Scrutiny Committee's intention to undertake special projects on consultation, policy framework documents and the extent of Policy Committee involvement in setting priorities and monitoring budgets. Councillor Murphy explained that the Scrutiny Committee was not convinced that there were clear linkages and it wished to ensure a robust consultation process on the budget, which would be tested through a special project. Councillor Carroll referred to the

recommendations on the ‘shifting resources’ project, including the ‘Gershon’ efficiency review and the establishment of a structured training programme.

**RESOLVED:-**

***That the Committee, in making recommendations to the Council on the budget proposals:-***

- ❑ ***receives the report***
- ❑ ***initiates a review of the assumptions underlying base budgets as part of the ‘shifting resources’ project***
- ❑ ***notes the intention of the Corporate Scrutiny Committee to review the scoring mechanism for service developments and new capital projects***
- ❑ ***requires the provision of more detailed and timely financial and performance information on core spending in base budgets***
- ❑ ***agrees a project plan and brief for the ‘shifting resources project’ (covering also the ‘Gershon’ efficiency review) by the end of April 2005***
- ❑ ***notes the intention of the Corporate Scrutiny Committee to undertake special projects on consultation and the corporate plan/service plan/budget planning cycle; and, the extent of Policy Committee involvement in setting priorities and monitoring budgets***
- ❑ ***requests Council to initiate a review of the Constitution to clarify the roles of Policy and Scrutiny Committees in the budget process and the required timetable***
- ❑ ***establishes a structured training programme on financial planning and management for Members (for delivery prior to the commencement of the 2006/07 budget round)***

FM/96. **REVIEW OF POLICY AND DECISION MAKING**

The Committee received a report which explained the background to a review of how the Committee made policies and took decisions. It put forward proposals to streamline decision making enabling the Committee to perform a more strategic, policy orientated role. The background to the review was reported and in August 2004, the Committee was invited to take part in a ‘pilot’ project. The project was managed by a small Working Panel and details were given of its composition. The first task completed was an analysis of the Committee’s workload. This highlighted a number of issues which were set out within the report. The Working Panel asked Officers to report back on the following matters:-

- The operation of the current Scheme of Delegation. In particular, whether there was any scope for transferring responsibility for determining applications for discretionary rate relief, discretionary rural rate relief and hardship relief, by increasing delegation to Officers.
- The development of a “Work Programme”, which could give the Committee the “time and space” to focus on planning for the future, policy development and performance management.

Similar reviews had been undertaken by the Environmental and Development Services and the Housing and Community Services Committees. The

following cross-cutting issues were referred to the Working Panel for consideration:-

- The reporting of the Housing Revenue Account solely to the Housing and Community Services Committee.
- Whether it was necessary for policy committees to have to refer issues relating to procurement of goods, works and services and budget matters to Finance and Management Committee, if the matter could be contained within existing budgets under the control of the relevant policy committee.
- The current level of write-offs.

The Working Panel reviewed the Committee's areas of responsibility and noted the need to include specific reference to the managing and setting of budgets, the Customer Relationship Management system, Equalities and Diversity and Social Inclusion issues. The Working Panel also reviewed arrangements for approving or amending plans and strategies. Presently, the Committee had authority to approve all plans and strategies for which it was responsible, with the exception of the Budget, Capital and IEG Strategy. The Corporate Management Team (CMT) would undertake a risk assessment of significant County or Regional Plans and Strategies, to identify those which ought to be considered by Council. The Working Panel concluded that no action was needed at the present time, although this issue should be revisited.

The last major review of the Scheme of Delegation was undertaken in 1997. Each Division responsible to this Committee was asked to review current levels of delegation. Overall, Heads of Service were satisfied with the current arrangements. However, it was suggested to give the Director of Corporate Services delegated authority for the granting of discretionary rate relief, discretionary rural rate relief and hardship relief. This was based on criteria set out within the scheme, a copy of which was attached to the report. Details were provided of the proposed appeals mechanism to the Licensing and Appeals Committee. It was also suggested that if the scheme of delegation was extended, Officer decisions should be reported annually.

The development of a work programme approach was considered. An example of a possible framework was appended to the report and it covered seven main areas of work. Ideally, the programme would cover a municipal year and be reviewed at each Meeting, to enable new issues to be brought forward. It might also be linked to an annual report, setting out the Committee's achievements and its plans for the future. If the Committee supported the introduction of a work programme, it was proposed that the Working Panel be asked to formulate a draft programme, which could be considered at Annual Council.

The report then looked in greater detail at those issues referred by policy committees, relating to reporting on the Housing Revenue Account, procurement issues and write-off levels. In terms of implementing the changes, if Members were minded to accept the recommendations, the approval of Council would be required, particularly as changes to the Constitution would be necessary.

**RESOLVED:-**

***That the Council considers the recommendations made on the review of policy and decision making, as follows:-***

- (a) the Committee's Terms of Reference are amended to recognise the Committee's role in overseeing and co-ordinating the Council's approach to the managing and setting of budgets, the Customer Relationship Management system, Equalities & Diversity and Social inclusion issues;***
- (b) determination of applications for discretionary rate relief, discretionary rural rate relief and hardship relief be delegated to the Director of Corporate Services to be determined on the criteria set out in the Scheme with a right of appeal to the Licensing and Appeals Committee;***
- (c) a Work Programme be introduced at the commencement of the municipal year;***
- (d) that the HRA continues to be considered and approved by this Committee;***
- (e) that the Terms of Reference of the Housing and Community Services and the Environmental and Development Services Committees be amended to recognise that those Committees can determine issues relating to procurement of goods and services and budget matters, if they can be contained within existing budgets under their control;***
- (f) that the level of write-offs be maintained at the current rate.***

(Note: At 6.20 p.m. Councillor Murphy left the Meeting.)

**FM/97. IMPROVEMENT PANEL**

In receiving the Minutes of the Improvement Panel held on 1st December 2004, Councillor Harrison made comment on Minute No. IP/13. In particular he referred to failing Best Value Performance Indicators and the reasons given for this. He questioned how often performance reports would be submitted to the Panel. Under Minute No. IP/14, he referred to the statement that more indicators were deteriorating than improving, that upper quartile performance was worse than last year and the comment made at the Meeting that this was "an alarming summary". He also noted that a question from Councillor Atkin, about the cost of replacing damaged wheeled bins had not been responded to. He referred to figures within an Environmental and Development Services Plan and sought further clarification on these costs.

The Head of Finance and Property Services clarified that the budget amount referred to of £44,000 included the provision of new and replacement wheeled bins including, for example, extensions to the composting scheme. With regard to the performance report frequency, the Chair presumed this was quarterly and the Deputy Chief Executive confirmed this. A further performance report would be submitted to the Improvement Panel in the near future. The Deputy Chief Executive clarified the actual position on Best

Value Performance Indicator achievement. Reports were submitted to inform the Panel so it could undertake a monitoring role and seek to improve performance before the year end. The Chief Executive added that there was a need to realise the base-line position, that the Council was moving forward and there was a need to look at where emphasis should be placed to improve performance.

**RESOLVED:-**

***That the Minutes of the Improvement Panel held on 1st December 2004 be received.***

FM/98. **RECRUITMENT AND SELECTION WORKING PANEL**

**RESOLVED:-**

***That the Open Minutes of the Recruitment and Selection Working Panel Meetings held on 8th, 14th and 15th December 2004 be received.***

FM/99. **CAPABILITY PROCEDURE**

It was reported that the proposed Capability Procedure was designed to deal with concerns about an individual's capability to do their job. It was assessed by reference to an individual's skill, aptitude and competence. The procedure aimed to manage occasions where an employee might not be performing to the standard expected in their post. Health capability was excluded, as this was covered by the Sickness Absence Management Procedure. It was considered inappropriate to use a Disciplinary Procedure to manage capability issues, as a more supportive and constructive approach was required. It was best practice to have a separate Capability Procedure.

The proposed procedure provided a fair, consistent and transparent framework. Its overall aim was to provide a reasonable opportunity for an employee that was underperforming, to improve to the required standard. The procedure enabled managers to deal with capability issues initially through an informal route. Where the informal procedure did not result in the required improvements, the formal procedure would then be used. The manager should be able to demonstrate that the employee had been given appropriate assistance and support to improve their performance before the formal procedure was used. Employees were entitled to representation during the formal process and the procedure recognised that each case should be treated individually.

The Joint Negotiating Group had considered the proposed procedure and agreed its recommendation to the Committee for formal adoption. The statutory procedures which covered dismissal on capability grounds were embodied within the proposals.

Councillor Southerd welcomed the report and recognised the work undertaken in producing the Policy. With reference to the procedure, he questioned whether there was some conflict on the health aspects of capability. The Head of Human Resources explained that the Policy sought to identify at an early stage whether there were sickness or capability issues in each case. It was noted that an employee's health might impact on capability issues. Councillor Southerd emphasised the need for managers to

follow such procedures, to minimise the risk of cases being referred to a tribunal. The Head of Human Resources confirmed that training would be provided on the Policy. Councillor Southerd suggested a modification to strengthen a paragraph within the informal procedure.

Councillor Lemmon referred to a statement from a Government Minister and felt there was not a clear divide between health and capability issues. Councillor Carroll also emphasised the need for the Policy to be followed properly and that training was vital. Councillor Harrison suggested a further modification to strengthen the paragraph within the informal procedure. He asked about the Council's Policy regarding payment where employees were off for long periods. The Head of Human Resources confirmed that the National Scheme provided a maximum of six months entitlement to full pay with a further six months at half pay.

**RESOLVED:-**

***That the Capability Procedure be amended in line with Members' comments and be adopted by the Council.***

FM/100. **ANNUAL TREASURY MANAGEMENT STRATEGY 2005/06**

The Committee received a report which detailed proposed annual borrowing and investment strategies for 2005/06, in accordance with the Local Government Act 2003 and associated regulations. Initially, the report looked at the borrowing strategy for 2005/06. Over the last three years the Council had not been required to enter into any form of long-term borrowing, due to substantial capital receipts, much of which had been set aside to repay debt. In addition, the Council repaid its long-term Government debt in March 2004 using accumulated set-aside receipts. The only remaining fixed debt was a Money Market loan for £1 million which matured in 2032, with interest of approximately £48,000 each year.

The Prudential System for capital finance had removed many of the borrowing restrictions placed previously on local authorities. Effectively, councils could borrow money provided they demonstrated that the associated interest and principal repayments were affordable and sustainable. The Government's general support for capital investment was in the form of a borrowing approval of £615,000. Given the amount of set-aside receipts, it was unlikely that the Council would need to borrow during 2005/06. In light of this, it was considered that the borrowing strategy should be based on meeting the Council's cash flow requirements and reviewing options for the outstanding Money Market loan.

The report then considered the outlook for interest rates. The market was convinced that the current 4.75% was the peak rate and the report outlined the reasoning behind this. Interest rates were not considered to be a major risk to the Council as it did not currently have significant long-term debt or major borrowing requirements. The rate of 4.75% had been used in the projections.

The Council's cash flow was then considered and this could fluctuate on a daily basis, dependent on the timing of income and expenditure. The Council continued to benefit from surplus funds due to asset sales. A cash flow analysis graph for 2004/05 was provided. The model was based on both known and estimated cash flows. A cash flow analysis for 2005/06 was also

provided. This profile showed that the Council was unlikely to need to borrow during 2005/06. It was due largely to additional capital receipts that the Council was able to keep over the next three years by being “debt free”. This would need to be kept under review and the Council’s cash flow would be managed on a daily basis, in accordance with the Treasury Management Policy.

The cash flow projections had been used in determining the level of interest built into the Council’s probable out-turn for 2004/05 and base budget for 2005/06. These were summarised in a table within the report.

The report then looked at options for the remaining money market debt. It was reaffirmed that the interest costs of the £1 million money market loan equated to £48,000 per year. Potentially there was a break clause as the lender had the option of reviewing the interest rate at any time. The Council would then have the option of rejecting this and repaying the debt without incurring a penalty. In setting the borrowing strategy for 2004/05 it was not cost effective to repay this loan prematurely, due to penalty clause. It was also agreed that if there was an interest rate rise, the loan should be repaid. It was recommended that this strategy be continued and the issue would be kept under review.

Consideration was then given to the investment strategy for 2005/06. The Council did not have any long-term investments. The Local Government Investment Regulations covered short-term investments such as the deposit of surplus funds, which the Council invested in accordance with an approved lending list. Guidance from the new regulations was set out within the report. The Council was required to distinguish between specified and non-specified investments. The report then explained in more detail each type of investment. The proposed investment strategy for 2005/06 was reported. The Council would have a short-term investment requirement, in order to manage its day-to-day financial affairs. The current approved list was based on best practice and served the short-term investment needs of the Council. There were no compelling reasons why the list and associated limits should be changed, but it was kept under review. The approved lending list and policy was shown in an Annexe to the report and a summary was given in table form.

In terms of general policy, priority was given to specified investments. This was in accordance with current practice and the length of investments made were in accordance with overall cash flow requirements and the requirements of the regulations. The use of non-specified investment generally covered the merchant or secondary banking sector. It was proposed that these were only used as a “lender of last resort”.

The main performance indicator was for the return of short-term investments to average over the year, the market 7 day rate. The report explained the periods for which Council investments were placed throughout the year and the resulting interest achieved.

In response to a question from the Chair, the Head of Finance and Property Services clarified that the Council was considered to be “debt free” for pooling arrangements. The £1 million loan, which was a historic general borrowing allocation, was not included within the pooling arrangements. The Officer also confirmed, in response to a question from Councillor Mrs. Renwick that this was a fixed rate loan at 4.875%. If the Council chose to repay this loan,

there would be a penalty. However, if there was a variation in the interest rate, the Council had the option to repay the loan without penalty.

Councillor Carroll thanked Officers for the report, which demonstrated the Council's prudent financial management and its healthy position. Councillor Harrison asked how the Council would afford the repayment of this loan in future years, as balances were reducing. In response, Officers clarified the level of resources available from set-aside capital receipts. The Chief Executive reminded of the historical prudent borrowing, which led to improvements and the redevelopment of the Town Centre. The Council was now in a healthy position following prudent financial management.

**RESOLVED:-**

- (1) That the Council manages its cash flow requirements through short-term borrowings and bank deposits.***
- (2) That the Money Market loan of £1m be repaid should the lender exercise its option to increase the interest rate.***
- (3) That the Council invests surplus funds in accordance with the Approved Lending List and policy as detailed within the report.***

FM/101. **CONSOLIDATED BUDGET 2005/06 AND FINANCIAL PLANS 2005 AND 2008**

A comprehensive report was submitted to detail the Council's final budget proposals for 2005/06 and financial projections to March 2008. This would form the basis for setting the Council Tax for 2005/06. The report covered the proposed revenue and capital spending, including medium term financial projections, together with Prudential Indicators and an assessment of the overall budget and level of reserves, as required by the Local Government Act 2003.

A summary was given of the position to date. The Committee had considered the initial budget proposals and overall financial position at its Meeting on 13th January 2005. The report confirmed the proposals that had been considered by the Service and Financial Planning Working Group. The Committee also established a renewals fund for the future replacement of Council vehicles, plant and machinery. It was agreed to transfer £550,000 from the Commutation Reserve to establish the fund and to provide capital resources. The proposals had been subject to scrutiny and consultation with business rate payers, parish councils and residents via the Area Meetings.

The January report detailed the provisional financial settlement for 2005/06. The final figures had since been confirmed and the Council's grant was reduced by around £13,000, due to a recalculation of the capital financing element of the formula. Over the 3-year financial projection, this equated to a reduction in resources of around £40,000. The report to the January Committee showed projected reserve balances of approximately £1.59 million at 31st March 2008. This projection had been updated to reflect the final grant settlement.

The updated projection, based on a Council Tax increase of 4.5% for 2005/06 was as follows:-

	<b>2004/05 Probable Out-turn £</b>	<b>2005/06 Base Budget £</b>	<b>2006/07 Projection £</b>	<b>2007/08 Projection £</b>
<b>Net Revenue Spending</b>	8,884,380	10,132,690	10,516,380	10,642,160
<b>Less Financing</b>				
General	-5,032,930	-5,421,140	-5,556,670	-5,695,590
Government Grant	-3,708,790	-3,941,660	-4,120,580	-4,336,190
Council Tax	-346,360	-70,000	-70,000	-250,000
From Earmarked Reserves				
<b>Surplus/Deficit (-)</b>	203,700	-699,890	-769,130	-360,380
<b>Projected Reserve Balance</b>	<b>2,831,600</b>	<b>2,131,710</b>	<b>1,362,580</b>	<b>1,002,200</b>

As highlighted previously, the Committee approved in principle to set a minimum level of general reserves of 10% of net expenditure by 2007/08. Based on projected net spending, this would equate to around £1,065,000. The projected balance was under this level and it was recommended that the proposed level be attained at the earliest opportunity.

The projections assumed a contribution from the Commutation Reserve of £140,000, to help maintain general reserve balances. The contribution now required from the Commutation Reserve was £180,000, to cover the reduction in the final grant settlement. Members were reminded of the original purpose for the Commutation Reserve, that the resources were no longer required for this purpose and the reserve currently amounted to £960,000. However, the approved transfer to the renewals fund and the proposed transfer to the general fund would leave a balance of £230,000 on this reserve. It was noted that, as the reserve was no longer required, it should be incorporated into the Council's general reserves, unless the Committee resolved to earmark the remaining sum for other purposes.

Spending pressures were considered. The main issue during this budget round had been identifying sufficient resources to meet new demands and aspirations for service improvements, without compromising the overall financial position. In addition, the projections for 2006/07 and 2007/08 showed that overall, spending exceeded income. Members were reminded of the "Shifting Resources" project and the "Gershon" recommendations regarding the redirection of resources and efficiency savings. The January report included a section on risk analysis and a further summary was provided of the main risk areas.

In terms of Council Tax levels, the base budget assumed an increase of 4.5%. The Government had made it clear that it expected to see increases in low single figures and below last year's average increase of 5.9%. The Government had powers to "cap" increases for individual authorities. Members were reminded of Council Tax increases over the last three years

and the assumed increases of 4.5% for 2006/07 and 2007/08. The projections detailed the Band D Council Tax levels for the three years 2005/06 to 2007/08. The overall increase in Council Tax would depend on elements set by the County Council, the Police and Fire Authorities, together with additional levies set by local parish councils.

The Housing and Community Services Committee had considered the Housing Revenue Account (HRA) in detail at its Meeting on 3rd February 2005. This included the increase in the level of Council house rents and an updated financial projection to 2015, which was detailed in an appendix to the report.

The Council had approved retention of the housing stock following the Stock Options Review undertaken during 2004. It also agreed to keep under review the financial projections of the HRA. The Council was now being directed to submit a business plan for its HRA to the Regional Government Office and this was likely to cover the next 10 year period. Following the recent review of HRA income and expenditure, the financial projection had been updated to 2015. The overall financial position appeared to have improved slightly over this forecasting period. The HRA was now projected to fall into deficit by 2010/11, which was one year later than the previous projection. The increased level of reserves and additional rent could sustain the HRA until 2009/10, by which time reserve balances would fall below the current minimum level of £½ million. However, the HRA was still not sustainable over the 10 year period, with a forecasted deficit of around £2.5 million by 2015. This position was being reviewed. It would be necessary for the Council to submit a business plan to demonstrate that the HRA was viable over this term and that service improvements could be delivered. Various options were highlighted in the stock options report including a proposal to set aside £1 million from the “debt free” receipts as part of the capital investment programme. If approved, it would sustain the HRA balances over the minimum amount for a further year, but there would still be a projected deficit of around £1.5 million by 2015.

The report then focussed on capital investment. The Council was guided under the Prudential Code to set a 5-year capital investment programme. This had to be based on assumptions about likely resources and potential commitments over this period. The detailed proposals were reported to the January Committee and a further appendix to the report detailed the proposed programme to 2009/10. As well as continuing rolling programmes, the updated proposals provided new investment in a number of areas over the next five years. There was a shortfall in overall resources of around £250,000 over the 5 year Plan. As with revenue, the main issue for capital spending was accommodating all demands and aspirations for new investment within available resources. The need to identify additional resources was an important issue and a disposal strategy was a key task over the coming year to achieve this.

The Committee was reminded of the Prudential System for capital finance and its key objectives were set out within the report. Some detailed requirements of the system, such as medium term financial projections, future Council Tax levels and the affordability of capital investment were dealt with as an integral part of the report. As regards Treasury Management, the Council adopted CIPFA’s code of practice and it had helped to formulate the Council’s annual borrowing and investment strategies. The Council was free to borrow money within a pre-determined local limit, as long

as it could demonstrate the proposals were affordable and sustainable in the medium to longer term. The Council had not included any provision for new borrowing or other credit arrangements, but this could be kept under review. A key requirement of the system was the need to set and regularly monitor Prudential Indicators. In addition, the Council's Section 151 (Chief Finance) Officer was required to provide an assessment of these indicators and the implications for the Council's spending plans and overall financial position. The Prudential System provided flexibility for these indicators to be changed, depending on local circumstances. The indicators were as outlined below and were explained in further detail at the meeting.

<b>Prudential Indicator</b>	2003/04 Actual £'000	2004/05 Estimate £'000	2005/06 Estimate £'000	2006/07 Estimate £'000	2007/08 Estimate £'000
<b>1 – Capital Expenditure:</b>					
• General Fund	2,062	3,173	3,500	2,235	2,025
• Council Housing	1,887	2,193	2,551	1,824	1,763
<b>Total</b>	<b>3,949</b>	<b>5,366</b>	<b>6,051</b>	<b>4,059</b>	<b>3,788</b>
<b>2 – Ratio of Financing Costs to Net Revenue Stream:</b>					
• General Fund	7.4%	1.2%	0.4%	1.5%	1.3%
• Council Housing	11.9%	6.9%	6.4%	6.0%	5.4%
<b>3 – Capital Financing Requirement (CFR)</b>	<b>17,641</b>	<b>18,239</b>	<b>19,180</b>	<b>19,231</b>	<b>19,256</b>
<b>4 – Authorised Limit for External Debt</b>					
• Borrowing Limit	18,000	7,500	7,500	10,000	10,000
• Long term Liabilities (Covenant Finance)	4,000	3,500	3,200	2,800	2,300
<b>Total</b>	<b>22,000</b>	<b>11,000</b>	<b>10,700</b>	<b>12,800</b>	<b>12,300</b>
<b>5 – Operational Boundary for External Debt</b>	<b>15,000</b>	<b>5,000</b>	<b>5,000</b>	<b>7,500</b>	<b>7,500</b>

Section 25 of the Local Government Act 2003 required the Chief Finance Officer to give an overall opinion on the robustness of estimates included in budgets and the adequacy of Council reserves. The report highlighted the risks and uncertainties surrounding the Council's financial plans and proposed actions over the medium term to maintain a sound financial position. It was considered that the estimates of expenditure were prudent and that a prudent view had been taken regarding projected income levels in 2007 and 2008. The compilation of detailed estimates had been undertaken in conjunction with service managers. Established budget monitoring arrangements were in place to help to ensure that Council finances were monitored effectively. A table showed the projected level of revenue reserves over the next four years and at the end of this financial year they were estimated to be approximately £4.45 million.

Based on the recommendation of the Section 151 Officer, the Council had approved in principle to set a minimum level of general reserves at 10% of net revenue expenditure by 2007/08. This equated to around £1,065,000. The projected balance was just over £1 million, after including a transfer from the Commutation Reserve of £180,000. Therefore, as recommended, it was important that the minimum level was attained at the earliest opportunity. It was noted there was still a projected balance on the Commutation Reserve of around £230,000 at 31st March 2008. It was suggested that this be incorporated in the Council's general reserves unless the Committee agreed to earmark the remaining sum for other purposes.

Councillor Mrs. Wheeler commented that the assumed increase in Council Tax level was 4.5%. She referred to the use of a proportion of the Commutation Reserve and equated this to a further Council Tax increase. Clarification was sought by the Member on projected expenditure on elections. The Chief Executive confirmed that the cost of organising the County Council elections would be reimbursed by Derbyshire County Council. Councillor Mrs. Wheeler then referred to the Revenue Service Development proposals and she acknowledged the time spent in undertaking this process. She commented that proposals for an EMAS Officer had been withdrawn. It was clarified that this role would be delivered by the Head of Environmental Services, at no extra cost.

Several Members discussed the unsuccessful Service Development Bid for the re-introduction of a bulky refuse collection service. Conflicting views were expressed, as some Members considered that this was a valued service, which had been withdrawn by the Council during its financial difficulties. Now that the Council's financial position had improved, it was considered that the service should be re-introduced. Presently, parish councils were paying for the service through an increased precept. Other Members considered that this service was in conflict with the Council's waste minimisation aims. There had not been a notable increase in fly-tipping problems and the Council had introduced the Clean Team. It was questioned which service would be reduced in order to fund the re-introduction of the bulky collection service.

(Note: At 7.10 p.m. Councillor Atkin left the Meeting.)

Councillor Harrison referred to capital investment and financing to 2010, particularly relating to the analysis of debt free receipts which would diminish by 2007/08. The Head of Finance and Property Services explained the pooling arrangements and the reducing benefit that the Council would receive over this three year period. After this time, the monies would revert to the Government.

With regard to the Housing Revenue Account, Councillor Southern made reference to "right to buy" receipts and the funding available for private sector housing improvement grants. Reference was also made to the Piper Lifeline system upgrade. Funding was included within the current year's budget to replace some remote equipment. The sale of former Sheltered Housing Schemes would be used to fund major investment for the Piper Lifeline equipment.

**RECOMMENDED TO COUNCIL:-**

- (1) That net General Fund Revenue expenditure of £8,884,380 for 2004/05 probable out-turn and £10,132,690 for 2005/06 base budget be approved.
- (2) That £180,000 be transferred from the Commutation Reserve to the Council's General Fund Reserve.
- (3) That this amount be repaid at the earliest opportunity.
- (4) That the 3-year financial projection on the General Fund showing a general reserve of £1,002,200 as at 31st March 2008 be approved.
- (5) That a projected minimum General Reserve of 10% of net revenue expenditure (i.e. £1,065,000) as at March 2008 be attained at the earliest opportunity.
- (6) That a 4.5% increase in Council Tax for District Services for 2005/06 be recommended to Council.
- (7) That the financial projection on the Housing Revenue Account to 2015 be noted.
- (8) That the Capital Investment Programme 2005 to 2010 be approved as submitted.
- (9) That the Prudential Indicators be approved as set out within the report.
- (10) That the report of the Council's Acting Section 151 (Chief Finance) Officer under Section 25 of the Local Government Act 2003 be noted.

FM/102. **SENIOR OFFICER APPOINTMENTS PROCEDURE**

It was reported that a review of the Senior Officer Appointments Procedure had been undertaken, following two recent recruitment exercises. The changes to the procedure were operational and concerned the responsibilities and roles of Officers supporting the recruitment process. In essence, this clarified the actions that Officers should take following Committee approval to recruit into a post. Members of the Working Panel would then agree at their first Meeting the procedures for short listing and appointment.

**RESOLVED:-**

*That the amended procedure be approved as submitted and that the Council's Constitution be amended to reflect this procedure.*

FM/103. **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 25th November 2004 were received.*

**RECRUITMENT AND SELECTION WORKING PANEL (Paragraph 1)**

*The Committee received the Exempt Minutes of the Recruitment and Selection Working Panel Meetings held on 8th, 14th and 15th December 2004.*

**EMERGENCY PLANNING ARRANGEMENTS – CIVIL CONTINGENCIES BILL (Paragraph 1)**

*The Committee approved a way forward to deliver the Council's new liabilities under the Civil Contingencies Bill.*

**REDUCTION OR REMISSION OF THE NON-DOMESTIC RATE (Paragraph 5)**

*The Committee approved two applications for hardship relief.*

**WRITE-OFF OF COUNCIL TAX AND NATIONAL NON-DOMESTIC RATE (Paragraph 7)**

*The Committee authorised the write-off of sums due to the Council in accordance with Financial Regulations.*

**PLANNING SERVICE ESTABLISHMENT (Paragraph 11)**

*The Committee considered proposals for an increase in the permanent establishment of the Planning Service, to cover for impending changes in staffing arrangements.*

**UPGRADE OF UNIX INFRASTRUCTURE (Paragraph 9)**

*The Committee agreed to set aside Contract Procedure Rules, to enable the appointment of a specialist contractor to deliver a technology upgrade.*

**REGRADING APPLICATIONS – YEAR 2004/05 (Paragraph 11)**

*The Committee approved re-grading applications for the financial year 2004/05.*

P.J. WILKINS