

FINANCE AND MANAGEMENT COMMITTEE

22nd July 2004

PRESENT:-

Labour Group

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

Conservative Group

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

In Attendance

Councillor Bell (Labour Group).

APOLOGY

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

FM/13. **MINUTES**

The Open Minutes of the Meeting held on 17th June 2004 were taken as read, approved as a true record and signed by the Chair.

FM/14. **DECLARATION OF INTEREST**

Councillor Richards declared a personal interest in respect of Item 13 – Reduction or Remission of the Non-Domestic Rate.

FM/15. **MEMBERS' QUESTIONS AND REPORTS**

The Chair had been made aware of two additional items and he was of the opinion that both should be considered as matters of urgency. The first was the Comprehensive Performance Assessment – Improvement Priorities and this was urgent because of the need to inform Members of the outcome of the Round Table Meeting held on 14th July 2004 and to put into place the Improvement Panel without any undue delay. The second report related to the Recruitment of the Head of Environmental Services. The grounds of urgency were to ensure compliance with the adopted practice of the Council for the appointment of Senior Officers and to achieve publicised dates for this process.

MATTERS DELEGATED TO COMMITTEE

FM/16. **FINAL ACCOUNTS 2003/2004 FINANCIAL STRATEGY AND UPDATED FINANCIAL PROJECTIONS TO 2006/2007**

The Committee received a comprehensive financial report which informed on the final budget out-turn for 2003/04, updated the Council's Financial Strategy and current medium term financial forecast. It considered both

revenue spending and capital investment on the General and Housing Revenue Accounts. It also reported on the various reserves currently held by the Council, their purpose and proposals for future utilisation.

The Statement of Accounts would be submitted to Council in August, within the statutory guideline. This would provide timely information to Members on the close-down position and its impact on Council finances. The report provided the final out-turn position at an early stage to enable Members to consider utilising any unspent resources and to assess the financial implications for setting the budget for next year and beyond. The Council's financial position had improved progressively over the last three to four years, which had been recognised by external auditors and within the recent Comprehensive Performance Assessment.

Consideration was given to the final out-turn for 2003/04, initially for the General Fund Revenue Account. A summary of net revenue expenditure, as compared to the approved estimates was appended to the report. This showed that net spending was just over £8.4 million, compared to the approved estimate of £9.07 million. After required adjustments this had increased general reserves by £119,065. The estimate had anticipated a withdrawal from reserves of around £79,000. Overall, additional income and underspendings amounted to £640,000 and a breakdown was provided of the major variances.

The report then considered earmarked reserves for commitments. As in previous years, it had become evident that resources would need to be set aside to meet future known commitments. It included requests being made to utilise savings in individual service areas, to meet one-off spending in 2004/05. Included in this list were proposals to set aside further amounts totalling £230,000 to meet costs associated with Waste Disposal, backdated Housing Benefit and additional legal fees relating to the Local Plan Inquiry.

The Council's General Reserves were now approximately £2.63 million, which was some £238,000 higher than the anticipated level of reserves. The Housing Revenue Account (HRA) had been the subject of closer scrutiny recently, in connection with the Stock Options Review. Annexe 3 to the report summarised the final accounts for the HRA and showed an improved position to that estimated. Reserve balances were around £1.17 million which was approximately £293,000 more than that estimated and a breakdown was given of the main factors.

Total Capital spending for 2003/04 was £3.95 million, which was approximately £1.12 million less than the approved estimate. However, approximately £970,000 would need to be carried forward to complete schemes and meet commitments made in 2004/05 and these schemes were set out in a further Annexe to the report. An overall analysis of Capital Expenditure for the year was provided. After allowing for carry forwards, the projected variation on current capital schemes was a reduction of around £152,000 and an analysis was provided of the main variations.

With regard to Capital Financing, a table illustrated how Capital Expenditure had been financed in 2003/04. In accordance with the usual practice, all government allocations and external funding was utilised and the balance was then taken from General Capital Receipts. In line with actual spending, resources would need to be carried forward into 2004/05 to meet the costs listed in Annexe 4 to the report. Overall, reduced resources of around

£152,000 would be required to match the overall reduction in expenditure. However, additional funds of approximately £244,000 would be required to be drawn down from the Capital Receipt Pot to cover the reduction in the original amount anticipated in Government support, together with the additional amounts detailed above.

The report then considered the Capital Resources remaining and a table summarised General Capital Receipts that were available, taking into account the position in 2003/04 and outstanding commitments. These were split between Housing and General Fund Receipts, together with contributions received via Section 106 Planning Agreements. The Section 106 funds were “ring-fenced” and allocated through recommendations made by a Working Panel. The balance available for general use was around £150,000 lower than anticipated. This was as a result of the additional draw-down of £244,000. However, it was offset partly by a receipt from a sale of a property that had not been taken into account when setting the last budget.

The second part of the report looked forward to 2005/06 and beyond. The key components of the Council’s Financial Strategy were reported and its main corner stones were three year financial planning and reserve balances set at a “minimum” level at the end of every three-year projection. This had helped the Council to focus on the resources that were available at the end of the three-year planning period. More importantly, it had helped the Council to identify where resources were falling over this period and to take action at an early stage to prevent any loss of financial stability. The out-turn position over the last three to four years had made it much easier to deliver this medium-term financial strategy. However, it was emphasised that this did not necessarily provide funds for ongoing new spending. There were reported examples of unavoidable pressures and service pressures which would need to be accommodated within future budgets.

A three-year financial projection was provided for the General Fund, which identified the balance at 31st March 2007 at £741,268. On the basis of this projection, the Council’s financial plans were consistent with the financial strategy, i.e. to maintain a minimum balance of £750,000 over the three-year planning period. Whilst the projections showed a healthy position in the medium-term, the position in the longer term gave cause for concern. There were underlying budget pressures as evidenced by the increasingly large budget deficits in 2006 and 2007. The projection had been updated to take into account the 2003/04 final accounts i.e. to reflect the increase in general reserves, after allowing for the proposed carry forwards and other earmarked provisions. It also included other approved changes that had arisen since the original projection. Essentially, the rest of the original projection, at this stage, remained unchanged. A summary was provided of the updated position.

Projected Reserves were now forecasted at approximately £1.4 million, which was a significant increase on the previous forecast. This was due to a reduction in ongoing debt interest, together with a more favourable position from the 2003/04 out-turn. Whilst this had helped to reduce the projected deficits in 2005/06 and 2006/07, these were still significant enough to require further attention in the short term. Any projections should be viewed with a degree of caution. Whilst every effort had been made to take account of known spending pressures, some were less predictable. The report identified potential factors which would affect the projection comprising new

spending pressures, inflation, growth in the Council Tax base and Government grants.

The report then provided a Financial Risk Analysis. There were a range of factors that would have an impact on the projection and these were set out within a table, together with action being taken to address the financial risks. The risks comprised insurance costs, the replacement tipping facility, legal costs from the Local Plan Inquiry, pension costs, income projections, loss of Government grant and programmed funding. These risks needed to be balanced against other factors which could have a potentially positive impact on Council Finances. Members were reminded that the Council received a grant settlement around half a million pounds less than the Government's own formula assessment. If this was addressed, it would result in a higher grant settlement for the Council.

Current projections for the HRA to 2010 and beyond had recently been subject to close scrutiny and wide publication in connection with the Stock Options Review. The current projection did not include the out-turn position as highlighted earlier in the report. It needed updating to take account of the favourable out-turn position from 2003/04. HRA balances were now around £293,000 better than originally estimated. If this was included in the financial projection, reserve balances showed a negative £474,000 at 31st March 2010, as compared to the current balance of £747,000. In addition, the minimum level of balances of around half a million pounds could be maintained until 2008/09. However, this did not change the overall position and if retention became the preferred Stock Option for the Council, then the longer term financial viability of the HRA would need to be addressed in the short term.

The report then considered Capital Investment and Financing. An updated projection had been made to 2008/09. Detailed schemes and financing were shown at Annexe 6 to the report and a summary was provided. The figures projected a shortfall of some £1.7 million over the five-year period. This might be addressed in a number of reported ways.

The Estimated Capital Expenditure included the approved programme for 2004/05, future commitments to fund rolling programmes and a contribution to Etwell Leisure Centre, should external funding become available.

The Capital Financing Projection assumed the worse case scenario for Government funding, in that no general allocation had been assumed after 2005/06. This was due to the uncertainty in how this support would be assessed and allocated after next year. Government support for future Capital Investment was delivered through Regional Housing Boards. The amount for 2004/05 was confirmed, but funding for 2005/06 was provisional and subject to any changes arising from the Government's 2004 Spending Review. Funding was in accordance with a strategy laid out for the whole of the East Midlands Region. Authorities were being protected for the first two years of this new system, by receiving allocations broadly similar to recent years. However, after 2005/06 it was very uncertain how much funding would come to South Derbyshire. In addition the Government was now directing where resources should be spent and details were provided of those themes which this centered around.

Information was provided on the Major Repairs Allowance, which could only be used to fund improvements to Council homes. If the current system continued for allocating the MRA, it was considered that the amounts included were fairly typical of what could be expected in future years. The estimated level of future Capital Receipts was based on projected house sales. Other receipts could be generated from land sales, but these were difficult to predict. In addition, all receipts, once used could not easily be replenished. The Council had the option of borrowing but this would need to be paid for from revenue accounts. Given this, it was important that the action contained in the Financial Strategy for a gradual and prudent release of Capital Receipts for new investment, continued to be observed.

Members were reminded that under the New Capital Finance System, 75% of the proceeds from Council house sales had to be paid to the Government. When the Committee considered the repayment of Government debt in February, there was the possibility that the Council would benefit from some transitional arrangements. Technically, it appeared that the Council was not debt free as it had a positive “credit ceiling”. Recent guidance covering the procedural arrangements contained a definition of debt free that appeared to contradict these regulations. Subsequent discussions with the Office of the Deputy Prime Minister had confirmed this and the Council had been placed on this list of debt free councils for the pooling arrangements. It meant that the Council could retain a much greater proportion of funds from Council house sales generated between April 2004 and March 2007. The potential affect of this was shown in a table and resulted in total additional usable amounts of £4.2 million for the period to 2006/07. The figures were estimated and would ultimately depend on the level and value of council house sales. The Council potentially had access to significantly more resources and these amounts had not been included in the projections. The only condition under these transitional arrangements was that the resources generated could only be used on expenditure incurred on housing functions. It included, but was not limited to expenditure on HRA assets. It might provide additional resources for non-housing investment, due to the fact that some of the original 25% usable receipt would have been required to provide private sector housing schemes.

The Service and Financial Planning Working Panel met on 13th July to discuss the information contained in the report. In particular, it considered the out-turn position on the General Fund and utilisation of underspending from 2003/04. The main recommendations of the Panel were reported.

Information was provided on earmarked reserves held for specific purposes. These were to meet future known commitments and in some cases, to spread expenditure over a number of years. Details were provided of each of the earmarked reserves.

Councillor Mrs Wheeler commented on the dividend from the Bretby Crematorium. She spoke about the reduced costs for the Meal on Wheels Service and questioned whether there was a risk factor in the cost of this Service increasing in future years. In response, the Chief Finance Officer explained changes to the scheme and the reasons for the reduced costs, which related to how the scheme was funded rather than the numbers of meals provided.

Councillor Harrison welcomed the opportunity for input through the Working Panel, the better financial projections and the three-year forecasting approach. He commented on the updated projection for the General Fund and the projected expenditure of reserves in 2005/06 and 2006/07. He welcomed the statement of intent, that the Council's financial strategy be extended to reduce the gap between projected spending and income and that a Working Group be formed to review the Council's current spending against its priorities. He was, however, disturbed by the variance of capital financing of some £1.1 million, despite the income received and he questioned why these resources had not been used to benefit South Derbyshire residents.

In response, the Chair spoke of the Council's partnership working. As an example, where a parish council had delayed expenditure on a scheme, it would have an impact on this figure. The Chief Finance Officer added that for next year, it was hoped to improve the accuracy of projections. He then responded to questions on projected funding for E-Government and the increasing shortfall in financing for the period to 2008/2009. The Leader confirmed that the Council was financially stable with healthy reserves. There was a known spending gap and there were a number of options to address this. A working panel would be formed to agree a strategy.

RESOLVED:-

- (1) That the Committee considers and approves the out-turn position for:**
 - **General Fund Revenue Account 2003/04**
 - **Housing Revenue Account 2003/04**
 - **Capital Expenditure and Financing 2003/04**
- (2) That the Committee considers and approves:-**
 - **Proposed revenue contributions to earmarked reserves**
 - **Proposed Capital schemes to carry forward**
 - **The recommendations of the Service and Financial Planning Working Panel**
- (3) That the Committee considers and notes:-**
 - **The revised financial projection for the General Fund**
 - **The financial risks associated with the projections and proposals to address them**
 - **Projected Capital Expenditure and financing to 2012**
 - **The level of earmarked reserves**

FM/17. **COMMUNITY PARTNERSHIP OFFICER**

It was reported that a successful Service Development Bid was submitted as part of 2004/05 budget process for the recruitment of a Community Partnership Officer. The post would be funded jointly by the Council and the Crime and Disorder Partnership.

During the budget consultation, it was suggested that the post could support the work of the South Derbyshire CVS and that consideration be given to the best location for the post. The situation had been reviewed and a number of issues had been considered. If the post was based at the CVS it would not be able to take on the administration of the Crime and Disorder Partnership's

funding. Consequently, the Partnership would not fund 50% of the costs of the post. The cost of allocating half a post to undertake support for the voluntary sector projects was £16,000 and the District Council allocation to the post was £13,000. Since the post was proposed, the Partnership Development Officer, for whom this post was set to support, had taken on significant work in allocating funding provided by the Derby and Derbyshire Economic Partnership, via the Local Strategic Partnership. In view of these considerations, it was proposed that the Community Partnership Officer be recruited to work within the Community and Leisure Development Division, but to liaise closely with the South Derbyshire CVS, to support voluntary groups where necessary.

RESOLVED:-

That the Committee notes the report and authorises recruitment of the Community Partnership Officer.

FM/18. **BT PUBLIC PAYPHONE REVIEW**

It was reported that BT Payphones had been conducting a comprehensive review of the provision of public payphones throughout Great Britain since April 2002. The consultation letter explained that many phone boxes were unprofitable, but despite these commercial pressures, BT was conscious of its social obligations. Getting a balance between commercial pressures and providing a payphone service was vital, but it was recognised there might be concerns about the Company's plans. BT had stated that the increase in mobile phone usage had had a significant impact on the use of payphones. The Company also stated that 99% of UK homes had access to a telephone and 85% of people had a mobile telephone.

The Company's recent survey had revealed that there were 78 street payphones within the South Derbyshire District. There were 21 loss making payphones in South Derbyshire that the Company guaranteed not to remove as part of any proposed rationalisation. It was planned to remove six payphones in the District and the location of each was provided.

Councillor Mrs. Wheeler sought the retention of the payphone at the junction of High Street and Brook End in Repton. She suggested that, if necessary, a payphone at The Square in Repton be removed instead. The Leader was mindful that the majority of people had access to a telephone. However, he sought a reassurance especially for the most vulnerable in society, who needed payphones for emergency calls. He suggested that where payphones were removed, a notice be displayed of the nearest alternative payphone that was within a reasonable walking distance. The Chair suggested that BT be asked to provide a notice in each of the payphones planned for removal, during the consultation period. Following a question from Councillor Carroll, Councillor Mrs. Wheeler explained the reasons behind the suggestion to remove an alternative payphone in Repton.

RESOLVED:-

That Members' comments be amalgamated to form a response to the consultation received from BT Payphones.

FM/19. COMPREHENSIVE PERFORMANCE ASSESSMENT – IMPROVEMENT PRIORITIES

It was reported that the Corporate Plan had been reviewed following the receipt of the CPA Final Report and in particular, the milestones for the current year. Advice from the Audit Commission indicated that Councils should not respond to CPA reports through new or additional action plans. The existing Corporate Plan should be modified to respond to key messages in the CPA report.

A draft improvement priorities document was discussed at a meeting of the CPA Working Panel on 16th June. This document had been revised in the light of comments and discussions at that meeting. A final draft of the document, incorporating two minor amendments suggested by the District Auditor had been circulated to Members prior to its formal discussion at a CPA round table meeting held on 14th July. The purpose of that meeting was for the Council and its external regulators to meet and agree a plan which detailed the Council's improvement priorities following the Comprehensive Performance Assessment. The meeting was chaired by the District Auditor and details were provided of the other parties involved. The meeting was successful and the Council's proposed improvement priorities were agreed without amendment. The District Auditor would now write to the Council making proposals for his audit and inspection programme, which would be designed to support achievement of the Council's improvement priorities.

Having agreed the key improvement priorities, it would be necessary to consider how these would be delivered. It was proposed that the current CPA Working Panel be renamed the Corporate Improvement Panel and suggested Terms of Reference were submitted. It was proposed that the Panel receive quarterly monitoring and progress reports on performance generally, as well as the Corporate Plan and key projects, including the Improvement Plan. Meetings would be held at least four times per year and recommendations would be made to Officers, policy committees and the Council, with a view to ensuring satisfactory outcomes in relation to performance and improvement.

The Chair explained the preparatory work undertaken before meeting the external regulators. Councillor Mrs. Wheeler sought clarification about the establishment of a Corporate Consultation Group. The Deputy Chief Executive explained the purpose of this Group to identify issues and spread good practice throughout the organisation. The CPA improvement priorities document included a section on improving customer focus. Councillor Mrs. Wheeler asked about the Year 1 milestone to assess key frontline services against DEFRA rural service standards and the Countryside Agency's Rural Proofing Checklist. She asked who the external stakeholders were and the Deputy Chief Executive confirmed that this was mainly parish councils, but included other stakeholders and interest groups in the rural area. He added that guidance on this was expected from DEFRA. Councillor Mrs. Wheeler spoke of recent rural developments and the extra funding available for the Countryside Agency. Councillor Carroll commented on the meeting with external regulators and she felt that the agreement made gave a good way forward. She considered that the Council gave considerable support to parish councils and the rural parts of the District and was disappointed with the CPA criticism of this aspect. There was a discussion about the proportion of funding spent in the urban and rural areas and conflicting views were expressed.

RESOLVED:-

- (1) That the improvement priorities be approved as submitted.**
- (2) That the CPA Working Panel be renamed Improvement Panel, with the Terms of Reference approved as submitted.**
- (3) That membership of this Panel be reviewed in due course, in light of the revised Terms of Reference.**

FM/20. **RECRUITMENT OF HEAD OF ENVIRONMENTAL SERVICES**

It was reported that the Council had adopted a procedure to be followed for the appointment of Senior Officers. This required the delegation of authority for appointment into a post to a Panel of Members. The Panel would then agree the recruitment process and make an appointment with the advice and support of Officers. It was noted that the final decision on an appointment would be subject to there being no objections raised by a member of the Committee. Due to the length of time that this post had been vacant, the Council agreed that the recruitment exercise should commence at the earliest opportunity. To move the appointment forward, a meeting of Members nominated from the Committee was held, but due to other commitments only three Members could attend the Meeting. Officers presented their assessment of the applications and the proposed method of selection. The following issues were raised:-

- Could the recruitment continue if the restructuring had not been approved and in effect the post had not been established?
- The procedure allowed for 5 Members to undertake the recruitment and would this create any issues;
- Could other Members be included if they had not been included in agreeing the shortlist or selection methods?

Clearly, if the post did not exist on the Council's establishment, it would not be possible for any appointment to be confirmed. It was recommended that any formal offer be made subject to the final determination of the restructuring report by the Council at its Meeting on 12th August 2004. A further option was that the appointment to this post be permitted ahead of this approval, albeit that it could create further issues if any further parts of the proposals were not accepted.

It was best practice that any people involved with the recruitment of staff were involved throughout the process. This would preclude any other Members being appointed to the Panel. As the procedure stated, the Panel consisted of five Members and the current process would not comply with this. It would be possible, with the Committee's approval, to continue with three Members, as those involved to date provided the appropriate political proportionality. Alternatively, a similar meeting could be held with two other Members to discuss the recruitment and if accepted, they could then be present at the formal interview. This would ensure consistency and transparency throughout the process. However, if any issues were raised these would need to be discussed with the other Members of the Panel before any recruitment was commenced. It was important to move the recruitment forward to ensure that an appointment was made at the earliest opportunity. If the process was delayed, some of the candidates might withdraw and it

would create a negative impression of the Council as an employer. However, it was important to follow the correct procedure and genuine candidates would be prepared to accept a slight delay with good reason. This needed to be considered in the context of maintaining and delivering the services that would come under the postholder's responsibility.

RESOLVED:-

- (1) That the appointment to the post be delegated to a Panel of Members from the Committee, in accordance with the Senior Officers' Appointments Procedure approved by the Council at its Meeting on 1st July 2004.***
- (2) That the recruitment to the post continue with a formal offer of appointment being subject to final approval of the Council's restructuring, being agreed at the Council Meeting on 12th August 2004.***
- (3) That a maximum of 5 Members be appointed to the Panel, although a smaller number could be used if approved by the Committee and the appropriate political proportionality is maintained.***

FM/21. **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 17th June 2004 were received.

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

The Committee approved four applications for a reduction or remission of the Non-Domestic Rate.

ALLOCATION OF IEG FUNDING AND OTHER NON-IEG IT PROJECTS (Paragraph 9)

The Committee considered priorities for achieving E-Government and authorised the allocation of IEG monies.

SENIOR MANAGEMENT REVIEW (Paragraph 11)

The Committee approved proposals for the review and implementation of a revised grading structure and salary levels for Senior Management and proposed changes to the Council's establishment and staffing structure.

P.J. WILKINS

CHAIR