

FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)

25th June 2009

**PRESENT:-**

**Conservative Group**

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

**Labour Group**

Councillors Pabla, Richards, Southerd, Tilley and Wilkins.

**In Attendance**

Councillors Atkin and Lemmon (Conservative Group).

FM/19. **QUESTIONS BY MEMBERS OF THE PUBLIC**

It was reported that, in accordance with Council Procedure Rule No. 10, Mr. Ashmore had given notice of two questions. These related to Minute No. FM/128 of the Finance and Management Committee held on 30th April 2009 as follows:-

With regard to the Land off Wilmot Road.

The people that the outcome of this report affects most have not had the opportunity to contribute and voice the opinions on what should happen to this land. This is not a waste land; it is a well used recreation ground for many people in the community and they should be consulted on what happens to it before the Council goes, at the expense of tax payers, consulting with developers and putting plans in for planning permission.

Has the Committee justified this report as in a public interest or a political interest?

I request a copy of the consultation report under the freedom of information act.

Many of the older members of the community state that this land off Wilmot Road was given to the people of Church Gresley and should never be built on. Plans and agreements do get mislaid, can this be checked?

The Chief Executive explained that this matter had been considered in Exempt and a full response would be given to the questions, where the Council was able, without disclosing any Exempt information. He agreed to circulate this response to local Members and to all Members of the Finance and Management Committee. Mr. Ashmore was present at the Meeting and responded. A local Member offered to accompany Mr. Ashmore to any subsequent meeting with the Council's Chief Executive.

**MATTERS DELEGATED TO COMMITTEE**FM/20. **ANNUAL EFFICIENCY STATEMENT 2008/09**

The Committee received a report on Value for Money (efficiency) gains made in 2008/09. These would be reported to the Government under the National Performance Framework. In addition, this report outlined the ongoing and planned actions that had been approved to deliver further efficiencies over the term of the current Medium-Term Financial Plan.

Under the Government's efficiency/Value for Money framework, all councils were set a yearly target of 3% per year from 2008/09. This replaced the previous target of 2.5%, which stemmed from a review of efficiency across the public sector by Sir Peter Gershon.

Besides an increase in the target percentage, other changes were introduced from April 2008, relating to cashable savings and the exclusion of cuts in service. The target would be used to judge as a whole how local government had performed, although individual authorities were free to decide their own target, depending on local circumstances. Ultimately, external auditors would judge performance locally as part of the annual Use of Resources assessment. Further sections of the report looked at the Council's strategy, the actual progress made to date, the treatment of gains and the increase in the national target.

**RESOLVED:-**

- (1) That the value for money gains achieved in 2008/09, as detailed in the appendix to the report be submitted to the Government under National Performance Indicator 179.***
- (2) That progress and current plans for future efficiency savings be noted.***

FM/21. **TREASURY MANAGEMENT ANNUAL REPORT 2008/09**

The Committee received a report, which detailed the Council's actual borrowing and lending performance for 2008/09 compared to the approved strategy, including performance against its Prudential Indicators. This was in accordance with the Local Government Act 2003 and associated regulations.

The Council's borrowing strategy for the year required that its cash flow requirements were managed through short-term borrowings and bank deposits. Overall, the Council's cash flow remained positive throughout the year as forecast. As financial monitoring reports had highlighted, the last twelve months had been extraordinary as the fall-out from the credit crunch in 2007/08 caused volatility in the financial markets. Coupled with the onset of the economic recession, this lowered base bank interest rates to their lowest level in history and they currently remained at 0.5%.

Although the Council had no investments tied up in Icelandic banks or other financial institutions directly affected by market conditions, the overall situation

did have an affect on the Council. Firstly, a reduction in credit ratings for several financial institutions together with the restructuring of others, limited the choice of deposit takers when set against the Council's lending criteria. This constrained where funds could be deposited during the second-half of the year, although the situation had started to ease as the financial year closed. Secondly, the low level of interest rates and lower level of funds available for investment compared to that forecast, reduced the amount of investment income to approximately £188,000 for the year, £50,000 less than budget. In undertaking the treasury management functions during the year, the Council managed its activities within its prudential indicators and approved lending policy.

The detail of the report included sections on borrowing during 2008/09, and the cash flow for that period. There was commentary on interest rates, the impact on the Council, temporary borrowings and budgetary implications. Also reported were other interest paid and received, the money market debt, investments, the definition of credit ratings and the general policy. Further information was provided on performance indicators, prudential indicators and the Minimum Revenue Provision, including how this was calculated and the options available.

A Member commented on a graph showing an analysis of interest rates, which demonstrated the excellent performance of finance staff in the current economic climate.

**RESOLVED:-**

- (1) That the Treasury Management Annual Report for 2008/09 is approved.***
- (2) That the Statement on the Minimum Revenue Provision for 2008/09 is recommended to Council for approval.***

FM/22. **BUDGET OUT-TURN 2008/09**

The Committee received a report detailing the final out-turn position for 2008/09 on the Council's main revenue and capital accounts. A context was provided and the report detailed the performance against the Council's approved budgets on the General Fund, Housing Revenue and Capital Accounts. This was intended to provide the key information about the closedown position and its impact on overall finances. It also helped the Council to consider at an early stage the financial implications for the Medium Term Financial Plan (MTFP) and for setting the budget for 2010/11. As part of the Council's financial planning process, the MTFP was currently subject to its usual periodic review, including the impact of this out-turn. The updated position would be reported to the Committee in September ahead of the budget cycle for 2010/11.

On the General Fund Revenue Account, appendices provided further information on the main service heads for each policy committee and the overall consolidated position on the General Fund. Commentary was provided on the updated budget for 2008/09, progress made during the year and the

final out-turn position. A table was included within this section of the report showing favourable and adverse variances. Information was also submitted on appropriations, a summary was given of carry forwards for 2008/09 and further information was provided on the provision for suspended benefit cases and the balance on general reserves. The actual level of reserves at 31st March 2009 was £2,801,011, which was a positive variance of £544,571 above that estimated in the original budget. However, it was noted that £195,000 related to provisions being carried forward and in addition, the Committee had approved a sum of £100,000 to finance capital works at the Midway Fishponds.

The final accounts for the Housing Revenue Account (HRA) for 2008/09 also showed an improved position to that estimated, with reserve balances showing approximately £2.7million at 31st March 2009, which was approximately £50,000 more than estimated. Monitoring reports during the year had indicated projected increases in income and certain additional costs. Further sections were reported on housing subsidy (the payment to the national pool) and repairs and maintenance. Overall, the position on the HRA would help to consolidate its financial position. However, similar to the General Fund, over the life of the 10-year business planning period, current spending levels were reliant on drawing down those reserves in the longer term to meet the budget deficit.

Total capital spending for 2008/09 was approximately £6.7million, which was some £616,000 lower than the overall budgeted programme. However, within this there were several variations that had been reported in monitoring reports during the year. An analysis of the main spending areas was provided on Council house improvements, private sector housing, leisure and community facilities and the Community Partnerships Scheme. Information was also submitted on overall financing, the amounts carried forward and capital receipts, comprising general receipts and windfall capital receipts.

The Council was required to maintain a separate income and expenditure account, showing the transactions relating to the collection of business rates and council tax. This account also illustrated how this money had been distributed to preceptors and into the Council's General Fund. The Council's account for 2008/09 indicated a surplus on the fund of approximately £467,000 above that estimated of £428,000. The Council's share was an extra £7,000 over and above that budgeted, which would remain in the fund, pending the calculation of Council Tax for 2010/11. The report concluded with information on other earmarked reserves, including an analysis and commentary on each of those reserves. Members congratulated the staff concerned for the very studious financial management that had taken place.

**RESOLVED:-**

***That the Committee approves the out-turn position for:***

- ***The General Fund Revenue Account 2008/09***
- ***The Housing Revenue Account 2008/09***
- ***Capital Expenditure and Financing 2008/09***
- ***The Collection Fund 2008/09***

FM/23. **ANNUAL STATEMENT OF ACCOUNTS 2008/09**

The Committee considered the Council's draft annual accounts and financial statements (subject to audit) for 2008/09, in accordance with provisions made in the Accounts and Audit Regulations 2003. Members were reminded of the statutory requirements that the draft annual accounts should be considered by an appropriate Committee by 30th June each year. The Chairman of the relevant Committee was required to sign the draft accounts. It did not indicate that they necessarily showed a "true and fair view", which was the remit of the Auditor, although the documents presented were considered to be fully compliant with all necessary accounting regulations and codes of practice.

The report explained the process undertaken for production of the final accounts. A copy of the draft accounts and financial statements was attached to the report for the Committee's consideration. The covering report included sections on the statement of recommended practice, accounting for fixed assets, pensions, financial instruments and the Annual Governance Statement. The report concluded by explaining efforts to improve the presentation of financial information in an Annual Report and the arrangements for external audit.

A Member referred to the prescribed format for the Council's accounts and questioned whether this was likely to change in the future. This was confirmed and whilst some changes would not affect South Derbyshire, it was anticipated that the length of the Council's accounts would only increase. Information was then provided in response to further questions, about asset valuations and the position on the pension fund. Members paid tribute to the Head of Service and accounts staff for their efforts in producing these accounts just eleven weeks after the year-end, which was a tremendous achievement. It was requested that Members' appreciation be communicated to the staff involved.

**RESOLVED:-**

- (1) That the Council's Draft Statement of Accounts including the Annual Governance Statement for the year ended 31 March 2009 (subject to Audit) be approved for Audit.***
- (2) That the Committee authorises its Chairman to sign the accounts in accordance with the Accounts and Audit Regulations 2003.***
- (3) That the Committee authorises the Leader of the Council and the Chief Executive Officer to sign the Annual Governance statement.***

J.P. HARRISON

CHAIRMAN

The Meeting terminated at 6.35 p.m.

Page 5 of 5