

FINANCE AND MANAGEMENT COMMITTEE

10th September 2009

PRESENT:-

Conservative Group

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

Labour Group

Councillors Rhind (substitute for Councillor Southerd), Richards, Taylor and Wilkins.

Independent/Non-Grouped Members

Councillors Mrs. Brown and Pabla

In attendance

Councillors Lemmon, Mrs. Plenderleith and Timms (Conservative Group).

APOLOGY

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

FM/24. **MINUTES**

The Open Minutes of the Meeting held on 18th June 2009 and of the Special Meeting held on 25th June 2009 were taken as read, approved as true records and signed by the Chairman.

FM/25. **DECLARATIONS OF INTEREST**

Councillors Grant and Wheeler declared personal interests in respect of the Exempt Report on Land at Rosliston as Chairmen of the Rosliston Forestry Centre Management Executive and Rosliston Forestry Liaison Group respectively.

MATTERS DELEGATED TO COMMITTEE

FM/26. **A REVIEW OF THE COUNCIL'S MEDIUM TERM FINANCIAL PLAN 2009-2015**

The Committee received an update on the Medium Term Financial Plan (MTFP) and associated budget projections. This considered both revenue spending and

capital investment on the General Fund and Housing Revenue Accounts. It effectively updated the Council's medium term financial position following the out-turn from 2008/09, together with changes since the 2009/10 budget-round. It was intended to set an indicative position ahead of the 2010/11 budget-round. The Committee was reminded of the aims of the financial planning framework.

The detail of the report looked firstly at the General Fund Revenue Account. As background, the Council had moved to a 5-year planning period in 2007. The report set out the position on entering this review, providing information on the projected 5-year balance both after the 2009/10 budget-round and the more favourable final account reported to the Committee on 25th June 2009. This projected a reserve balance to over £800,000 by March 2014. Reference was made to the underlying budget deficit and the work being undertaken to reduce it. Reference was also made to the downturn in the global economy, other external factors and the beneficial impact of the new concessionary travel scheme. The projection had been updated and rolled forward to include 2014/15. This would be used to inform the Council's spending proposals ahead of the 2010/11 budget-round. The overall projection was summarised in an appendix to the report. Its main focus was to estimate the Council's future financial position, giving an early warning sign of the financial challenges that lay ahead in future years. Details were then provided of the main assumptions included in the projection. It showed a negative general reserve balance at 31st March 2015 of £970,000, with an underlying budget deficit of approximately £318,000 by 2014/15. Clearly this would leave the Council in an unsustainable position in the longer-term and the main reasons for the worsening position, from that previously projected were reported. The cumulative totals together reduced protected reserves over the next 5 years by approximately £2.3 million and the overall impact was shown in both in a graph and table.

Based on this projection, the Council would need to continue to review its current base budget, as resources were required to gain a balanced budget in the longer-term and to meet capital commitments. Other issues under this heading were pension increases and service improvements. The next section of the report looked at the Council's efficiency programme and the increasing pressures it would face. The latest efficiency statement was appended to the report, identifying cumulative efficiency savings of approximately £1.2 million by 2015. The potential for other cashable gains was also reported.

The report then highlighted continuing uncertainty on many external factors. Given the projection, the Council could not afford to wait for a significant recovery in the economic situation or increasing Government grant. It was noted that the longer-term view was being considered and the Council's general reserves should remain healthy until 2011/12.

The report then focused on the main assumptions and risks. As always, the projection aimed to be realistic but prudent. Every effort was made to take account of known spending pressures, although some were less predictable.

The main assumptions, risks and sensitivity analysis associated with the projection were outlined in sections under the following headings:-

- Inflation.
- Public Sector Pay Awards.
- Pensions.
- Planning, Building Regulations and Land Charges income.
- Interest Rates and Return on Short-term Investments.
- Concessionary Travel Costs.
- CSR10 and Government Grant.
- Council Tax and Property Growth.
- Provision for further Revenue Contributions to Capital.
- Fixed Term and Externally Funded Posts.
- Leisure Centre Provision.
- Swadlincote Woodlands.
- 2010 Rating Revaluation.

Capital investment and financing was the next area that the report covered. It explained the framework, the assumptions and included as an appendix the updated Capital Programme, including schemes and resources brought forward. Information was provided with regard to projected disposals, Council house sales and other capital reserves, other funding streams and asset management.

The report then focused on the Housing Revenue Account (HRA), again considering initially the position on entering this review. For the HRA, details were provided on the revised national guideline, on the budget out-turn from 2008/09 and the updated projection on the HRA, which was summarised in a further appendix. The overall position was updated and showed a projected cumulative deficit by 2019 of approximately £293,000, as compared with the previous projection, which highlighted a credit balance of £937,800. Sufficient balances of £½ million as required by the Financial Strategy, were still projected by 2016/17. Other sections on the HRA looked at:-

- Reduction in rental income.
- Other stock reductions.
- Overall reduction in payment to the National Pool.
- Risk assumptions and options.
- Housing Subsidy.
- Reviewing the Subsidy System.
- Management costs.
- Housing repairs.
- Stock Condition Survey.
- Inflation provision.
- Rent restructuring and future rent levels.
- Housing debt and interest rates.

The report on the HRA concluded with an overall summary.

In addition to the report, a PowerPoint presentation was provided and Officers highlighted the key recommendations, on the need to find savings before 2011/12. Identifying potential capital receipts for funding would help considerably. Members commented on the report's content and the background of unprecedented economic problems. It was recognised that the potential problems had been identified in good time, to enable them to be addressed. The position on Capital was discussed. There was a need to keep Council Tax low and to find efficiency savings. There was uncertainty over the future economic climate and it was questioned if capital receipts did not materialise, what the Council would do. Further issues raised were Value for Money gains, the disposal of assets, anticipated subsidies and improvements to the Green Bank Leisure Centre. Thanks were recorded to the Officers for the report.

RESOLVED:-

- (1) That the updated financial projection on the General Fund to 2015 be approved.***
- (2) That on-going provision be made towards the Green Bank Leisure Centre as detailed in the report.***
- (3) That provision be made to cover for the loss of external funding for 2 established posts as detailed in the report.***
- (4) That the updated capital investment and financing programme to 2015 be approved.***
- (5) That the updated financial projection on the Housing Revenue Account to 2019 be approved.***
- (6) That all current base budgets be scrutinised as closely as ever during the 2010/11 budget round and a programme of cashable efficiency savings be compiled to meet the budget deficit.***
- (7) That any further capital spending beyond 2009/10 (except for that detailed in Appendix 5 of the report) be not committed until future income streams are certain.***
- (8) That the Budget and Financial Planning Timetable for 2010/11 be approved.***

FM/27. **AUDIT SUB-COMMITTEE**

The Chairman of the Audit Sub-Committee presented this item.

RESOLVED:-

That the Minutes of the Audit Sub-Committee Meeting held on 17th June 2009 be received and noted.

FM/28. **PERFORMANCE MANAGEMENT REPORT (1ST APRIL – 30TH JUNE 2009)**

A report was submitted detailing achievements for the quarter ending 30th June 2009, in relation to the Council's Corporate Plan 2009-14. The Corporate Plan Action Plan consisted of four main themes, of which this Committee was responsible for actions within the "Value for Money" theme. Details were provided in the report and related appendices on the Corporate Plan actions and Performance Indicators.

RESOLVED:-

- (1) That the Committee notes the key achievements and performance for the quarter ending 30th June 2009.***
- (2) That where performance has failed to achieve the specified target, the responses be noted.***

FM/29. **BUDGET AND FINANCIAL MONITORING 2009/10**

The latest budget and financial monitoring report was presented for the Committee's consideration. Initially, this focused on the General Fund Revenue Account and a table summarised the identified variances as at June 2009. It reported an analysis of expenditure by main service area. Details of the major variances were provided for the following service areas:-

- Environmental Services.
- Management, Finance and Property.
- Leisure and Community Services.
- Planning Services.
- Minimum revenue provision and pension costs.
- Inflation and other amounts set-aside.

Overall, there was a projected overspend on the General Fund of £153,000 for the year at this stage, due entirely to a shortfall in income associated with the economic situation. Further information was provided on income from Land Charge search fees. These were presently on budget, but an issue was reported stemming from a decision taken by the Government's Information Commissioner Office.

Next the report focused on the Housing Revenue Account (HRA). A table was submitted to provide an analysis of expenditure by main service area, comparing the approved budget for 2009/10 to projected variances. This showed a net deficit of £28,499.

Capital Expenditure and Financing was reported and further tables provided an analysis of spending by main service or project area and information on financing of Capital Investment for 2009/10. Information was also provided on Capital Receipts and the Local Authority Business Improvement Grant. Finally, the report considered Treasury Management, with an analysis of the Council's borrowing and short-term investments/bank deposits. This section of the report included a cash flow analysis, overall debt liability and recharges to the HRA.

RESOLVED:-

That the latest budget and financial monitoring figures for 2009/10 be approved.

FM/30. **EQUALITY FRAMEWORK ACTION PLAN**

It was reported that the Council had achieved Level 2 of the Equality Standard for local government in 2008. In March this year, the Improvement and Development Agency introduced a new Equality Framework for local government, which differed from the old Standard and was progressed through three levels of developing, achieving and excellent. The introduction of this Framework meant the Council was now working towards the 'Achieving' level. The new Framework had been introduced in such a way to ensure that previous progress under the old standard was not lost. Details were provided of the actions, which would need to be taken to progress under the National Equality Framework. An action plan had been developed internally to ensure that the requirements of the new Framework at 'Achieving' status would be met.

In receiving the report, it was questioned whether a more definitive focus on diversity would be preferable and questioned where inclusion fitted in.

RESOLVED:-

- (1) That the action plan and related actions for obtaining the 'Achieving' level of the National Equality Framework be approved.***
- (2) That the cost of £3,500 for the external assessment be met from existing budgets.***

FM/31. **REINVESTMENT OF PROCEEDS FROM SALE OF HOUSING LAND**

In accordance with the Council's Capital Investment Strategy, the Committee was asked to consider the re-investment of housing-related capital receipts generated in the last financial quarter. The report explained the statutory background regarding the use of proceeds from the sale of housing buildings and land and the proportions which were payable to the National Housing Pool. The pooling payment could be avoided if the corresponding resources were used to provide low cost affordable housing or the regeneration of unused, contaminated or

derelict land. To avoid the pooling payment, resources needed to be earmarked to a defined scheme or project, approved by the Council and agreed by the external auditors. Currently, the only approved scheme related to the Council's Sheltered Housing Vision.

The next section of the report focused on the current policy established when reviewing the Capital Investment Strategy in 2007. The flexibility within this policy and potential future capital funding issues were also recognised. The Housing and Community Services Committee had been requested to review and develop a policy on affordable housing and had approved a strategy and broad framework where resources could be utilised. Details were set out within the report.

Next, the report focused on the receipts received during the last financial quarter, resulting from a land sale in Melbourne, in the sum of £72,000. Three options were provided to reinvest the proceeds in either non-housing, general schemes, a low cost affordable housing or regeneration scheme or whether to reinvest a proportion into the Sheltered Housing Vision and utilise the remainder for general schemes. Members discussed the options available and a proposal was submitted to fund additional Disabled Facilities Grants. It was questioned whether investment could be made in regeneration and whether there would be consequential benefits for the Housing Revenue Account, to which officers replied.

RESOLVED:-

That £36,000 of housing capital receipts be reinvested into Disabled Facility Grants.

FM/32. **GROWTH FUND SPENDING PROGRAMME 2009/10 AND 2010/11**

The Committee was asked to agree a revised Growth Fund spending programme for the period 2009-11, following a ministerial decision to reduce the fund. Approval was also sought to establish a temporary Affordable Housing Officer post, to be funded at no cost to the Council. It was reported that South Derbyshire formed part of the Derby National Growth Point, along with Derbyshire County Council, Derby City Council and Amber Valley Borough Council. Resources were available within a three-year period to fund infrastructure to support housing growth.

The Environmental and Development Services Committee had already agreed a 'long list' of priority projects. There was delegated authority in place to agree details and amendments to the programme at the Derby Joint Advisory Board, which oversaw the allocation of Growth Funding locally. The Board had recently agreed a capital programme for 2009/10 and a provisional programme for 2010/11. However, the Government was to reduce significantly the provisional Growth Funding for 2010/11 and divert resources to support the National drive to build more affordable housing. A revision to the programme was therefore required. An option was submitted to 'top-slice' the capital funds specifically for

affordable housing projects and the merits of this approach were reported. The opportunity was also being taken to propose the revision of the agreed 2009/10 programme, to include the Green Bank Leisure Centre instead of Etwall Leisure Centre. A further project involving a new cycle skills centre at Rosliston Forestry Centre was proposed, to be funded using a green infrastructure pot. The report also recommended the establishment of a temporary Affordable Housing Officer post for a period of 12 months at no cost to the Council.

Members commented on the report, expressing regret that the all-weather pitch scheme at Etwall would not be progressed and questioning whether the Affordable Housing Officer would be in a position to have bids ready. Officers replied to both points.

RESOLVED:-

- (1) That the revised Growth Fund capital spend programme for 2009/10 and provisional programme for 2010/11 as set out in Tables 1 and 2 of Appendix 1 of the report be approved.***
- (2) That the Chief Executive, in consultation with the Chairman of the Environmental and Development Services Committee, be authorised to pursue the inclusion of these projects through the Derby Housing Market Area Joint Advisory Board and agree details and amendments to the programme, as necessary.***
- (3) That the establishment of a temporary Affordable Housing Officer post for a period of 12 months, at no cost to the Council, be approved.***

FM/33. **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 18th June 2009 were received.

LAND AT MIDWAY (Paragraph 3)

The Committee agreed to the disposal of an area of land that was surplus to requirements.

LAND AT ROSLISTON (Paragraph 3)

The Committee agreed proposals to address land ownership issues arising from the operation of the Rosliston Forestry Centre and the preferred position for new business units.

COUNCIL DEPOT (Paragraph 3)

The Committee authorised continued negotiations for the disposal and replacement of the Council's Depot.

REPLACEMENT KITCHEN AND BATHROOM PROGRAMME FOR THE DELIVERY OF DECENT HOMES STANDARD (Paragraph 3)

The Committee ratified the appointment of a contractor for the kitchen and bathroom replacement contract.

RESTRUCTURING POSTS IN ENVIRONMENTAL SERVICES (Paragraph 3)

The Committee approved proposed staffing changes to the structure of posts within Environmental Services.

PAY AND GRADING REVIEW (Paragraph 4)

The Committee deferred the consideration of this matter to a Special Meeting of the Committee.

J. HARRISON

CHAIRMAN