

FINANCE AND MANAGEMENT COMMITTEE

20th October 2011

PRESENT:-

Conservative Group

Councillor Wheeler (Chairman) and Councillors Bale (substitute for Councillor Mrs. Watson), Mrs. Hood (substitute for Councillor Jones), Lemmon, Smith, Stanton (substitute for Councillor Murray) and Watson.

Labour Group

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

In Attendance

Councillors Atkin, Harrison and Mrs. Plenderleith (Conservative Group) and Councillor Bell (Labour Group).

APOLOGIES

Apologies for absence from the Meeting were received from Councillor Mrs. Watson (Vice-Chairman), Councillors Jones and Murray (Conservative Group) and Councillor Taylor (Labour Group).

FM/50. **MINUTES**

The Open Minutes of the Meeting held on 8th September 2011 were taken as read, approved as a true record and signed by the Chairman.

FM/51. **DECLARATIONS OF INTEREST**

Councillor Mrs. Hood reported that she would withdraw for the item on the Housing Revenue Account Self Financing as this matter would also be considered by the Overview and Scrutiny Committee, of which she was a Member.

MATTERS DELEGATED TO COMMITTEE

FM/52. **AUDIT SUB-COMMITTEE**

RESOLVED:-

That the Minutes of the Audit Sub-Committee Meeting held on 28th September 2011 are received and any recommendations contained therein are approved and adopted.

FM/53. A REVIEW OF THE COUNCIL'S MEDIUM-TERM FINANCIAL PLAN 2011 TO 2017

A report was submitted in accordance with the Council's Financial Strategy to review and update the Council's Medium-Term Financial Plan (MTFP). It included a review of the associated budget projections, risks and assumptions based on various scenarios. In previous years, this review had also included the Housing Revenue Account (HRA), but as reported during the year, the HRA was facing major changes from the introduction of "self-financing". This was the subject of the subsequent item on the agenda. This report effectively updated the Council's medium-term financial position following the reported out-turn for 2010/11, together with changes since the 2011/12 budget round. It was intended to set an indicative position ahead of the forthcoming 2012/13 budget round and aimed to gauge the Council's updated financial position on its General Fund.

A key factor within the overall Financial Strategy was medium-term financial planning. This was to achieve a sound and sustainable financial position. The main target was to achieve a minimum level of general reserves by the end of every financial planning period. It estimated the Council's future financial position and gave an indication of financial challenges ahead, providing the opportunity to take proper and planned remedial action. This also helped the Council to focus on the resources that it would have available and to identify where resources and spending were changing in the medium-term. The projections were based on a series of assumptions, which could change and affect the MTFP.

The report was split into two sections, covering the General Fund Revenue Account and Capital Investment and Financing. Initially, it focused on the General Fund Revenue Account, stating the position on entering this review. Tables were provided on the General Fund projection and the updated position as at October 2011. A further table showed a summary of changes and the projected balance on the general reserve at 2017. Further detail was provided with regard to the adjustment of balances brought forward, sale proceeds from the Bretby Crematorium and approved budget savings.

Next, a table gave an analysis of budget savings made to date, before giving further commentary on the following areas:-

- Housing Benefits
- Income from Building Regulation fees
- Risks and assumptions
- Pay Inflation
- Inflation on other costs and income

Consideration was given to fees and charges and growth, with a further table giving an analysis of overall inflation and growth contingency. Commentary was provided with regard to waste collection and recycling and pensions. Next, interest payable and receivable was reported and a further table showed projected interest rates and receipts within the current projection for the period to 2016/17. In response to a Member's question, it was confirmed that these figures were based on market projections. Next, the report covered income

from planning fees and clarification was provided on the assumed forecast. Further commentary was provided on the following areas:-

- Government Grant
- New Homes Bonus
- Council Tax
- Proposed Council Tax Freeze 2012/13
- Other provisions set aside
- Provision for capital

This section of the report concluded by looking at the overall position and the minimum level of balances.

Next, the report addressed capital investment with sections on Council house improvements, private sector housing renewal and new investment. An analysis of resources for investment was summarised in a table within the report and shown as an appendix.

RESOLVED:-

- (1) That the updated financial projection on the General Fund to 2017 is approved.***
- (2) That the risks and assumptions in the financial projection, together with a continuing requirement to balance the budget in the medium-term are noted.***
- (3) That the updated Capital Investment Programme and resources are noted.***
- (4) That the budget and financial planning timetable for 2012/13 is approved as submitted.***

FM/54. **HOUSING REVENUE ACCOUNT SELF-FINANCING: TREASURY MANAGEMENT OPTIONS AND ACCOUNTING ISSUES - UPDATE**

Note: Councillor Mrs. Hood withdrew from the Meeting during the consideration and determination of this item.

A report was submitted to provide a detailed review of the borrowing options available to the Council in taking on debt as part of the Government's self-financing proposals for the Housing Revenue Account (HRA). This followed the update to the Committee in June and reported further proposals for the accounting issues associated with the self-financing framework.

Background was provided which included the Council's debt settlement, its debt cap and the underlying borrowing requirement, which gave additional "headroom" for borrowing. This could be used at the discretion of the Council at anytime, subject to compliance with the National Prudential Borrowing Framework. The Council had approved a 30 year business plan and Members were reminded of the aspirations expressed by tenants for additional

investment. A subsequent report proposed the use of funds for photovoltaic panels on Council properties.

The report included sections on funding the debt and borrowing options, before considering internal borrowing from the General Fund. This included a table showing benefits versus risks. External borrowing options were considered and the Public Works Loan Board (PWLB) was the main funder of most local authority debt. This section of the report showed the differing repayment structures of the PWLB and a table of the benefits and risks of using this funding source. Other options covered were market loans, bonds, a bond consortium and derivatives.

The next section of the report compared the options, illustrating the relative costs. Detailed calculations were shown in an appendix to the report and tables were provided showing the net present value of cash flows and 30 year costs for the various options. Further sections of the report then looked at funding the business plan and other treasury issues.

The report then turned to the final settlement figure and the timetable and procedure for the move to self financing. An update was given on the accounting implications and further areas covered were existing debt, new debt and depreciation and impairment.

A Member referred to a recent seminar, where a representative of the Department for Communities and Local Government (DCLG) had spoken on this subject. He gave an outline of the issues discussed and particularly the concerns of several local authorities about the computer portal being used as part of this process. Reference was made to timing issues and the interest rate implications, which potentially could vary, with a considerable impact. Officers confirmed that they had attended a similar session with DCLG. Other issues discussed were the benefits of seeking funding through the PWLB and the viability of some of the other funding options reported.

RESOLVED:-

- (1) That in principle, the Settlement Debt is borrowed from the Public Works Loan Board on the most advantageous terms available.***
- (2) That the options for borrowing any further debt up to the debt ceiling, are at this stage kept under review.***
- (3) That based on resolutions (1) and (2) above, a revised Treasury Management Strategy is drawn up and reported to the Committee in January 2012.***
- (4) That specialist Treasury Management advice is procured to support the Strategy.***
- (5) That the final Treasury Management Strategy and Prudential Indicators are reported to full Council on 28th February 2012, following notification of the final settlement figures and the level of housing rents for 2012/13.***

FM/55. **PROPOSAL TO INSTALL ELECTRICAL GENERATING PHOTOVOLTAIC PANELS ON VIABLE COUNCIL HOUSING ROOFS**

Members were informed of a project to install Photovoltaic (PV) panels on viable Council properties, subject to procurement, finance and legal details. The project contributed to the objectives of the Corporate Plan and Sustainable Community Strategy, by reducing the Council's reliance on traditional forms of energy production. There was also the financial benefit that could be achieved via the Government's Feed in Tariff (FIT) initiative. The income generated from the FIT would be significant, as detailed within the report, and could offer an opportunity for the Council to reinvest this income in either other green technologies or other worthwhile schemes within the District.

This scheme involved a significant initial capital outlay in the region of £1m, in return for an annual revenue income of around 10% to 14%. This rate of return was currently not available to the Council from any other source.

Members were fully appraised with details of the financial and ecological advantages of the scheme and the associated risks with a project of this nature. Full details were also provided on the financial implications, including the funding of the £1m capital investment through HRA borrowing.

RESOLVED:-

- (1) That the Committee approves the installation of photovoltaic panels on viable Council properties, as identified in the report, subject to procurement, finance and legal details being finalised.***
- (2) That the Committee approves the investment of £1 million into the project funded from HRA borrowing.***
- (3) That the proposal be approved, including the associated financing under the National Prudential Borrowing Framework and to include the borrowing requirement in the Council's Treasury Management Strategy.***

FM/56. **WORK PROGRAMME**

RESOLVED:-

That the Committee receives the updated work programme.

FM/57. **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 8th September 2011 were received.

REORGANISATION OF DIRECT SERVICES SECTION WITHIN ENVIRONMENTAL SERVICES (Paragraph 1)

The Committee approved a series of recommendations for the reorganisation of this section.

REVIEW OF DEMOCRATIC SERVICES (Paragraph 1)

The Committee approved a series of recommendations for the review of this section.

R. WHEELER

CHAIRMAN