

FINANCE AND MANAGEMENT COMMITTEE

19th February 2002

PRESENT:-

Labour Group

Councillor Wilkins (Chair), Councillor Pabla (Vice-Chair) and Councillors Brooks, Carroll, Evens, Lauro, Sherratt and Whyman.

Conservative Group

Councillors Harrison, Lemmon, Shaw and Mrs. Wheeler.

In Attendance

Councillor Bell (Labour Group).

The Chair welcomed Carole Warburton the recently appointed Public Relations Officer to the Meeting.

FM/91. **MINUTES**

The Open Minutes of the Meeting held on 17th January 2002 were taken as read, approved as a true record and signed by the Chair.

FM/92. **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEES**

Review of Budget Proposals

Councillor Bell was in attendance at the Meeting. He advised that the Corporate Scrutiny Committee had reviewed the Council's budget proposals. The review had focused on four main areas, namely:-

- (1) Consultation on involvement
- (2) The Budget process.
- (3) The provision of background material to support consideration of the budget proposals.
- (4) 2002/03 Budget proposals.

In summary, the Corporate Scrutiny Committee (CSC) had concluded that all reports to the Committee had been more extensive and inclusive than in previous years. It was considered that there had been greater opportunity for Member input into the budget process and Members also felt better informed about the mechanisms and issues surrounding the budget development.

The Council's efforts to consult with and involve stakeholders and local people over the budget proposals had been well received. However, because of time constraints it had only been possible on this occasion to consult on specific budget proposals and to receive feedback. For future reference, it was considered appropriate for Derbyshire County Council and the Police Authority to be given the opportunity to explain their budget proposals at Area Meetings.

The CSC noted that criteria for assessing revenue and capital bids had been agreed by the Finance and Management Committee at the outset of the budget process and that scoring had been undertaken by a small group of officers, albeit from different departments. Whilst Members recognised the work that had been done, it was considered that at least two Members should be involved at the scoring stage and that these Members should not be members of the Service and Financial Management Working Group so as to ensure a transparency of the process.

The CSC recommended that information relating to the Council's liabilities and financial resources should be made available early in the budget process to provide a greater understanding of the context of the budget proposals. It was considered that based on the information supplied, there was now a sound basis for the modest service developments proposed.

RESOLVED:-

That the findings of the Corporate Scrutiny Committee be received.

FM/93. **PRESENTATION ON THE DERBY AND SANDIACRE CANAL RESTORATION PROPOSAL BY THE DERBY AND SANDIACRE CANAL TRUST**

Representatives of the Derby and Sandiacre Canal Trust were in attendance and gave a brief history of the canal. A detailed presentation on the initial interest in the restoration of the canal was provided and it was noted that a feasibility study undertaken in the early 1990s had indicated that the canal could be restored and the scheme was viable. The canal was protected by four separate Local Plans. The Canal Trust was a registered charity and a limited company and had over one thousand Members. The presentation focused on a short section of the canal being in the district of South Derbyshire and suggested that the restoration of this canal would improve leisure, tourism, property values and employment within the District. A representative of the Canal Trust thanked the Council for funding the project in previous years and asked for consideration to be given to future funding of this worthwhile project.

The Chair thanked the representatives for an excellent presentation.

MATTERS RECOMMENDED TO COUNCIL

FM/94. **REVENUE BUDGET 2002/03**

Under Minute No. FM/78 of the Meeting held on 17th January 2002 the spending proposals to be used for consultation purposes on the Revenue Budget had been agreed. This included the following key points:-

- Net Revenue Spending of £7.860m
- Potential Council Tax increases of between 3.5 and 5.5%
- Projected three year forecast of balances of between £655,000 and £848,000 (depending on the level of Council Tax increase)

It was noted that the original figure submitted to the Finance and Management Committee had now been updated to reflect a number of factors that had taken place since the original proposals were considered.

These included the following:-

- Final Local Government Finance Settlement – which had reduced Government Grants by £3,000
- Planning Income – which had increased as a result of national increases in fee levels
- Concessionary Fares – lower than anticipated scheme costs
- Regradings – provision for extra costs associated with the Council's regrading scheme
- Member Allowances – to reflect the decision of the Council on 31st January 2002

In addition to the above, the figures were now based on a pension contribution of 292% of the employees contribution. This compared favourably to the original projection of 300% but was based on a special contribution of £1million to the pension fund. These changes had reduced further the Council's net revenue spending.

An overall statement of the Council's position was circulated together with details of the projected level of balances over the next three years based on Council Tax increases of between 3.5% and 5.5%.

Councillor Lauro queried the comfortable level of reserves projected and indicated that he did not wish to see a large level of reserves at the expense of service provision. The Chief Finance Officer outlined the three year forecast for the level of reserves.

Councillor Whyman advised that the Council had this year received its lowest total external support for many years. The County Council had proposed an 8.9% increase in Council Tax and the Police had proposed a 22% increase. Councillor Whyman proposed that this Council increased its Council Tax by 3.9% which he believed was the lowest ever increase in Council Tax proposed by the Council.

Councillor Harrison queried what a 1% increase in salaries represented in monetary terms and it was agreed to provide a written answer to this particular query.

RECOMMENDED:-

- (1) That a 3.9% increase on Council Tax be agreed.**
- (2) That the budget requirements and associated level of balances as submitted, be noted.**

FM/95. **CAPITAL PROGRAMME**

Members received a detailed report outlining the Council's capital spending proposals for 2002/03. These spending proposals had been updated with information that had become available since the matter was considered in January 2002.

The Chief Finance Officer outlined that it had predicted that a sum of £140,000 would be received in Disabled Facilities Grants. However, the final

sum received was £111,000. Therefore, the capital spending proposals now included the following key points:-

	£
General Fund Schemes	401,500
Disabled Facilities Grants	204,000
Improvement Grants	491,500
TOTAL ALLOCATION	1,026,000

RECOMMENDED:-

That the spending proposals detailed within the submitted Capital Programme for 2002/03 be confirmed.

FM/96. **FINANCIAL REGULATIONS AND PROCEDURE RULES**

The Committee received copies of revised Financial Regulations and Financial Procedure Rules. The Financial Regulations set out the key areas where the Council sought to control the financial management and administration of the Authority. The Financial Procedure Rules set out in detail how Members and Officers could manage and administer Council finances.

RECOMMENDED:-

That the Financial Regulations and Financial Procedure Rules, as submitted, be approved.

FM/97. **TREASURY MANAGEMENT STRATEGY**

Members were advised that under Section 45 of the Local Government and Housing Act 1989 the Council had to make a number of determinations relating to the Council's borrowing. In addition, the Council's Treasury Management Policy required a strategy to be approved for the forthcoming year.

In recent years, the Council had required a consistent level of short-term borrowing. Consequently, the Committee had always set a relatively high short-term borrowing limit to accommodate any peaks during the year. The current limit stood at £15million. However, there had been several factors during the last year and there would be others to follow in the forthcoming year that would reduce the need for such a high limit. Next year, the normal level of borrowing was expected to be no more than £1m with peaks unlikely to exceed £5m. Members were therefore recommended to reduce the limit on the total amount to be outstanding for short-term borrowing at any time for next year from £15million to £10million.

A schedule of the Council's existing long-term loans was circulated. The amount currently outstanding was approximately £9.1million. Part of the 2001/02 Treasury Management Strategy was for this figure to have increased to £10.2million following the take-up of this year's Public Works Loan Board (PWLb) quota. However, as already reported, some unforeseen factors arose during the year that had caused the cash flow to remain in surplus since the middle of this year. This, together with the £5million expected from the sale of land over the next few months was forecast to maintain a surplus cash flow throughout most of the year, even without taking up the PWLB quotas

for 2001/02 and 2002/03 of £1.1million and £0.8million respectively. As a consequence, it was proposed not to borrow from the PWLB either this year or next year.

The normal level of overall borrowing for 2002/03 would therefore be around £10.1million. However, at the end of the year this could rise to around £14.1million.

The Council's Treasury Management Strategy was outlined in detail. This focused on cash flow management and the investment of surplus funds together with short-term and long-term borrowing.

RECOMMENDED:-

(1) That the short-term borrowing limit for 2002/03 be reduced to £10million.

(2) That the following limits for 2002/03 be agreed:-

Overall borrowing limit	£20million
Short-term borrowing limit	£10million
Proportion of interest at variable rates	20%

(3) That the Treasury Management Strategy for 2002/03 be approved.

MATTERS DELEGATED TO COMMITTEE

FM/98. PENSION FUND: REVALUATION

Under Minute No. FM/78 of the Meeting held on 17th January 2002, the Committee had received information on the revaluation of the Council Pension Fund administered by Derbyshire County Council. Since that time, the County Council had held a meeting for all contributing authorities within Derbyshire with the aim of explaining the current revaluation.

Currently, the Council Pension Fund along with most other local authority funds was under-funded. This meant that the fund was not sufficient to meet all projected future pension liabilities for existing and past contributors to the fund. The aim of the Fund Managers was to ensure full funding over the average period of future employment for existing contributors, which in the case of South Derbyshire was thirteen years. In the case of South Derbyshire, the funding level at the last valuation (31st March 1998) was 86%. This had reduced to 83%. Currently, this shortfall fell to the employer entirely as the employees contribution was fixed at 6% and could not be varied except by national agreement/legislative change.

The Actuary had assessed the level of employer contributions required to bring the fund back to full funding over the average remaining working life of fund contributors. This was outlined to Members in detail and resulted in a contribution payable by the Council from 1st April 2002 of 292%.

The Chief Finance Officer outlined that clearly the revaluation of the Pension Fund highlighted the increasing cost of funding pensions within the local government scheme and the impact this could have on Council budgets. At this stage, the Council could only make representations if it wished, along

with other Derbyshire Authorities to consider changes to the existing scheme.

RESOLVED:-

That the three year revaluation of the Council Pension Fund be noted.

FM/99. **DRAFT PASTORAL SCHEME**

(At 7.15 p.m. Councillor Bell left the Meeting).

Members were advised of a Draft Pastoral Scheme received under the Pastoral Measure 1983 relating to Foremark and Repton, Newton Solney and Bretby and Hartshorne. Members were also asked whether they wished to relinquish the right to receive copies of future draft schemes.

RESOLVED:-

- (1) That the Draft Pastoral Scheme relating to Foremark and Repton, Newton Solney and Bretby and Hartshorne be received.***
- (2) That local Ward Members be consulted on future Draft Pastoral Schemes as opposed to them being submitted to Committee for consideration.***

FM/100. **MORTGAGE INTEREST RATE**

Members were advised that the Committee was required to declare the local average rate of interest on its mortgages for the six months from April 2002 to September 2002. The rate had been calculated at 7.80%. Borrowers were actually charged the higher of the standard national rate declared by the Secretary of State and the local average rate. The standard national rate was based on the rates charged by banks and building societies and was currently 5.19%. The calculated interest rate of 7.80% had only reduced by 0.02% from the current rate of 7.82%. It was therefore proposed that the rate charged to borrowers remained unchanged at 7.82%.

RESOLVED:-

That the local average rate of interest for the period April 2002 to September 2002 be declared at 7.82%.

FM/101. **BEST VALUE REVIEW PROGRAMME – PROPOSED CHANGES**

The Committee's views were sought on the proposed changes to the agreed five year programme of Best Value Reviews. A copy of the revised programme was circulated. The aim of the proposed changes were to:-

- Continue to reduce the total number of Reviews by combining service areas and making provision for large strategic reviews where there was some scope for improvement
- Develop a more outward customer focus and start to tackle the more difficult cross cutting issues (as recommended by the District Auditor)
- Respond to national and local priorities. (National priorities were crime, health, education and transport: local community priorities were the

provision of high quality, value for money services, community involvement and the protection of the environment)

- Explore the opportunities for joint working with other authorities (another White Paper theme)
- Reflect progress and issues arising from the Year 2 Reviews and to balance the workload across the organisation

The overall effect was to reduce the number of reviews from 23 to 20.

Members also noted the proposal to respond to an invitation from Derbyshire County Council to take part in a joint review of Community Safety in Year 3. This would help to build up capacity within the Organisation for dealing with major, cross cutting issues and should also lead to better more “joined-up” outcomes for service users.

It was noted that the Best Value Inspectorate had indicated informally that they would be inspecting the following Year 2 Reviews:-

- Asset Management and Human Resources Management (around September 2002)
- Financial Services – with the Year 1 Financial Management and Control (early in 2003)

RESOLVED:-

That the revised 5 Year Programme of Best Value Reviews, as submitted, be agreed as a basis for consultation with key stakeholders, including parish councils, neighbouring authorities, employee representatives and partners in the public, private and voluntary sectors.

FM/102. **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 January 2002 were received.

MEMBERS' QUESTIONS AND REPORTS (Paragraph 11)

Members considered a letter received from the Chair of local Unison Branch.

PROFESSIONAL SUBSCRIPTIONS (Paragraph 11)

The Committee agreed a course of action with regard to the payment of professional subscriptions to Council employees.

FINANCIAL REGULATIONS 18(B) AND 18(C) – WRITE-OFFS (Paragraph 7)

The Committee agreed to write-off the sums outlined in the report under the provisions of Financial Regulations 18(b) and 18(c).

HOUSING AND COUNCIL TAX BENEFIT FRAUD ISSUES (Paragraph 5)

The Committee noted the contents of the Benefit Investigations Unit Business Plan for 2002/03 and approved a Code of Conduct for Fraud Investigation Officers and a revised Prosecution Policy.

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

The Committee approved an application for a reduction or remission of the Non-Domestic Rate.

SHELTERED HOUSING REVIEW (Paragraph 1)

The Committee received a detailed report updating on progress in relation to the Sheltered Housing Review.

RECRUITMENT TO BUILDING CONTROL POSTS (Paragraph 1)

The Committee agreed a detailed course of action with regard to various issues within the Building Control Section.

P.J. WILKINS

CHAIR