

**FINANCE AND ADMINISTRATION COMMITTEE held at COUNCIL
OFFICES LONDON ROAD SAFFRON WALDEN on 10 FEBRUARY 2009**

Present: Councillor R P Chambers – Chairman.
Councillors: R Clover, J E N Davey, M L Foley, D M Jones, A J Ketteridge, R M Lemon, H S Rolfe, R D Sherer, A D Walters and P A Wilcock.

Officers in attendance: J Mitchell (Chief Executive), S Joyce (Chief Finance Officer), D Caton (Technical Accountant), T Cowper (Principal Accountant), A Knight (Principal Accountant), R Procter (Democratic Services Officer), C Thomas (HRA Accountant) and A Webb (Director of Central Services).

Also present: Mr M Horsfield, Arlingclose Limited.

FA41 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors K L Eden, T P Knight and G Sell. Apologies for lateness due to floods affecting transport were conveyed on behalf of Councillors Foley and Sherer.

FA42 MINUTES

The Minutes of the meeting held on 29 January 2009 were received and signed as a correct record.

FA43 HOUSING REVENUE ACCOUNT 2009/10

The Chief Finance Officer thanked his colleagues for their support in preparing the report on the Housing Revenue Account. He drew Members' attention to two areas of the report: first, the increase in sewerage charges which had now been calculated at around 5%, giving an average increase of 37 pence per week. Secondly, whilst the forecast level of the HRA working balance was currently lower than the target level, the gap was predicted to shrink in the next few years. The Government was carrying out a review of the housing finance system, therefore taking action at this stage to correct this gap would be premature. He concluded by asking Members to endorse the decision of the Community and Housing Committee to recommend the report to Full Council.

Councillor Chambers said Members were grateful to officers for this report, and wished to place on record their thanks to the Chief Finance Officer and his team.

Councillor Ketteridge said this report had been approved by the Community and Housing Committee, and he therefore proposed accepting the recommendation.

Councillor Wilcock said he was disappointed that the rent setting formula had forced the Council to propose an average increase in rent of 6.07% and that the negative housing subsidy would be applied. He asked that the Council

continue to pressurise the government in this matter. He went on to query the increase of 7.5% in the Supervision and Management budget.

In reply, the Chief Finance Officer said the Supervision and Management budget included costs relating to management of sheltered housing, and agreed that these costs would be closely monitored.

Councillor Sherer arrived at this point.

Councillor Ketteridge said the issue of the negative housing subsidy was one which was on the Council's agenda. The Council would be pursuing this matter jointly with Waverley Council.

Further points were raised regarding comparison of rent setting with other councils and seeking best utilities prices. Officers answered that comparative information could be supplied to those Members who were interested, and that Uttlesford benefited from being part of the Kent consortium for buying utilities.

Councillor Clover seconded the proposal, which was duly carried.

RESOLVED to recommend to Full Council approval of the following, as set out in the report before the Committee:

- 1 The Housing Revenue Account 2009/10 original budget as shown in Appendix A to the report
- 2 An average increase in dwelling rents of 6.07%
- 3 An increase in garage rents of 6.07%
- 4 An increase in heating charges of 5.5% and sewerage charges of around 5%.
- 5 Confirmation that: charges for warden services be set from April 2009 in accordance with the contracts with the Commissioning Body, and that protection be continued for tenants at 31 March 2003 who are ineligible for supporting people grant assistance; charges for lifeline services similarly to be set from April 2009 in line with the contract with the Commissioning Body

FA44

CAPITAL PROGRAMME 2008/09 – 2011/12

The Committee considered the report of the Chief Finance Officer and the Principal Accountant. The report set out all schemes put forward by policy committees for the period and proposed an approach to overall financing of the programme. The Principal Accountant drew to Members' attention the anticipated need for long term borrowing.

Councillor Chambers congratulated the Chief Finance Officer on securing capitalisation of pension costs.

Councillor Rolfe said he presumed the Council would still have the option of staying within budget by re-examining the spending plan. Councillor

Chambers replied that whilst it was his preference that the Council should not go into debt, spending plans should be monitored very carefully as slippage could occur.

Further to this point, the Principal Accountant said figures were very much dependent on next year's capital receipts, and in his view the need to borrow should not occur until the following year.

Councillor Rolfe said he took this interpretation to mean that on a worst case scenario £400K borrowing could be required, and therefore the situation should be reviewed at a later date. Councillor Chambers said he intended this matter to be reviewed at each meeting of this Committee.

Councillor Ketteridge concurred with these comments, but said all scenarios were subject to various imponderables, as for example, if house prices continued falling, some increase in house buying could occur.

RESOLVED to recommend to Full Council the Capital Programme as set out in Appendix A to the report before the Committee.

FA45

TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2009/10 – 2011/12

Councillor Chambers welcomed Mr M Horsfield of the Council's new treasury management advisors, Arlingclose Limited.

Mr Horsfield gave a brief overview of the difficult circumstances now affecting local authorities. A key element of treasury management was the investment of temporary surpluses, and due to prevailing economic circumstances this area was now the subject of increased focus. Where interest rates were falling, it would previously have been routine strategy to 'lend long' as a protective measure. However, credit ratings of financial institutions were now being downgraded. Coupled with falling interest rates, the situation posed a dilemma for local authorities as the problem was who to lend to in such an environment.

Mr Horsfield then spoke in some detail on how Arlingclose proposed to advise Uttlesford in these circumstances, taking into account the need for enhanced internal and external scrutiny. He said it was important to adhere to the 'SLY' principle of Security, Liquidity, Yield, and gave examples of a range of investment options which he said Arlingclose would consider suitable for Uttlesford.

At this point, Councillor Foley arrived.

Mr Horsfield assured Members that his company did not intend to place uncritical reliance on credit rating agencies. He concluded by inviting questions.

In response to a question from Councillor Wilcock, Mr Horsfield said that whilst many local authorities had relied on credit ratings in relation to

investments in Landsbankii, he would have advised against making 100% of investment decisions on the basis of a flawed system. All ratings agencies were downshifting their ratings, which indicated they had been out of kilter with reality and were trying to regain credibility.

Councillor Wilcock then proposed an amendment to the recommendation in the report, that the Council delegate authority to the Chief Finance Officer to amend the investment strategy as necessary, so that such authority be delegated jointly to the Chief Finance Officer and Chairman of the Committee. Members supported this amendment.

Councillor Lemon said he was pleased that Money Market Funds had been mentioned as he felt collective investment was a good option for the Council. He also felt longer term investments were inevitable. He proposed acceptance of the report.

RESOLVED to recommend to Full Council the following:

- 1 The treasury management strategy as set out in the report before the Committee, subject to the following addition at 2 below
- 2 The Council to delegate authority to amend the investment strategy to the Chief Finance Officer in consultation with the Chairman of Finance and Administration Committee
- 3 Prudential Indicators as set out in Appendix A to the report

FA46

ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

The Committee considered the report under Section 25 of the Local Government Act 2003 of the Chief Finance Officer, as the Council's Section 151 Officer. The Chief Finance Officer said this report was applicable to the setting of the General Fund budget and Council Tax for 2009/10. He said he had assessed the minimum level of unearmarked reserves at £1,084,543. This was an amount necessary to cover a 2% overrun in gross expenditure and a 2% shortfall in expected gross income. The working balance was forecast to be just above this level, at £1,096,000, so at this stage there was no need to budget for any increase.

In reply to a question from Councillor Wilcock, the Chief Finance Officer said he had distinguished between reserves which were earmarked for various purposes, and that he would not describe the budget equalisation reserve as uncommitted reserves.

Councillor Rolfe said the assumption that 98% accuracy of income and expenditure figures seemed high. He asked whether contingency reserves would be increased if assumed target figures were not achieved. The Chief Finance Officer agreed that this would be the case.

RESOLVED

To recommend to Full Council approval of the following:

- 1 the minimum safe contingency level for 2009/10 at £1,084,543
- 2 the risk assessment relating to the robustness of estimates as detailed in the report
- 3 to take account of the advice in the report when determining the 2009/10 General Fund budget and Council Tax.

FA47

GENERAL FUND AND COUNCIL TAX 2009/10

The Committee considered the report of the Chief Finance Officer presenting the General Fund revenue estimates and budget requirement of £8,769,838. He said the budget requirement balanced to the resources available, assuming an increase of 4.875% on Council Tax. The Chief Finance Officer said that of the outstanding issues mentioned in the report, capitalisation of pensions costs was now confirmed. Discussions with Essex County Council regarding capital funding were continuing.

Councillor Wilcock said he wished to comment on the fact that an increase in Council Tax was recommended at nearly 5%. He asked whether the public had been consulted as a number of people had indicated to him they would be happy with an increase more in line with inflation. He asked whether it would be possible to look at giving a rebate for a proportion of lower banded properties. He would suggest using a sum from the Council's reserves to contribute to such a rebate, bearing in mind the fact that the County Council had taken a similar measure and that Fulham Borough Council were proposing to do this.

In reply, Councillor Ketteridge said that the County Council in setting a lower level had significant capital reserves, which the District Council had not. He said Uttlesford still had the lowest Council Tax in the County. He did not believe the Council should use its budget equalisation reserve as this would be a return to the problem of uncertainty. He was surprised at the suggestion as it would open up the Council to risk.

Councillor Chambers said he shared this concern. All were very much aware of the difficulties that some people were going through at the moment. If we took up the suggestion, we would have to take away more from people in the future to balance the books. One of the problems was the money was not there to take this step. Equalisation reserves were there to provide a stable basis for the Council, and the proposed measure was short-termism.

Councillor Jones said that the increase was a relatively small one, and that Uttlesford provided a good service. He could not agree to taking exceptional measures.

Councillor Lemon said he could not agree to giving away money now only to take it back later, although he did not consider an increase of 13 pence a week to be trivial to those facing financial difficulties.

Councillor Ketteridge proposed the motion, which was seconded by Councillor Walters, and carried by 10 votes with 2 abstentions.

RESOLVED to recommend to Full Council approval of the following:

- 1 the General Fund budget requirement of £8,769,838, as summarised in paragraph 26 and detailed in Appendices A to F.
- 2 the District Council Tax precept of £4,638,403, representing an increase of 4.875% on Council Tax.

FA48

MEDIUM TERM FINANCIAL STRATEGY

The Committee considered the report of the Chief Finance Officer which sought to identify the financial challenges for the Council during the next few years and a plan for meeting those challenges. The strategy also set out how the Council would align financial planning with priorities in the revised Corporate Plan. The Chief Finance Officer highlighted the means by which the required level of savings would be achieved, as summarized in the report, and which would be the subject of further briefings. He concluded by asking Members to recommend the document to Council.

Councillor Ketteridge said this was an excellent document which set out the Council's position frankly. He reiterated his thanks to the financial team, and proposed the motion.

Councillor Lemon seconded the proposal, and added his thanks to the financial officers. This was a really good document, and one of the best he had seen.

Councillor Rolfe echoed these comments, but warned against assuming possible savings through 'vacancy management', or staff turnover. The emphasis of the whole plan should be to maintain all services to a high standard whilst re-organising structure.

Councillor Ketteridge replied that the management team had done a good job in maintaining the Council's staffing level, which whilst it had been a concern over previous years, had for the past year been stable.

In reply to a question from Councillor Wilcock, Councillor Ketteridge said there was a motion before the Town Council the next day to explore the possibility of it taking on amenity areas in the town such as the gardens, the cemetery and battle ditches, but not the Museum at this time.

RESOLVED

to recommend to Full Council approval of the Medium Term Financial Strategy as set out in the report before the Committee

The meeting ended at 8.30 pm.