

**FINANCE AND ADMINISTRATION COMMITTEE held at 7.30 pm at COUNCIL OFFICES LONDON ROAD SAFFRON WALDEN on 26 MARCH 2009**

Present: Councillor R P Chambers – Chairman.  
Councillors: R Clover, J E N Davey, K L Eden,  
D M Jones, A J Ketteridge, G Sell and A D Walters

Officers in attendance: J Mitchell (Chief Executive), S Joyce  
(Chief Finance Officer), and C Roberts  
(Democratic Services Officer)

FA49 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors M L Foley, T P Knight, H S Rolfe, R D Sherer and P A Wilcock.

Declarations of personal interest were made by Councillor Chambers in so far as he was a Member of the Essex County Council and the Chairman of the Essex Police Authority, and by Councillor Sell in so far as he was the Council's representative on the organisation "Business Development Services North-West Essex".

FA50 **MINUTES**

The Minutes of the meeting held on 10 February 2009 were received and signed as a correct record.

FA51 **CHAIRMAN'S VERBAL REPORT**

The Committee received the report of its Chairman who indicated that he was pleased with the Council's financial progress.

FA52 **LEAD OFFICER'S REPORT**

The Committee considered the report of the Director of Central Services which updated Members about the Great Dunmow CIC move to the library, progress with preparations to sell the Council Offices, at Great Dunmow and to empty the Lodge House at the Council Offices, Saffron Walden, current levels of revenue collection rates and claims for housing benefits, and outstanding historical balances requiring resolution or writing-off.

Members heard that council tax collection rates were currently 0.7% below the expected level and that there was at present no shortfall in business rates but that this might alter next year.

The Chief Finance Officer answered questions from Members about the overpaid VAT balance.

RESOLVED that letters be sent to the Chancellor of the Exchequer, Local Government Minister and local Member of Parliament to protest at the injustice of the HMRC decision that the overpaid VAT of £130,000 cannot be refunded under law because the error was more than 3 years ago.

FA53

### **2008/09 FORECAST OUTTURN**

The Committee considered the report of the Chief Finance Officer summarizing the forecast outturn position for 2008/9.

He drew attention to the following aspects:-In the General Fund a net favourable variance of £0.361m was forecast, providing an opportunity to establish a Landsbanki Contingency Fund in accordance with principles stated in the Medium Term Financial Strategy. A favourable variance was expected in the Housing Revenue Account owing to rescheduling of housing stock appraisal work and vacant posts. A net favourable variance of £1.3m in the Capital Programme was forecast owing to expenditure on major schemes being rescheduled to later years. It appeared that spending officers had exercised strong control over their budgets which if confirmed would place the Council in a better position to withstand financial pressures ahead.

Councillor Sell spoke in favour of using part of the General Fund variance resources (about £96,000) for supporting, instead of the Landsbanki Contingency Fund, initiatives for promotion of small businesses such as Business Development Services North-West Essex by facilitating, advising and using the services of the Council's business development officer to assist them through the recession. Members debated this suggestion at length and Councillor Chambers, the Chairman of the Committee drew to Members' attention the fact that the Essex County Council was making available £50,000,000 for the promotion of business development. He suggested that the District Council's contribution should be by publicising the ECC initiative rather than reducing the Landsbanki contingency fund.

The Chief Executive advised that the Council was one of eighteen councils who had more money in Iceland than in

reserves. If this money had to be written off there would not be much to fall back on.

The Council had agreed to stop providing an economic development service in December of 2008. Instead Uttlesford Futures was acting as an economic development working group and funding the employment of Mr Rhenius through whom publicity could be provided.. Their funding came from the East of England Regional Association. The Council did not have the expertise for wise expenditure of £96,000 on this area.

Officers were asked to speak to East Herts District Council about their experience of holding a business development clinic. The Chief Executive added that matters relating to economic development were the responsibility of the Environment Committee so the report back on this matter should be referred there.

#### RESOLVED

that the Committee approves the report of the Chief Finance Officer generally including the references to the contingency fund in paragraph 15.

FA54

#### **TREASURY MANAGEMENT AND LANDSBANKI UPDATE**

The Committee considered the report of the Chief Finance Officer which summarised treasury management activity for the period 16 January to 12 March and conveyed such information as was available about either the prospects of recovering the Landsbanki deposit or the timetable for determining this.

Prudent restriction on investment activity would entail increased reliance on the Government deposit account. From 1 April the number of counterparties available to the Council would reduce further because credit ratings for Lloyds TSB and Bank of Scotland had been downgraded to a level below that specified in the 2009/10 strategy, although they were compliant with the 2008/09 strategy.

These banks had access to the UK government guarantee, so it might be appropriate to amend the 2009/10 strategy to allow counterparties to remain on list provided that they had access to the government guarantee, irrespective of credit ratings.

The Chief Finance Officer, acting under delegated powers and in consultation with the Finance & Administration Committee Chairman, had amended the strategy and the advice of Arlingclose had been taken into account.

The changes to the strategy were endorsed by the meeting at the request of the Chairman of the Committee.

The Chief Finance Officer continued, explaining that the 2009/10 budget assumed a level of investment income based on an estimated average return of 1.25% which might prove to be too optimistic.

Whether local authorities had preferential creditor status under Icelandic law needed to be resolved to accurately estimate the likely level of recovery. The financial effect of accounting for reductions in the value of Icelandic investments until 2010/11 was deferred by legislation but a material hit to revenue balances could be required in 2010/11. There was no provision for this in the Medium Term Financial Strategy, but the Strategy stated that if favourable revenue budget variances arose, funds would be diverted for a Landsbanki liability provision.

It appeared the Icelandic government might offer creditors of failed banks the option of becoming equity holders in new banks, as early as April 2009. Authority had already been delegated to the Chief Finance Officer, Chief Executive, Leader of the Council, Finance & Administration Committee Chairman, to determine the Council's response to any settlement terms offered.

The Chief Finance Officer added that the Council was not on the list of those councils to whom adverse publicity had been given by the Audit Commission regarding their investments in Icelandic banks. Meetings were planned next week in Iceland to seek a solution to the problem of Icelandic debt.

RESOLVED that the report be noted.

**FA55 FINANCIAL REGULATIONS**

Consideration of this item was deferred to the next meeting of the Committee.

**FA56 PENSION FUND ISSUES**

The Committee considered the report of the Chief Finance Officer detailing pension costs at the request of a Member made at the meeting of the Council on 19 February.

Members were concerned at the forecast levels of the employer's superannuation contribution as a percentage of

salary but noted that the gap between assets and liability as a percentage had been greater in the past.

The Chief Finance Officer added that he would provide a further report informing the Committee of any changes in the assets/liability ratio, in 2010.

RESOLVED that the report be noted.

FA57

## **2009/10 RENT SETTING**

The Committee considered the report of the Chief Finance Officer to the Community and Housing Committee and the Finance and Administration Committee, with the notice of motion (set out in Minute C66 of the Community and Housing Committee's meeting held on 19 March 2009) recommended to them by the Community and Housing Committee concerning rescission of the Council's decision on rent setting in January 2009.

The Chief Finance Officer reminded the Finance and Administration Committee that the Community and Housing Committee Members had thought (Minute C66 refers) that, due to the incomplete information from the Government, a cash limit should be placed on the financial risk to be undertaken by the Council. They had agreed that "subject to there being no significant adverse financial implications" in the motion should be understood to mean "subject to there being no greater than £20,000 adverse financial effect" and the motion amended accordingly.

Members of that Committee had been mindful of the invidious situation presented by the Government's tardiness in releasing details of the funding to be made available and the revised negative housing subsidy payment, which information ought to have been informing the Council's urgently required decision on rent setting. The Chief Finance Officer had confirmed at the meeting on 19 March that there was as yet no confirmation that the Government would compensate the Council for expenditure made in reliance upon the Government press release.

The Chief Finance Officer was now pleased to inform Members that he had received, three hours ago, the draft terms in question and it appeared from an initial examination of them that the net cost to the Council would be less than £20,000.

Councillor Ketteridge gave a detailed account of the recent meeting with the Minister of Housing and Local Government when he and the Chief Finance Officer had expressed the

Council's views about Negative Housing Subsidy and other issues.

RESOLVED to agree in principle to

1. amending the 2009/10 rent increase in line with the revised guideline rent increase, subject to there being no adverse financial effect on the Housing Revenue Account greater than £20,000
2. delegate authority to the Chief Finance Officer in consultation with the Head of Housing Services to finalise and implement the revised 2009/10 rent increase in accordance with the above principle.
3. delegate authority to the Chief Finance Officer to make the necessary budgetary adjustments within the Housing Revenue Account.
4. approve the action set out in the notice of motion placed before the Community and Housing Committee on 19 March 2009, as amended by that Committee.
5. at the appropriate time make vigorous representations to the DCLG about the inconsiderate timing of its announcement halving the guideline rent increase.
6. to report these matters to the next meeting of the Full Council.

FA58

#### **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED that under Section 100I of the Local Government Act 1972 the public be excluded for the following item of business on the grounds that it involved the likely disclosure of Exempt Information as defined in paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

FA59

#### **WRITE-OFF**

The Committee considered the report of the Head of Customer Support and Revenue Services containing a recommendation that a debt of a deceased debtor was written off.

RESOLVED that the write-off be approved

The meeting ended at 8.45 pm.