

FINANCE AND ADMINISTRATION COMMITTEE held at 7.30 pm at COUNCIL OFFICES LONDON ROAD SAFFRON WALDEN on 24 SEPTEMBER 2009

Present: Councillor K L Eden – In the Chair
Councillors J E N Davey, A Dean, A J Ketteridge, R M Lemon, H S Rolfe, G Sell, A D Walters and P A Wilcock

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

FA12 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors R P Chambers, R Clover and T P Knight.

Declarations of interest were made as follows:-

Councillor K Eden - a personal non-prejudicial interest in so far as he was a member of the Saffron Walden Town Council.

Councillor A J Ketteridge - a personal non-prejudicial interest in so far as he was a member of the Saffron Walden Town Council.

Councillor A Dean - a personal non-prejudicial interest in so far as he was Chair of the Uttlesford Futures Economic Development Working Group.

FA13 MINUTES

The Minutes of the meeting held on 25 June 2009 were received and signed as a correct record subject to the inclusion in Minute FA7 of the amounts of the General Fund, Housing Revenue Account and Capital Programme variances. These were respectively £568,000, £398,000 and £342,000.

(The content of Minute FA7 was examined following the meeting on 24 September 2009 and was found to reflect the discussion on 25 June 2009).

FA14

LEAD OFFICER'S REPORT

The Committee considered the report of the Director of Central Services which covered (i) the Great Dunmow CIC move to the new Great Dunmow Library, (ii) progress with drafting the contract for the sale of the Council Offices at Great Dunmow, (iii) the move by Thaxted Parish Council from its old premises to the Thaxted CIC and (iv) the delay in implementing provision of a Job Centre service at the Council's offices due to risk assessment requirements.

In answer to a question from Councillor Sell the Chief Executive explained that there was a continuing discussion on how best to resolve the question of accommodation for voluntary sector users of the Great Dunmow offices.

In answer to a question from Councillor Dean about whether the expense of running the Thaxted CIC should be considered in a hard way, the Director of Central Services explained that because the premises were used by many organisations who made contributions to its funding, particularly the Police, the cost to the District of running the CIC was not very high.

Councillor Sell said that he wanted to see the data on the usage of the CIC and the Director of Central Services agreed to provide Members with details of the rents and terms of contract pertaining to the CIC.

RESOLVED that the Lead Officer's report be noted.

FA15

2008/09 TREASURY MANAGEMENT OUTTURN REPORT

The Committee considered the Chief Finance Officer's annual report on Treasury Management.

This report had been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code, and presented details of capital financing, borrowing, debt rescheduling and investment transactions made during the year.

It gave details of the outturn position on treasury management transactions in 2008/09 and confirmed compliance with treasury limits and prudential indicators.

In answer to a question from Councillor Dean the Principal Accountant (Capital) explained that the current year's programme would be adequately supported by capital receipts but that it would be necessary to borrow in the next year.

In answer to a question from Councillor Walters the Chief Finance Officer explained that the confirmation of Landsbanki preferred creditor status would not be known until the end of the year.

RESOLVED to note and approve the actual 2008/09 prudential indicators within the report and to note and approve the treasury management outturn for 2008/09.

FA16

2008/09 OUTTURN – AUDIT ADJUSTMENT

The Committee considered the report of the Chief Finance Officer recommending an adjustment to revenue balances as at 31 March 2009. The adjustment, suggested pursuant to the recommendation of the external auditor after an in-depth review, was that the amount of pensions expenditure charged to the revenue account should be reduced by £671,000.

£589,000 out of this sum related to the General Fund and £82,000 to the Housing Revenue Account (HRA). It was proposed that the General Fund increase be applied to the Landsbanki Contingency Fund, and the HRA increase applied to the HRA Working Balance.

In answer to a question from Councillor Dean the Chief Finance Officer agreed that in hindsight it might have been possible to predict the adjustment in June 2009. Such adjustments were notoriously complex however. In this case the application of the right process and principles had been used, but not the right code. Opaque coding rendered it more difficult to analyse the pension costs, the situation being compounded by short deadlines for completion of the accounts.

The Chief Finance Officer added that, to eliminate this problem for the future, he had put in train the redesigning of the coding structure so as to make it very transparent and robust.

Councillor Sell complained that substantial variances made it difficult for Members to make policy regarding, for example, small business. He asked what would happen if the Council obtained Landsbanki preferred creditor status in November 2009.

The Chief Finance Officer emphasised that there were significant challenges ahead. Whilst it was a question for political judgement whether to pursue the type of schemes Councillor Sell had in mind, the revisions of the underspend from £0.6m to £1.1 million would not in itself enable the Council

to manage the projected revenue deficit of £1.3 million per annum.

Councillor Rolfe commented that 2008/09 had been a very complicated financial year. He supported the very comprehensive set of accounts which had been produced and thought it noteworthy that the Audit Commission had expressed no concern about them at all.

The Director of Central Services reminded the meeting that they would later on in the meeting discuss possible uses for LABGI grant which Councillor Sell might find relevant.

Councillor Wilcock then complained that substantial variance movements made it difficult for Members to predict funding availability. He felt there was less risk with predicting funding to be returned from Landsbanki to the Council in November and suggested that of the £589,000 recommended to be applied to the Landsbanki Contingency Fund only £374,000 should be so applied as representing the potential loss and the remainder should straightaway be added to the reserves.

The Chief Finance Officer explained that the identity of Landsbanki preferred creditors would not be known until the end of the year so the Councillor's suggestion could not be endorsed because it was as yet premature. Councillor Rolfe added that the particular funds would also be encumbered with expenses from payment of VAT and legal fees, and Councillor Ketteridge stressed that the Council would have no evidence that the financial risk was improved until all the funds had been returned to the Council's bank, hence caution was required.

Councillor Lemon endorsed the comments of Councillor Ketteridge and the Chairman of the Committee reminded Members that the Chief Finance Officer had previously explained how the Council would deal with the return or otherwise of the funds invested in Landsbanki.

Councillor Sell asked what the Chief Finance Officer's colleagues in other authorities were doing about the Landsbanki funds and how reliable the CIPFA figure was of 83% likely return on the Landsbanki funds.

The Chief Finance Officer explained that the CIPFA figure was informed directly by the Landsbanki figure, and was unaudited and not necessarily reliable.

As regards other authorities, their circumstances were all different from those of Uttlesford and therefore the information

was not useful and not collected, but the Landsbanki progress would be revisited by Uttlesford at regular intervals whatever the decision taken by the Committee. It remained the case that now was not the moment to rely on Landsbanki funding.

Prior to the taking of a vote upon the recommendation set out in the report, a debate ensued concerning a press release issued earlier that week by Councillors Dean, Sell and Wilcock which Councillor Ketteridge considered to be inaccurate and objectionable. Councillor Dean thought Mr W Roots report supported the press release.

Discussion took place at length about issues of financial management during the years 2003-09.

To conclude the discussion, the Chief Finance Officer stated that the figure of £3.4 million referred to by a Member as representing a swing in the Council's 2008/09 accounts gave a misleading impression. In December 2007, the forecasted deficit for 2008/09 reported to Members was £1.8m. The Council took action to address that deficit before agreeing the 2008/09 budget in February 2008. This effectively reset the position and therefore the relevant figure to discuss was the audited underspend of £1.1m.

RESOLVED that the adjustment to revenue balances as at 31 March 2009 as set out in the report be approved and that the General Fund increase in the sum of £589,000 be applied to the Landsbanki Contingency Fund, and the HRA increase in the sum of £82,000 be applied to the HRA Working Balance.

FA17

MATTERS ARISING FROM OTHER COMMITTEES

Members considered the following matters referred by other Committees. The relevant reports were made available at the meeting.

(i)Environment Committee 15 September 2009

“That Members recommend to Finance and Administration Committee the transfer of the following assets to Saffron Walden Town Council on tapering funding of up to 5 years:

- a) Jubilee Gardens, Dorset House Garden, Battle Ditches and Radwinter Road Cemetery from 1 January 2010 and for them to maintain as a public amenity in perpetuity and,

- b) the transfer to Saffron Walden Town Council the responsibility for the future maintenance of flower beds and all grounds maintenance work associated with the verge of the following road junctions: East Street and Audley Road, Thaxted Road and Radwinter Road, Borough Lane and London Road/Newport Road, South Road/Mount Pleasant Road, Little Walden Road and Catons Lane from 1 January 2010 for them to maintain as a public amenity in perpetuity. “

Councillor Wilcock asked what assurance there was to ensure the facilities would be maintained in perpetuity.

The Chief Executive explained that it was usual for the terms of transfer in the legal agreement to provide for the facilities to revert back to the District if the Town Council did not maintain them.

Councillor Dean wanted the opportunity to scrutinise the agreement and this was agreed to take place in the future.

RESOLVED that the recommendation of the Environment Committee (Minute E17 of the meeting on 15 September 2009) be approved and adopted.

(ii)Community and Housing Committee 18 June 2009

“Resolved that a proposal be made to the Finance and Administration Committee to set up a pump priming capital fund of £50,000 to enable the renovation of long term empty dwellings following the service of Empty Dwelling Management Orders.”

Councillors Dean, Sell and Wilcock thought that the sum of £50,000 was insufficient and suggested that the Community and Housing Committee should be asked to review this aspect.

RESOLVED that the recommendation of the Community and Housing Committee (Minute CH10 of the meeting on 18 June 2009) be approved and adopted and that the Community and Housing Committee should be asked to review the sufficiency aspect.

FA18

2009/10 BUDGET MONITORING – FINANCE AND ADMINISTRATION COMMITTEE BUDGETS

The Committee considered the report of the Director of Central Services and the Chief Finance Officer, which summarised

expenditure within the General Fund Service Budgets and Capital Programme Schemes.

General Fund expenditure for the Committee was forecast to be slightly under budget and capital expenditure to be in line with budget.

The Chief Finance Officer explained that the variances in the Committee's General Fund budget derived from a lower than expected pay award. He explained that a report would be brought to a future Committee meeting setting out re-arrangements of priorities for capital expenditure on information technology.

In answer to a question from Councillor Rolfe he explained that once it had become apparent that the pay award would be overstated, all pay budgets had been transferred to the Finance and Administration Committee budget with compensating reductions in the other budgets.

RESOLVED that the report be noted and approved and that in future reports footnotes be added to alert Members to transfers between budgets.

FA19

2009/10 BUDGET MONITORING - CORPORATE

The Committee considered the report of the Chief Finance Officer detailing financial performance relating to General Fund, Housing Revenue Account, Capital Programme and Treasury Management throughout the Council.

The report was based upon actual expenditure and income from April to July and forecasts for the end of the financial year.

The Strategic Management Board had reviewed the report on 9 September and their comments were included in the report for Members' information.

The Chief Finance Officer alerted Members to a typographical error on page 2 of the report and answered Members' questions.

The Chairman of the Committee congratulated the Chief Finance Officer on the new format of the report which he found very useful and accessible.

Councillor Sell wanted to know, as regards the LABGI grant money, when the survey of business needs would be done and asked for assurance that Stephen Rhenius would make contact with Business Link North West Essex.

Councillor Wilcock referred to the April – July actual figures as unreliable in as much as they did not include information after July whereas he wanted 100% reliable information.

The Chief Finance Officer explained that the information extended to 31 July 2009 and included a forecast to the end of the financial year. It took a month to process the information and therefore actual transactions as at 31 July were the latest available. It was not a realistic expectation that forecasts could be 100% reliable in an organisation with expenditure and income transactions totalling in excess of £50 million.

Councillor Lemon commented that the budget monitoring report was the best he had seen.

Councillor Dean asked for a figure to be estimated for the budget (to be created out of LABGI income yet to be received) for Business Support and Development.

The Director of Central Services explained that the estimated budget would correspond with whatever amount of LABGI income was received and would be ring-fenced for Business Support and Development.

Councillors Rolfe and Wilcock complimented the Chief Finance Officer on the clarity of the report.

RESOLVED to

- a) Note and approve this report
- b) Approve the General Fund budget adjustments detailed in the report
- c) Approve the Capital Programme budget adjustments detailed in the report

FA20

EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED that under Section 100(l) 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 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

FA21

INSURANCE RENEWALS

The Committee considered the report of the Chief Finance Officer regarding insurance renewals.

RESOLVED that renewals be pursued in accordance with the recommendations listed in the report.

The meeting ended at 9.07 pm.

**EXTRAORDINARY FINANCE AND ADMINISTRATION
COMMITTEE held at 8.00 pm at COUNCIL OFFICES
LONDON ROAD SAFFRON WALDEN on 12 OCTOBER 2009**

Present: Councillor R P Chambers – Chairman.
Councillors R Clover, J E N Davey, A Dean, A J
Ketteridge, R M Lemon, H S Rolfe, G Sell,
A D Walters and P A Wilcock.

Officers in attendance: J Mitchell (Chief Executive), S Joyce
(Chief Finance Officer), M Cox (Democratic
Services Officer) A Webb (Director of Central
Services) and N Wittman (ICT Manager).

FA22 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF
INTEREST**

Apologies for absence were received from Councillors K L Eden,
D M Jones, T P Knight and R D Sherer.

FA23 **MEDIUM TERM FINANCIAL STRATEGY**

The Chief Finance Officer presented a report on the Council's
Medium Term Financial Strategy, which had been approved in
February 2009 and had now been reviewed to reflect changing
circumstances.

The key assumptions underpinning the 5 year forecast in the
MTFS had been reviewed and the report set out the situations
that had improved and worsened the forecasted budget
requirement. The net effect was that this had reduced slightly
but as cuts in Government funding were expected the overall
figures appeared largely unchanged. The report had also
reviewed assumptions about the funding available to support the

budget. Four scenarios of possible Government funding had been modelled and a 10% cut had been assumed.

The Committee was reminded that a one off VAT refund in 2009/10 had been allocated to a Budget Equalisation Reserve to support the Council's financial stability. It was suggested that the use of this budget be phased to allow a stepped progress toward the 2013/14 savings target.

The final figures showed the annual savings targets increasing to a figure of £1.25m in 2013/14. The structural deficit going into 2014/15 equivalent to the sum of the 2013/14 savings target and the use of the Budget Equalisation reserve was approximately £1.4m.

The Chief Finance Officer said that since writing the report there had been new economic forecasts on interest rates which were more cautious than before which might put more pressure on this model, particularly nearer the end of the period.

Members appreciated that it was the nature of the MTFs to be based on scenarios and assumptions but asked a number of questions as to the basis of these.

Questions were asked about the assumption for a 10% cut in Government funding. The Chief Finance Officer explained that the forecasts for this varied widely but the Institute for Fiscal Studies had estimated a 8.6% cut for public services and there was a general consensus that Local Government would be affected to a greater extent. However a larger grant cut of about 20/30% would be too damaging for local authorities to implement, so the 10% figure seemed a reasonable assumption.

In answer to a question from Councillor A Dean it was confirmed that 2010/11 was the final year of the 3 year settlement and it was expected that the Government would maintain the 0.5% increase in grant. Councillor Dean thought that the 10% figure was probably at the top of the scale and was concerned that putting in this figure might become self fulfilling.

There was speculation as to the different levels of funding that might arise from the Government in power after the general election but the Committee considered that the figure was probably prudent in the current climate.

Councillor Sell questioned the effect the possible public sector pay freeze would have on the figures and was told that this would equate to about £80,000 per year.

A question was asked about the collection fund balance that was projected at 0 in 2012/13 and 2013/14. The Committee was told that the collectability of council tax debt would become more difficult and it would be necessary to write off more debt. Some members also questioned the figure for the council tax base of 0.5% as opposed to the previous figure of 1.0% and were informed that the tax base made assumptions about debt collection and in 2008/09 this had dropped by 0.8%. There was now evidence that collection was an issue as in the first 6 months of this year collection rates were already 0.25% behind last year. The Chief Finance Officer said it was prudent to assume this slow down in the figures. He also pointed out that the difference between 0.5% and 1.0 % only equated to £23,000 a year.

The Committee discussed the effect that the more cautious estimates on interest rates would have on investment income. Members were advised that if low interest rates continued for the duration of the plan there would be an effect on the figures but there was still uncertainty as to how long the period of low interest rates would continue before they started to rise.

Views were expressed that this was primarily a technical report that did not contain options for resolving the deficit. It was explained that there would be a report to Full Council in October on possible strategic solutions to meet the forecasted savings target.

The Chairman said that this was a prudent strategy and moved the recommendations in the report.

RESOLVED that the Committee notes and approves the revised financial forecasts as set out in the report.

FA24

2010/11 BUDGET STRATEGY

The Committee received a report which summarised the financial outlook for 2010/11 and was asked to approve a strategy for drawing up the 2010/11 budget. The proposed strategy consisted of key actions, assumptions and inflation assumptions and these were detailed in the report. Based on this strategy a proposed budget would be drawn up for discussion by the relevant committees in the January cycle before full determination of the Council budget in February.

The Chief Finance Officer updated the report that in the key actions, the new policies relating to pricing and concessions and debt recovery would not now be implemented during 2010/11.

Cllr A Dean said that this was a technical report that did not make reference to the Council's objectives. He hoped that the results of the recent public consultation would be taken into account when formulating the budget. He questioned how much had actually been done to address last year's top three priorities. Councillor Sell referred to a recent survey undertaken by Stansted Parish Council where early indications had shown a dissatisfaction towards street cleaning. He would share the full results with officers when they were available.

The Leader confirmed that the issues coming out of the consultation would be taken forward and shape the final outcome of the budget but also within the financial constraints. The Chief Executive said that the consultation also informed the corporate planning process and this and the budget were intrinsically linked.

In answer to a query, Members heard that the payment to BAA for the G1 Inquiry had been settled at £100k. This had been paid in the last financial year and Hertfordshire County Council had made a contribution of £11,000.

A Councillor mentioned the 1% increase for members' allowances that might be contrary to the recommendations of the Independent Remuneration Panel. The Chairman said that this issue would be debated by the Council when the recommendations from the Panel were known.

RESOLVED that the Committee approve the 2010/11 Budget Strategy as set out in the report.

FA25

ICT SYSTEMS BACK UPS

The Director of Central Services presented a report on the Council's back up arrangements. He explained that the current system had been installed 5 years ago and was due for review in 2011/12, but the technology that it was based on was no longer available and a number of problems had developed. It was now only possible to keep backups for 3 weeks where the accepted norm was 3 months. Also, the current solution was tape based and was kept in the lodge that was too near to the main council building. Recent attempts to restore the data had taken an unacceptably long time.

The new solution would provide a back up facility at Walden Place, Saffron Walden and as it would be disk based it would be quicker to back up and restore.

The upgrade to the new solution would cost in the region of £150,000 and in order to fund this officers had reviewed the capital programme and identified items that could be postponed or removed. This would require a total increase in the Capital Programme of £30,000.

Officers said that this was an unacceptable situation which had to be addressed as soon as possible. As it was hoped that the new system would be in place by the end of the year, there would be insufficient time to engage in a competitive tendering process and this would require an exception to the Council's Standing orders. Officers would however be talking to a number of providers to ensure value for money.

A question was asked about sharing back up services with other local authorities and members were informed that officers were currently in talks with Chelmsford Borough Council about a joint solution for the blade servers. However this would not be feasible for the large corporate systems that ran an oracle based system. Use of internet based back ups were being looked at for some data but for many systems this approach was hampered by the COCO regulations. Officers would continue to look at a variety of different options in order to spread the risk.

The Committee was advised of the detail of the back up system proposed at Walden Place and that the Council's emphasis in relation to system back ups had shifted from back up to recovery.

Cllr Wilcock asked if this scenario had been identified on the Council's risk register as he was concerned that the replacement system had now become an urgent item. He was informed that data recovery was part of a service risk and had been programmed for review in 2011/12. The problem had come to a head with the failure of the equipment and the technology no longer being available.

During discussion of this item Councillors asked if Member IT resources could be reviewed before the next election and were informed that this was in hand.

RESOLVED that

- 1 the adjustments to the Capital Programme, including a supplementary estimate of £30,000 as set out in paragraph 11 of the report be approved.
- 2 An exception to the Contract Standing orders be agreed as set out in paragraph 13 of the report.

The meeting ended at 8.45pm.