

**FINANCE AND ADMINISTRATION COMMITTEE held at 7.30 pm at
COUNCIL OFFICES LONDON ROAD SAFFRON WALDEN on 9
FEBRUARY 2010**

Present: Councillor R P Chambers–Chairman

Councillors R Clover, J E N Davey, K L Eden, A Dean, D M Jones, A J Ketteridge, T P Knight, R M Lemon, H S Rolfe, G Sell, R D Sherer, A D Walters and P A Wilcock.

Officers in attendance: J Mitchell (Chief Executive), T Cowper (Principal Accountant), A Knight (Principal Accountant), S Joyce (Chief Finance Officer), and C Roberts (Democratic Services Officer).

FA47 APOLOGIES FOR ABSENCE

An apology for absence was received from the Director of Central Services.

FA48 MINUTES

The Minutes of the meeting held on 28 January 2010 were approved and signed as a correct record, subject to amendment as follows:- at the request of Councillor Dean it was agreed that the last sentence of the third paragraph of Minute FA41 be amended to read “He asked that the forecast should be described as a £1 million underspend for presentation purposes rather than being shown net of reserves transfers as set out in the Chief Finance Officer’s report.”

FA49 HOUSING REVENUE ACCOUNT 2010/11

The Committee considered the report of the Chief Finance Officer on the Housing Revenue Account. He added that the final Housing Subsidy Determination had now been received from the Department of Communities and Local Government and it left the rent settings unchanged. He reported updated figures however, for Appendix A of the report as follows:-

“Negative Housing Subsidy 2010/11 Original Budget” – updated to read “4,937”

“In year surplus(-) / deficit 2010/11 Original Budget” – updated to read “-73”

The Chief Finance Officer commented that the report set out the reasons for changes in the amounts of the budget items. The calculations were

also influenced by the expense of funding the negative housing subsidy figure; the revenue expense of providing a capital contribution to decent home standards; and the need to achieve a target Working Balance to ensure a safe contingency level.

The dwelling rent increase took into account Government guidelines and policy on formula rent convergence, consultation which had taken place with the tenants forum and favourable comparison with current inflation. Garage rents were increased in line with dwelling rents and other charges as necessary to meet costs.

RECOMMENDED that the Full Council approves

- a) The Housing Revenue Account 2010/11 Original Budget as shown in Appendix A
- b) An average increase in dwelling rents of 1.5%
- c) An increase in garage rents of 1.5%
- d) Other charges to increase in line with actual costs incurred.

FA50

CAPITAL PROGRAMME 2009/10 – 2014/15

The Committee considered the report of the Principal Accountant and the Chief Finance Officer on the capital programme for 2009/10 - 2014/15.

The Principal Accountant explained that the capital programme included all schemes put forward by policy committees in the January committee cycle and proposed an approach to the overall financing of the programme. It could be financed from a combination of Government grants, capital receipts and use of cash deposits up until the end of 2013/14. From 2014/15, it was anticipated that the Council would need to take out external borrowing (Minute FA 51 on Treasury Management Strategy below also refers).

Councillor Dean expressed disappointment that the programme did not contain a commentary on what it was intended to achieve and had not been related to the Corporate Plan, and he asked that future capital programmes should contain background information as to what the capital programme was intended to achieve.

Councillor Ketteridge said that this aspect had been discussed in the policy committees whose Minutes recorded the commentary.

Councillor Dean added that he was making the point for the public.

The Chief Finance Officer reminded the meeting that the Council would receive the revised Corporate Plan for consideration in the next week. The corporate priorities were substantially the same.

Councillor Wilcock asked a question about Audit Commission recommendations for production of the Corporate Plan and the Chief Finance Officer invited him to raise the matter again if the report to Council did not resolve it.

Councillor Rolfe asked whether the need to borrow was linked to the need to replace the waste fleet and the Chief Executive and the Principal Accountant explained that there might be several ways of resolving this issue over the five year accounting period.

Councillor Dean drew to the attention of the Committee the poor state of some bottle banks and asked that this need have first call in the event of any capital slippage.

In answer to a question from Councillor Rolfe the Principal Accountant updated the meeting on transactions leading to capital receipts and the Government's call on these monies.

RECOMMENDED that the Full Council approves the Capital Programme as set out in the Appendix to the report.

FA51

TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS

The Committee considered the report of the Principal Accountant and the Chief Finance Officer on Treasury Management and Prudential Indicators, which suggested that the Council should continue the policy of pursuing prudent investments and secure avoidance of borrowing costs by internal borrowing.

The Principal Accountant added that a further update on prudential indicators would probably be needed in the summer and would be brought to the Committee for approval.

The Chief Finance Officer explained the concept of borrowing from the substantial cash flow amounts controlled by the Council so as to avoid the costs of financing capital development. This practice was used by many other councils. It was essential to maintain a minimum safe level of cash.

In answer to a question from Councillor Dean the Chief Finance Officer explained that the Council's investment advisers would alert officers to the best time to begin borrowing.

Several Members requested a workshop dealing with the subject of internal borrowing and the Chief Finance Officer agreed to arrange this.

The Chief Finance Officer also answered Members' questions about the up to date investment advice given to the Council and the reasons why it was being adopted.

RECOMMENDED that the Full Council approves:-

- a) the Treasury Management Strategy as set out in this report
- b) Prudential Indicators as set out in Appendix B.

FA52 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

The Committee considered the report of the Chief Finance Officer advising the Council on action it should take in the light of the requirements to meet the Council's statutory obligations pursuant to s25 of the Local Government Act 2003.

The Chief Finance Officer outlined the main areas of risk, describing the volatility of each of these, any assumptions being made regarding them and the potential variances which might arise from them in so far as these could be forecast. In answer to a question from Councillor Dean he advised against speculation on future underspends..

RECOMMENDED that the Full Council agrees:-

- a) the minimum safe contingency level for 2010/11 at £1,181,000
- b) the risk assessment relating to the robustness of estimates as detailed in the report
- c) to take account of the advice in the report when determining the 2010/11 General Fund budget and Council Tax.

FA53 GENERAL FUND AND COUNCIL TAX 2010/11

The Committee considered the report of the Chief Finance Officer on the General Fund and the setting of a Council Tax rate for 2010/11. He explained that the General Fund budget requirement was estimated to be £8,964,513, which balanced to the resources available assuming a Council Tax increase of 2.9%.

Budgets for spending committees were as approved by the relevant committees between 13 January and 28 January.

The Chief Finance Officer's report was also consistent with the 2010/11 budget strategy approved by the Committee on 12 October, and the draft Medium Term Financial Strategy to be considered next on the agenda.

The recommendations supported the standard of minimum safe contingency level for 2010/11 at £1,181,000, needed to meet the Council's statutory obligations pursuant to s151 of the Local Government Act 2003.

The Chief Finance Officer updated paragraph 38 of the report so that the figure 4.667 became 4.775.

Councillor Ketteridge described the budget as a measured one. He and Councillor Rolfe proposed a vote of thanks to the responsible officers, and Councillor Wilcock added his thanks to the Chief Finance Officer for his efforts to ensure that Members understood the budget.

Councillor Wilcock considered that budget expenditure should be capped and an amendment was proposed by him and seconded by Councillor Sell to the effect that council tax income should increase by no more than 2.9%. The amendment was put to the vote and lost.

Councillor Sell asked:-

- (i) what had happened at the Business Ratepayers' consultation (paragraph 20 of the report)
- (ii) when the Council had learned that the Government would probably cap council tax rises at 3% (paragraph 30 of the report)
- (iii) how realistic the pay freeze was likely to be (paragraph 36 of the report)

The Chief Finance Officer informed him that 14 business people had attended the consultation. The feedback was that an evening event would have been better attended. The main concern expressed had been business rates and these concerns would be directed to the Valuation Office. There was little comment from the attenders on the District Council's activities.

The figure of 3% had been arrived at by interpreting ministerial communications.

Any pay rise would be set nationally ; the Council had no choice in the matter.

Councillor Dean felt it was wrong that the Corporate Plan was not in front of the Committee and Councillor Chambers informed him that it would be submitted to the meeting of Full Council on 18 February and contained for the most part items linked to the work-streams. The Chief Executive added that there was no provision in the Constitution for the Corporate Plan to be submitted to the Finance and Administration Committee.

Councillor Ketteridge thought the views put forward by Councillor Wilcock confused tax income and tax increase: putting tax income back into the reserves would achieve nothing. He proposed that the budget be approved.

Councillor Rolfe referred to the size of the UK Debt and the likelihood of very difficult years ahead. He felt the Council should approach this in the best state possible, and he felt the whole package of the prepared accounts was strongly to be recommended.

RECOMMENDED that the Full Council approves:-

- a) the General Fund budget requirement of £8,964,513, as summarised in paragraph 37 and detailed in Appendices A to F.
- b) the District Council Tax precept of £4,853,361, representing an increase of 2.9% on Council Tax.

FA54

MEDIUM TERM FINANCIAL STRATEGY

The Committee considered the report of the Chief Finance Officer on the updated Medium Term Financial Strategy (MTFS) which had been prepared in order to identify the financial challenges during the next few years and plan for meeting those challenges. It included financial projections that were consistent with the budget proposals considered by Members earlier in the meeting. The MTFS also set out how the Council would ensure that financial planning was aligned to priorities in the revised Corporate Plan.

In answer to a question from Councillor Dean the Chief Finance Officer explained the one-off variances which sourced the forecast underspend in 2009/10. The Chief Finance Officer stressed that it could not safely be assumed that underspends would happen every year. Careful housekeeping, trimming and strategic solutions would be needed.

RECOMMENDED that the Full Council approves the Medium Term Financial Strategy as attached to the report.

FA55

ASSET MANAGEMENT PLAN

The Committee considered the report of the Chief Finance Officer on the new Asset Management Plan.

His report explained that for 2008/09, the Audit Commission had determined that the Council's Asset Management arrangements were inadequate, constituting a qualification in the formal opinion about the Council's arrangements for securing value for money. A similar judgement was expected for 2009/10. Asset Management became a

scored judgement in the Use of Resources Inspection for the first time in 2010/11, so significant progress and demonstrable outcomes by March 2011 were essential. Adoption of the Plan was an important and necessary beginning although extra capacity and expertise would have to be secured to implement it.

In answer to questions the Chief Finance Officer confirmed that Essex County Council had indicated that they would continue to contribute some expertise, and Councillor Ketteridge confirmed that the Council was still intending to transfer ownership of the Saffron Walden public conveniences.

The Chairman of the Committee expressed thanks to the officers, particularly the Chief Finance Officer, for the excellent reports.

Councillor Knight asked for a glossary of abbreviations with future reports.

RECOMMENDED that the Full Council approves the Asset Management Plan as attached to the report.

The meeting ended at 9.00 pm.