

**FINANCE AND ADMINISTRATION COMMITTEE held at 7.30 pm at  
COUNCIL OFFICES LONDON ROAD SAFFRON WALDEN on 8  
FEBRUARY 2011**

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

Officers in attendance: J Mitchell (Chief Executive), S Joyce (Assistant Chief  
Executive-Finance), D Caton (Technical Accountant), T  
Cowper (Principal Accountant), C Roberts (Democratic  
Services Officer) and M Tokley (Acting Principal Accountant).

Also in attendance: Ms Phiroza Katrak from Arlingclose Ltd.

**FA55 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors R M Lemon and  
H S Rolfe.

Declarations of interest were made as follows:-

*Councillor R P Chambers – a personal interest in so far as he was a  
member of the Essex County Council.*

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

**FA56 MINUTES**

The Minutes of the meeting of the Finance and Administration Committee  
held on 27 January 2011 were approved and signed as a correct record.

**FA57 DRAFT CORPORATE PLAN 2011-2016**

The Committee considered the draft Corporate Plan for the next five years,  
presented by the Chief Executive. He referred to amendments which had  
been circulated to Members and explained that the day centres were the  
subject of review and that policy regarding them had still to be formulated.  
The Council's commitment to day centres was shown, however, by the item  
on Supported Housing on page 22 of the Plan. The Chief Executive agreed  
to amend the plan to reflect the position regarding day centres

In answer to questions from Councillor Wilcock about zero-based budgeting the Assistant Chief Executive-Finance referred him to the Action Plan within the Medium Term Financial Strategy.

RESOLVED that the Corporate Plan 2011-16 be endorsed and recommended for approval to the Full Council

FA58 **MEDIUM TERM FINANCIAL STRATEGY**

The Committee considered the detailed report prepared by the Assistant Chief Executive-Finance. It included financial projections consistent with the budget proposals to be considered by Members later on the agenda.

The Assistant Chief Executive-Finance provided Members with updated figures resulting from the Government's revisions to the levels of funding in 2011/12 and 2012/13. The savings to be made by 2014 would be achieved by reduction in running costs of approximately £1,000,000 per annum as set out in the Strategic Solutions Programme.

The Assistant Chief Executive – Finance answered questions from Members, emphasising that the inclusion of projected figures for the years 2012-14 did not fetter the political discretion of Members to adopt or reject any item in due course.

Councillor Clover complimented the Assistant Chief Executive-Finance on the clarity of his report and the rest of the Committee agreed with him.

Councillor Ketteridge made the point that car park collection methods could be reviewed but added that the Strategy assumed no change for the next two years.

RESOLVED that the Medium Term Financial Strategy be endorsed and recommended for approval to the Full Council

FA59 **HOUSING REVENUE ACCOUNT 2011/12**

The Committee considered the report of the Assistant Chief Executive – Finance, the Head of Housing and the Principal Accountant Capital and Technical which sought endorsement of the decision of the Community and Housing Committee to approve the Housing Revenue Account (HRA) budget, rent and other increases for recommendation to Full Council.

The Assistant Chief Executive – Finance explained that it was the purpose of this HRA budget to ensure that the Housing Revenue Account could meet the financial challenge of 2012; could afford the cost of housing subsidy reform in 2012 and contained rent levels which would meet the need for

formula rent convergence (in line with the requirements of the Government) by 2015.

In answer to a question about the Council's intention to buy out of the negative housing subsidy system the Assistant Chief Executive-Finance said that the estimated loan to be funded would in 2012/13 be £86.2 million. The Council would pay interest on a loan over a thirty year period instead of paying under the existing system £5,000,000 negative housing subsidy per annum.

The interest would be significantly less than what the Council was currently paying and in time the Council would become significantly better off, enabling maintenance of the housing stock in good condition and investment in new housing stock.

The capital for the loan would be financed by a number of different loan types in combination to obtain the optimum overall financial advantage using available resources.

Councillor Knight asked whether larger repayments could be made whilst interest rates were low since the rates would undoubtedly go up.

The Assistant Chief Executive – Finance explained that it was not possible to borrow ahead of the transaction, but that there were many different types and lengths of loan and Arlingclose would help the Council to take advantage of the best terms available. He invited Ms Katrak to address the meeting.

Ms Katrak gave examples of current and likely future bank rates but pointed out that cheaper borrowing usually incurred the risk of disadvantageous re-financing. A spread of different loan lengths was usually appropriate. There were loans on terms permitting repayment of part of the principal each year but all factors including cost, sustainability and affordability should be taken into consideration.

RESOLVED to endorse the decision of the Community and Housing Committee on 20 January 2011 to recommend for the approval of the Full Council

- a) The Housing Revenue Account 2011/12 Original Budget
- b) An average increase in dwelling rents of 6.75%
- c) An increase in garage rents of 3.3%
- d) Other charges to increase in line with costs incurred.

FA60

## **CAPITAL PROGRAMME 2011/12-2015/16**

The Committee considered the report of the Assistant Chief Executive-Finance and the Principal Accountant Capital and Technical presenting the Capital Programme for the years 2011/12 to 2015/16. It included all schemes put forward by policy committees in the January committee cycle and proposed an approach to overall financing of the programme.

The 2011/12 capital programme would be financed from a combination of Government grants, new capital receipts and use of cash deposits. From 2012/13, it was anticipated the Council would need to take out external borrowing.

In answer to a question from Councillor Knight the Chief Executive said it was possible to ask BAA for a greater contribution to the Museum's Heritage Quest Centre Project.

Councillor Dean expressed concern about the capital provision in future years, which had significantly fewer projects identified.

Councillor Ketteridge stressed that the capital programme was a rolling one, open to review in the future, and that it seemed a sensible and affordable one.

RESOLVED that the capital programme as set out in Appendix A to the report be endorsed and recommended for approval to the Full Council

FA61

## **TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS**

The Committee considered the report prepared by the Assistant Chief Executive-Finance, Technical Accountant and Principal Accountant – Capital and Technical regarding the Council's Treasury Management Strategy, Prudential Indicators and Investment Strategy.

The Assistant Chief Executive – Finance outlined significant issues stressing the importance of the debt commitment for the Housing Revenue Account.

In answer to a question from Councillor Clover the Assistant Chief Executive – Finance outlined some of the types of investment currently used by the Council and described their advantages and disadvantages to the investor.

At the request of Councillor Eden, the Assistant Chief Executive – Finance agreed to provide workshops for the Members of the Committee so that they

would be better equipped to make decisions about loan financing in the context of the HRA.

In the context of a suggestion to invest in the Public Sector Deposit Fund the Principal Accountant mentioned a risk that return of some funds would be delayed. Ms Katrak added that the Council had no shortage of other liquid funds.

RESOLVED to note and approve for recommendation to Full Council the 2011/12 Treasury Management Strategy, Prudential Indicators and Investment Strategy.

FA62

## **ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

The Committee considered the report of the Assistant Chief Executive- Finance, on the robustness of estimates and adequacy of reserves. This report was made as a matter of good practice and pursuant to Section 25 of the Local Government Act 2003 by the Assistant Chief Executive – Finance, as the Council’s Section 151 Officer, in relation to the setting of the General Fund budget and Council Tax for 2011/12.

The Assistant Chief Executive – Finance had assessed that the minimum safe contingency level was £1,130,000. The current forecasted level of the Working Balance was £1,181,000. The Assistant Chief Executive – Finance’s advice therefore was that no additional increase in the Working Balance was required.

The Assistant Chief Executive – Finance was not recommending that the balance be reduced. The General Fund budget included no transfers in or out of the Working Balance.

The basis of advice for the Section 25 report had been a consideration by the Assistant Chief Executive – Finance of:-

- The requirement established in the Council’s Medium Term Financial Strategy to ensure that a safe level contingency was maintained.
- The degree to which the Council’s financial plans were aligned to the Council’s statutory obligations, local priorities and policy objectives.
- The adequacy of the information systems underpinning the Council’s financial management processes.
- Risks associated with the Council’s activities, as identified within the risk register.

- The level of earmarked and un-earmarked reserves within the General Fund.
- The degree to which uncertainties existed within the draft 2011/12 budget.

There had been detailed scrutiny, review and challenge of budgets by managers, finance officers and the Strategic Management Board; the aim had been to ensure that the budget was based upon realistic estimates. In addition there had been risk analyses of all major risks and of the budgets of each Committee.

The Assistant Chief Executive – Finance’s opinion was that the Council’s estimates were not absolutely robust so he was unable to provide a full assurance that there would be no unforeseen adverse variances. This was an expected and acceptable situation for any organisation that had to deal with a large number of variables. Provided that the minimum safe level of balances was maintained (using the calculation set out in the Medium Term Financial Strategy to establish the minimum level of un-earmarked reserves), any variations arising as a result of any lack of robustness in the estimates should be manageable. It was on this basis that the Assistant Chief Executive – Finance advised that the minimum level of un-earmarked reserves necessary was £1,130,000.

Councillor Dean asked questions about the Government’s proposed New Homes Bonus and made a formal proposal which was seconded and put to the vote but lost, that when the Council received the New Homes Bonus it should set aside £250,000 of this money to create a Big Society Transition Fund for the voluntary sector.

RESOLVED to note the report and recommend to the Full Council that it

- a) takes account of the advice in the report when determining the 2011/12 General Fund budget and Council Tax
- b) sets the minimum safe contingency level for 2011/12 at £1,130,000
- c) agrees that no transfers to or from the Working Balance are required in the 2011/12 General Fund budget
- d) approves the risk assessment relating to the robustness of estimates as detailed in the report.

**GENERAL FUND AND COUNCIL TAX 2011/12**

The Committee considered the report of the Assistant Chief Executive – Finance which presented the 2011/12 General Fund revenue estimates for consideration by the Committee, with a request that the budget be recommended for approval by the Council on 24 February 2011.

The Assistant Chief Executive – Finance explained that the report must be considered with his report made under Section 25 of the Local Government Act 2003. The report was also consistent with the 2011/12 budget strategy approved by the Committee on 16 September, and the draft Medium Term Financial Strategy.

The General Fund budget requirement had been estimated to be £8,150,175, which balanced to the resources available assuming a Council Tax freeze. There had meantime been changes to the Council's government grant figures however and the updated budget requirement figure was £8,169,330.

Councillor Dean asked a question about enhanced funding for a scrutiny budget.

The Chairman assured him that there was financial provision within the existing system to accommodate scrutiny and no doubt it would be adequately funded by the new administration operating under a Cabinet system.

In answer to a question from Councillor Sell the Chief Executive said there would be provision of necessary training and peer review to obtain expertise on scrutiny provision from other Councils.

Councillor Ketteridge said he felt proud to commend the budget to the Council since it was a budget without a tax increase or a significant effect on front line services. It created reserves to cover the Landsbanki risk, a small reserve for support to the voluntary sector and a reserve for budget equalisation and was supported by the Medium Term Financial Strategy which had been described by Improvement East as the best seen.

He thanked the finance officers for their detailed and transparent reports and their hard work which would set the next administration on a good course.

RESOLVED that the Committee

- a) Approves for recommendation to the Full Council on 24 February the General Fund budget requirement of £8,169,330,

as summarised in paragraph 33 and detailed in Appendices B to D.

- b) Approves for recommendation to the Full Council on 24 February the District Council Tax precept of £4,921,027, representing a freeze in the level of Council Tax.

FA64

### **URGENT BUSINESS**

The Chief Executive drew to the attention of the Committee a presentation to the Economic Development, Learning and Skills Group of the LSP regarding the opportunities for high speed broadband coverage of the District, based on a successful pilot project in Maldon District. Such a project would be of immeasurable benefit to residents and businesses. Investment by the Council would be required and this could be a suitable use of the LABGI funds. He asked that the Committee endorse the preparation of a business case to be presented to the meeting of the Environment Committee in March.

*(Councillor Dean declared an interest in so far as he was the Chairman of the Economic Development and Learning Skills Working Group.)*

RESOLVED to endorse the preparation of a business case regarding high speed broadband provision in Uttlesford, to be presented to the Environment Committee at its next meeting.

The meeting ended at 9.22 pm.