

**SCRUTINY COMMITTEE held at COUNCIL OFFICES LONDON ROAD
SAFFRON WALDEN at 7.30 pm on 7 FEBRUARY 2013**

Present: Councillor E Godwin – Chairman.
Councillors G Barker, P Davies, D Morson, E Oliver, J Rich and D Watson.

Also present: Councillors J Ketteridge (Leader), S Barker (Portfolio Holder – Environment), R Chambers (Portfolio Holder – Finance), J Cheetham (Deputy Leader), J Redfern (Portfolio Holder – Housing) and A Walters (Portfolio Holder – Community Safety).

Officers: R Auty (Assistant Director Corporate Services), R Dobson (Democratic Services Officer), M Donaldson (Accountancy Manager), S Joyce (Assistant Chief Executive-Finance), R Millership (Assistant Director – Housing and Environmental Services), M Tokley (Principal Accountant - Budgets), V Taylor (Business Improvement and Performance Officer), J Troup (Communications Manager) and A Webb (Director of Corporate Services).

SC36 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were received from Councillors Evans, Harris and Howell.

Councillor Chambers declared his non-pecuniary interest as a member of Essex County Council and of Essex Fire Authority.

Councillor Watson declared a non pecuniary interest in relation to the Ambulance Service scoping report, as his son was an employee of East of England Ambulance services.

SC37 MINUTES

The minutes of the meeting held on 4 December 2012 were received and signed as a correct record.

SC38 STANDING ITEMS

The Chairman said she was aware of no matters referred to the Committee in relation to call in of a decision, nor of any responses of the Executive to reports of the Committee. She said she intended to change the order of business so that consideration of the budget items could take place first.

HOUSING REVENUE ACCOUNT 2013/14 BUDGET AND FIVE YEAR BUDGET STRATEGY

The Assistant Chief Executive-Finance said the financial reports would be annotated with any comments the Committee wished to make before being submitted to the Cabinet at its meeting on 19 February, and then to Full Council on 28 February.

The Accountancy Manager said the Housing Revenue Account 2013/14 Budget and Five Year Budget Strategy had been approved by the Housing Board. Amendments since that meeting were the additional £135,000 costs allocated to the energy efficiency scheme; the addition of the upvc programme to the 5 year business plan, plus recommendations regarding Lifeline charges.

She drew attention to various aspects of the report, in particular the net surplus forecast of £144,000 for 2013/14 and 'financial headroom' available to finance investment in existing council houses and develop additional affordable housing. She invited questions and asked the Committee to endorse the recommendations.

The Chairman asked whether affordable housing would be built by the Council or by a social housing provider, and whether there would be any advantage in paying off the HRA loan sooner.

The Assistant Director Housing and Environmental Services said the Council would undertake its own building of affordable housing such as the project at Mead Court.

Regarding the question of earlier repayment, Councillor Chambers said options had been carefully considered at the time the loan was taken out, and the best option was not to pay off the loan in the first five years so that the Council could invest in new affordable housing and in the existing housing stock.

The Assistant Chief Executive-Finance said the only circumstances in which it would be better to pay off the loan earlier would be if the financial headroom was not spent on sustainable projects. It was for the Council to ensure the loan was properly managed and spending was sustainable and timely.

Councillor Morson welcomed the intention to invest in projects which were clearly worthwhile, but questioned whether it could result in any disadvantage in future years.

The Assistant Chief Executive-Finance said this was Year 2 of the 30 year business plan, and over years 6 to 30 the Council would repay the loan: between now and then the Council's income would increase by more than its expenditure, which would increase the financial headroom.

Councillor Oliver queried potential risk regarding transfer of money from reserves.

The Accountancy Manager said money taken from reserves was a carry over from the 2012/13 reserve because the scheme at Holloway Crescent had been delayed.

Councillor G Barker asked about rent increases once rents had converged.

The Assistant Director Housing and Environmental Services said once convergence had occurred, rents would increase just above inflation year on year.

Councillor G Barker asked a question about funds allocated to staffing in relation to homelessness, as there seemed to be a discrepancy in the report between the figure of £28,000 regarding the transfer of an establishment post from the HRA in the schedule of budget adjustments and £73,000 regarding salaries reallocated to the General Fund. The Accountancy Manager said this was a matter of terminology and undertook to clarify the wording in the Cabinet report.

The Assistant Chief Executive-Finance explained the budget adjustments shown in the report itemised only major adjustment. The detail relating to other adjustments could be included in the report to Cabinet.

Regarding a question put by Councillor Oliver relating to the drawing of £600,000 from reserves, the Assistant Chief Executive-Finance explained this money was already available as a reserve and would not be spent. The money would therefore continue to be available in the following year, and for this reason the drawing of the money from reserves represented no risk.

Councillor Watson asked a question about sale of council houses during the past year.

The Accountancy Manager gave a detailed answer, and confirmed that the Council retained the money, subject to certain restrictions which meant it was important to use the money quickly and in a specified way.

Councillor Watson asked a question about the impact of the welfare benefit reforms.

The Assistant Chief Executive-Finance gave a detailed explanation of the process by which universal credit would be implemented. He said recipients would claim Housing Benefit online but there would still be a role for local councils to work with people directly. There was a risk in that some people might not be able to manage their money and there could be increased rent arrears.

Councillor Watson asked whether there was a need for a new staffing resource, if work was effectively being transferred to the Department for Work and Pensions (DWP).

Councillor Chambers said the transition to universal credit would mean increased work for staff.

The Assistant Chief Executive-Finance said because of the potential for increased rent arrears there was likely to be more work for the Housing Department in engaging directly with tenants.

The Assistant Director Housing and Environmental Services said pilot schemes had shown a steep increase in arrears. Uttlesford was being proactive in that staff had contacted tenants who were likely to be most affected and would be meeting all these tenants.

The Chairman said this was a positive step. She noted the Tenant Forum had endorsed the rent rise, and asked whether bad debt provision was adequate.

The Assistant Chief Executive-Finance said the budget for the housing service was by law ring-fenced. The Accountancy Manager said provision for bad debt had been doubled to £130,000, to take into account potential additional arrears levels. The situation would be kept under review.

Councillor Rich asked whether handling money made in direct payments would cause any difficulty, as some people were unable to obtain bank accounts.

The Assistant Director Housing and Environmental Services said all tenants would have to have either a bank or post office account. It was important that direct debits for payment of rent should be set up as soon as possible, because there was no guarantee that people would not spend the money they received. If people reached a certain level of debt the Council could approach the DWP for direct payment, although it was preferable to avoid doing so.

The Chairman welcomed this level of bad debt provision as more satisfactory.

Councillor Rich asked what policy would apply in circumstances where a family with children accrued arrears to the extent that re-possession would be contemplated.

The Assistant Director Housing and Environmental Services said the housing service was putting policies in place for sustaining tenancies in order to provide support mechanisms for tenants. This would include joint working with other agencies. It was likely there would be an increase in possession orders, but courts would be unwilling to consider these unless councils could

demonstrate that support had been provided to tenants to enable them to sustain their tenancy.

Councillor Morson commented that given there was now an outreach programme in respect of domestic violence, the homelessness budget had not significantly increased.

The Assistant Director Housing and Environmental Services said there was a reserve fund available to transfer to the homelessness budget.

Councillor Chambers said the Council also had available the hardship fund of £100,000.

RESOLVED to endorse the following recommendations to Cabinet:

- the 2013/14 budget resulting in a forecast surplus of £144,000
- the maintenance of a HRA working balance of £649,000 for the period to 31 March 2014.
- The use of and contribution to HRA earmarked reserves as detailed at appendix E to the report.

SC40

TREASURY MANAGEMENT POLICY, STRATEGY AND PRUDENTIAL INDICATORS

The Accountancy Manager highlighted the main aspects of the treasury management strategy. She said no changes from the 2012/13 policy were proposed and the Council would continue to place security of investments over yield. The Accountancy Manager invited questions and asked the Committee to endorse the recommendations.

Members asked questions relating to the specified investments counterparty list and whether investment in a UK local authority should not be considered a risk.

Officers explained that whilst in practice the Council rarely deposited money with another local authority, in theory it could so. Therefore the policy could be amended to address what was a theoretical risk by the inclusion of a reference to "UK upper tier authorities".

Regarding a request for clarification about internal borrowing, officers explained that it was prudent for the Council to use its balances to finance the capital programme, as borrowing rates were comparatively high.

Members questioned the six month term for investments. Officers explained that the term of six months was a maximum period. Money would be moved as soon as possible where there was any suggestion of risk arising. There was a balance between income which could be earned and duration of term,

and if cashflow permitted and a secure investment opportunity was available then a term deposit of up to six months would be made.

Regarding a question on PFI exposure, officers explained the Council had at 31 March 2012 £5.3 million liability outstanding on PFI as shown in the Statement of Accounts.

In reply to a question regarding reasons for having a lower placement of investments than central government guidance, Councillor Chambers said this was a prudent approach which the administration considered safer.

Councillor Cheetham suggested the Administration should review this policy.

RESOLVED to endorse the recommendations to Cabinet that it should recommend to Full Council:

- The Treasury Management Policy as set out as Appendix A
- The Treasury Management Strategy as set out in Appendix B
- The Council's counterparty list and limits as proposed at Appendix 3 with the addition of an amendment to the specified investments counterparty list to confine the reference to UK local authorities to upper tier authorities
- The prudential indicators set out at Appendix B

SC41

CAPITAL PROGRAMME 2013/14 – 2017/18

The Committee considered a report presenting the Capital Programme 2013/14 to 2017/18.

The Accountancy Manager said the programme ought to be sustainable, affordable and should meet the Council's objectives and policies. She drew attention to the division of the capital programme between the HRA and General Fund and the differences between how each was financed. She asked the Committee to endorse the recommendations.

Members asked a series of questions. In reply to a question on how the Council would ensure its grants to other bodies resulted in the desired outcomes, Councillor Ketteridge said that the whilst the Council already monitored use of grants, in future there would be a process to ensure each recipient reported progress so that the Council could be confident it was achieving value for money. Each grant would support elements of the corporate plan.

The Chairman said she would wish to see a review of how the Council had strengthened its grants application process. A suggestion was made that

Councillor Rolfe should be invited to attend Scrutiny Committee in order to explain the process, as he had recently been granted delegated power to assess grants.

In reply to a question regarding capitalisation of garden waste bins in view of the fact that these bins were sold to residents, the Accountancy Manager said a revenue contribution was made into the capital programme.

RESOLVED to endorse the recommendation that Cabinet recommend to Full Council that the Capital Programme and associated financing as set out in Appendices A and B be approved.

SC42

MEDIUM TERM FINANCIAL STRATEGY

Members considered the report of the Assistant Chief Executive-Finance on the Medium Term Financial Strategy (MTFS). It was noted that public sector finance faced much uncertainty from 2015, as there could be a change of government, and it was already known that there would be a review of public finance.

The Assistant Chief Executive-Finance said the Council was in a stable financial position with adequate reserves but the Committee should note some important trends. He drew attention in particular to the assumption in the MTFS that the average cut in Formula Funding would continue to be 10.5% per annum. However, this Council's cuts had more than been made up for by the New Homes Bonus (NHB) which for the next year would be approximately £2 million. Assuming that the homes were built and occupied, with the occupants paying Council Tax, this income would peak at Year 6 and then taper off.

The Assistant Chief Executive-Finance highlighted the planning assumption in the MTFS that the district council tax would be cut by 1% in 2013/14, and frozen in each of the following four years. He said there was anticipated modest flexibility in the MTFS, but highlighted the fact that there would be a much smaller surplus in 2017/18. By the end of the decade there could be severe financial pressures and the Council would need to continue to make efficiency savings. He invited questions and requested the Committee to endorse the recommendations.

The Chairman asked whether during the years when the NHB was increasing there would be opportunity for investment.

The Assistant Chief Executive-Finance said some flexibility was forecast and if members were minded to do so, then there could be opportunities to invest. His advice in those circumstances would be to invest in a sustainable way which avoided burdening the Council's successors.

Councillor Chambers agreed with this statement and said the Administration would be careful in ensuring that whilst it had some money in hand, it would be able to sustain investment over a longer period.

Councillor Rich said he agreed with this approach and did not support calls from other quarters for council tax to be cut. He raised the possibility that a referendum on council tax would be needed if the Administration were to try to implement a 'volte face'.

Regarding workstreams to be considered by the Strategic Solutions team in 2013/14, Councillor Oliver questioned the inclusion of pest control as a priority.

Councillor Barker said the Council currently operated a pest control service and was looking to see if it should continue to do so. There had been a significant increase in the rat population.

The Assistant Chief Executive-Finance said the pest control service was a discretionary function which the council reviewed periodically in order to assess whether it wished to continue to operate.

Members returned to the question of the New Homes Bonus. Councillor Ketteridge said had earlier that day attended a meeting of other leaders in Essex, and he was sure they all would have been glad to have a MTFS as sound as this council's. He said local authorities were aware of cuts in core funding and it was up to them if they wished to maintain their services that they funded these through the NHB and increased business rates. This was the reason the Government had decided to repatriate business rates, and whilst the income level from business rates was an as yet unknown quantity, it was money which the Council could potentially apply for economic growth.

RESOLVED to endorse the Medium Term Financial Strategy as set out in the report for recommendation by Cabinet to Full Council.

SC43

ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

The Assistant Chief Executive-Finance as Section 151 Officer presented a report on the robustness of estimates and the adequacy of reserves. He said that by law when the Council set its budget it had to take the advice of the Section 151 Officer. He then highlighted a number of areas in the report, and invited questions.

In reply to a question from Councillor Rich about quantification of risks identified in the report regarding the Council's obligations under certain section 106 agreements, the Assistant Chief Executive-Finance clarified the reasons for stating these items as high risk. He said putting an accurate percentage risk in the budget was difficult, and it was for this reason that

these items were identified as high risk but colleagues were working to quantify that risk.

RESOLVED to endorse the following recommendations to Cabinet:

- a) that the Cabinet recommends to Full Council that it takes account of the advice in the report when determining the 2013/14 General Fund budget and Council Tax
- b) that the Cabinet recommends to Full Council that it approves the risk assessment relating to the robustness of estimates as detailed in the report
- c) that the Cabinet recommends to Full Council that it sets the minimum safe contingency level for 2013/14 at £1,189,000
- d) that the Cabinet recommends to Full Council that no transfers to or from the Working Balance should be built into the 2013/14 budget.

SC44

GENERAL FUND AND COUNCIL TAX 2013/14

The Assistant Chief Executive-Finance highlighted the budget strategy objectives and corresponding indications of how these objectives would be achieved. He said that in all but one case, he felt these aims would be achieved, as there would be some modest cuts in services at the Museum. He referred to a survey which had been conducted via a questionnaire in Uttlesford Life and through the e-citizens panel, which had identified the priorities of respondents. He said he considered this budget met the public's priorities.

The Assistant Chief Executive-Finance gave an update regarding the consultation of businesses on the Council's priorities and budget strategy, in that a response had now been received from the Federation of Small Businesses. This response would be reproduced in full to the report when it went forward to Cabinet, but in summary it questioned whether the Council would consult with businesses on use of the retained business rates income and the car parking income in order to support businesses.

In reply to a question regarding the timing of the consultation of businesses, he said this had taken place in January.

The Assistant Chief Executive-Finance drew attention to the fact that by law the budget, or council tax requirement, had to balance to the expected council tax income receivable, and he referred members to the council tax requirement calculation which set out the net reduction in council tax income due to the 1% cut and to the new localised council tax scheme discounts.

The Assistant Chief Executive-Finance provided an update on the Local Government Finance Settlement for 2013/14 which in the report was given as

provisional. He said the final figure had now been confirmed as only £489 less than the figure of £2,674,000 given as a provisional figure for the formula grant. In addition the Council would receive one-off grants totalling £58,000, but the detailed conditions to which these would be subject were not yet available and they had been included in the budget as reserves until their intended purposes were known. He aimed to include this information in the report to Cabinet.

The Assistant Chief Executive-Finance gave a further update on the report regarding the NHB, which was now confirmed as £2,042,000 for the financial year 2013/14. He referred members to the service budgets set out in the appendices and the list of adjustments, and said there was a good balance in terms of ongoing commitments and one-off expenditure. The General Fund reserves showed a modest increase since the start of the year.

The Chairman thanked the Assistant Chief Executive-Finance for presenting the budget reports to the Committee. She acknowledged circumstances were very difficult this year for local authorities, and all those officers involved in budget setting reports had faced an immense task, which they had performed incredibly well and for which the Committee thanked them. She said a council tax cut of 1% was good, and asked whether other percentages had been considered.

Councillor Chambers said he and officers had looked very carefully at what the government had given, and had chosen a council tax cut which was sustainable over the long term.

The Chairman said the future was very worrying and the budget must reflect reality. As far as she could see the Council was doing the best it could.

Councillor Ketteridge said whilst the New Homes Bonus played a part, the budget included nearly £0.5 million efficiency savings which was very significant.

The Chairman said she wished the Minutes to record her thanks to the Assistant Chief Executive-Finance, the Accountancy Manager, the Principal Accountant and to the rest of their team, all of whom she congratulated for their hard work. She thanked officers for assisting Members in understanding the budget and answering their questions.

RESOLVED

To endorse the following recommendations to Cabinet:

- a) that the Cabinet recommend Full Council approve the General Fund Council Tax Requirement of £4,646,960 as summarised in paragraph 25 and detailed in appendices A to C

- b) the Cabinet be recommended to approve the schedule of fees and charges at Appendix E.

SC45 **FORWARD PLAN**

The Forward Plan was noted.

SC46 **SCRUTINY WORK PROGRAMME**

The Director of Corporate Services said a Scrutiny Committee meeting would be arranged for the week prior to Cabinet in order to give consideration to the report on grants.

Members agreed to set the work programme for 2013/14 at the March meeting.

The Director of Corporate Services referred members to the scoping reports requiring those being invited to attend to submit written reports in advance.

SC47 **MUNICIPAL WASTE STRATEGY – SCOPING REPORT**

The Committee considered a scoping report on the municipal waste strategy. The Chairman said the report should also consider the implications for Dunmow residents. The Committee would wish to see a representative from County at the meeting.

SC48 **NHS WEST ESSEX – SCOPING REPORT**

Councillor G Barker declared an interest in that he worked as a self-employed Medical Practitioner and was on the Principal List of the General Medical Council and his name was held on the Performers' List North Essex PCT.

Members felt there was little point in inviting NHS West Essex to attend as commissioning was beyond the Committee's remit. It was agreed to focus on specific areas within the district. GPs should be invited to be questioned on matters such as what steps were being taken to recruit doctors for Stansted Health Centre, and how residents of new estates such as Oakwood Park and Felsted could get onto GP patient lists.

Councillor Davies declared an interest in that his wife worked for the GP surgery in Great Dunmow. He said the removal of the bus services had had a significant impact on those using the surgery.

The Director of Corporate Services suggested the Chairman and Councillors G Barker and Morson could with officers prepare a list of questions.

Members suggested patient groups should be invited to have input and officers could obtain patients' surveys and a list of GP surgeries in Uttlesford.

The scoping report was approved.

SC49

EAST OF ENGLAND AMBULANCE SERVICE – SCOPING REPORT

Councillor G Barker referred to a recent report that the Fire Brigade Union in Essex had criticised the performance of the Ambulance Service.

The Committee agreed that the Fire Brigade Union and the Police Federation would also be invited to submit reports on their interaction with the East of England Ambulance Service.

The scoping report was approved.

SC50

ESSEX POLICE – SCOPING REPORT

Members were advised that the Police Crime Commissioner had been invited to attend the meeting in April, and that the Essex County Council Portfolio Holder had offered to attend a meeting later in the year.

The scoping report was approved.

The meeting ended at 10pm.