

**SCRUTINY COMMITTEE held at COUNCIL OFFICES LONDON ROAD
SAFFRON WALDEN at 7.30 pm on 6 FEBRUARY 2014**

Present: Councillor E Godwin – Chairman.
Councillors, P Davies, S Harris, S Howell, D Morson, E
Oliver, J Rich and D Watson.

Also present: Councillors J Ketteridge (Leader), R Chambers (Portfolio
Holder – Finance), J Cheetham (Deputy Leader), J Redfern
(Portfolio Holder – Housing), H Rolfe (Portfolio holder
Community Partnerships) A Walters (Portfolio Holder –
Community Safety) and Councillor A Dean.

Officers in attendance: R Auty (Assistant Director Corporate Services), M
Cox (Democratic Services Officer), A Knight (Accountancy
Manager), R Harborough (Director of Public Services), S
Joyce (Assistant Chief Executive-Finance), C Canbolat
(Specialist Accountant) and A Webb (Director of Corporate
Services).

SC46 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were received from Councillors G Barker and I Evans.

SC47 CHAIRMAN'S ANNOUNCEMENT

The Chairman asked that the Committee's condolences be sent Councillor
Janice Loughlin following her recent tragic loss.

SC48 MINUTES

The minutes of the meeting held on 26 November 2013 were signed as a
correct record subject to recording Councillor Watson in the list of
apologies for the meeting.

SC49 BUSINESS ARISING

i) Minute S40 – Extraordinary meeting 11 November 2013

The minutes of the meeting on 11 November 2013 had been approved as
a correct record at the Scrutiny meeting on 26 November. On the
following day an email had been received from Matt North (one of the
speakers at the meeting) questioning the accuracy of the minutes
regarding the following statement made by Councillor Barker

'she said it was true that for 18 months the policy had been worked on; yes the housing numbers were mandated; yes members had made a mistake in thinking they could set a lower annual building rate.'

Councillor Barker had confirmed that, as the housing numbers were not mandated it was unlikely that she would have said they were, and she had no objection to the minute being corrected.

RESOLVED that the Committee agree that an appropriate amendment be made to minute S40 of the meeting on 11 November 2013.

ii) **Minute S45 - Planning**

Councillor Watson clarified his reasons for requesting the scrutiny report on Planning. He said that the measurement of Planning performance was based on numbers and timescales rather than the quality of the information provided. He was concerned that the documentation for the Planning Committee didn't always include all the relevant representations, consultation responses or supporting evidence. This information was also not always available on the planning portal.

Officers said they would take this message back to the Planning Department.

SC50 **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.

SC51 **SCRUTINY WORK PROGRAMME**

The Committee noted the work programme and agreed with the proposed agenda items for the final meeting of the year on 29 April 2014.

SC52 **FORWARD PLAN**

The Forward Plan was noted.

SC53 **DOG FOULING**

The committee received a comprehensive report, which addressed the questions about the council's service in relation to dog fouling which had been requested in the scoping report.

The report concluded that the provision and servicing of dog bins should be considered in the broader context of initiatives to address fouling of public spaces by dogs. In the past dog bins had been provided to parishes and recharged at about £110. There were around 250 bins in the district that were emptied by Street Services, however it was costly to service bins, and really unnecessary as dog waste could be placed in public bins or black bins.

The Director of Public Services said that the provision and emptying of waste bins was a discretionary service and the council was seeking to avoid funding this type of activity.

Members discussed this issue. They were aware that this was often a very emotive issue within communities, but the best way forward was through publicity and education to raise public awareness about the disposal of waste. It was understood that dog bins didn't necessarily solve the problem but were useful in prominent and busy areas, especially for use by visitors.

The committee agreed the following as a way forward.

- An education and publicity campaign regarding the proper disposal of dog waste.
- Parish councils to liaise with the District Council regarding the purchase and servicing of dog bins for their areas.

SC54

2014/15 BUDGET

The Assistant Chief Executive – Finance introduced the reports for the budget 2014/15. He said this was an opportunity for members to make comments and suggestions for Cabinet to take into account when determining its budget recommendations for Full Council. The financial reports would be annotated with any comments the Committee wished to make before being submitted to the Cabinet at its meeting on 18 February, and then to Full Council on 27 February.

SC55

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

The Accountancy Manager presented the Housing Revenue Account (HRA) 2014/15 Budget and Five Year Budget Strategy. The HRA budget reflected the service arrangements and investment in relation to the council's housing services for the third year under self-financing, and these arrangements had enabled the service to stand alone financially and for local decisions to be taken for housing services. She informed the committee that the dwelling rental income was proposed to increase by an average of 5.05% in line with the formula rent calculation, and income and expenditure had been budgeted on an incremental and inflationary basis.

The Tenants' Forum and the Housing Board had reviewed the documents and recommended them for approval.

She invited questions and asked the Committee to endorse the recommendations.

In answer to a question from Councillor Watson, the Accountancy Manager said she would provide an explanation for the rise in sheltered support service income.

Members asked questions relating to the HRA Business Plan. Councillor Morson referred to the £3.4m operating surplus that had been allocated to agreed projects in the business plan and asked whether the council was confident this would be spent within the period.

Councillor Redfern replied that the authority had already delivered a significant programme of investment in the first five years of the HRA business plan and would continue to do so. A major project was the redevelopment of the council's sheltered housing sites and a significant amount of the surplus had been earmarked for the Mead Court development, which would provide 30 new properties.

Councillor Dean said that at the recent meeting of the Housing Board there had been a discussion about being ambitious with building regeneration. Councillor Redfern said that the council had an ambitious programme and there was already a tremendous amount of work being undertaken.

Members asked about the implications for the programme of investment when the council started to repay the HRA loan, as it was currently paying interest only. The Assistant Chief Executive- Finance said he expected that there would continue to be annual headroom to invest in council stock. Councillor Chambers said that the Council would consider debt repayment options year by year.

RESOLVED to endorse the following recommendation to Cabinet that it should recommend to Full Council the HRA Revenue Budget and 5 year financial strategy.

SC56

TREASURY MANAGEMENT STRATEGY 2014/15

The Committee received the report on the Treasury Management Strategy. This governed the Council's cash-flow management, use of banks, investment and borrowing and set out how to keep council funds safe and minimise risks. The Prudential Indicators and the Minimum Reserve Provision Statement were included within the report.

The Assistant Chief Executive – Finance highlighted the following areas. There had been no new external borrowing, investments continued to be prudent and there was a longer list of counterparties, to include building societies in order to diversify risk. He reported that the Landsbanki issue

had been resolved, an investor had purchased the debt and the Council had received the funds.

Councillor Watson commented that unemployment had recently fallen to 7.2%, which was less than had been assumed in the report and he asked whether this might have an effect on interest rates. He was advised that the report had been written before the recent announcement, but unemployment was still above the 7% threshold and it was not expected that interest rates would change in the next financial year.

Councillor Chambers was pleased that the Saffron Building Society, as a local business, had had been included on the counterparty list.

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

- The Treasury Management Strategy 2014/15 as set out as Appendix A
- The prudential indicators set out at Appendix A1
- Minimum Revenue Provision (MRP) Statement Appendix A2
- The Council's counterparty list at Appendix A3

SC57

CAPITAL PROGRAMME 2014/15 – 2018/19

The Accountancy Manager presented the report on the Capital Programme 2014/15 to 2018/19. She explained that the programme covered both General Fund and HRA assets and schemes that have a long-term value and exceeded costs of £10,000. The report included a summary of the 5 year programme by portfolio.

Members asked a series of questions.

It was explained that the Stansted Housing Partnership, although not within the council's capital programme had been included for information and it was noted that this money would be fully spent in 2014/15.

Questions were asked in relation to the Museum projects. It was confirmed that the Museum Society did have the necessary funds to cover the 75% funding for the Museum storage facility. Members were pleased at the proposed renovations of the castle and the matched funding that had been secured.

Councillor Howell noted from the report that the forecast ICT spend was around £220k for 2013/14, but was lower in the subsequent years. He asked for an assurance that the council was investing appropriately in this area. The Director of Corporate Services said there had been considerable investment over the last few years, which had resulted in efficiency savings. The service was now in a period of consolidation and planning for change. The council was facing some challenges in respect of the

Government PSN CoCo requirements but he confirmed that the council was investing where it was necessary to do so.

Councillor Watson asked about the process for monitoring schemes that were funded under the Community Projects Grants. Councillor Rolfe replied that there was an agreed criteria for all applications and schemes had to be completed within a certain period. The proposals were considered by members and officers, with a subsequent audit of invoices and receipts.

It was confirmed that details of the projects supported by the council would be available on the transparency section of the website.

RESOLVED to endorse the recommendation that Cabinet recommend to Full Council the Capital Programme and associated financing of the programme as set out in the report.

SC58

MEDIUM TERM FINANCIAL STRATEGY

Members considered the report on the Medium Term Financial Strategy (MTFS).

The Assistant Chief Executive-Finance went through the report in detail. He said the Council was currently in a strong financial position, protected from the problems in local government through a combination of prudent financial management and funding from the New Homes Bonus (NHB). He explained changes to the funding from the Local Government settlement. The historic core funding was reducing each year and had been replaced with the NHB (a reward for enabling housing growth) and Localised Business Rates (the council's share of the business rates paid by Uttlesford businesses).

He said it was not possible to predict what might happen to Government funding, particularly in relation to the NHB, but there was reasonable confidence that for the next 3 financial year's total income would exceed forecast budget. This would give the opportunity to make meaningful investments in projects, although in a sustainable way to avoid future revenue commitments. During this period the council should invest in cost reduction and/or income generation in case of problems from 2017/18 onwards.

Looking beyond that period a range of different forecasting models had been prepared. The report set out four possible funding scenarios, the difference between the best and worst case was significant and because of this uncertainty the MTFS had adopted the following principles:

- The council planned to reduce the amount by which the revenue budget is funded by NHB
- Avoid making ongoing revenue commitment from the NHB funding
- Use NHB for capital projects and one off items.

The report also set out the forecast income from council tax, the proposed management of the council's reserves and concluded with the guiding principles of the strategy.

He invited questions from the committee.

Members commented on the assumptions in relation to business rate income, which appeared conservative in the light of the ongoing trend of economic improvement and the likelihood that more premises would be occupied. The Assistant Chief Executive – Finance agreed that there was an improving situation both nationally and locally. However there was a huge backlog of business rate appeals that had not yet been determined. Some were from large organisations, which if successful would have a significant impact on the council's income. Growth in this area had not been assumed because of these risks.

Councillor Howell said that the council's strong financial position was a tribute to the Council, both its staff and members.

He referred to the assumptions made about the NHB in para 38 and 39 of the report, that stated that because this funding was now embedded a cancellation of the scheme after 6 years was unlikely. He pointed out that the Labour shadow minister had indicated the NHB was unfair and a Labour Government would reform the system. He therefore felt that assumption A (NHB carries on without amendment) used as the basis for the MTFS was quite precarious. He suggested that Scenario B (new homes bonus is frozen at year 6 levels) appeared to be more realistic. He thought that the real task for the next 3 years was a rapid reduction of the council's overheads.

Councillor Ketteridge replied that the Government's statements on local government funding were clear, that core funding would disappear and be replaced by the HNB and business rates income. He thought it was unlikely that the NHB would be taken away without it being replaced with something else.

The Assistant Chief Executive – Finance said it was the intention within the strategy that the council would be looking to reduce its reliance on the NHB for on-going revenue expenditure. Increasing income was unlikely to be a solution so ways of reducing expenditure would need to be considered.

Councillor Watson suggested that the council should look at its core functions and which services it had to, or wished to provide. It was confirmed that the Council's management team had already started on this piece of work.

Councillor Davies asked if it was true that the coalition was proposing that NHB funding would not be forthcoming for new housing developments that

were granted on appeal. It was confirmed that this was one of the suggested reforms.

Councillor Rolfe agreed with the approach of the MTFs, it was not a doomsday scenario but still a prudent approach. He considered that the drive for economic development and an increase in business rate income should be a key factor in balancing the accounts, as was the provision of houses in the district.

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

SC59

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.

Councillor Howell asked whether the future of the New Homes Bonus should be included as a risk item. He pointed out that there was a general election within the next 18 months and the Labour Party had already stated its opposition to this form of funding. There was a debate as to how quickly any changes would be implemented but it could be within the 3 year period. The Assistant Chief Executive –Finance said that this report was concerned only with the financial year 2014/15 and as the amount of the New Homes Bonus had been confirmed for this period it could not be included as a risk. However, officers continued to be mindful of the longer term issue.

Members asked questions on section 106 agreements. It was explained that this related to when the Council's obligations under an agreement might exceed the value of the available funds. The Director of Public Services said that S106 agreements should ensure that the development remained viable and so there was a constraint on the amount of money that could be requested. Funds for future maintenance may only be secured for 10 years rather than the 20 years sought in the developer's guidance. It could be necessary to scale down aspirations or to fund some facilities in a different way. However, on the whole the council had done well out of section 106 funding.

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 2014/15 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 £1.2 million.
- d) that the Cabinet recommends to Full Council that no transfers to or from the Working Balance should be built into the 2014/15 budget.

SC60

GENERAL FUND AND COUNCIL TAX 2014/15

The Assistant Chief Executive-Finance presented the report that provided the detailed revenue estimates for the General Fund Budget and Council Tax 2014/15. This showed a council tax requirement, which balanced to a level of council tax income assuming a 2% cut in council tax. He explained that the budget was in line with the Cabinet budget strategy and with the priorities derived from the residents' consultation. He highlighted the key budget items and invited comments from Members.

In relation to the recent Council Tax reforms, Councillor Morson asked the portfolio holder if he was satisfied that all was being done to help those least able to pay.

Councillor Chambers said he believed that a reform of the benefit system had been necessary but this council was phasing in the effects of the changes. There had been a change to the liability cap this year such that non- vulnerable working age people previously on full Council Tax Benefit would pay 12.5%, an increase on the 8.5 % on the previous year. This was still the lowest level in Essex. The Council had established a hardship fund but only £2k of this fund had been used this year. The Council aimed to be proactive with advice and support and this approach had generally been effective. In answer to a question he confirmed there had been a small number of court summons but the aim was to work with household at an earlier stage find a solution.

Councillor Rich said that the 12.5% was a generous level, the next lowest in Essex was over 20%. The council could afford to be more generous because of its good financial position.

Councillor Dean said that since the Local Council Tax scheme (LCTS) had been considered at Full Council in December an additional £300k of NHB funding had been received. He claimed that reducing council tax by 2% had the effect of giving back £96k to better off residents, whilst increasing the liability cap from 8.5% to 12.5% took away £62k from those residents that were the worst off. He suggested that given the Council's favourable financial position, the liability cap should revert to 8.5%.

The Assistant Chief Executive – Finance replied that the decision on the LCTS was a binding decision and could not be revoked. Other members

said that there had been a full discussion on this matter at the Council meeting.

Councillor Howell endorsed the recommendation and said he was pleased with the allocation of funds for the Audley End Cycleway project. He hoped that the Portfolio Holders would report back on the detailed proposals for the various projects that had been allocated funds.

Councillor Ketteridge commended the budget. He said it was in line with the corporate plan, shared the benefits of growth, and provided for council tax settlement that gave a 2% saving to all residents. He thanked the Assistant Chief Executive – Finance and his team for all the work on the preparation of the budget reports.

RESOLVED

To endorse the following recommendations to Cabinet:

- a) that the Cabinet recommend that the Full Council approve the General Fund Council Tax Requirement of £4,646,960 as summarised in paragraph 24 and detailed in appendices A to C
- b) the Cabinet be recommended to approve the schedule of fees and charges at Appendix E.

The meeting ended at 10.20 pm.