

**SCRUTINY COMMITTEE held at COUNCIL OFFICES LONDON ROAD
SAFFRON WALDEN at 7.30pm on 10 FEBRUARY 2015**

Present: Councillor Godwin (Chairman)
Councillors G Barker, P Davies, I Evans, S Howell, D Morson, E
Oliver, J Rich and D Watson.

Also Present: Councillors H Rolfe (Leader), R Chambers (Portfolio Holder –
Finance) and J Redfern (Portfolio Holder – Housing).

Officers in attendance: A Knight (Assistant Director Finance), J Mitchell (Chief
Executive), A Rees (Democratic and Electoral Services Officer), V
Taylor (Business Improvement and Performance Officer), M
Tokley (Principal Accountant) and A Webb (Director of Finance
and Corporate Services).

SC43 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

No apologies for absence were received.

Councillor Godwin declared a non-pecuniary interest in relation to Cranwellian, as she had been a member of the Planning Committee when one of the applications was considered (although was away on holiday at the time); and had been present at a meeting of Planning Committee last year when the matter was discussed.

SC44 MINUTES OF THE PREVIOUS MEETING

The Chairman signed the minutes as a correct record, subject to the amendment of Minute SC35 regarding Cranwellian to reflect that it was not Councillor Oliver who had a matter going forward to the Ombudsman, but a member of his ward.

SC45 MATTERS ARISING

(i) Minute SC35 – Cranwellian

The Director of Finance and Corporate Services said a third party had been appointed to conduct water testing. Dr Johnson had been contacted to arrange a suitable date. The Council had now written to Peter Kirton at the Environment Agency inviting him to attend a meeting with residents. The Council would write to the County Council for comments about land drainage following the completion of water testing and the meeting between Peter Kirton and residents.

(ii) Minute SC40 – Day Centres

Following a comment by Councillor Barker, members discussed what other luncheon facilities were available throughout their respective wards.

Councillor Oliver noted that many luncheon facilities were run by charities. He asked whether the possibility of day centres in the district being run by charities had been explored.

Councillor Godwin said two of the day centres had begun to review how they operated and another day centre had begun to look at relocation. In response to the point raised by Councillor Oliver she said the day centres were being given additional funding for one year in order to give them time to become self-sufficient.

SC46 **RESPONSES OF THE EXECUTIVE TO REPORTS OF THE COMMITTEE**

Councillor Godwin said there was a significant problem with car parking throughout the district and a review needed to be undertaken. In response Councillor Rolfe said progress was being made and a car parking review was going to be included on the Cabinet Forward Plan.

SC47 **CABINET FORWARD PLAN**

Councillor Watson said the Forward Plan had included works on the culvert at Bridge End Gardens for around a year. However, remedial works needed to be completed quickly, as if the condition of the culvert worsened the cost of repair would increase significantly.

The Director of Finance and Corporate Services said talks with Saffron Walden Town Council were ongoing as their permission was needed before works could be completed.

Councillor Evans said there was no longer sufficient parking at the Lower Street car park in Stansted. The Chief Executive said a petition had been received asking the Council to resolve issues with the car park. The Council had dealt with petition.

SC48 **SCRUTINY FORWARD PLAN**

The Director of Finance and Corporate Services said a review of the work carried out by the Committee during this year would be undertaken at the next meeting. Depending on the decision made by the Committee on the Local Plan Review, the Planning Advisory Service might be invited to attend the next meeting.

SC49 **BUDGET 2015/16**

The Director of Finance and Corporate Services presented a covering report which detailed the individual reports relating to the budget. As the deadline for publishing the agenda for the next Cabinet meeting was the day before the Scrutiny meeting, the Committee's recommendations to Cabinet would be included under "Reports from Performance and Audit and Scrutiny Committees".

SC50

ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

The Director of Finance and Corporate Services, explained that in accordance with the requirements of the Local Government Act 2003, he would be reporting to Cabinet in his capacity as Section 151 Officer, on the robustness of estimates and the adequacy of reserves. The aim of the report was to ensure members aware of any risks and uncertainties so the local authority ensured its budget allowed for a prudent level of reserves to be maintained.

The Director of Finance and Corporate Services said the Reserves Strategy outlined the purpose of the reserves, as well as how they were calculated. He drew Members' attention to paragraph 5.2 of the Strategy which showed the reserves at the beginning of the financial year and the forecast for the end of the financial year.

In previous years some reserves had been established without a clear purpose which had led to confusion over their purpose and the total level of reserves held. Furthermore some scope had been identified to utilise around £1m to fund current projects, therefore it was proposed that new reserves would be created as set out in paragraph 5.5.

The Director of Finance and Corporate Services outlined the proposed useable reserves. Both the Medium Term Financial Strategy ("MTFS") and transformation reserves were longer term reserves. A new waste depot site reserve had been established as the Council was looking into the possibility of building a new depot station.

Both the Waste Management and Homelessness reserves had been reduced slightly, as had the Economic Development reserve which members were informed was primarily used for discretionary rate relief.

Both the Strategic Initiatives Fund and Access Fund had been established during the current financial year, with the former set aside for good causes and the latter for the Cycle Strategy.

The Director of Finance and Corporate Services drew Members' attention to the General Fund ring-fenced reserves. He highlighted the Department for Work and Pensions ("DWP") reserve which had been established as the amount of benefit subsidy was being reviewed following the External Audit. The forecasts for total reserves over the next five financial years were highlighted in paragraph 7 of the Strategy.

The Director of Finance and Corporate Services explained the Planning reserve had three primary purposes when it was established, with the main purpose being Stansted Airport Studies.

The Director of Finance and Corporate Services, in response to a question by Councillor Barker explained that there were other authorities which had reserves strategies. He agreed the Strategy was a useful document as it clearly documented the purpose of each reserve and the purpose of reserves in general.

Members agreed the Strategy provided a clear outline of the reserves the Council held and how they were allocated.

RESOLVED to endorse the following recommendations to Cabinet:

- (a) That Cabinet recommends to Full Council that it takes account of the advice in the report when determining the 2015/16 General Fund budget and Council Tax.
- (b) That Cabinet recommends to Full Council that it approves the risk assessment relating to the robustness of estimates as detailed in the report.
- (c) That Cabinet recommends to Full Council that it sets the minimum safe contingency level for 205/16 at £1.214 million.
- (d) That Cabinet recommends to Full Council that it adopts the attached Reserves Strategy.
- (e) That Cabinet recommends to Full Council that no transfers to or from the Working Balance should be built into the 2015/16 budget.

SC51

TEMPORARY ACCOMMODATION

Members received a report on temporary accommodation. The Director of Finance and Corporate Services said it was recommended that several temporary accommodation units currently held within the Housing Revenue Account (“HRA”) were transferred to the General Fund.

A debt cap had been imposed on the HRA when it was established in 2012. In the next two financial years the HRA would edge closer to this debt cap which could prevent further building. The transfer of temporary units to the General Fund would allow the Council to progress with additional builds. The transfer would be subject to Secretary of State approval, but legislation already existed to allow the transfer to happen.

Councillor Redfern responded to a question by Councillor Godwin about ongoing developments. She explained that development at Catons Lane had gone out to tender, with completion expected early next year. The development at Mead Court’s first phase completion date had been pushed back as there had been difficulties attaching the development to the mains water supply. The Reynolds Court re-development was due to go before the Planning Committee meeting on 11 March.

Following questions by Members, the Director of Finance and Corporate Services clarified the General Fund was purchasing HRA stock at market value and that no borrowing was involved. The Council would continue to look at other ways to free up funds for the HRA.

RESOLVED that Cabinet recommends to Full Council that it approves the transfer of the eight designated temporary accommodation units from the HRA to the General Fund at the estimated market value cost of £1,047,000, subject to Secretary of State.

SC52

MEDIUM TERM FINANCIAL STRATEGY

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

The Director of Finance and Corporate Services went through the report in detail. He said the Council was currently in a strong financial position due to prudent financial management and the New Homes Bonus ("NHB"). Although any forecasts could not be certain, it was seen as a reasonable assumption that regardless of the outcome of the General Election there would not be any significant changes to local government funding until 2017/18.

The Director of Finance and Corporate Services went through the assumptions that had been made in the MTFS. Regardless of who formed the next Government, it was highly likely the NHB would be changed significantly or scrapped completely.

The Budget Model had assumed that the Housing Benefits and subsidy would be phased out of the Council's budget in 2016/17. This meant both gross service expenditure and income would decrease. Members' attention was drawn to the outcome of budget modelling and the assumed variances of budget deficits for each year based on 10%, 20% and 30% reductions in the level of NHB. The reduction in NHB meant that attracting extra business rates was more significant than before.

Councillor Rich noted the Council had really benefitted from the NHB. He asked about the potential amount of extra money which might be obtained through business rates.

The Director of Finance and Corporate Services said the Council kept half of all business rates collected above the safety net level, which meant it was possibly a large stream of revenue for the Council.

Councillor Chambers added the approach taken was to try and attract a steady increase in the level of business rates as this was the most prudent approach.

Councillor Howell said he believed an increase in business rates was unlikely to be able to bridge the gap caused by a reduction in NHB. There would be cuts

regardless of the composition or intentions of the next Government and efficiency savings would need to be looked, but stressed these could potentially be made through outsourcing and partnership working.

The Director of Finance and Corporate Services said the MTFS was realistic. As it was not known exactly what the next Government would do it was best to wait until that was known. The Council had looked at outsourcing many times in the past, but it was normally not viable to use external companies due to the relatively small size of the Council.

Councillor Godwin asked whether the Council's reserves should be increased further now, given the challenges that would be faced in the next few years.

Councillor Chambers said levels of reserves were deemed prudent. If the level of reserves was seen as too high, the Council could be seen to be not improving services where it could.

Councillor Godwin proposed the Committee voted for the recommendations as outlined in the report.

Councillor Barker requested a recorded vote.

Upon being put to the vote, the motion was carried by 7 votes to 0 against, with 2 abstentions.

For the proposal: Councillors Barker, Davies, Godwin, Howell, Oliver, Rich and Watson.

Abstentions: Councillors Evans and Morson.

RESOLVED that Cabinet is requested to approve, for recommendation to Full Council, the Medium Term Financial Strategy as attached.

SC53

TREASURY MANAGEMENT STRATEGY 2015/16

Members received a report on the Treasury Management Strategy 2015/16.

The Assistant Director Finance said there were no significant changes from the previous financial year. The credit rating system was being re-branded and therefore banks, including Barclays plc with which the Council banked were likely to have their credit ratings lowered, meaning the Council would have to allow counterparties with credit ratings of BBB+, whereas previously counterparties were expected to have a credit rating of AA- or higher.

Councillor Howell noted the Council had had problems previously after following Government guidance to invest in banks with high rates of return, although he noted Landsbanki also had a high credit rating when the Council used it as a counterparty, and commended the report for its prudent approach.

RESOLVED that the following documents are endorsed to Cabinet on 17 February 2015 and Full Council 2015 on 26 February 2015:

- Treasury Management Strategy 2015/16
- Prudential Indicators
- Minimum Revenue Provision Statement
- Economic Forecast

SC54

CAPITAL PROGRAMME 2015/16 – 2019/20

The Assistant Director Finance outlined the report for the Capital Programme 2015/16 – 2019/20. No external borrowing was required to finance the programme, with the exception of the HRA. Capital funding would primarily be achieved through grants and internal borrowing.

The Assistant Director Finance highlighted the key points from the Capital Programme of the General Fund. Renovation works on Saffron Walden Castle were initially expected to be 50% funded by English Heritage. This funding had now been cut and an application for a £200,000 grant had been submitted. The Council was awaiting the outcome of the submission.

A condition survey of the Council's offices on London Road was carried out in 2014/15. The costs associated with the survey's findings had been incorporated into the Capital Programme.

The Council was identifying potential new sites for the waste depot and an estimated cost had included in the programme. There was potential for a capital receipt if the original site was sold, but since no decision had currently been made the receipt had not been built into the programme.

The Assistant Director Finance moved onto the HRA element of the Capital Programme. Phase 1 of the Mead Court development was close to completion, with phase 2 expected to be completed by October 2015. Works on Reynolds Court and Hatherley Court were expected to start at the beginning of and end of 2015/16 respectively.

RESOLVED that Cabinet is requested to approve, for recommendation to Full Council, the Capital Programme and associated financing of the programme as set out in the report.

SC55

HOUSING REVENUE ACCOUNT 2015/16 AND 5 YEAR BUSINESS STRATEGY

Members received a report on the HRA 2015/16 Budget and 5 year Business Plan Strategy.

The Assistant Director Finance said the Housing Board and the Tenants Forum had reviewed the Housing rent options and service charge increases and had recommended the proposals for approval by Cabinet and Full Council. The

Housing Board had also reviewed and approved the Housing Revenue Budget and 5 year financial strategy.

The Assistant Director Finance outlined the key points of the report which were as follows:

- (a) The proposed HRA budget and reserves position for 2015/16.
- (b) The proposed 5 year financial forecast for the period from 2015/16 to 2019/20.
- (c) HRA rents to be increased in line with the new Government guidelines of CPI + 1%, an average rent increase of 2.2%.
- (d) Garage rents are increased by RPI of 2.3%.
- (e) Heating, Service and Sewerage charges are increased in line with actual costs.
- (f) Service charges for common services in sheltered schemes continued to be subsidised for tenants at 31 March 2012, who were not in receipt of housing benefit. The subsidy would be reduced by 25% annually.
- (g) Charge for Sheltered support services were increased by RPI of 2.3%.
- (h) Sheltered support services for tenants as at 31 March 2003, who were not eligible for supporting people grant, continued to receive transitional relief protection.
- (i) Lifeline basic charge to be increased by RPI of 2.3%.

The Assistant Director Finance explained the variances within the HRA budget and the movement in reserves for 2014/15 and 2015/16. None of the risks associated with the report were especially high. Appendix E to the report detailed all the works which had been completed since the creation of the HRA.

RESOLVED that Cabinet is requested to approve, for recommendation to Full Council, the HRA Revenue Budget and 5 Year Financial Strategy.

SC56

GENERAL FUND AND COUNCIL TAX 2015/16

The Assistant Director Finance presented a report on the General Fund for the 2015/16 financial year. Cabinet had determined its strategy for the 2015/16 budget on 4 December 2014. The draft budget achieved all of the strategies objectives. The Council had undergone a consultation with the public on the Council's budget priorities. The draft budget was consistent with responses from the public.

The Council had written to all business rate payers and had then invited a number of organisations to comment on the Council's priorities and the Cabinet's budget strategy, however no responses had been received.

The Assistant Director Finance said the net budget had to balance with the Council Tax Requirement. In accordance with Cabinet guidance, a 3% cut in the Council's element of council tax had been assumed. The Council Tax Requirement for 2015/16 was £4,653,312, whereas in 2014/15 it was £4,695,046.

The Assistant Director outlined the Council's council tax for each property band and then summarised the General Fund Budget and key items from the budget. These included funding for someone to assist the development of the management committees of day centres, which had been approved by Cabinet following the previous Committee meeting.

Members would receive a slightly higher allocation of the New Homes Bonus, and because of this it was recommended that new criteria were adopted as outlined in the report. It was noted the new criteria would not be implemented retrospectively.

The Assistant Director Finance explained the staff pay award was confirmed as a 2.2% increase across all services. The Waste Service Budget had been adjusted in order to reflect increased disposal costs and lower income, which equated to an increase in costs of £470,000. Due to the high number of planning applications, planning income was expected to be £350,000 each year for the next two years.

Revenues Administration direct costs had increased by £177,000 as anticipated budget efficiencies had not been realised. This was partly due to the uncertainty over the Universal Credit and the potential impact on the service.

The Assistant Director Finance outlined the Local Government Finance Settlement. For 2015/16 the Settlement Funding Assessment had been cut by 24% to £1,234,355. Business Rates Retention was estimated as £1,303,213, although this figure was subject to a number of variables such as localised business rates. Therefore the Business Rates income was budgeted at safety net level.

The New Homes Bonus ("NHB") now totalled £3,598,299. As formula funding was being cut, the Council was becoming increasingly dependent on the NHB. The Medium Term Financial Strategy ("MTFS") had already outlined ways of reducing the Council's exposure to this risk.

Officers had reviewed fees and charges in line with Council's Pricing and Concessions policy as outlined in appendix E of the report. An error in appendix E was noted. The charge for dealing with rats at domestic premises had increased to £45 in 2015/16 from £25 in 2014/15. This reflected the market value for such a service.

Councillor Morson asked whether the cut in Council Tax was justified given the predicted deficits outlined in the MTFS. There was a need for prudent financial management now as it was predicted that the Council would need its reserves as changes were made to the NHB.

Councillor Chambers said the Council had a policy to give back what it could to the public. Prudent budget management had meant the Council could afford to cut Council Tax.

Councillor Howell noted that due to the increased tax base, the actual terms cut in Council Tax revenue was 0.9%. Cutting Council Tax was the right thing to do.

Councillor Barker proposed the recommendations as outlined in the report. He requested a recorded vote.

Upon being put to the vote, the motion was carried by 6 votes to 0 against, with 3 abstentions.

For the proposal: Councillors Barker, Davies, Howell, Oliver, Rich and Watson.

Abstentions: Councillors Evans, Godwin and Morson.

RESOLVED that:

- Cabinet is requested to recommend that Full Council approves the General Fund Council Tax requirement of £4,653,312 summarised in paragraph 24 of the report.
- Cabinet is recommended to approve the schedule of fees and charges in Appendix E of the report.
- Cabinet is recommended to approve the new criteria with regards to Members Allowances (New Homes Bonus) outlined in paragraph 30 of the report.

SC57

LOCAL PLAN REVIEW

Members received a report on the Local Plan review. The Chief Executive said following the closure of the Local Plan examination in December, a request had been received for an inquiry into the local plan process so far. It was recommended the Planning Advisory Service (PAS) undertook the review. The PSA would look at what had happened and what should happen next.

Councillor Morson said he felt the review was a fair way forward and would help to restore community confidence in the Council.

Councillor Howell said he felt the review would help with understanding the Inspector's decision and the reasons why he rejected the Local Plan.

Councillor Oliver said although he agreed with the idea of a review in principle, the recommendation of a review should come from officers not from external bodies. Therefore he could not support the recommendations outlined in the report.

The Chief Executive noted the full decision of the Inspector did not say the Local Plan was without merit. Many elements of the Plan were deemed sound and the Plan's business strategy was deemed exemplary. The PAS review would help achieve closure and help with the formulation of a new plan. The review would be a technical and objective study. It was important the outcome of the report was not assumed.

Councillor Watson said he was not surprised at the Plan's failure. It was important the Committee had control of the review process. It would be useful if the PAS, when attending their first Committee meeting, clarified the process of the review.

Councillor Davies said the review would provide transparency and that could only be seen as a good thing going forwards.

Councillor Rich said he supported the initiative. In response to a question about the cost of the review, he was informed there was no cost associated with the review.

RESOLVED that:

- The Director of Finance and Corporate Services, in conjunction with the Chairman and Vice-Chairman of the Scrutiny Committee, is requested to engage the PAS to undertake the review with the terms of reference as set out in paragraph 10 of the report.
- The PAS is requested to attend the next meeting of this Committee to provide an update and timetable for the written report.

The meeting ended at 10.20pm.