

## **FINANCE AND AUDIT SCRUTINY PANEL 22 JANUARY 2013**

*Present :-* Councillor Dennis Willetts (Chairman)  
Councillors Ray Gamble, Glenn Granger,  
Scott Greenhill, Marcus Harrington, Julia Havis,  
Theresa Higgins, Cyril Liddy, Jon Manning and  
Gerard Oxford

*Also in Attendance :-* Councillor Paul Smith  
Councillor Anne Turrell  
Councillor Tim Young

### **38. Minutes**

The minutes of the meeting held on the 13 November 2012 and the 20 November 2012 were confirmed as a correct record.

### **39. Items requested by members of the Panel and other Members**

At the meeting on 20 November 2012, Councillor Granger requested the Panel to consider a review of the income from selling recycling materials and to specifically consider the current revenue for this year and the forecast revenue for 2013-14, and the volume of recycling by material type for this year and previous years for comparison. Following agreement by the Panel, a briefing note prepared by Mr. Chris Dowsing, Group Manager, Street Services was considered at the Chairman's briefing and Member's agreed the note should be forwarded to Councillor Granger for comment.

Councillor Granger thanked officers for providing the information and requested a full review of Recycling Income and Performance in 2013/14, following the recyclables procurement process.

The Chairman asked the Panel to consider the item for review when discussing the Work Programme.

### **40. 2013-14 Revenue Budget (Including Housing Revenue Account estimates 2013/14, Housing Investment Programme 2013/14 and Treasury Management Strategy Statement)**

Councillor Anne Turrell, Leader of the Council addressed the Panel and explained that following the publication of the agenda, officers had received additional financial information that the Leader having considered, had decided to submit a revised Budget to Cabinet on the 23 January 2013 that will freeze Council Tax for 2013/14.

Councillor Turrell said that rather than announce this change at tomorrow evening's Cabinet she felt it was appropriate to inform and discuss the change with the Panel and

enable scrutiny prior to the Cabinet decision being taken.

A briefing note providing details of the additional information was circulated to Panel Members to consider before reviewing the Budget papers. The changes to four Cabinet decisions within the published Budget report are as follows:-

- 1.2. Update to include the additional income of £65k from new sharing deal with major precepting bodies within the savings shown at appendix D.
- 1.3. Update to reflect impact of additional income of £65k Budget requirement is therefore £22,986k.
- 1.4. Update to reflect use of balances of £765k (an additional £15k).
- 1.8. Update to reflect proposal to freeze Council Tax at £175.23 for Band D properties which will therefore qualify the Council to receive the Government grant.

Councillor Tim Young, Cabinet Member and Labour Group Leader addressed the Panel to explain that the additional information had not been discussed by all Cabinet Members, that the information had not been received by him until early afternoon, and had not been discussed by his group.

Councillor Young said he didn't think the additional information was particularly new, but would reserve judgement until he had discussed with his group colleagues, and would then make a considered response at the following evening's Cabinet meeting.

Councillor Paul Smith, Cabinet Member and Liberal Democratic Group Leader addressed the Panel to explain the additional money was from the Government and Essex County Council, and was happy to take this money if it was to be used to the benefit of the Colchester residents. The new sharing deal with major precepting bodies (Essex County Council, Essex Fire Authority and the Police and Crime Commissioner for Essex) will provide £65k of additional income, and this together with an additional £109k received from the Government if no increase in Council Tax is agreed and £15k from reserves (leaving the remaining reserves above the prudent level) will provide the £189k needed to enable no increase in Council Tax.

Councillor Smith paid tribute to officers for their work in finalising the 2013/14 Budget and said the amended Budget will be presented to Cabinet tomorrow evening.

### **2013-14 Revenue Budget**

Mr. Sean Plummer, Finance Manager and Mr. Darren Brown, Group Accountant presented the reports making-up the 2013/14 Revenue Budget.

It was explained that the 2013/14 reports together with the Housing Revenue Accounts Estimates 2013/14, Housing Investment Programme 2013/14 and Treasury Management Strategy 2013/14 will form decision(s) to be taken by the Cabinet on the 23 January 2013.

Mr. Plummer gave a detailed presentation of the 2013/14 General Fund Revenue Budget, Capital Programme and Medium Term Financial Forecast for pre-Cabinet scrutiny, highlighting the key elements of the report(s).

Mr. Plummer said core Government funding had reduced by £3.3m since 2011/12 with a further provisional reduction of £1.2m announced for 2014/15. The Budget included savings or additional income of £1.8m, with the majority of savings based on proposals to work more efficiently and to maximise opportunities to increase income.

The current year's financial position is that the forecast outturn is expected to be an underspend in the region of £250k.

Mr. Plummer drew member's attention to the Revenue Cost Pressures identified in appendix B and 2013/14 Growth Items identified in appendix C.

Mr. Plummer explained that the reason for Colchester's increased revenue spending power was in the main due to the additional income from the New Homes Bonus and this also highlighted that the Council's main 'formula grant' had reduced by £727k.

The final Budget will include the Council Tax Freeze Grant (£109k) to be paid in 2013/14.

Mr. Plummer concluded by explaining the Summary Position and the Medium Term Financial Forecast that showed the Council faces a continuing budget gap of c£5m over the next three years from April 2014, though potential savings and income identified in the Universal Customer Contact (UCC) Fundamental Services Review will reduce this to £2.3m.

In response to Councillor Willetts, Mr. Plummer said the Inflationary Pressure (as part of the Revenue Cost Pressures) was a general allowance for all the Council's costs though to a large extent it was for increases in key areas such as energy and pay costs. In respect of Land Charges the forecasted income had been reduced to a more reasonable level.

Mr. Plummer said the increase in insurance premiums was in part due to pressure to reinstate the contribution to the insurance provision. Mr. Plummer did not have details of the increases in insurance claims history but said he would be happy to provide this detail on request. Councillor Smith said whilst the number of claims had increased, the level of claims was still at an average local authority level.

With regards to the Digital Strategy income reducing due to a potential partner withdrawing from contract negotiations, Mr. Plummer said this was the case at this point in time. Councillor Smith said it had been hoped that the potential partner would sign the contract in December, but because they had withdrawn, it was felt prudent not to include the income into the Budget.

Mr. Plummer confirmed to Councillor Granger that the additional fleet costs for replacement vehicles will come in 2013/14, not as originally anticipated in 2014/15. This was due to operational reasons and was not a timing issue. Councillor Smith said greater vehicle leasing costs had put pressure on the Budget.

In response to Councillor Willetts, Councillor Smith said the Council was obligated to meet the £15k contribution toward firstsite maintenance costs, as part of the original contractual agreements.

In regards to Growth Items and specifically Food Waste collection, Mr. Plummer confirmed to Councillor Harrington that the Budget included £750k to provide the investment to roll out the Food Waste Scheme, and a grant of £850k to meet the investment costs. Both figures were included and showed that the grant will cover the cost of the scheme.

Councillor Smith responded to Councillor Willetts by explaining that the £100k allocated to the Strategic Plan Priorities was to provide funds to enhance items included in the Strategic Plan and that fit with the Council's main priorities.

### **Housing Revenue Account Estimates and Housing Investment Programme**

Mr. Darren Brown presented the Housing Revenue Account (HRA) estimates 2013/14 and the Housing Investment Programme (HIP) 2013/14 for pre-Cabinet scrutiny.

The Council's financial procedures require the Head of Strategic Policy and Regeneration to prepare detailed HRA estimates for approval by the Cabinet, setting the new rent levels for the new financial year, and as part of the governance process to agree the Council's revenue and capital estimates, and the Cabinet is required to agree the allocations to the Housing Stock Investment Programme.

The HRA Estimates included the new housing and garage rents and Management Fee for Colchester Borough Homes, and noted the HIP contribution, linked to the HRA but detailed in a separate report.

Mr. Brown confirmed to the Panel that the £962k underspend was, in the main, due to the Council's capital financing decisions, which have helped to deliver savings of £700k per annum for the duration of the loans.

In response to Councillor Willetts Mr. Brown said the Panel could, if it so wished, review the Repairs and Maintenance Programme / Contract during 2013/14.

### **Treasury Management Strategy**

Mr. Steve Heath, Finance Manager presented the Treasury Management Investment Strategy report.

The Council adopted the revised CIPFA Treasury Management in the Public Services Code of Practice on 17 February 2010 that requires the Council to approve an annual Treasury Management Strategy Statement. The statement is submitted for scrutiny prior to the start of the year to which it relates.

Mr. Heath confirmed that the Strategy is largely unchanged from the current Strategy, and the Council was looking to maintain the current approach of borrowing internally. Mr. Heath said the investment policy reflects a low appetite for risk, with investments only being made with those institutions with the highest credit ratings.

Mr Heath advised that the temporary restriction to the duration limits of investments mentioned within the report had now been lifted due to improved data from Europe and

improved liquidity in financial markets.

In response to Councillor Willetts, Mr. Heath appreciated that Panel Members had little understanding or knowledge of Treasury Management but remained confident about the quality of scrutiny. Mr. Heath said that if members felt they would like training in Treasury Management, Sector can provide this service, and he would be happy to make the necessary arrangements.

Councillor Granger said to enable meaningful and adequate scrutiny to be undertaken he felt that a significant amount of time should be set aside for members to be given a more in depth briefing by officers. The session should be more of an informal and private business style finance meeting. Members would be able to ask about each number and the detail behind them. This would be a half day or even full day session prior to the existing scrutiny panel which could retain its more formal public meeting status. Cllr Granger asks that the Chief Executive makes this recommendation in his letter to the auditors regarding improvements to scrutiny panels.

*RESOLVED* that the Panel:

- i) Considered and noted the 2013/14 Revenue Budget, Capital Programme and Medium Term Financial Forecast, including the amended changes to the decisions to be taken by Cabinet as set out in the note on the additional information presented to the Panel.
- ii) Considered and noted the Housing Revenue Accounts Estimates 2013/14.
- iii) Considered and noted the Housing Investment Programme 2013/14.
- iv) Commented on and noted the 2013/14 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy prior to it being considered by Cabinet and Full Council as part of the 2013/14 Budget report.

#### **41. Work Programme**

Mr. Robert Judd, Democratic Services Officer confirmed that historic reports and minutes relating to the firstsite project are being considered for inclusion in a future report to the Panel.

Mr Judd was requested to include to the 2013/14 work Programme a review of Recycling Income and Performance, following the completion of the recyclables procurement process.

*RESOLVED* that the Panel noted the current Work Programme.