

## **The Executive: Record of Decision and Minutes**

**18:00- 19:45**

### **PRESENT:**

#### **Executive Councillors:**

The Leader: Ian Nimmo-Smith (Chair)

Arts & Recreation: Julie Smith

Community Development & Health: Clare Blair

Environmental & Waste Services: Mike Pitt

Housing: Catherine Smart

#### **Councillors in attendance:**

Councillors Herbert and Howell.

Note –the Executive meeting was open to any member of the Council who wished to ask questions on the Medium Term Strategy.

#### **09/EX/05 Minutes**

The minutes of the meeting held on 29 January 2009 were signed as a correct record.

#### **09/EX/06 Apologies for Absence**

Apologies were received from Councillors Cantrill and Reid.

#### **09/EX/07 Public Questions**

None

#### **09/EX/08 Medium Term Strategy (MTS) - Report**

The Leader ruled that under section 100B(4)(b) of the Local Government Act 1972, the officers' report and the full Medium Term Strategy be considered despite not being made publicly available for five clear working days prior to this meeting.

The reason that these documents could not be deferred was that they formed an integral part of the budget-setting framework of the Council. They outlined the overall financial position of the Council and considered the prospects for the 2010/11 budget process.

The Committee was required to consider the item at this meeting prior to further discussion and decision at the full Council meeting on 22 October.

The Leader also highlighted an Executive's amendment to the MTS that had been distributed to all members and was available to the public.

The Leader introduced the item and stated that the MTS outlined a longer-term approach to budget setting, with the Council moving away from the year-by-year approach used in previous years. The MTS aimed to take a more strategic approach to budget setting and savings in the years 2009/10 to 2013/14.

It was acknowledged that the report included the following areas of uncertainty but it was felt that these had been analysed and assessed with the best available information in mind:

- Pension funds
- Government grants
- Concessionary fares

To address some of these issues it was confirmed that there would be a reduced uplift in Council Tax, a wage inflation of no more than 1% and inflation measured by RPIX at 1% (with a rise to 2% by 2012).

The Leader confirmed that Service Reviews were continuing throughout the Council with the possibility of further reviews to follow. In order to stabilise finances the Council would take a 3-year approach, which would mean the reviewing and refocusing of a number of services. Funding would be needed in order to facilitate this change in direction and £750,000 would therefore be invested in the Efficiency Fund.

Through the MTS the Council would limit its external borrowing; internal borrowing would cover a temporary shortfall identified in 2010/11.

The Director of Finance was then invited to give a general overview of the report, the MTS and the tabled Executive's amendment.

Member's attention was drawn to the General Fund's reserves projection shown in figure 11 (page 122 of the MTS) and the General Fund's savings requirements highlighted in figure 15 (page 157 of the MTS).

Table 22 on page 149 highlighted the Council's ability to fund the existing Capital Plan as well as monies available for new capital expenditure. With £238,000 available in 2010/11 there would not be scope for significant capital investment but, for the final 3 years this would rise to £1.3 million.

Table 21 on page 141 highlighted the approved periods for the existing Capital Programmes and it was noted that some additional funding would be freed-up when some of these came to an end in 2010/11.

Figure 12 on page 123 highlighted the reserves projection for the Housing Revenue Account (HRA) and it was noted that the reserves would be reduced in a managed way. A key element of this would be the outcome of the current consultation on the financing of social housing.

The Director of Finance then introduced the Executive's amendment. It was noted that following submission of a bid to the Homes and Communities Agency (HCA) for a grant to build 8 new affordable housing units, the Council had been successful in securing grant funding towards the cost of 7 of the new properties.

As a result of this very positive news, adjustments to the MTS recommendations were suggested.

In response to a question from the Executive Councillor for Arts & Recreation, the Director of Finance confirmed that some duplication had been mistakenly made in Appendix J of the MTS. It also was noted that the Swimming Services contract listed in Appendix L of the MTS expired in 2013 (not 2012 as listed).

In response to questions from Councillor Herbert, the Director of Finance confirmed that the outturn position was still as noted in the MTS document and that the Council had now removed the need for prudential borrowing. It was also stated that the Strategic Service Reviews for 2009/10 were listed in full on page 101 of the MTS with a current update in paragraph 8.61.

It was confirmed that savings targets were not spread evenly over the 3 years, as much depended on cash flows, income and expenditure. It was felt important that the savings targets were realistic and deliverable, and that the Council took a planned and managed approach.

It was difficult to predict the possible effects of the review of pensions in 2010, as much would depend on market conditions and the outcome of the Local Government Pension Scheme consultation.

Council Tax had been reduced as a result of the economic downturn and this was reflected in figures 16 and 17 on pages 158 -159 of the MTS.

In response to questions relating to the Council's Icelandic investments, the Director of Finance directed members to pages 69-71 of the MTS for a full update. This update was based on current advice from the LGA group and independent reports from liquidators. It was however, difficult to say if these would be the final figures. Appendix J on page 240 of the MTS highlighted a projected net loss of principal in 2010/11 of £1,494,500.

It was also confirmed that increased provision for bad debt had been made in the 2009 Budget Setting Report to address the ongoing issue around folk festival ticketing.

Councillor Howell questioned whether predictions in the MTS were based on realistic estimates and took a true account of the risks involved. Questions were also raised regarding the effect of the recession, the Council's reserves, car park income and concessionary fares.

In response, the Leader confirmed that the MTS was based on the best possible advice and represented a measured approach in the current climate.

The Director of Finance drew members' attention to the Sensitivity Analysis in appendix W of the MTS. This represented the higher risk impact areas and was used to inform the Council's view of its required reserves. The income for car parking was also included in this appendix and based on the latest projections.

The issue of concessionary fares was covered in full on page 104 of the MTS and the Council was anticipating the statutory requirement as it currently stood. The consultation was however still ongoing.

In response to questions from Councillor Herbert regarding the bid to the HCA and the Teversham Drift house, the Executive Councillor for Housing confirmed that to meet the bidding criteria, all of the houses had to be built by April 2011. Ideally the Council would have put a bid in for more houses but it would mean decamping residents at very short notice. The rebuilding of the Teversham Drift house would be covered through the Housing Capital programme and S106 commuted sums.

Councillor Howell questioned assumptions in the MTS regarding the Customer Service Centre and asked for an update on the Area Housing Offices. Questions were also raised regarding the effect of population growth, pensions and pay, the capital programme and costs for reclaiming overpaid VAT.

The Executive Councillor for Housing confirmed that she would not be reviewing the Area Housing Offices until all housing services had been running from the Customer Service Centre for 1 year.

The Director of Finance confirmed that money had been set aside for growth and the associated revenue costs. The requirement to provide S106 funding and the capital programme had also been delayed as a result of the slow-down in growth.

The Leader stated that the Council had never seen S106 money as an alternative to providing capital funding. Some S106 money would be used for the benefit of the wider population but its primary function was to benefit new developments and communities.

It was confirmed that, in order to achieve best value for its money, the Council had gone out to tender for the external legal services used in the reclaiming of overpaid VAT. It was also noted that there was limited scope for local changes to the Local Government Pension Scheme that was in place.

Councillor Howell raised the issue of Council Tax rises, which he felt were based around election years and questioned the political direction of the suggested savings. He suggested that the Council could be scaling-back too much.

The Leader stated that he believed there was scope for re-focusing and reviewing services and that this needed clear and focused leadership.

The Executive Councillor for Housing confirmed that, at 95%, the UK had the highest percentage of taxation levied by central government. This was in contrast to similar EU countries such as Spain and Germany that stood at 60-70%.

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## **Record of Decision**

The Executive agreed to recommend to Council:

### **Revenue – General Fund**

2.1 To agree the budget strategy and process for the 2010/11 budget cycle as outlined in section 15 [paragraphs 15.1 to 15.56 refer] and Appendix B of the MTS document.

2.2 In particular:-

that the net General Fund budget (after use of reserves) be limited to £20,019,430 at this stage [paragraph 15.27 of the MTS refers];

that the adjusted gross expenditure, for the purpose of calculating committee cash limits, should exclude major in-term contractual / agreement obligations (Pools Service, Housing Repairs and ICT contracts); as identified in paragraphs 15.20 to 15.23 of the MTS.

2.3 To agree the revised General Fund revenue, funding and reserves projections as shown in Appendix O of the MTS, and the associated decisions in section 8, of the MTS document.

2.4 To authorise the Director of Finance to calculate final cash limits for committees based on the decisions taken in this report, based on the method shown in Table 23 and Appendix V of the MTS.

## **Revenue - HRA**

2.5 To express support for the HRA budget process and strategy as outlined in Section 15 [paragraphs 15.45 and 15.48] and Appendix Q of the MTS.

## **Capital**

2.6 To agree inclusion in the Capital Plan of new items identified in paragraph 13.22 of the MTS, namely:

(a) Grand Arcade Annex Car Park Fan system - a bid of £21,700 against the Climate Change Fund

(b) Secure Mobile Virtual Private Network VPN - a bid of £8,500 in 2009/10 to the Technology Investment Fund approved by the Executive Councillor under urgency powers. This is reflected in the coverage of TIF in Section 9 and Appendix M-3 of the MTS.

(c) PR016 Public Conveniences - the recommendation for the addition of £35k to the existing programme, to enable door access charging at public conveniences, which was recommended as part of the 2008/09 review. This will result in additional revenue income for the Council.

(d) SC221c Lion Yard Phase 2 – the recommendation for the addition of £63,234 of funding received from LABGI for 2009/10 to the existing provision for the Council's costs associated with the scheme, in line with the previous treatment of LABGI receipts.

(e) SC379 Mercury Abatement – the recommendation to reschedule the provision of £1,387k from 2009/10 to 2010/11, based on the latest timetable for the works.

(f) SC192 Land to the North of Kings Hedges Road - the recommendation (covered above) to increase the budgeted amount to reflect the additional £538k contribution required under the collaboration agreement (paragraph 13.19 of the MTS refers).

(g) HRA New Build Affordable Housing – to include as an additional item in the Housing Capital Investment Programme the development of 7 new units of affordable housing, at an estimated total cost of £867,815, to be owned and managed by the Council (HRA) outside of the Housing Revenue Account Subsidy System, enabling retention of future net revenue streams.

(h) HRA Affordable Housing – to include as an additional item in the Housing Capital Investment Programme the development of 1 unit of affordable housing, to replace a dwelling destroyed by fire, at an estimated cost of £154,361.

(i) HRA New Build Affordable Housing – To include Homes and Communities Agency grant funding of £295,057 as a resource relating to the capital spend in (g) above.

2.7 To agree the revised Capital Plan as shown in Appendix S [paragraphs 14.13, 14.15 and 14.16 also refers], the Hold list as shown in Appendix U [paragraph 14.14 refers] and the funding as shown in Appendix T [paragraphs 14.1 to 14.12 and 14.17 to 14.21 also refer] of the MTS document.

### **Treasury Management**

2.8 To confirm the current Counterparty List [Appendix H of the MTS refers].

### **Additional Recommendation**

To agree that amendments be made to the MTS Capital Funding Availability Projection, Appendix T, to reflect approved changes to the Capital Plan and that all related revisions be incorporated into the MTS to be considered by Council.