

**THE MINUTES OF THE MEETING  
OF THE RESOURCES SCRUTINY COMMITTEE**

**HELD ON TUESDAY 19 JULY 2005**

Present: Councillor A Burnip (Chair)  
Councillors D Armstrong, A Collinson,  
Mrs S Mason, C Patching and  
R Taylor

Also Present: Councillor D Myers – Executive Member for  
E-Government and Scrutiny Liaison

1 **THE MINUTES OF THE LAST MEETING** held on 28 June 2005, a copy of which had been circulated to each Member, were confirmed.

2 **MATTERS ARISING FROM THE MINUTES**

(i) **East Durham Homes – Capital Works Programme (Minute No 6 refers)**

I Morris, Head of Housing Strategy advised that the fees charged against the 2005/2006 Capital Programme comprised of the following three elements: -

- East Durham Homes - £898,000
- Municipal Engineering - £49,540
- General Fees – £95,050

Members were advised that the East Durham Homes (EDH) and Municipal Engineering fees were apportioned across the various budget heads according to input.

Engineering fees applied to works with structural input e.g. adaptations, structural repairs, disrepair claims, roofing, environmental works and decent homes compliance.

EDH fees were apportioned on the basis of the resources required, i.e. structural repairs were lower due to only quantity surveying input being required, whereas Asbestos/Legionella was high as the bulk of the work was for sampling and maintaining the database of Legionella inspections.

Overall, EDH fees were equivalent to 10.9% of the Capital Programme, with total fees running at 11.72%.

It was explained that the EDH fee was inclusive of “ad-hoc” support on strategic issues such as work in connection with the Business Plan, HIP submission, BVPI data collection and stock condition database. These services were charged against the Capital Programme and included in the overall EDH fees, as opposed to being charged for separately as a revenue item.

Councillor A Burnip asked if the adaptations being referred to were Social Services adaptations. I Morris advised that the majority of Social Services adaptations were funded through the HIP.

## Resources Scrutiny Committee – 19 July 2005

Councillor C Patching pointed out that the original query was in relation to the percentage variations between the fees and whilst I Morris had explained that the fees were based on input there was still no rational as to what was being charged or evidence that the fees were reasonable.

T Bell, Director of Finance and Corporate Services advised that three years ago the fees were rationalised as the services involved had to recover their salaries from the fees being charged. At the time fees were benchmarked with the private sector and services had to compete in that environment. T Bell suggested that in future the fees should be reviewed on an annual basis.

Councillor A Collinson asked if procurement issues could be used as a means to control the fees being charged. T Bell advised that procurement issues applied where the authority went out to tender however, this would have an impact on in-house services which could be put at risk. All fees and charges had to be assessed and services were subjected to benchmarking to ensure the authority achieved value for money.

**RESOLVED** that the information given be noted and the fees be reviewed annually as part of the budgeting setting process.

(ii) **Cleanliness of Bus Shelters (Minute No 8 refers)**

S Gwilym, Scrutiny Support Manager advised that the cleanliness of bus shelters was to be discussed at a management task force meeting and the minutes would be circulated to all Members for information.

**RESOLVED** that the information given, be noted.

3 **THE MINUTES OF THE MEETING OF THE EXECUTIVE** held on 5 July 2005, a copy of which had been circulated to each Member, were submitted.

**RESOLVED** that the information contained within the Minutes, be noted.

4 **PUBLIC QUESTION AND ANSWER SESSION**

There were no members of the public present.

5 **COMMUNICATION AND PUBLICITY**

There was nothing to report.

6 **GENERAL FUND/HOUSING REVENUE ACCOUNT OUTTURN 2004/2005**

Consideration was given to the report of the Director of Finance and Corporate Services which advised Members of the financial position for the year ended 31 March 2005, a copy of which had been circulated to each Member.

Members were advised that over the last 3 to 4 years the Council had developed a priority/policy driven approach to budgeting. A prudent, disciplined and responsible approach to financial management had enabled the authority to build up reserves and the Executive had agreed to release 1.5M of the General Fund Reserve.

## Resources Scrutiny Committee – 19 July 2005

Reserves were at a level which allowed for the use of some of the resources to be released on the basis of priority. Their use must represent value for money and produce further efficiencies, fund service improvements and provide additional capacity. Initiatives would link expenditure to priorities and performance outcomes and the impact of using these resources would be measured.

It was explained that although reserves were currently high day to day budgets could still come under pressure as there would be no new money for base budgets and future growth would have to be found from within the authorities overall budget.

Members were advised that the base budget was the year on year cost of running services. The authority had recently developed a three-year plan for growth which allowed for more Street Wardens and community safety posts to be established. There had previously been gaps in funding however it was hoped that the medium term review would address this problem. The Capital Programme had initially been on track but there had been some slippage during the year however this had been addressed to some degree however unspent allocations would be carried forward to ensure schemes were completed.

Members were advised that the estimated General Fund under-spend was around 1.1M which did not take account of Planning Delivery Grant of £530k received during the year.

The uncommitted balance on the General Fund at 31 March 2005 was £4.4M which compared to a revised estimate of £3.8M when the 2005/2006 budget was agreed.

Approval had been sought for the establishment of two new reserves, a Planning Reserve and a Corporate Property Reserve. In relation to the Corporate Property Reserve the authority would need to address issues around disability and any works that would be required arising from the Disability Discrimination Act.

The Benefits General Reserve would increase to £300k following the volatility of the subsidy position last year when the authority used £200k from the reserve. The HRA made a surplus of £577k and the balance at 31 March 2005 was £2.3M. The Capital Programme Working Group would present a further report in respect of 2004/2005 together with details of the capital receipts position at March 2005.

Managers had provided information on the variances to budgets over the last three years and although not exhaustive they gave an indication of savings of a material nature, details of which were outlined in the report.

Due to increased levels of savings and under-spends the General Fund Reserve had seen significant growth over the last two years. The difficulty in tracking the position was outlined but the position for 2004/2005 detailed the scale of variances that could occur between the figures in December 2003 and out-turn in March 2005.

At the time the 2005/2006 budgets were prepared revenue deficits were identified in the region of around £800k in each of the next two years. Although the projections were crude they gave an indication of potential issues facing the authority. In forecasting the position the latest service expenditure plans rolled forward, contributions from reserves and potential growth areas were taken into account.

## Resources Scrutiny Committee – 19 July 2005

Monitoring the HRA for 2004/2005 had been complex primarily due to the establishment of EDH and the revised subsidy position where the authority benefited from windfall income due to the reduction in stock levels.

The financial monitoring system was now well established and although the General Fund variance from budget was around 7%, the arrangements in place ensured that the Council was informed.

Financial stability was improving year on year and in contrast to past experience the Council was able to manage volatile areas more effectively. A move to a corporate monitoring process had paid dividends and although staff savings and income windfalls had assisted the reserve position the underlying trends were positive. Budget overspends were less likely to occur and more recently there had been a tendency to generate savings where possible. It was difficult to forecast how long this trend would continue, particularly as external funding streams came to an end. Although stable the General Fund was still of concern in the longer term and whilst close to a balanced budget it was faced with some challenges that the authority should not lose sight of.

In addition the Audit Commission had identified value for money as a major inspection issue which would require a self-assessment covering a number of areas. T Bell advised that arrangements would be made for the Audit Commission to address a future meeting of the Resources Scrutiny Committee.

T Bell advised that although there was likely to be base budget issues in the coming years the overall position was fairly stable. Whilst the authority were releasing a substantial level of reserves from the General Fund it was hoped that the release to some degree would address some of the base budget issues and pump prime service improvements. The release would still leave a reserve of just below £3M which was substantially above the considered prudent level of £1.5M and whilst it was intended to review this further there were still issues that could pose significant threats to the Council's overall position and capacity was needed to manage these risks.

In terms of the HRA the reserve position was strong following significant subsidy receipts. In terms of the base budget the review of subsidy generally would assist and the account was improving. Stock disposals would clearly affect future revenue streams, which would need to be offset by cost reductions. The Audit Commission had identified areas where efficiencies could be achieved and this would assist in sustaining this account in the future. The reserve position had been strengthened and whilst there were no proposals to utilise elements of the reserve at this time EDH and the Council could face significant capacity issues to achieve two stars and the reserve position would assist in that process.

Councillor D Armstrong queried where the 1.5M would be spent. T Bell advised that the authority did not require huge reserves. It was important to identify a figure which could be released and spent this year and which would still leave a healthy reserve. It was important that the money was well spent and linked to priorities; performance was also poor in certain areas. It was envisaged that by September the authority would be in a position to know where the money was most needed.

In relation to subsidising EDH it was explained that they had inherited a deficit situation from the Council. It was confirmed that some of the reserves might need to be used as an investment for EDH to achieve 3 stars.

## **Resources Scrutiny Committee – 19 July 2005**

Councillor A Collinson expressed concern at the effect underspends could have on service delivery. T Bell advised that quarterly monitoring reports to the Resources Scrutiny Committee would keep Members up to date on the position.

In relation to the Gershon efficiency agenda an annual efficiency statement for 2004/2005 and 2005/2006 was circulated. Government targets for efficiency were already included in the budgets and further efficiencies would be identified through improved performance.

**RESOLVED** that the information given, be noted.

JW/MA/com.res./050801

8 August 2005