

**THE MINUTES OF THE MEETING OF THE
RESOURCES SCRUTINY COMMITTEE
HELD ON WEDNESDAY, 4TH JANUARY, 2006**

Present: Councillor A. Burnip (Chair)

Councillors B. Burn, A. Collinson,
Mrs. E.M. Connor, Mrs. S. Mason,
C. Patching, R. Taylor and
P.G. Ward

Also present: Councillor D. Myers - Executive Member for E-Government and
Scrutiny Liaison

1. **THE MINUTES OF THE LAST MEETING** held on 6th December, 2005, a copy of which had been circulated to each Member, were confirmed.
2. **THE MINUTES OF THE MEETING OF THE EXECUTIVE** held on 13th December, 2005, a copy of which had been circulated to each Member, were submitted.

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

3. **PUBLIC QUESTION AND ANSWER SESSION**

There were no members of the public present.

4. **COMMUNICATION AND PUBLICITY**

There were no items to report.

5. **BUDGET ISSUES 2006/7 AND 2007/8**

The Director of Finance and Corporate Services and Head of Financial Management were in attendance to give a presentation to Members on proposals in relation to the Council's budgets for 2006/7 and 2007/8.

The Director of Finance and Corporate Services provided Members with an explanation of the Council's three main accounts (General Fund Services, HRA Services and Capital Projects) and the estimated funding streams for 2006/7. For the General Fund Account £4.4m was estimated from Council Tax, £1.89m from Business Rates and £9.84m Revenue Support Grant. In relation to Capital Projects £6.342m was expected from Capital Receipts, £4.77m from major repairs allowance (an amount from the Government for capitalised repairs), £2.3m in supported borrowing, £0.25m from reserves and £1.089m in grants and contributions e.g. NRF and regeneration monies.

He then proceeded to outline the grant formula for 2006/7 and 2007/8. The grant was based on a basic grant amount x population with adjustments depending upon density/sparsity of population and deprivation. Deprivation was linked to the number of people on benefits and the Council received a top-up from this. The major component of the formula was population and there was some concern around this. The Government currently based this amount on projections from a mid-year census

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and whilst the District's population was starting to rise, this was not reflected in the Government projections because 2003 census figures had been used which were out of date. However, the Council would receive the minimum grant increase floor level which had been set at 3%.

With regard to the pre-settlement position and the General Fund Account he reported that the budget had been reduced by around £1.5m as a result of efficiencies identified in the review of the Medium Term Financial Plan, directorate efficiencies, pension adjustments and further loan interest.

A number of growth areas had been identified, including the following, which amounted to around £700k. These were subject to approval and should facilitate a balanced budget for 2006/7:-

- Extension of street warden service
- NRF phased mainstreaming from 2005/6
- Post of Head of Customer Services
- East Durham Business Services contribution to marketing
- Migration of FM System from AS400
- Travellers strategy
- Tourism Initiative

In relation to the post settlement position for 2006/7 and 2007/8, he advised that the estimated allocation was £1.98m based on an increase of £350k in 2006/7 and £315k in 2007/8, an estimated increase for the Free Fares Scheme of £1.5m, costs of being in business of £25k and resource equalisation/other at £100k. The settlement was good for Easington and the position had been further improved by reducing the base budget.

There was a potential surplus of around £800k if the concessionary fares budget was increased by £1.2m, however there were major financial risks facing the Council which had to be borne in mind. For example, the position was uncertain in relation to the revised concessionary fares scheme and at present there was a need to commit growth to this budget. Currently, money was available for free travel in the District and half-fare beyond, however, if it was agreed that a total free scheme across the region be provided, the costs for this were unknown.

Other pressures included the ALMO Review of Service Level Agreements in respect of Corporate and Environmental Services, possible mainstreaming of externally funded posts in the Regeneration Unit, HRA Support charges, homelessness and the Contact Centre. Corporate Services had been reduced to provide resources for front line services but the Council could have gone too far. The CPA pilot/Use of Resources/Direction of Travel may highlight the need to review the Council's priorities, examine leadership/executive support, address asset management pressures, give more focus to risk management, review strategic procurement support and review the Financial Management Unit.

The risks/pressures outlined would need careful management, particularly the ALMO issues and he considered that it would be unwise to commit the potential surplus into the base budget at this stage. Aside from managing the risks, the Council had to reconsider its priorities in line with the achievement of value for money in terms of costs and outcomes. There was a need for a period of reflection to consider the future challenges and how they fitted into the bigger picture.

In view of this, it was suggested that the Council balance the budget for 2006/7 without the use of reserves, increase the concessionary fares budget by £1.2 million

to cover increases and set up costs, create a contingency budget of £500k in 2006/7 to manage the risks identified, reserve £300k to manage change after 2006/7 and increase Council Taxes by 2.7% over the next two years in line with the 2007/8 grant settlement.

To conclude, he advised that the budget reduction of £1.5m had enabled the Council to finance growth in 2006/7. This position would enable the Council to manage pressures and there may be flexibility for future growth. There was a need to maintain pressure on the base budgets to ensure efficiencies were delivered and the Council could demonstrate value for money. The Medium Term Financial Plan would be kept under review.

The Head of Financial Management then proceeded to outline the position in relation to the Housing Revenue Account which was made up of the Council's client costs and East Durham Homes Management Fee. The Management Fee had not yet been agreed although the subsidy position was clear. He advised that management and maintenance allowances had increased by 12% and 11% respectively and the rent income allowance had increased by 8.5%. The Government had capped rent increases for 2006/7 announcing average rents to rise by an average of 4.7%. This had in effect counterbalanced the management and maintenance allowances. There was a possible one-off windfall of £750k if stock fell by 10% but this was being left out of the budgets as the estimated reduction in stock at present was 10.2%.

It was proposed to increase rent by 4.7% in line with Government expectations. The management fee for East Durham Homes was subject to negotiation but proposals allowed for a 2.5% increase on the current fee plus an additional £500K for repairs. The additional fee to finance 3 star growth should be available from realignment, efficiencies and the potential use of reserves.

Following discussion, the Chair thanked the Officers for the presentation.

RESOLVED that the information given, be noted and the budget proposals for 2006/7 and 2007/8 be supported.

6. **ANY OTHER BUSINESS**
CONTACT CENTRE

The Chair advised that there had been no contact number available for residents in case of emergency when the Council offices were closed over the Christmas period.

The Executive Member for E-Government and Scrutiny Liaison advised that this would be rectified and an emergency contact number placed on the 'out of hours message'.

RESOLVED that the information given, be noted.