

THE MINUTES OF THE MEETING
OF THE RESOURCES SCRUTINY COMMITTEE
HELD ON TUESDAY, 24TH JANUARY, 2006

Present: Councillor A Burnip (Chair)
Councillors D Armstrong, B Burn,
A Collinson, Mrs E M Connor,
C Patching, M Routledge, 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 4th January, 2006, a copy of which had been circulated to each Member, were confirmed.
2. **THE MINUTES OF THE MEETING OF THE EXECUTIVE** held on 10th January, 2006, 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 STRATEGY 2006/2007 to 2008/2009**

Consideration was given to the report of the Director of Finance and Corporate Services which gave details of the Council's approach to the budgets for 2006/2007 and the Medium Term Financial Plan 2006/2007 to 2008/2009 together with the Council Tax and rent proposals for 2006/2007, the Medium Term Strategy and the Council's Annual Efficiency Statement for 2006/2007, a copy of which had been circulated to each Member.

Members were advised that any comments made in relation to the proposals would be reported to Executive on 31 January 2006 prior to submission to Full Council for adoption.

The Director of Finance and Corporate Services summarised the position on the General Fund and stressed that at this stage the proposals were draft. It was explained that due to an increase in investment income of £328k the budget would show an under-spend of £700K for 2005/2006. The Council had the option to set a council tax increase of 2.5% for 2006/2007 and 2007/2008 which was linked to inflation.

The Authority had received just under £2M in additional grant for 2006/2007 and the year on year increase for 2006/2007 and 2007/2008 was adjusted to 3% and 2.7% respectively. The additional grant of £1.6M would cover new

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burdens and transfers of function which included concessionary fares and gave a degree of certainty over the next two years.

The Medium Term Financial Plan was reviewed in September and set a base budget reduction target of £1.4M over the next two years to address the financial pressures and ensure the Council met its future priorities. Reserves were strong but would be needed to manage the identified pressures.

Following the 2004 Spending Review the Government set the Council an efficiency target of £1.8M over three years, which was on target and the budget reductions identified would contribute to this target.

A capital allocation of £1M had been confirmed which was a reduction of £1.3M compared to previous years. Capital receipts were buoyant and would enable the Council to embark upon a capital programme of around £16M in 2006/2007. Confirmation of a capital grant of £1M for private sector housing renewal was still awaited.

The new subsidy regime had assisted the Housing Revenue Account (HRA) in 2006/2007 but the decline in stock would affect rent income offsetting gains. The final settlement was reduced by £200K and the position would need to be monitored closely. Progress had been made to agree the 2006/2007 management fee for East Durham Homes but was yet to be finalised.

The Director of Finance and Corporate Services proceeded to outline changes to the grant settlement for 2006/2007 and 2007/2008. Members were advised that year on year grant had increased by £347K. The settlement was better than expected and had increased following an adjustment to grant for 2005/2006. The adjustment inflated the grant figure by £1.6M to reflect changes in responsibilities, particularly the concessionary fares scheme. This resulted in the percentage increase being applied to a higher figure and a further grant of £50K. The settlement covered two years, and the increase in grant for 2007/2008 was set at £316K, an increase of 2.7% on 2006/2007. This brought the settlements in line with the 2006 Spending Review and would lead to three-year settlements from 2008/2009. Shortly following the settlement the Government announced that Council Tax increases should not exceed 5% and “limitation powers” would be used where necessary.

Members were advised that the Medium Term Financial Strategy was reviewed in September 2005 and was outlined in Appendix 1 to the report. The review had identified a budget deficit of around £1.3M which would be addressed in 2006/2007 onwards. A target of £1.4M was set with £1M to be achieved for 2006/2007 and a further £400K for 2007/2008. Efficiencies of just over £1.6M were achieved which addressed the deficit. Details of the main areas where efficiencies had been made were outlined in Appendix 2. Details of issues facing the Council over the next 2-3 years which would result in service/cost pressures were also outlined.

In reviewing the medium term position the following growth areas were anticipated for 2006/2007: -

- Extension/mainstreaming of Street Wardens Scheme
- NRF phased mainstreaming
- Head of Customer Services post
- East Durham Business Service - Support for marketing
- New hardware platform for the Financial Management System

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- Travellers Strategy
- Tourism initiative
- Concessionary Fares Scheme

Members were advised that the budget efficiency exercise, coupled with a fair grant settlement, had left the Authority in a position where it could balance the budget, including growth, without utilising the year on year grant increase. The impact of the concessionary fare scheme was not included and would need to be financed from the additional grant. An additional £1.2M would be put in the base budget with a further £200K set aside to meet one off or additional costs.

Taking account of the concessionary fares and additional cost pressures, particularly those related to Service Level Agreements (SLA) with East Durham Homes, it was proposed to include a contingency of £500K in the base budget for 2006/2007 and transfer around £300K into a reserve to deal with potential increased costs arising from the new fares scheme and potential costs of managing the change arising from the review of the SLA.

A council tax increase of 2.5% for 2006/2007 and 2007/2008 was proposed and if accepted the increase in 2007/2008 would be the fifth consecutive year of low increases. This approach was consistent with the strategy and gave tax payers year on year stability, whilst at the same time increasing the council tax base.

Robust financial management arrangements were key to delivering the strategy and it was crucial that budgets were monitored and the Medium Term Plan regularly reviewed. Whilst the budget was stable for two years, pressure must be maintained on the base position in order to sustain the position and create flexibility for growth.

An assessment on the use of resources as part of the Direction of Travel assessment was still awaited. During 2006/2007 Officers needed to improve processes to be able to demonstrate that the Authority delivered Value for Money.

Measures undertaken over the last six months had stabilised the budgets in the medium term, however, the Authority continually faced cost pressures and in order to meet future priorities, efficiencies were needed to realign the budgets.

Councillor D Armstrong queried the budget efficiencies for 2006/2007 outlined in Appendix 2. The Director of Finance and Corporate Services outlined the savings identified in the review of the Medium Term Financial Plan, Directorate savings and other areas which included loan charges, District Audit Fee and transfer of Pension costs to the HRA.

Councillor A Burnip queried if any requests for mainstreaming of externally funded posts were anticipated. The Director of Finance and Corporate Services advised that there were a number of posts in the Corporate Development Unit and Economic Development and Regeneration Unit where requests for mainstreaming of externally funded posts was expected.

Councillor M Routledge queried the impact on local government pensions. The Director of Finance and Corporate Services advised that the pensions were reviewed every three years in order to identify any deficits. A recent projection

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had been undertaken for the next 22 years to calculate the Authority's expectations and deficits. The Government was currently reviewing the pension scheme and suggestions included increasing employee's contributions and a system of buying out pensions and issuing a lump sum.

The Director of Finance and Corporate Services advised that a Capital Programme of £16M was anticipated. Housing Capital Allocations had been set for two years and for 2006/2007 the allocation was £1M, a reduction of £1.3M compared to last year. Confirmation was still awaited of a capital grant of £1M to address private sector housing renewal.

The Council's Major Repairs Allowance for 2006/2007 was expected to be £4.7M, a slight reduction in real terms due to the fall in housing stock.

Capital receipts were buoyant but could decrease in future years. Decent homes was a priority and it was essential to succeed in the next ALMO inspection to secure the necessary funding to improve the housing stock.

The Prudential Code of Borrowing was introduced in April 2004. Due to increased capital receipts and in order to increase investment income in 2005/2006 receipts were used to repay debt during the year.

The Director of Finance and Corporate Services outlined the position in relation to the HRA and explained that falling housing stock, which reduced rent income, was an issue for this account and the key to sustaining the account was medium to long term financial planning. East Durham Homes were preparing a Business Plan in conjunction with the Council, which would contain measures to sustain the account. The position on the HRA required work but issues emerging included the subsidy position, proposed rent increase, HRA minimum reserves and the management fee for East Durham Homes.

Councillor A Burnip queried if the management fee would increase year on year. The Director of Finance and Corporate Services advised that in aiming for a 3-5 year financial plan, it was hoped that the management fee could be fixed.

Councillor A Collinson queried if a rise in council rent prompted an increase in the number of Right to Buy applications received. The Director of Finance and Corporate Services advised that a rent increase could have an effect on the number of Right to Buy's received by the Authority. However, this should be considered along with low interest rates and attractive discount rates to tenants.

Councillor D Armstrong queried the percentage of houses in the District that received rent rebate. The Director of Finance and Corporate Services advised that approximately 70% of all households in the District received some form of rebate with approximately 50% receiving full rebate. It was explained that whilst those on full benefit did not accumulate any arrears, they often brought debt with them to the rent account.

Following discussion, the Chair thanked the Director of Finance and Corporate Services for his report.

RESOLVED that the information given, be noted.

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6. ADDITIONAL URGENT ITEM OF BUSINESS

In accordance with the Local Government Act, 1972, as amended by the Local Government (Access to Information) Act 1985, Section 100B(4)(b) the Chair, following consultation with the Proper Officer, agreed that following item of business, not shown on the Agenda, be considered as a matter of urgency.

7. CONTACT CENTRE (AOB)

The Chair advised that the new Contact Centre went live just before Christmas and suggested that an Officer from the Contact Centre be invited to attend the next meeting of the Resources Scrutiny Committee.

RESOLVED that a representative from the Contact Centre be invited to attend the next meeting of the Resources Scrutiny Committee.