



Finance Working Party

Minutes of a meeting held on Thursday 16 November 2011 at 7.30 pm, Members' Room, East Northamptonshire House, Thrapston

Present:

Councillors: Steven North (Chairman)
Roger Glithero Richard Lewis
Philip Hardcastle

Officers: David Oliver (DO)
Keith Osborne (KO) minutes

Action

1.0 MINUTES

1.1 The minutes of the meeting held on 21 September 2011 were received and approved.

2.0 APOLOGIES

2.1 Councillors David Brackenbury and Glenvil Greenwood-Smith sent their apologies.

3.0 DECLARATIONS OF INTEREST

3.1 Councillor Phillip Hardcastle declared a personal interest in item 10 as he was connected with a firm mentioned in the site appraisals as providing information on current land values. He remained in the meeting for the discussion and voting on this item.

4.0 REVENUE BUDGET MONITORING

4.1 The Working Party received the revenue budget monitoring report comparing the actual spend on revenue items from 1 April to 30 September 2011, with the approved budget for 2011/12.

4.2 DO, as Acting Chief Finance Officer, referred to the revised budget of £10,720,430 as reported to the last meeting and advised that in October, Heads of Service had conducted a detailed review of the net spending against budget for the first 6 months of the year and considered the likely level of spending for the second 6 months. The out-turn was estimated at an underspend of around £120k, but the award of appeal costs against the Council in respect of the Northdale End planning application would result in an overspend of around £30k.

4.3 DO explained the main variations which were under and over budget, and the forecast deficit for the year, together with the effect on revenue reserves. The forecast uncommitted revenue reserves at 1 April 2012 were £3.067 million.

Members and officers continued to identify savings through monthly budget monitoring and as a result of the challenge through quarterly performance clinics.

4.4 Members noted the variations reported and that no further action was required at this stage of the financial year.

5.0 CAPITAL BUDGET MONITORING

5.1 Members considered the capital budget monitoring report comparing the actual spend on capital items from 1 July to 30 September 2011, against the approved capital budget for 2011/12.

5.2 DO reported that the estimated capital outturn for 2011/12 now stood at £2,839,330 compared with £3,721,240 in the approved budget, due to the savings reported at the last meeting, and Rushden High Street public realm (£170,000), East Northamptonshire House repairs (£72,290) and rescheduled expenditure of around £539k, primarily in respect of the Nene Centre roof.

5.3 The current capital position was noted as well as the impact on capital reserves. The forecast capital reserves at 31 March 2012 were £1.219 million..

6.0 DRAFT REVENUE AND CAPITAL EXPENDITURE BUDGETS 2012/13

6.1 Members considered the draft revenue and capital budgets for 2012/13, to enable early consideration to be given to the position and the options for addressing the projected deficit. The draft revenue budget was set out in **Appendix A** of the report and is attached at page 6.

6.2 DO advised that :-

- As things stood, there was still a need to utilise reserves to balance the budget
- The projected deficit for next year was £443k, despite the efforts of Heads of Service and their teams to reduce spending
- Were Members minded to set aside some or all of the New Homes Bonus received in the year for investment in local infrastructure, that would simply increase the deficit
- A number of key assumptions had been made (inflation rates, staff costs, the government's offer of £90k in exchange for freezing Council tax for another year, and a contingency of £50k).
- Net operational savings and increases were identified in the report
- There would be a net reduction in government funding of £172k, and it was emphasised that the cumulative reduction in funding had been £1.828 million (27.5%) since 2010/11
- A draft capital budget for 2012/13 was far in excess of the forecast capital reserves

6.3 The Working Party considered the level of revenue and capital reserves and balances and a number of options were put forward to address the potential £181k deficit on uncommitted reserves at 31 March 2013:-

Action

- Reduce the minimum level of reserves held in the general fund from £1.711 million
- Reduce the revenue budget deficit by reducing expenditure, increasing income, or raising council tax, or a combination of all three
- Reduce or defer capital expenditure
- Borrow to fund some elements of capital expenditure
- Sell assets to generate capital receipts.

6.4

Members discussed the issues at length and appreciated that choices would have to be made ahead of the consideration of the 2012/13 budget early next year, also in order to provide a sustainable financial position beyond the next financial year. The following conclusions were made by the Working Party:-

DO

- A start should be made on engaging with staff to explain the financial situation
- Every attempt should be made to reduce the forecast revenue deficit for 2012/13 and all available options should be examined
- A workshop for all members of the council should be arranged after Christmas to discuss the options available before further consideration is given to the 2012/13 budgets, and the CFO should provide further information on the options at that workshop
- All the options outlined in paragraph 6.3 above be considered to address the potential deficit on uncommitted reserves.

7.0 MEDIUM TERM FINANCIAL STRATEGY

7.1 DO submitted a report asking the Working Party to review and consider the key factors that would have an impact on the Medium Term Financial Strategy (MTFS). It was noted that the purpose of the MTFS was to identify the costs of providing existing services as well as any additional services or enhancements to enable an assessment to be made of the likely impact on taxation levels and the levels of reserves and balances and determine whether the council's financial plans were sustainable.

7.2 The report drew attention to the following:-

- Savings of nearly £3 million had been achieved by the council since 2009 with a reduction (net of inflation) in the net cost of services by nearly £1.7 million
- The uncertainties linked to the fragility of the economy and the political decisions needed by the coalition government
- The financing of the capital programme to 2020/21 (see minute 6.3 above)
- Uncertainties related to employee costs, inflation rises, investment income, Council Tax base given the lower rate of housing growth, council tax levels, council tax benefit, New Homes Bonus and core funding
- The need to review the policy on minimum reserve levels (which currently requires a minimum of £1.7 million and limits the draw on all revenue reserves over a 4 year period to a maximum of £2 million)

Action

- Details of the budget deficit 2009/10 to 2012/13 (set out on Appendix B to these minutes at page 7)

7.3 The Working Party considered the approach to be recommended to the management of council finances in the medium term to ensure that they were sustainable and recognised that

DO

- It was difficult to look ahead beyond 2012/13 at the present time in view of the number and significance of the uncertainties outlined above
- There was a close link between the MTFs and the consideration given under minute 6.0 and the proposed workshop to explore available options and it was premature to look ahead at this stage
- The Policy and Resources Committee should be aware – through these minutes - of the council's financial position.

8.0 LAND AT MANOR CLOSE & COSY NOOK, THRAPSTON

8.1 Further to minute 7.0 of the last meeting (Thrapston Parking Options) members were informed of the progress made in progressing the actions recommended and approved by the Policy and Resources Committee. A further report on the valuation of the Manor Close site would be submitted to the next meeting of the working party.

SM

9.0 OUNDLÉ RECYCLING CENTRE

9.1 Further to minute 6.2 of the last meeting (Review of the Asset Management Plan) DO reported on valuations and a site appraisal received for the Oundle Recycling Centre site and adjoining land at Herne Park, East Road, Oundle. .

9.2 Oundle Town Council had made a formal expression of interest in acquiring the recycling centre site. It was noted that part of the site was leased.

9.3 It was

RESOLVED TO RECOMMEND:

- (1) That, initially, advice be sought from the Head of Planning Services on acceptable future uses for the site and a further report be made.
- (2) That, in the short term, the council be minded to lease part of the site to Oundle Town Council.

MD

(Reason – To enable further consideration to be given to generating a capital receipt to assist the council's financial position on (1) and to recognise the local wish to lease part of the site)

ASSET MANAGEMENT PLAN – SITE APPRAISALS

10.0

10.1 Further to minute 6.2 of the last meeting, members received site appraisals for three sites identified at that meeting. After considering the approach to be adopted and the need to realise capital receipts from the sale of council assets, it was

Action

RESOLVED TO RECOMMEND:

(1) That, following consultation with the Head of Planning Services to confirm the preliminary action to be taken, outline planning permission be sought for the site at Newton Road, Rushden and it be offered for sale.

DO

(2) That no action be taken at the present time in relation to two other sites in Rushden but the position be reconsidered at a later date as part of the regeneration of the town.

DO

(Reason – To generate a capital receipt to assist the council's financial position on (1) and to allow reconsideration of the other two sites when a clearer picture emerges on the regeneration of Rushden Town centre)

LOAN - EASTON-ON-THE-HILL PAROCHIAL CHURCH COUNCIL

11.0 The Working Party considered a request from All Saints Easton on the Hill Parochial Church Council for a loan of £8,000 over 10 years to cover part of the costs of repairs to the church roof following two incidents of theft of lead.

11.1

Loans of this nature had, over the past decade, been given interest free and from the council's cash reserves. Members expressed some misgivings about the risks involved, and whether it was an appropriate use of the council's well-being powers.

11.2

RESOLVED TO RECOMMEND:

That the request for an interest free loan of £8,000 be refused but the Parochial Church Council be given advice, by the council's External Funding Officer, on possible sources of grant aid.

(Reason – The loan is not regarded as an appropriate use of the council's well-being powers but the council wishes to help in another way)

**SM/
SD**

Chairman

Draft revenue budget 2012/13

Appendix A

2011-12 Forecast Outturn	Summary	2012-13 Draft Budget
£		£
441,350	Corporate & Democratic Core	432,570
429,778	Central Services to the Public	391,690
4,472,533	Cultural Environmental & Planning	3,806,480
63,415	Highways Roads & Transport	66,430
193,020	General Fund Housing	152,610
4,532,435	Central Departmental & Support Services	4,491,200
618,370	Unapportionable Central Overheads	681,020
10,750,901	Total Service Expenditure	10,022,000
	Other Expenditure/Adjustments	
(1,064,274)	Amount to be met from reserves / savings	(442,710)
(135,000)	Interest on balances	(139,950)
(1,199,274)	Total Other Adjustments	(582,660)
9,551,627	Total Budget Requirement	9,439,340
	Sources of Funding	
(5,473,493)	Revenue Support Grant/NNDR	(4,831,611)
35,701	Transfer From Collection Fund	
(470,000)	Other income grants (NHB etc)	(940,000)
(5,907,792)	Total Funding	(5,771,611)
3,643,835	Amount to be met from Council Tax	3,667,729
30,500	Council Tax Base	30,700
119.47	Equivalent Band D Tax	119.47

Budget deficit 2009/10 - 2012/13						Appendix B
		Changes since 2009/10				
	Actual	Actual	Forecast	Estimate	Total	
	2009/10	2010/11	2011/12	2012/13	10/11-12/13	
	£000	£000	£000	£000	£000	Comments
Budgeted 2009/10 deficit	1,515					
Prior year deficit		621	475	1,064	621	
Add:						
Inflation / growth		400	450	500	1,350	estimated for each year
Less:						
Savings achieved	- 278	- 958	- 1,198	- 840	- 2,996	= net savings + estimated inflation
One-off costs			401	- 401		
Reduction in investment income	22	310	27	- 5	332	
Revised deficit	1,259	373	155	318	- 693	
Funding changes:						
Increase in Council Tax		99	48	36	183	
Change in RSG/NNDR		179	- 1,187	- 642	- 1,650	
H&PDG	649	- 649			- 649	
NHB			355	355	710	
Other grants		232	- 92	90	230	assumes a CT freeze in 2012/13
Collection fund transfers	- 11	37	- 33	36	40	
	638	- 102	- 909	- 125	- 1,136	
Net deficit (funded from reserves)	621	475	1,064	443	443	
Deficit without H&PDG / NHB	1,270	475	1,419	1,153	1,153	