EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	21 January 2013
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	7.00 - 10.01 pm

Members Present: Ms S Stavrou (Chairman), R Bassett, D Stallan, G Waller and C Whitbread

Other Councillors: K Angold-Stephens, K Avey, D Jacobs, J Knapman, A Lion, G Mohindra, Mrs L Wagland and Ms S Watson

Apologies: T Church, C Finn, Mrs R Gadsby, Ms H Kane and H Mann

Officers Present: G Chipp (Chief Executive), D Macnab (Deputy Chief Executive), J Gilbert (Director of Environment and Street Scene), A Hall (Director of Housing), R Palmer (Director of Finance and ICT), P Maddock (Assistant Director (Accountancy)), N Richardson (Assistant Director (Development Control)), M Tipping (Assistant Director (Facilities Management & Emergency Planning)), E Higgins (Insurance & Risk Officer), J Bell (Senior Account), S Amin (Senior Accountant), G J Woodhall (Democratic Services Officer), J Leither (Democratic Services Assistant) and A Hendry (Democratic Services Officer)

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30. WEBCASTING INTRODUCTION

The Chairman reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

31. DECLARATIONS OF INTEREST

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

32. MINUTES

Resolved:

(1) That the minutes of the meeting held on 22 November 2012 be taken as read and signed by the Chairman as a correct record.

33. DETAILED DIRECTORATE BUDGETS 2013/14

The Assistant Director (Accountancy) presented the draft General Fund and Housing Revenue Account (HRA) Budgets for the financial year 2013/14. The budgets had been presented on a Directorate-by-Directorate basis with accompanying notes where significant changes had occurred. It was highlighted that £803,000 of savings in the Continuing Services Budget (CSB) had now been identified, and the reduction of £313,000 in Government support should not now impact upon services. The Directorate budgets were presented to the Cabinet Committee (and Scrutiny Panel) to consider and make recommendations prior to the budget being formerly set during February 2013.

Office of the Chief Executive

The Chief Executive reported that the original estimate for 2012/13 had been expenditure of £2.939million, with a probable outturn of £2.942million. The current draft estimate for 2013/14 was £2.809million, which represented a saving of £133,000 mainly due to there being no District Council elections planned for May 2013.

The Chief Executive stated that the CSB budget showed planned savings of £31,000 for 2013/14, of which the largest item was £22,000 in relation to salary savings for the Chief Executive's post. The District Development Fund (DDF) budget for 2013/14 showed an anticipated income of £89,000, of which the largest item was the reduction in expenditure from no District Councils elections planned for May 2013. An item had been included for the County Council elections planned for May 2013, but a reimbursement of costs was expected from Essex County Council. There was a small additional expenditure included within the Internal Audit budget relating to staffing costs from increased audit activities.

The Chief Executive highlighted the position for the individual cost centres within the Office of the Chief Executive, in comparison to 2012/13:

- Corporate Activities £52,000 reduction in expenditure;
- Elections £112,000 reduction in expenditure;
- Member Activities £16,000 increase in expenditure;
- Voluntary Sector Support £15,000 increase in expenditure;
- Other Activities £1,000 increase in expenditure; and
- Support Services £10,000 increase in expenditure.

The Assistant Director clarified that the planned expenditure of £261,000 for Elections comprised of £163,000 for Electoral Registration and £98,000 for any potential District Council bye-elections during the year. The increase in expenditure of £16,000 for the Civic & Member budget heading had been caused by a number of items being moved from Corporate Policy Making to Civic & Member.

The income of £69,000 for Members Allowances was queried by the Portfolio Holder for Safer, Greener & Highways; it was explained that this related to the recharge of Members' Allowances to the Housing Revenue Account, and therefore showed as income in the General Fund. For both the Civic & Member and Members Allowances budget headings, 22% of the expenditure was charged to the Housing Revenue Account as this related to the Housing items discussed at the Council, Cabinet and Scrutiny Panels.

The Members considered that the level of recharges made it difficult to analyse whether the service was providing value for money and whether it should be retained in-house or out-sourced. The Finance & Performance Management Scrutiny Panel was requested to investigate recharges as Members found the current system was confusing.

The £18,000 grant to the Essex Women's Refuge was also queried, as it was felt that this was a service run by the County Council and should not be funded by the District Council. The Chief Executive undertook to study the situation and report back to Members.

Corporate Support Services

The Assistant Director of Corporate Support Services (Facilities Management & Emergency Planning) reported that the original estimate for 2012/13 had been for net income of £1.534million, with a probable outturn of £1.988million. The current draft estimate for 2013/14 was net income of £1.843million, which represented a reduction of £145,000.

The Assistant Director stated that the CSB budget showed increased income from the Council-owned Industrial Estates for 2013/14, of which the largest item was £70,000 in relation to Brooker Road. The District Development Fund (DDF) budget for 2013/14 showed anticipated expenditure of £223,000, of which the largest item was the expenditure of £154,000 for the Planned Building Maintenance Programme. The Fleet Operations section was showing a small surplus of £5,000 for the coming year. It had lost the business from a franchise dealer in Langston Road but the Council was looking to increase its business by advertising the services available.

The Assistant Director highlighted the position for the individual cost centres within Corporate Support Services, in comparison to 2012/13:

- Land & Property £207,000 reduction in income;
- Other Activities £60,000 reduction in expenditure;
- Regulatory Services £2,000 increase in income;
- Legal & Administration £11,000 increase in expenditure;
- Accommodation Services £33,000 reduction in expenditure; and
- Support Services £91,000 increase in expenditure.

The Assistant Director advised the meeting that the Home Office provided guidance that had to be followed by the Council in respect of setting fees for Hackney Carriage licences, although the Council was supposed to break even rather than make a profit. It was acknowledged that the licensing of Premises (for the sale of alcohol) was costing the Council £40,000 per annum to provide; the Assistant Director undertook to investigate whether the Council had any scope to increase these fees to cover the Council's costs and report back to Members.

Office of the Deputy Chief Executive

The Deputy Chief Executive reported that the original estimate for 2012/13 had been expenditure of £1.6million, with a probable outturn of £1.761million. The current draft estimate for 2013/14 was for expenditure of £1.689million, which represented a saving of £72,000. The largest proportion of this expenditure was £76,000 of District Development Funding for the North Weald Airfield Consultancy exercise.

The Deputy Chief Executive stated that the CSB budget showed planned savings of £28,000 for 2013/14, of which the largest item was an additional £32,000 of income from the All Weather pitch at Townmead. The District Development Fund (DDF) budget for 2013/14 showed an anticipated expenditure of £73,000. Youth Council expenditure had been transferred from DDF to CSB, in line with Member wishes, and would remain there until a decision was made to remove the funding. However, the Youth Council would still be expected to report annually to the Overview and Scrutiny on their activities.

The Deputy Chief Executive highlighted the position for the individual cost centres within the Office of the Deputy Chief Executive, in comparison to 2012/13:

- Arts & Museum £8,000 reduction in expenditure;
- Sports Development etc £70,000 reduction in expenditure;

- Other Activities £6,000 increase in expenditure; and
- Support Services £6,000 increase in expenditure.

The Deputy Chief Executive added that the shared museum service with Broxbourne Borough Council was increasing attendance and volunteering at the Council's own museum in Waltham Abbey, as well as reducing overheads. The County Library Service was also now providing information services at Waltham Abbey and Loughton through a Service Level Agreement, reducing the Council's direct salary costs. The section was looking to share some Health Development work with Harlow District Council during the coming year.

<u>Environment & Street Scene</u>

The Director for Environment & Street Scene reported that the original estimate for 2012/13 had been for expenditure of £9.384million, with a probable outturn of £9.512million. The current draft estimate for 2013/14 was for expenditure of £9.982million, which represented an increase of £470,000.

The Director stated that the CSB budget showed planned growth of £17,000 for 2013/14, which was predominantly caused by the anticipated loss of rents from North Weald Market. The District Development Fund (DDF) budget for 2013/14 showed an anticipated expenditure of £20,000. The Director highlighted the projected loss of rental income from North Weald Airfield, depreciation charges within Waste Management and Leisure Facilities, and the contribution to the Housing Revenue Account (HRA) within Parks and Grounds as significant items of expenditure for the Directorate budget.

The Director highlighted the position for the individual cost centres within Environment & Street Scene, in comparison to 2012/13:

- Environmental Health £32,000 increase in expenditure;
- Waste Management £176,000 increase in expenditure;
- Highways £42,000 increase in expenditure;
- Car Parking £14,000 reduction in expenditure;
- Land Drainage & Sewerage £17,000 reduction in expenditure;
- Safer Communities £34,000 increase in expenditure;
- Leisure Facilities £40,000 reduction in expenditure;
- Parks & Grounds £33,000 increase in expenditure;
- North Weald Centre £196,000 reduction in income; and
- Support & Trading Services £117,000 increase in expenditure.

The Director advised the Cabinet Committee that the County Council refunded the District Council for some of the work it performed on highways Trees, some of the bus shelters within the District were actually owned by the Council and therefore had to be maintained. It was acknowledged that verge maintenance was a County Council function, but the District Council performed additional verge maintenance works to keep them in good order. In respect of Fly Tipping, the Council endeavoured to deal with the problem within existing budgets and looked to recoup its costs from successful prosecutions. It was confirmed that Fly Tipping cost the Council approximately £15,000 per annum.

The Assistant Director of Finance confirmed that the £40,000 spent on Eton Manor Prosecution Costs in 2012/13 related to the Council's external legal costs for the case. The reduction in income for the market at North Weald Airfield was split between the CSB and the DDF. The lower income from the Airfield related in the main to problems being experienced with the Market. Members highlighted the

Highways cost centre as an area for potential savings in 2014/15, but the Assistant Director warned that this cost centre contained significant depreciation charges.

The Deputy Chief Executive reminded the Cabinet Committee that a recent external benchmarking exercise had indicated the Council's Grounds Maintenance section provided good value for money. The Members present queried the high depreciation charges being levied against Refuse Collection and Recycling within the Waste Management cost centre. The Assistant Director undertook to provide Members with more detail on this in the near future.

Finance & ICT

The Assistant Director for Finance & ICT (Accountancy) reported that the original estimate for 2012/13 had been for expenditure of £1.759million, with a probable outturn of £2.052million. The current draft estimate for 2013/14 was for expenditure of £2.038million, which represented a saving of £14,000.

The Assistant Director stated that the CSB budget showed planned growth of £24,000 for 2013/14, which was predominantly caused by the anticipated loss of subsidy for Housing Benefit Administration. The District Development Fund (DDF) budget for 2013/14 showed anticipated expenditure of £17,000, of which the largest item was the proposed expenditure in respect of Local Council Tax Support. The Assistant Director highlighted that Council Tax Benefit had been abolished in favour of Local Council Tax Support.

The Assistant Director highlighted the position for the individual cost centres within Finance & ICT, in comparison to 2012/13:

- Housing Benefits £273,000 increase in expenditure;
- Local Taxation £49,000 increase in expenditure;
- Other Activities £336,000 reduction in income;
- Finance Support Services £103,000 increase in expenditure; and
- ICT Support Services £35,000 reduction in expenditure.

The Assistant Director informed the Cabinet Committee that there had been no further indication from the Government as to when the Council's Fraud Officers would be transferring to the Department of Work & Pensions as part of the Government's Welfare Reforms. It was also highlighted that a portion of the anticipated £24,000 saving on the car leasing scheme would be attributed to the Housing Revenue Account.

Housing General Fund

The Director for Housing reported that the original estimate for 2012/13 had been for expenditure of £2.253million, with a probable outturn of £1.262million. The current draft estimate for 2013/14 was for expenditure of £1.679million, which represented an increase of £417,000.

The Director stated that the CSB budget showed an increase of £23,000 for 2013/14 although this was due to inflation, with no growth items listed. The District Development Fund (DDF) budget for 2013/14 showed an anticipated expenditure of £14,000.

The Director highlighted the position for the individual cost centres within the Housing General Fund, in comparison to 2012/13:

- Private Sector Housing £57,000 increase in expenditure;
- Homelessness £7,000 increase in expenditure; and

- Other Activities £353,000 increase in expenditure.

The Director informed the Cabinet Committee that there was already some Section 106 monies currently available, but there was the potential for more to be available in the future to fund the Council's Housebuilding Programme.

Planning & Economic Development

The Assistant Director for Planning & Economic Development (Development Control) reported that the original estimate for 2012/13 had been for expenditure of £3.331million, with a probable outturn of £3.446million. The current draft estimate for 2013/14 was for expenditure of £3.078million, which represented a saving of £368,000.

The Assistant Director stated that the CSB budget showed income of £50,000 for 2013/14, mainly due to an anticipated increase in Planning Fees income. The District Development Fund (DDF) budget for 2013/14 showed a planned expenditure of £376,000.

The Assistant Director highlighted the position for the individual cost centres within Planning & Economic Development, in comparison to 2012/13:

- Direct Services £357,000 reduction in expenditure;
- Regulatory Services £11,000 reduction in expenditure; and
- Support & Trading Services £8,000 reduction in expenditure.

The Assistant Director commented that Planning Fees had been increased by 15% in November 2012, and the decrease in the Local Plan budget was due to additional resources being utilised from within the Policy & Conservation section. Income from Building Control had been reducing, but as this was a ring-fenced account then there would be no effect on the General Fund.

The proposed £219,000 of expenditure for Town Centre Enhancement schemes was questioned. The Assistant Director (Accountancy) stated that £198,000 of this expenditure was depreciation charges relating mainly to infrastructure works, and the Council used 25 years as a depreciation period. The Assistant Director undertook to discover if this heading included the Buckhurst Hill Town Centre Enhancement scheme from the 1990's. It was suggested that this budget heading should be renamed to reflect better the nature of the expenditure.

It was highlighted that the costs of Planning Appeals was still not being split between costs where the Council was at fault during the process, or cases where the Council simply lost the appeal, even though this had been previously agreed when a report on supplementary finance for such costs had been considered by the Cabinet. The Planning Portfolio Holder undertook to provide the Member with the required information as a report on this subject had been considered by the Planning Scrutiny Panel. The Assistant Director (Development Control) cautioned the Cabinet Committee that the Council was liable to incur more costs from Planning Appeals in the future, including possibly the cost of the Planning Inspector.

The Assistant Director acknowledged that it was frustrating the Council could not charge for a second planning application on a site if this application was received within one year of the initial refusal. This was very expensive for major applications within the District as these tended to take more Officer time than smaller applications.

Housing Revenue Account

The Director for Housing reported that the original estimate for 2012/13 had been for a deficit of £301,000, with a probable deficit of £938,000. The current draft estimate for 2013/14 was for a surplus of £127,000, which represented an improvement of £1.065million. The original estimate for the Housing Repairs Fund for 2012/13 had been for a deficit of £461,000, with a probable surplus of £589,000. The current draft estimate for 2013/14 was for a surplus of £79,000, which represented a reduction in the surplus of £510,000. The original estimate for the Major Repairs Reserve for 2012/13 had been for s deficit of £681,000, with a probable outturn of a surplus of £1.714million. The current draft estimate for 2013/14 was for a deficit of £1.787million, which represented a change of £3.501million.

The Director reported that there had been an increase in the provision for bad debts due to the implementation of the Government's Welfare Reforms. It was thought that rent arrears could double due to the direct payment of Housing Benefit to claimants, instead of being used to directly pay off the applicant's rent arrears. An extra £2million of income had been budgeted in 2013/14 due to it being a 53 week year and the proposed rent increase averaging at 4.36%. The item entitled Transfer to Debt Repayment Reserve, with £3.18million allocated for 2013/14, was to pay one of the loans taken out to facilitate the move to self-financing of the HRA. The majority of the loans had been taken out with the Public Works Loan Board and were due to mature in 25 years time. However, one loan of £31.8million had been taken out at a variable rate of interest and would mature in ten years time. The Housing Portfolio Holder had thought it prudent to put aside 10% of the loan principal each year so that the Council would have the full amount available to pay off the loan when it matured.

The Director highlighted the position for the individual cost centres within the Housing Revenue Account, in comparison to 2012/13:

- Supervision & Mgmt (General) £42,000 increase in expenditure;
- Supervision & Mgmt (Special) £25,000 increase in expenditure;
- Rents, Rates, Taxes etc £15,000 increase in expenditure;
- Other Expenditure £84,000 increase in expenditure;
- Capital Charges £587,000 reduction in expenditure;
- Property Related Income £1.896million increase in income;
- Interest Income £67,000 reduction in income;
- Interest Payable £24,000 increase in expenditure;
- Support & Trading Services £18,000 increase in expenditure; and
- Housing Repairs Programme £79,000 increase in surplus.

When questioned by Members, the Director of Housing stated that the proposed rent increase for 2013/14 would be discussed with the Tenants & Leaseholders Federation at their next meeting, but the Federation was aware of the rent increases due to the policy of rent convergence. The Housing Portfolio Holder added that the money raised by the rent increases would be used to invest in the Council's housing stock, which was why a lower increase was not recommended for 2013/14. The Director informed the Cabinet Committee that, as the HRA subsidy system had been disbanded, the Council would not suffer any penalty from 20% of its properties not achieving rent convergence by April 2017.

The Director reported that the HRA was receiving a contribution from the General Fund relating to the Grounds Maintenance work undertaken on estates which contained council-owned property, and that there was provision in the HRA 30-year plan to repay the other loans from the Public Works Loan Board when they mature in 25 years time.

General Comments

There was concern expressed about the level of reserves that the Council currently had. At the end of 2016/17, the reserves were predicted to stand at 57% of the Council's net budget requirement, which was more than double the stated aim of 25%. It was felt that this level of reserves was not needed and that the Council should start to use these funds for the benefit of its residents.

Recommended:

(1) That the detailed Directorate budget for the Office of the Chief Executive be recommended to the Cabinet for approval;

(2) That the detailed Directorate budget for Corporate Support Services be recommended to the Cabinet for approval;

(3) That the detailed Directorate budget for the Office of the Deputy Chief Executive be recommended to the Cabinet for approval;

(4) That the detailed Directorate budget for Environment and Street Scene be recommended to the Cabinet for approval;

(5) That the detailed Directorate budget for Finance & ICT be recommended to the Cabinet for approval;

(6) That the detailed Directorate budget for the Housing General Fund be recommended to the Cabinet for approval;

(7) That the detailed Directorate budget for Planning & Economic Development be recommended to the Cabinet for approval;

(8) That the detailed Directorate budget for the Housing Revenue Account be recommended to the Cabinet for approval; and

(9) That the Finance & Performance Management Scrutiny Panel be requested to investigate the issue of recharging within the Council's budgets and make any recommendations accordingly.

Reasons for Decision:

To give Members an opportunity to review and provide recommendations on the detailed budget prior to adoption by the Cabinet and the Council.

Other Options Considered and Rejected:

Other than deciding not to review the budget there were no other options.

34. RISK MANAGEMENT - CORPORATE RISK REGISTER

The Senior Finance Officer (Risk Management and Insurance) presented a report regarding the Council's Corporate Risk Register.

The Corporate Risk Register and Risk Management document had been considered by the Risk Management Group on 26 November and the Corporate Governance Group on 5 December. These reviews had identified some amendments to the Corporate Risk Register, however, no new risks had been identified. The amendments, which had been identified and incorporated into the register, were as follows:

(a) Risk 30 – Reduction in Government Funding

The wording of both the risk Vulnerability and Trigger had been amended to reflect the updated position.

(b) Risk 18 – Loss or theft of data

Both groups decided the likelihood had moved from significant to low and this change had been added to the Corporate Risk Register and the action plan had been amended to reflect this decision.

(c) Risk 8 – Business Continuity Planning

At the Finance and Performance Management Cabinet Committee on 22 November 2012, Councillor Waller requested a review of the Business Continuity Planning Risk. The Council was carrying out a review of the Corporate Business Continuity and the Risk Management and Corporate Governance Group would consider this Risk further when the review was completed. This was due in the second quarter of 2013.

It was reported that the Council was under a legal obligation to bring the Gazetteer up to the required standard and it had been agreed to fund this update at the Cabinet meeting held on 10 January 2013. It was noted that the Gazetteer had a significant impact on the Council. Although, this would be a temporary measure whilst the works were being completed, it should still be added to the risk register to ensure the Council had the correct focus on it.

Councillor Waller also queried the current matrix used by the Council to represent the Corporate Risk Register. The majority of the boxes were empty and there were no risks listed as either Negligible or Catastrophic. It was felt that a more suitable matrix should be used. The Senior Finance Officer commented that this could indicate the Council was managing its risks well if there were none listed as Catastrophic, however other suitable matrices would be examined for possible use.

Members queried why Risk 1, Recruitment Restrictions, was still on the risk register, as the restrictions had been removed at the same meeting of the Cabinet on 10 January. The Senior Finance Officer reported that the meetings of the Risk Management Group and Corporate Governance Group which had reviewed the Corporate Risk Register had been held before the decision by the Cabinet. This risk would be reviewed and deleted as part of the next scheduled update.

Members were asked to consider the updated Corporate Risk Register, that the risks listed were scored appropriately, whether there were any additional risks that should be included and whether the tolerance line should be amended.

Recommended:

(1) That Risk 8, Business Continuity Planning, be reviewed following the completion of the Council's Corporate business continuity Review;

(2) That the rating for Risk 18, Loss or Theft of Data, be reduced to a score of D2 (Low Likelihood, Critical Impact);

(3) That the Vulnerability and Trigger for Risk 30, Reduction in Government Funding , be amended to reflect the results of the Comprehensive Spending Review;

(4) That the current tolerance line on the risk matrix be considered satisfactory and not be amended; and

(5) That, incorporating the above agreed changes, the amended Corporate Risk Register be approved.

Reasons for Proposed Decision:

It was essential that the Corporate Risk Register was regularly reviewed and kept up to date.

Other Options Considered and Rejected:

To suggest new risks for inclusion or amendments to the scoring of existing risks.

35. ANY OTHER BUSINESS

Resolved:

(1) That, in accordance with Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules, the Chairman had permitted the following item of urgent business to be considered following the publication of the agenda:

(a) Council Budgets 2013/14.

36. COUNCIL BUDGETS 2013/14

The Assistant Director (Accountancy) presented a report detailing the proposed Council Budget for 2013/14, which would enable the Council's policy on the level of reserves to be maintained throughout the period of the Medium Term Financial Strategy (MTFS). The budget was based on the assumption that Council Tax would be frozen and that average Housing Revenue Account rents would increase by 4.36% in 2013/14.

The Assistant Director advised that the Financial Issues Paper (FIP) was prepared against the background of cuts in public expenditure, ongoing difficulties within the economy and highlighted the uncertainties associated with Local Government Resource Review, Business Rates Retention, Welfare Reform, New Homes Bonus, Double-Dip Recession, Development Opportunities, Community Budgets, and Organisational Review. There was now greater clarity on some of these issues, but several of them would not be resolved for some time.

In setting the budget for the current year it had been anticipated adding £13,000 to the general fund reserves. This was possible as the savings achieved during the budget process last year had exceeded the target and produced a Continuing Services Budget (CSB) balance below that which had been anticipated. The small addition of £13,000 was welcome as the MTFS at that time was predicting the use of just over £1million of reserves to support spending in the following three years.

The revised four year forecast presented with the FIP took into account all the additional costs known at that point and highlighted the structural reform to local authority finances due to the local retention of business rates and the Government's programme of welfare reforms. This projection showed a need to achieve savings of £250,000 on the 2013/14 estimates, £400,000 in 2014/15 and 2015/16 and £200,000 in 2016/17 to keep revenue balances above the target level at the end of 2016/17. The FIP established the following budget guidelines for 2013/14: the ceiling for CSB net expenditure be no more than £14.91million including net growth/savings; the ceiling for District Development Fund (DDF) net expenditure be no more than £0.560million; and the District Council Tax to be frozen.

The Assistant Director reported that the Government's Comprehensive Spending Review had only provided two years worth of figures instead of the usual four because of the Government's desire to radically change the system of funding local authorities. The figures for 2013/14 and 2014/15 were only received late in December 2012. Under a new system, the Council had been placed in band 3 which meant that its reduction in Formula Grant had been limited to 9.4%, or £606,000. The final Grant figure of £6.05million had been £313,000 lower than anticipated.

The Government had introduced a new scheme of Business Rates Retention, but the detailed regulations and guidance was still awaited. For Epping Forest, the predicted amount of non-domestic rates to be collected in 2013/14 had been set at £31.888million. Of this, 40%, or £12.755million related to the Council, but the amount of business rates to be retained by the Council had already been set by the Government at £2.909million, and the difference (being £9.846million) had to be paid to the Government as a 'Tariff' to be used to top-up Councils whose income from non-domestic rates fell below their expected amount.

The Assistant Director reminded the Cabinet Committee that Council Tax Benefit was being abolished and replaced with Local Council Tax Support, as part of the Government's Welfare Reform measures.. The scheme adopted by the Council in December should reduce current expenditure from £8.95million to £7.68million. The national introduction of a weekly benefits cap had been deferred until September 2013, whilst there was no further news regarding the introduction of a single Universal Credit.

For the New Homes bonus, the Council was due to receive approximately £550,000; it was proposed to add this to CSB income. The Council had received £1.269million over the last three years, which had offset 40% of the reduction in Formula Grant. No additional income from the New Homes Bonus beyond 2013/14 had been allowed for. The Double Dip recession was putting pressure on the Council's income streams, and these would need to be closely monitored throughout 2013/14. There were development opportunities available to the Council which could increase its income in the long-term, however given the lack of certainty at the current time, these had not been included in the budget for next year. There was the possibility of an organisational review in the next twelve months, following the appointment of a new Chief Executive, but nothing had been included in the budget for this at the current time.

The Cabinet Committee was reminded that the Medium Term Financial Strategy was based on a number of important assumptions, including the following:

- Future Government funding would reduce by 2% for 2015/16 and 2016/17.
- CSB growth had been restricted and the CSB target for 2013/14 of £14.91 million had been achieved. The known growth beyond 2014/15 had been included but would be subject to a further review to help identify savings.
- All known DDF items were budgeted for, and because of the size of the Local Plan programme the closing balance at the end of 2016/17 was anticipated to reduce to £1.63m.

- Maintaining revenue balances of at least 25% of NBR. The forecast indicated that the deficit budgets throughout the period would reduce the closing balances at the end of 2016/17 to £7.8m or 57% of NBR for 2016/17, although this could only be done with further savings in 2014/15 and subsequent years.

Due to further savings identified, the CSB total for 2013/14 was £538,000 lower than expected, and it was therefore proposed to reduce the CSB target to £14.37million. Although the DDF profile for 2013/14 was £303,000 higher than expected, it was still expected to have sufficient funds available through to the end of the MTFS. Members had indicated that the Council should benefit from the Council Tax freeze grant available for 2013/14. Therefore, the Council Tax would not be increased for 2013/14.

The Assistant Director reported that the balance on the Housing Revenue Account (HRA) at 31 March 2014 was expected to be £3.683m, after a deficit of £938,000 in 2012/13 and a surplus of £127,000 in 2013/14. The estimates for 2013/14 had been compiled on the new self-financing basis and so the negative subsidy payments had been replaced with borrowing costs. The process of Rent Restructuring to bring Council rents and Housing Association rents in convergence was continuing. The rent increase for 2013/14 was likely to see a narrowing of this gap with an average rent increase of 4.36% for Council dwellings. The HRA had had substantial balances for some time and this position was expected to continue under self-financing. Both the Housing Repairs Fund and the Major Repairs Reserve were expected to maintain positive balances throughout the medium term.

Finally, the Assistant Director drew the Cabinet Committee's attention to the Council's Capital Programme, where priority had been given to those schemes that would generate revenue in subsequent periods. The Programme currently indicated £83million of expenditure over the next five years with £7.8million of usable capital receipts available at the end of the period. The Council's Treasury Management Strategy had also been amended to allow for the £185.456million borrowed to pay for the self-financing of the Housing Revenue Account.

The members present asked a number of questions, to which the Assistant Director gave the following answers:

- The Council did receive an allowance of £173,000 from the Government for collecting non-domestic rates, but the true cost of collection was much higher.
- An item had been included in the CSB to improve collection rates for non-domestic rates, but if these collection rates worsened then the other authorities would have to take their share of the decrease.
- The New Homes Bonus was originally top-sliced from the Council's formula Grant, so the presumption was that if the New Homes Bonus was abolished then the Council would receive an increase in its Formula Grant.
- A substantial amount of the DDF increase for 2013/14 was actually carry forwards of agreed expenditure for 2012/13.
- A further return of £68,000 was expected from the administrators for Heritable Bank in respect of the Council's investment in 2013/14.
- The current Medium Term Financial Strategy indicated that the Council would not breach either of its longer-term guidelines in the period to March 2017.

With currently more than 500 appeals lodged with the Valuation Office regarding properties in the District, if each one of these was successful then the Council would face a significant shortfall in its income. Based on previous experience, and following discussions with the Valuation Office, a prudent provision had been calculated and included in the budget for 2013/14. This appeared to be an area of concern for the

Government but no regulations had yet been issued about how the Council could treat such refunds. It was suggested that the Council should lobby the Department of Communities & Local Government about the unfairness of the current non-domestic rates appeals system.

RECOMMENDED:

(1) That, in respect of the Council's General Fund Budgets for 2013/14, the following guidelines be adopted:

(a) the revised revenue estimates for 2012/13, and the anticipated reduction in the General Fund balance of £29,000;

(b) a reduction in the target for the 2013/14 CSB budget from £14.91million to £14.37million (including growth items);

(c) an increase in the target for the 2013/14 DDF net spend from £560,000 to £863,000;

(d) no change in the District Council Tax for a Band 'D' property to retain the charge at £148.77;

(e) the estimated reduction in General Fund balances in 2013/14 of £44,000;

(f) the four year capital programme 2013/14 – 16/17;

(g) the Medium Term Financial Strategy 2012/13 – 16/17; and

(h) the Council's policy on General Fund Revenue Balances to remain that they be allowed to fall no lower than 25% of the Net Budget Requirement;

(2) That, including the revised revenue estimates for 2012/13, the 2013/14 HRA budget be agreed;

(3) That the application of the rent increases and decreases proposed for 2013/14, in accordance with the Government's rent reforms and the Council's approved rent strategy, by an average overall increase of 4.36% be noted; and

(4) That the Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2013/14 budgets and the adequacy of the reserves be noted.

Reasons for Decisions:

The decisions were necessary to assist the Cabinet in determining the budget that would be placed before the Council on 19 February 2013.

Other Options Considered and Rejected:

The Cabinet Committee could decide not to approve the recommended figures and instead specify which growth items they would like removed from the lists, or ask for further items to be added.

CHAIRMAN