

FINANCE AND GOVERNANCE COMMITTEE

Minutes of a Meeting of the Finance and Governance Committee held in Council Chamber, The Grange, Nutholt Lane, Ely, on Thursday 31 January 2013 at 4.00pm.

PRESENT

Councillor Peter Moakes (Chairman)
Councillor Kevin Ellis
Councillor Tony Goodge
Councillor Chris Morris
Councillor Neil Morrison
Councillor James Palmer
Councillor Philip Read
Councillor Charles Roberts
Councillor Gareth Wilson
Councillor Hazel Williams MBE (substitute for Councillor Sheila Friend-Smith MBE)
Councillor Andy Wright

APOLOGIES

Councillor Sheila Friend-Smith MBE

In attendance

Councillor Bill Hunt
Councillor Tom Kerby

Rod Urquart – Anglia Revenues Partnership (ARP)

John Hill – Chief Executive
Linda Grinnell – Head of Finance
Andrew Killington – Deputy Chief Executive
Trevor Bowd – Principal Auditor
Tony Grzybek – Principal Accountant
Tony Taylorson – Communications and Media Manager
Tracy Couper – Principal Democratic Services Officer

68. **PUBLIC QUESTION TIME**

No questions were submitted by the members of the public.

69. **DECLARATIONS OF INTEREST**

There were no declarations of Interests by Members of the Committee.

70. **MINUTES**

It was resolved:

That the minutes of the meeting of the Committee held on 20 December 2012 be confirmed as a correct record and signed by the Chairman.

71. **CHAIRMAN'S ANNOUNCEMENTS**

Independent Remuneration Panel (IRP) Report

The Chairman announced that further to the E-mail to all Councillors from the Chief Executive dated 28 December 2012, consideration of the IRP report had been deferred to the Finance and Governance Committee meeting on 25 March 2013, which would then make recommendations to Annual Council on Tuesday 14th May 2013 where the final decision would be taken.

This was to allow adequate time for Members to effectively consider the wider ranging implications of the IRP report (including the wider budget issues) within their Groups.

72. **ITEMS RECOMMENDED FROM COMMITTEES**

The Committee considered a report (reference M219, previously circulated) detailing a recommendation from Development and Transport Committee on 10 January 2013 in relation to expenditure to implement a programme of support to Community Land Trusts (CLTs). The Chief Executive highlighted some corrections required to the figures in the table in paragraph 4.1 of the report, although these did not affect the overall total for the funding over the 2 year period of £195,000. The Chief Executive explained in more detail the four components for the funding of:

- Preparation of CLT Toolkit;
- Set-up grants for local communities;
- Pre-development loan bank – would allow for 2 loans in 2013/14 and 1 loan in 2014/5;
- ECDC dedicated support to CLTs – this was open to discussion and represented 50% of a FTE and could be via secondment or direct employment.

Councillor Williams MBE stated that she was in favour of affordable housing however delivered, but considered that the proposals were

optimistic as the Toolkit would take at least 6 months to be delivered, which would cut down the two year period over which CLTs could be developed. She commented that CLTs had been most predominant in the West Country but these had taken years to deliver and needed local community input. Councillor Williams queried if any funding and assistance was being provided by local Housing Associations, as Housing Associations had significant involvement in the West Country. The Chief Executive confirmed that the Toolkit would be delivered in the first 6 months and was the first priority. CLTs could use a number of funding and support mechanisms and the local Stretham and Wilburton CLT had used Foundation East for this purpose. Improvement East regarded the experience of the development of the CLT at Stretham and Wilburton as a blueprint for CLTs for this region and were proposing to hold a conference on the issue. No funding had been requested or offered by the local Housing Association, Sanctuary Hereward, and it was up to a CLT to decide its own funding and support arrangements.

Councillor Palmer stated that he was very positive about the project and did not believe that the development of CLTs would take years, as a newer, more dynamic method of delivery had been developed in East Cambs by the Stretham and Wilburton CLT. Councillor Palmer considered that CLTs would be popular with Parishes and would provide truly affordable housing. In view of recent media reports on the increase in rent levels in East Cambridgeshire, CLTs could be an innovative way to address the issue.

At the invitation of the Chairman, Councillor Bill Hunt addressed the Committee as a local Ward Member for the Stretham and Wilburton CLT. He stated that Councillor Roberts and himself, as the local Members, shared the vision for CLTs, and particularly the Stretham and Wilburton CLT, and had supported the idea from inception to where it was now. Councillor Hunt stated that he was mainly speaking as the County Council Member for the Division and drew attention to the fact that Cambridgeshire was the fastest growing County in the Country, with 12% growth in the last 10 years. Councillor Hunt gave a number of examples of growth projects within the County. However, he stated that this growth would have an upward pressure on house prices and rents in East Cambridgeshire, as people wanted to move into an area with higher paid jobs and excellent transport links which made living in East Cambridgeshire even more attractive. Therefore, we needed to give young people on moderate and low incomes a chance of proper affordable housing, at rents and prices that could be afforded in sustainable communities. Councillor Hunt stated that by supporting these proposals, East Cambridgeshire would be in the lead for a relatively small investment, allowing huge potential gain and representing real local control, showing localism at its best. CLTs would prevent 'geriatric ghettos' and give young people with strong village connections a real reason to choose East Cambridgeshire as a place to live and work. Therefore, Councillor Hunt recommended complete support of this policy.

Councillor Wilson stated that he was heartened by the optimism in relation to CLTs and hoped that these worked, but they were not the only form of affordable housing provision and the Council also needed to promote other methods such as exception sites rather than 'putting all our money on one horse'. The Chairman confirmed that there was no suggestion that CLTs were the only route to affordable housing provision, and that housing developments also would have an element of affordable housing provision.

Councillor Wright commented that affordable housing was a misleading phrase, as Housing Associations charged rents that were still subject to Housing Benefit. He considered it a mistake that the Council had sold its housing stock and that the Council should also work with other bodies/charities providing housing locally, e.g. Feoffes charity. Councillor Wright stated that 10 houses cost approximately £1m to build and that modest rents would not meet the ongoing management costs of such developments and so would need ongoing support from this Council.

Councillor Roberts explained the basis of the Stretham and Wilburton CLT, in order to demonstrate how affordable rents could be achieved. The overall development was for 55 houses, with 15 plots allocated to the CLT and the CLT receiving a share of the uplift on the rest of the land to be developed. This uplift would fund the development of half of the 15 CLT homes, enabling the rents on the properties to be at half of market rents and still break-even. Councillor Roberts commented that a critical success factor for the Stretham and Wilburton CLT was that it was locally led by a number of capable individuals with a wide range of skills and experience and good support from professionals. However, Councillor Roberts acknowledged that a great deal of work was involved and that the Toolkit would be an important factor.

Councillor Wright commented that the CLT had to become a developer which was a difficult role to undertake and questioned how the land had been identified. Councillor Roberts explained the land acquisition process.

Councillor Read commented that the principle of exception sites was that all of the site must be developed for affordable housing. Therefore, he expressed concern that this was not the case for CLTs and stated that this was why he could not support them.

It was resolved:

That approval be given to the expenditure detailed in paragraph 4.1 of the submitted report (as corrected) for inclusion in the 2013/14 and 2014/15 Budget to implement a programme of support to Community Land Trusts.

73. **MEDIUM TERM FINANCIAL STRATEGY 2012/13 – 2016/17**

The Committee considered a report (reference M220, previously circulated) detailing the latest financial projections for the Medium Term Financial Strategy for the period 2012/13 – 2016/17 in preparation for the setting of the 2013/14 revenue budget, capital programme and council tax.

The Head of Finance reported that the income collection targets included in paragraph 10.1 of the report were those contained in the ARP Performance agreement, and that these would be monitored closely in light of the changes to Council Tax.

Councillor Wilson highlighted the fact that this item was agreeing the overall principles and that the detail would be agreed in the Budget item later in the Agenda. With regard to individual items in the MTFs, Councillor Wilson queried significant changes over the period of the MTFs in the following items in the Subjective Analysis at Appendix 3 of the report:

- Rent and Rates
- Professional Services
- Grants/Subscriptions

The Head of Finance explained that the significant increase in Rent and Rates in the current year was due to Bed and Breakfast charges for Homelessness and that this had been adjusted for future years to reflect the predicted costs related to the new policies being implemented on this issue. Similarly the significant increase in the Professional Services heading and reduction in subsequent years was due to the agency, hostel, and removals and storage costs related to Homelessness. The Grants/Subscriptions heading reduction related to technical adjustments required to the accounting for Disabled Facilities Grants and Renovation Grants.

Councillor Wright referred to an assurance given previously that the Change Management figure would be reviewed. He also queried how the Council could produce a MTFs when the Capital Programme would be reduced to nil from 2014/15 onwards and questioned how the CIL income was to be managed, if this was to be relied upon to fund the Capital Programme in the future. Councillor Wright stated that CIL income should be managed via this Committee. In response to these questions, the Deputy Chief Executive reported that the Change Management Reserve was for staffing reductions and changes and was being used at present in relation to the changes to the Housing Service and some Financial Services issues. It had been reduced in order that £60K per year was available for the next 4 years, and this seemed to be an appropriate figure to retain. With regard to CIL income, the Chief Executive stated that CIL income would be treated like any other Budget heading and there was likely to be a CIL programme in the future.

Councillors Williams, Read and Palmer commented that CIL would operate differently to S106 funding and that this message needed to be clearly conveyed to Parish Councils in order that they understood that CIL would not be Parish specific and that there were likely to be requests from the Principal Authorities for contributions from the 'meaningful proportion' allocated to Parishes towards local infrastructure projects.

Councillor Goodge commented that there was no increase for IDB Levies, although there was likely to be up to a 5% increase by some IDBs, and he also referred to the increase in Direct Employee Expenses. With regard to the New Homes Bonus, Councillor Goodge referred to the fact that 60% of the Budget was used for salaries and he commented that a greater proportion should be used for extra facilities within the District. With regard to IDBs, the Head of Finance reported that an inflationary increase of 6.5% had been factored into the MTFS. On Direct Employee Expenses, the Deputy Chief Executive that the increase over the MTFS period was due to allocations for the incremental progression of staff, projected pay awards and pension contributions, rather than for any increase in the establishment.

Councillor Wilson commented that the overall message from the report was that there was a degree of uncertainty for the future and that the Council needed to be cautious. However, Councillor Wilson stated that the Council seemed to have been overly cautious on the New Homes Bonus and that there was some room for manoeuvre in this area.

Councillor Read referred to the fact that the Government was looking to control high rises by other public bodies and quangos, such as IDBs and the Environment Agency, etc. Councillor Read also queried if the income collection targets were too ambitious and when during the year this would become apparent. The Head of Finance stated that in the current year the Council was on target for Council Tax collection but was on an amber warning for NNDR. Mr Urquart reported that collection rates were monitored by ARP on a monthly basis and then reported quarterly to the Joint Committee. The first qualitative data was likely to be available at the end of the first quarter of 2013/14. In that connection, Councillor Wilson requested that this Committee be advised of the data for the first 2-3 quarters.

It was resolved:

That the Medium Term Financial Strategy (MTFS) covering the period 2012/13 to 2016/17 be approved, subject to the inclusion of a statement in the MTFS that Community Infrastructure Levy (CIL) income will be treated in the same manner as other Budget items.

74. **BUSINESS RATES FORECAST 2013/14**

- 3.1 The Committee considered a report (reference M221, previously circulated) summarising the impact of the new Business Rates Retention scheme which comes into effect on 1 April 2013 and containing the Business Rates forecast (NNDR1 form) for 2013/14 for approval. The Head of Finance explained that the new Business Rates Retention Scheme which commenced 1 April 2013 required Members to formally approve the National Non-Domestic Rates Return 1 (NNDR1) by 31 January immediately preceding the financial year to which it related. The NNDR 1 contained details of the rateable values shown for the Council's local rating list at 30 September and enabled the Council to calculate the expected income in respect of business rates for the year; a proportion of which the Council would retain from 2013/14 onwards.

It was resolved:

That the Business Rates Forecast for 2013/14, as set out in Appendix 1 to the submitted report, be approved.

75. **2013/14 ANNUAL TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY (AIS)**

The Committee considered a report (reference M222, previously circulated) containing the 2013/14 Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy (AIS). The Principal Accountant, Tony Grzybek, explained the background and rationale to the strategies.

Councillor Ellis questioned how major new developments were factored into the strategy. The Head of Finance reported that these were not factored in until formally approved and it was certain that work would commence.

It was resolved to RECOMMEND TO COUNCIL:

That Council approve:

- **The 2013/14 Treasury Management Strategy detailed in the submitted report;**
- **The Annual Investment Strategy detailed in the submitted report;**
- **The Minimum Revenue Provision Policy Statement detailed in the submitted report;**
- **The Prudential and Treasury Indicators as set out in Appendix 1 of the submitted report.**

76. **2013/14 TO 2014/15 BUDGET**

The Committee considered a report (reference M223, previously circulated) detailing the proposed Revenue and Capital Budgets and the required level of Council Tax for 2013/14. The Chief Executive highlighted additional information circulated to Members of the Committee containing an extract of the Minutes from Scrutiny Committee on 21 January 2013 detailing recommendations from that Committee arising from the Members Budget Seminar relating to park-and-ride and the proposed apprenticeship scheme. The Head of Finance also referred to a revised page 1 of the draft budget book that had been circulated.

With regard to the overall Budget, general comments/questions were raised by Members as follows:

Councillor Wilson referred to Appendix 4 of the report and highlighted the fact that Fees and Charges had been left unchanged with a few exceptions, such as Ely Craft and Collectables Markets Stall Fees; Oliver Cromwell House entrance fees; and Traveller Site rents. Councillor Wilson stated that a full review of all fees and charges should be undertaken, including comparisons with those of other Councils. The Chief Executive suggested that a full review could be undertaken in 2013/14 via the Scrutiny Committee. In addition, Councillor Wilson particularly highlighted the cost of the Business Parking Permit Scheme of £50 which would be a lot higher than the charge for individuals under the proposed new car parking charging regime. Therefore, he suggested that this should be reviewed separately as a matter of urgency to ensure that there was consistency.

Councillor Wright commented that the Council was charging £50 for Business permits in what are currently free car parks. Councillor Wright referred to the proposed Budget as 'a work of art' that would give the Council time. However, he expressed concern at the use of the New Homes Bonus to 'prop up' revenue spending. Councillor Wright also highlighted the fact that the Budget assumed a level of revenue income from car parking charges, although the final decision on this had yet to be made by the Council. Councillor Wright expressed the view that that the Council should not increase the Council Tax by 2% and that a wide-ranging review of all Council Services was required, which the Council had a 2 year period now to carry this out.

At the invitation of the Chairman, Councillor Kerby questioned what Central Support Charges related to and commented that these represented a large sum of money. The Head of Finance reported that these related to Legal, HR, IT and Financial Services. Councillor Kerby questioned if these were reviewed and the Head of

Finance reported that overall Budgets were reviewed by the Finance Team with Heads of Service annually.

Councillor Wright referred to the Local Agenda 21 Budget heading on page 13 of the draft Budget Book and asked what this related to as Local Agenda 21 had been terminated some years ago. The Deputy Chief Executive stated that it was likely to be an inaccurate Budget heading and agreed to provide a written response. In response to a question from Councillor Wright regarding the sum raised by a 2% increase in Council Tax, the Head of Finance reported that this was £60,000.

The Committee then considered the recommendations from Scrutiny Committee to this Committee as follows:

- (i) That up to £13,000 be included in the 2013/14 draft budget to reinstate the park-and-ride service at the City of Ely Community College for one year from the introduction of car parking charges and request that Development and Transport Committee seeks to utilise the Sainsbury bus to reduce costs.
- (ii) That the budget allocated to the apprenticeship scheme and Economic Development's marketing be increased from £13,000 to £26,000 with additional funding be drawn from the Housing and Planning Delivery Grant over two years.

Recommendation (i) was moved and seconded but upon being put to the vote was declared to be lost.

With regard to recommendation (ii), Councillor Palmer, in proposing the recommendation, expressed his support for local apprenticeships. Councillor Read commented that the scheme should be for local employers. Councillor Williams also expressed her support for apprenticeships but queried how the Council would ensure that the funding went to employers who would not be employing apprentices anyway without the funding. She also commented that it was better to have 2 apprenticeships with an employer than just 1. Councillor Wright also expressed his support for apprenticeships but queried how the employers would be selected. He suggested that the Council should work with other local charities in this field, such as the Thomas Parson's Charity. The Chief Executive confirmed that this was the Council's intention. Councillor Williams queried if the Council had an apprentices and the Deputy Chief Executive confirmed that 2 were to be appointed in Customer Services. The recommendation was then seconded and upon being put to the vote was declared to be carried.

The remainder of the recommendations in the submitted report were then moved and seconded, subject to the inclusion of an additional

recommendation to request Scrutiny Committee undertake a full review of Fees and charges in 2013/14, and upon being put to the vote were carried.

It was resolved to RECOMMEND TO COUNCIL:

That Council:

1. **Approve the following recommendation from Scrutiny Committee in relation to the draft Revenue Budget for 2013/14:**

That the budget allocated to the apprenticeship scheme and Economic Development's marketing be increased from £13,000 to £26,000, with additional funding to be drawn from the Housing and Planning Delivery Grant over two years.

2. **Approve the 2013/14 draft Revenue Budget set out in the draft budget book circulated to Members, as revised to reflect the above approved recommendation from Scrutiny Committee, which includes the proposed Council Tax increase of 2.0%.**
3. **Approve the capital programme and financing as set out at Appendix 2 to the submitted report.**
4. **Approve the Statement of Reserves as set out in Appendix 3 to the submitted report.**
5. **Approve the Fees and Charges for 2013/14, as set out in Appendix 4 to the submitted report.**
6. **Approve the programme for schemes to be funded from Housing and Planning Delivery Grant as set out at Appendix 5 to the submitted report, as revised to reflect the above approved recommendation from Scrutiny Committee.**

It was also resolved:

That the Scrutiny Committee be requested to undertake a full review of Fees and Charges in 2013/14.

77. INTERNAL AUDIT PLAN PROGRESS REPORT 2012/13

The Committee considered a report (reference M224, previously circulated) containing an update on the work of Internal Audit for the period April 2012 to December 2012. The Principal Auditor highlighted the smaller number outputs in terms of actual audit reports in the first half of the financial year, since this period was concerned more with the corporate

work which formed part of the role of the Principal Auditor. In addition, two special investigations had been undertaken on Housing Services and e-space Business Address Service. Attention was drawn to the fact that the Housing Services special investigation had resulted in 27 recommendations and the Principal Auditor summarised the areas to which these recommendations related. The Principal Auditor also confirmed that 22 of these recommendations had been implemented or were in progress. The Deputy Chief Executive stated that the special investigation had resulted in the implementation of controls that would assist in reducing the Budget on Homelessness.

In response to a question by Councillor Wilson, the Principal Auditor explained the nature of the recommendations from the Audit on Car Parking income.

It was resolved:

That the work undertaken by Internal Audit during the first nine months of the financial year 2012/13 be noted and the Internal Audit Team be commended for their work on the special investigation into Housing Services.

78. REVIEW OF CORPORATE RISK REGISTER

The Committee considered a report (reference M225, previously circulated) reviewing the Council's Corporate Risk Register. The Chief Executive drew attention to an amendment to the recommendation within the report to include an additional risk in relation to income collection targets in the Corporate Risk Register.

Councillor Morrison queried the Risk Owner for the risk relating to the Homelessness Service now that the Head of Housing had retired. The Chief Executive reported that an interim Head of Housing had been appointed but that the Risk Owner would be the Chief Executive until permanent arrangements were in place.

It was resolved:

That the revised Corporate Risk Register set out in Appendix 1 to the submitted report be approved, subject to inclusion of an additional risk in relation to income collection targets.

79. BUDGET MONITORING REPORT

The Committee considered a report (reference M226 previously circulated) updating Members on the Council's current financial position on projected revenue and capital expenditure for the period to the end of December 2012.

Councillor Read referred to the costs of Public Conveniences and asked if the Council had considered the provision of Automatic Public Conveniences, similar to those recently installed in Fenland District, in terms of cost-effectiveness and 24 hour availability.

Councillor Wright referred to recent information that ECDC was the 11th authority in the Country to introduce CIL and asked if it was true that funding was available from Central Government due to early implementation. The Chief Executive agreed to respond in writing.

Councillor Morrison queried what the Heading Professional Services in Appendix 6 of the report related to. The Head of Finance stated that, as referred to in Minute 73 above, this related to the agency, hostel, and removals and storage costs for Homelessness.

It was resolved:

That the overall projected overspending against the original Budget across the Council's services of £11,277 be noted.

80. **INFORMATION ITEMS**

The Committee considered a report (reference M227, previously circulated) containing an information item on action taken by the Chief Executive on the grounds of urgency.

It was resolved:

That the report be noted.

81. **EXCLUSION OF THE PUBLIC INCLUDING REPRESENTATIVES OF THE PRESS**

It was resolved:

That the public (including representatives of the press) be excluded during the consideration of the remaining item because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the items there would be disclosure to them of exempt information of Category 3 & 4 of Part I Schedule 12A to the Local Government Act 1972 (as amended).

82. **INFORMATION ITEMS**

The Committee considered a report containing an information item on action taken by the Chief Executive on the grounds of urgency.

It was resolved:

That the report be noted.

83. **TIME OF FUTURE MEETINGS**

The Chairman stated that a request had been received to consider changing the start time of future meetings to a slightly later time in the afternoon.

It was resolved:

That the start time of future meetings be altered to 4.30pm, unless otherwise stated in the calendar of meetings.

The meeting closed at 6:10pm.

Chairman:.....

Date:.....