

BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Thursday, 20 November 2008 at 12.00 pm in
Anglia Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr P.J. Hewett
Mr C.R. Jordan (Chairman)

Mr R.G. Kybird

Also Present

Lady Fisher

In Attendance

Robert Barlow	- Assistant Director (Governance)
Mark Finch	- Head of Finance
Alison Batley	- Accountancy Officer
Tim Leader	- Deputy Chief Executive
Elaine Wilkes	- Senior Member Services Officer

51/08 APOLOGIES

An apology for absence was received from Mr. R. Childerhouse.

52/08 NON-MEMBERS WISHING TO ADDRESS THE MEETING

Lady Fisher, Executive Member for Governance, was in attendance.

53/08 DRAFT ESTIMATES 2009-10 - CONSULTATION (AGENDA ITEM 4)

The Assistant Director, Governance, presented the draft Estimates for 2009-10 and updated the Committee on changes which had been made to take account of circumstances since their original preparation for Cabinet in October.

The following items were highlighted and discussed.

1. Executive Summary

The budget allowed for a worst-case scenario regarding the position on the investments with the Icelandic banks and a comment would be added to the Executive Summary on page 2 to suggest there might be a need to draw on the General Fund balances if necessary. It was noted, however, that the money at risk was capital monies and this would not impact on day to day service delivery.

2. Assumptions

Consideration was being given to the best means of strengthening the protection on existing and future investments, for example whether through Government-backed securities or investing in other local authorities via fixed term terms to meet their short-term borrowing needs.

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The latter was something the Council had done in the past.

A member commented that there were indications that the majority of the Council's Icelandic investments would ultimately be returned and it was noted that the Council would have some time before it needed to make a decision on future investment policy. In the meantime, advice was being sought.

The budget did not assume a general inflation rate across the board and inflation was included only in budgets where necessary, for example to allow for the impact from rising fuel and energy prices or where existing contractual arrangements included contract inflation.

The average cash balance had been adjusted downwards from £27m to £14m in 2009-10, allowing for the position on the Icelandic investments, but future years assumed this money would be returned.

It was also noted that the return on cash investments was currently based on an average return of 4% but it was recognised that this could drop in the New Year consequent on further decreases in bank base rates.

3. 2008/09 Outturn

The investment income figure in the report to Cabinet would need to be adjusted to reflect the Icelandic bank situation. Over the years, the Council had normally overachieved on its investment income, which would help in the current financial year but there were budgetary pressures in other areas. The 2008/09 outturn on this had been affected by recent events and reflected the impact from the drop in interest rates over the period since March.

The budget allowed for lower rent from commercial properties and offices, in particular service charges which the Council was not able to recover, but it was noted some further corrections to these figures were required to be made. Generally, however, it was considered that the commercial portfolio was holding up well in the current economic climate.

With regard to contract inflation, the indices this year had reached 5% but they were now expected to tail-off quite quickly in the short term but were expected to rise again.

The outturn on utilities costs and empty property business rates reflected the large price increases in the energy supply market and the change in legislation requiring business rates to be paid on empty properties which affected the Council's own commercial properties.

4. Grant Settlement

The local authority grant settlement was expected to be announced by the Government on 26th November. The provisional projections in the budget were felt to be realistic.

5. Collection Fund

The Collection Fund was based on a zero balance in line with the Medium Term Financial Strategy. The draft figures indicated there would be a

deficit at the end of the year.

6. Tax Base

The tax base was expected to rise by 1.3% in 2009-10, with a 1% increase forecast for future years in line with the existing five year financial plan but these figures were dependent on whether some of the larger developments in the market towns proceeded.

7. Draft 2009-10 Estimates

It was noted that the total variance in the budget requirement reflected the total of the growth bids in the estimates.

8. Policy Changes

Establishment costs had been reduced to reflect more realistic levels of staffing. For the current year these assumed a reduction from 100% to 97% and in future years, the costs would assume levels of 96% or 95%, taking account of the fact that it was rare that 100% levels were achieved in any year.

There were two main items in the growth bids from service areas, details of which were included in Appendix 2 to the report. These were:

- Rural Enterprise Valley 2 (Rev2) project, the revenue cost of staff to deliver the project being the main element; and
- Extension of the Customer Contact Centre service in the five market towns.

9. Fees and Charges (excluding rents)

This item was considered in conjunction with Appendix 3 to the report.

In answer to a question, it was reported that there was a proposed increase of £2 in the annual fee for collection of brown bins, which compared realistically to charges in neighbouring authorities, and was required to help offset projected increased costs in demand as the service grew. This charge had not been increased for 18 months.

It was further noted that the proposed discretionary pest control charges for domestic rats and mice and hornets were being deleted.

10. Reserves

The proposal to create a Capital Reserve of £2m from the General Balances had since been withdrawn in the light of current circumstances. It was also now assumed that the General Balance would reduce if the Icelandic investments were not returned, in which case the General Fund reserve would reduce to £3.6m.

In assuming a downturn in the commercial market, it was proposed to allocate a Commercial Property Reserve of £200,000. Members agreed this was prudent given that the market could be expected to continue to suffer from a downturn over the next 12 to 18 months or longer.

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11. Budget Requirement

The Council Tax percentage increase for 2009-10 was 3.35% in line with the Consumer Prices Index, giving a Band D Council Tax rate of £64.05. This represented a cost per week of £1.23, although most homes would pay less than this amount.

The position on Council Tax in the year ahead would be very challenging for the Council, bearing in mind the inflation increases in the current year and expected decrease next year and the uncertainty over the question of investments.

12. Forward Estimates

The five year Forward Estimates followed the assumptions made for 2009-10 and included adjustments to service budgets to reflect projected changes over the medium term. If the Council could proceed with a fully funded budget in 2009-10 as hoped, the five-year position for the Council would improve.

13. Consultation

The initial feedback from the public consultation on the budget indicated general support for an increase in Council Tax in line with inflation.

The responses, from over 1000 members of the public and businesses, indicated people's main priorities were:

- Environment – cleansing of streets and open spaces
- Economic – action to help business start-ups and support businesses
- Improving quality of services

The full results of the survey would be reported in more detail in due course.

As part of the formal consultation process, a report would be made to the Overview and Scrutiny Commission at its January meeting seeking its views on the policy implications in the budget.

14. Value for Money

All service managers had been asked to consider their budgets against performance, staff resources and growth bids, in order that value for money can be demonstrated. The various documents were available for members to scrutinise.

15. Efficiency Targets

The figures on efficiency targets would change as budgets were under constant review and updating. The Council was concentrating on its own efficiency targets, as these had to be cashable savings, rather than the more general theoretical 3% target set by the Government for all local authorities.

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There would be an appendix on the Council's efficiency strategy to support this section in the final budget report.

16. Linking Resources to Priorities

The chart showing the gross expenditure split between discretionary and statutory services would be able to provide a better comparison in future years.

So far as the chart showing the service budget split by Priorities was concerned, the Chairman felt it would be useful to give a further breakdown of these by discretionary or statutory function.

It was also suggested that it would be useful to have a chart covering 2008-09 to provide a comparison.

17. Risk and Sensitivity

It was noted that the proposal to set a corporate contingency sum of £50,000 was being deleted, having regard to present circumstances. While this was a desirable item, it was felt it could not be justified at the present time.

Other changes being made related to the level of risks on investment income and funding settlement.

18. Capital Programme

This was considered in conjunction with Appendix 5 of the report.

It was suggested that, given the size of the Capital Programme, a more in-depth scrutiny review of the more significant items in the programme was desirable to ensure that members were satisfied that it was realistic and reflected the Council's aims. Examples cited of what the Committee might look at in more detail included the Anchor Hotel scheme, the omission of the Dereham Memorial Hall, or the question of match funding for major community projects.

It was confirmed that all the items included in the programme had been through the due processes, including Star Chamber and supporting information could be provided.

It was proposed that an item to review the Capital Programme be included on the agenda for the Committee's next meeting.

19. Options

No options were to be presented to the Cabinet and the budget would be presented together with feedback from the consultation process.

20. Recommendations

The recommendations to be made to Cabinet and the Council would include approval of the revenue and capital budget for 2009/10, approval of the fees and charges for 2009/10, a corporate charging policy, adoption of an efficiency strategy, amendments to the 2008/09 budget and the

Council Tax setting of £64.05 for a Band D property.

21. Conclusion

The Committee acknowledged the challenges facing the Council in the current volatile economic climate and specifically in regard to the position on the Icelandic investments.

Overall, Members considered that the draft budget was realistic and in line with public views on priorities, and that the proposed Council Tax figures were reasonable.

RESOLVED that

- (1) the report be noted;
- (2) further information on the breakdown of costs between statutory and discretionary services be provided (Section 16: Linking Resources to Priorities);
- (3) an item be included on the agenda for the next meeting to review the Capital Programme.

54/08 NEXT MEETING

The date of the next meeting was confirmed as Friday, 9 January 2008.

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Robert
Barlow

The meeting closed at 1.50 pm

CHAIRMAN