

BUDGET SCRUTINY COMMITTEE

Minutes of a Budget Scrutiny Committee of Bolsover District Council held in the Council Chamber, The Arc, Clowne, on Monday 8th December 2014 at 1000 hours.

PRESENT:-

Members:-

Councillor K. Bowman in the Chair

Councillors R. Brooks, J.A. Clifton, T.J. Connerton, S. W. Fritchley, H. J. Gilmour, R. A. Heffer, D. McGregor, V.P. Mills, C. Munks, G.J. Parkin, J.E. Smith, R. Turner, D.S. Watson, G.O. Webster and J. Wilson.

Officers:-

B. Mason (Executive Director - Operations), P. Campbell (Head of Housing) and A. Bluff (Governance Officer).

0603. APOLOGIES

Apologies for absence were received from Councillors; A. Anderson, J.E. Bennett, Mrs P.M. Bowmer, M.G. Crane, M.J. Dooley, J.E. Hall, B.W. Hendry, S. Peake, K.F. Walker, E. Watts and S. Wallis.

0604. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0605. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0606. MINUTES – 15TH SEPTEMBER 2014

Moved by Councillor S.W. Fritchley, seconded by Councillor H.J. Gilmour

RESOLVED that subject to the inclusion of Councillor D.S. Watson's name being included in the names of Members present at the meeting, the minutes of a meeting of a Budget Scrutiny Committee held on 15th September 2014 be approved as a correct record.

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0607. BUDGET MONITORING REPORT

Members considered a report of the Executive Director of Operations which provided Committee with an update of the financial position of the Council in relation to the General Fund, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activity. The report had previously been presented to Executive on 1st December.

The scope of the report was to summarise the current financial position following the 2014/15 quarter two monitoring exercise.

General Fund Revenue Account – Budget Monitoring

The General Fund Revenue Account summary was shown in Appendix 1 to the report.

The original budget for 2014/15 identified a savings target of £0.447m. The current budget now showed that this target was reduced to £0.091m which meant that the Council had secured budget savings of £0.356m in the first six months of the year. As the savings had been identified and secured they had been moved into the relevant cost centres within the main General Fund Directorates. Work undertaken on the financial outturn review of 2013/14 identified savings which had now been removed from budgets. These amounts were £0.045m from 14/15, £0.036m from 15/16 and £0.031m from 16/17.

In addition to undertaking the budget monitoring exercise the finance team had been working with Budget Managers to compile a Revised Budget for 2014/15. This would be used to amend the current budgets to capture the budget savings and reduced spending where it was anticipated that there would be a minimal impact upon services. The outcome of this work was shown as the Revised Budget 2014/15 in the final column of Appendix 1 to the report. On the basis of the figures that had been incorporated into the Revised Budget, the Council was in a position to cover the full savings target and to generate further savings surplus of some £886k. The main factors underlying this projected improved position in respect of 2014/15 was set out in a table in the report.

It needed to be recognised that all costs had been minimised in order to secure the maximum level of savings, however, should an unexpected budget issue arise then it would be difficult to accommodate significant cost increases within the current budget framework. Officers would continue to monitor the position and the allocation of savings secured would be considered as part of the Council's Medium Term Financial Plan (MTFP) covering 2015/16 and beyond. Full details of the proposed Revised Budgets were set out in Appendix 2 to the report.

Section 106 monies; In order to improve the monitoring and control of Section 106 monies received by the Council, the sums due to be utilised in a financial year were now recorded within the General Fund directorate budgets with expenditure recorded against these sums.

The net amount budgeted to be spent in 2014/15 was £0.449m. Of this £0.065m must be spent by certain dates before 31st January 2015 or the funding may be lost.

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At the most recent S106 meeting on 17th October 2014 it was reported £0.047m of this 'at risk' amount had been spent in quarters 1 and 2 and that only £0.018m remained to be spent by 31st January 2015. Officers were working to ensure that this spending was undertaken in line with the S106 legal requirements.

Housing Revenue Account (HRA)

The Housing Revenue Account summary for the first six months of 2014/15 was set out in Appendix 3 to the report. At the end of quarter 2 the HRA was showing a small net surplus of £0.077m.

Income

The quarter 2 income figures showed an adverse variance of £0.095m. Given that this amounted to a variance of less than 1% of the profiled income budget it was not considered to be a significant variance, although officers would continue to monitor the position.

Expenditure

Expenditure within all but one of the operating areas of the HRA showed under spends in the second quarter. This supported the view that there were no budget pressures to report at this stage of the year. It was currently anticipated that expenditure would be in line with approved budgets at the year end.

Capital Investment Programme

Capital Expenditure

The capital programme summary for the first six months of 2014/15 was provided in Appendix 4 to the report. The programme had been updated with the capital budgets, previously approved by Executive, carried forward from 2013/14.

The capital programme profiled budget for quarter 2 was £5.666m and the actual spend and known commitments total £3.322m, which was £2.344m behind the planned spend position. The main areas to highlight were listed in the report.

Whilst there were no significant financial issues to report regarding capital expenditure at the end of the first half year it must be noted that the delivery of the approved capital programme was behind the profiled position as at quarter 2. Officers would continue to closely monitor the delivery of the Programme.

Treasury Management

The treasury management function covered the borrowing and investment of Council money. This included both the management of the Council's day to day cash balances and the management of its long term debt. All transactions were conducted in accordance with the Council's approved Treasury Management Strategy and the CIPFA Code of Practice. Good treasury management was a key element in the sound financial management of the Council's resources.

The Council approved the 2014/15 Treasury Management Strategy at its meeting in March 2014. Appendix 5 to the report identified the Treasury Management activity undertaken during the first six months of 2014/15.

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Lloyds Bank would be providing banking services to the Council and work was progressing to ensure an effective transition from the current provider, the Co-operative Bank. All parties were working towards a transfer date around the end of December 2014.

A discussion took place.

Members raised various questions in relation to internal control of cost centres, affordable warmth funding, section 106 grant projects, the HRA account, monies from miscellaneous savings, NNDR income, new homes bonus grant, the CAN Ranger Service, the empty homes officer post which had not yet been filled and the pay award of 1%.

Moved by Councillor J.A. Clifton, seconded by Councillor R. Turner
RESOLVED that the report be noted.

0608. PRESENTATION ON MEDIUM TERM FINANCIAL PLAN IN PARTICULAR THE HOUSING REVENUE ACCOUNT (HRA)

The Executive Director – Operations provided a slide presentation to the meeting in relation to the Medium Term Financial Plan - this was followed by a presentation from the Head of Housing regarding the Housing Revenue Account (HRA).

Overview of the Government's Autumn Statement;

- No departmental detail but
- Ring fencing of 'key areas' likely to continue,
- Age of Austerity to Continue until 2018/19,
- 40% of cuts in current parliament, 60% in next.

Specific points from the Government's Autumn Statement were;

- Drive against 'fraud', e.g., councils to reduce benefit fraud,
- Savings from 10% increase in digital uptake, IT Procurement, Asset Sales, Public Sector Pay Restraint,
- Better Joint Working between public authorities (especially Health and Social Care),
- Changes to Business Rates (potentially financial impact on local authorities who receive 50%).
- Devolution
- 119 local authorities signed up to a letter calling for more devolution.
- No new / additional funding from the Government for devolution.
- Government's desire to get the economy 'right' underpins change

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The Head of Housing provided a slide presentation to the meeting in relation to the Housing Revenue Account.

- The HRA will be affected by the wider financial position and be subject to increasingly more financial constraints,
- HRA 'localism' in April 2012 was generous – the Government did not want to see any HRA failing as a direct result of the reform,
- The reality is that every individual council's HRA is now a self contained / self sustaining business.

HRA as landlord;

- The HRA has the same costs as any other landlord but:-
- Bolsover's rental income would always be at least 10% below that of its competitors,
- The Council has social obligations which override 'profit maximisation',
- The Council is a quality provider with good quality housing, strong rights for tenants and robust governance arrangements.

HRA Strengths

Low Borrowing Costs

Economies of Scale

A 'landlord of choice' with tenants

HRA Weaknesses

Rent restricted by Government to below market rent

Focused on social not commercial, work with lower income residents

Tenants have strong legal rights of tenure

Council has 'homelessness' responsibilities

Often ageing stock

Right to Buy / Welfare reform

Focus on good quality increases costs.

The Head of Housing referred to the graphs in the presentation regarding rent arrears and reported that the rate of rent arrears had slowed down. He added that the trend would rise when rent increases were made at the end of each financial year and also during the rent free periods.

The impact of welfare reform on rent arrears had not affected the Authority as much as other organisations and this was linked to the work of housing officers. Universal Credit was a concern as in future housing benefit would be paid to the tenant who then paid the landlord.

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Former tenants rent arrears;

The Authority had evicted tenants with substantial rent debt; other tenants had vanished and left rent debt. The Authority used a tracing agency service to try and find these tenants.

Government Rent Strategy;

The existing rent setting policy is that each property moves towards a target rent set by a Government formula. In most cases the actual rent charge was significantly below the target rent. However, The Government has now introduced a new policy for Social Rents that removes with rent convergence with local authorities now allowed to increase their rents by Inflation (measured by CPI) plus 1%.

This could lead to an annual shortfall of £1.5m against that envisaged when self financing was introduced. In response the Council is looking to propose to keep existing rent level for current tenants with new tenancies to be charged target rents. This will reduce the impact of the new government policy and ensure the HRA remains financially sustainable.

Right to Buy;

The Government continues to promote Right to Buy (RTB). (Properties for older people were excluded from RTB).

Bolsover's RTB is increasing with 32 properties had been sold in 2013 and 14 properties were sold in 2014.

The Government had let authorities keep further monies from RTB sales calculated on an individual basis for each property. Also, the Government headline that allowed councils to retain money for one to one schemes to replace lost houses was misleading. The money generated was not enough to build another property outright, but may be sufficient to borrow if HCA grant was also available.

RTB discount – any property acquired or built after 2012. The 'cost floor' period has been extended to 15 years – this means that any new property cannot be sold for a value that is less than the money invested in that property over a 15 year period. In effect this reduces the risk of losing new build properties to the RTB; however, Self financing is designed to level the playing field and to encourage local authorities to build, with easier access to HCA funding.

A Member asked what was being done to revive council housing. The Head of Housing replied that some new properties had been built and others were planned for Council owned sites. The Government had given the Authority borrowing cap of £118m so the Council could borrow up to this level without additional permission from the Government. If the council were to borrow up to this limit it would allow investment of up to £5m per year on new housing.

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Repayment of loans depended on rental income streams and the Head of Housing advised Members that different rent regimes were being looked at for new build properties.

Moved by Councillor J. Clifton, seconded by councillor D. McGregor
RESOLVED that the presentation be noted.

0609. UPDATE FROM SCRUTINY CHAIRS

Improvement Scrutiny Committee;

Improvement Scrutiny Committee would be carrying out a spotlight review on 'hard to let' properties to address the loss of rent revenue to the Council. The Review would especially look at sheltered accommodation in the District and how these types of properties could be marketed but would exclude New Bolsover. The Review would start on 15th December.

Safe and Inclusive Scrutiny Committee;

Safe and Inclusive Scrutiny Committee would be carrying out the spotlight review of the Council's Scrutiny web pages on behalf of Improvement Scrutiny Committee to enable them to carry out their spotlight review on 'hard to let' properties.

Sustainable Communities Scrutiny Committee;

Sustainable Communities Scrutiny Committee hoped to conclude its Review of Street Cleanliness by January 2015. The Head of Housing would be attending the Committee's next meeting to talk about Patch Management Group and its remit which was mentioned in the Review report.

With regard to the Committee's Review of Business Support some informal meetings had already taken place. Members would now contact businesses across the District to ask them their views on the support available from the Council. The Committee would also look at the pages relating to business support and signposting on the Council's website. It was hoped to complete the Review by March 2015.

The meeting concluded at 1135 hours.