

COUNCIL

19 February 2015

EXTRACT OF MINUTES OF THE OVERVIEW AND SCRUTINY COMMITTEE –
16 FEBRUARY 2015

REPORT OF THE DEMOCRATIC SERVICES MANAGER

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

Appendix A to this report sets out extracts from the minutes from The Overview and Scrutiny Committee held 16 February 2015 for the consideration of Council.

RECOMMENDATION:

That Council considers the matters set out in the attached minute extracts.

Minute Extract from The Overview and Scrutiny Committee held 16 February 2015**1. TREASURY MANAGEMENT STRATEGY 2015/16**

(Report CAB2648 Revised refers)

EXTRACT OF MINUTES OF CABINET – 11 FEBRUARY 2015

(Report CL106 refers)

The Committee noted that Report CL106 had not been made available for publication within the statutory deadline. The Chairman agreed to accept the item onto the agenda as a matter requiring urgent consideration, to allow the Committee to refer to the comments of Cabinet as part of its consideration of Report CAB2648 (Revised).

The Committee noted that the updated version of Report CAB2648 had been amended to take account of the Silver Hill Judicial Review decision.

Councillor Godfrey introduced the Report and drew attention to the Council's investments being made by the Hampshire County Council Investments and Borrowing team in accordance with the Council's Treasury Management Strategy and supported by the Treasury Management advisers, Arlingclose. The recent Member Training had also highlighted changes in the external banking context and the Report also set out approved investment counterparties and associated limits, in response to this. Councillor Godfrey also explained that the Council had up to £50million to invest and the Strategy had proposed further options with regard to this.

The Chief Finance Officer drew Members' attention to the substantive changes from the original report which were set out in bold. The impact of the Silver Hill judgement was explained, including to the Council's financial position going forward.

The Committee raised a number of issues and asked detailed questions. Where appropriate, responses were given as summarised below:

(i) The Chief Finance Officer explained that the Strategy set out options with regards to risk associated with investment opportunities. The Council would continue to consider the security of investment as paramount, rather than the yield. Indications showed that the Council was currently managing a suitable balance between associated level of risk and level of return.

(ii) With regard to Table 3 in paragraph 5.6 on page 9 of the Report (Approved Counterparties and Limits), Councillor Godfrey explained that the revised investment limits provided the Council with greater flexibility and that it would seek to achieve the most assured borrowing rates. He invited both this Committee to analyse, and the

Audit Committee to monitor, this area of the Strategy further as the importance of the matter was recognised.

(iii) The Chief Executive clarified that Arlingclose had been appointed as the Council's Treasury Management advisers following a competitive tendering process.

RECOMMENDED:

**THAT THE TREASURY MANAGEMENT STRATEGY 2015/16
AS SET OUT IN REVISED REPORT CAB2648 BE NOTED.**

RESOLVED:

That the content of the extract of minutes of Cabinet held 11 February 2015 be noted.

2. **BUDGET AND COUNCIL TAX 2015/16**
(Report CAB2647 Revised refers)
EXTRACT OF MINUTES OF CABINET – 11 FEBRUARY 2015
(Report CL106 refers)

The Committee noted that Report CL106 had not been made available for publication within the statutory deadline. The Chairman agreed to accept the item onto the agenda as a matter requiring urgent consideration, to allow the Committee to refer to the comments of Cabinet as part of its consideration of Report CAB2647 (Revised).

The Committee noted that the Report was an updated version of CAB2647 and had been amended to take account of the Silver Hill Judicial Review decision.

Councillor Godfrey introduced the Report and he drew the Committee's attention that only the immediate impact of the Judicial Review had been reflected in the budget. In summary, the bearing on the Revenue Budget was minimal, although in subsequent years this would become more significant. Councillor Godfrey referred Members to paragraph 7 on pages 8 - 9 of the Report, which highlighted the immediate financial implications of the decision.

Councillor Godfrey emphasised that the revised report still proposed a balanced budget for 2015/16, with no increase to Council Tax or reduction to front line services. Reserves were to be maintained and where appropriate, service improvement was proposed, such as to street care and in providing assistance to the District's most vulnerable residents. The Council would continue to look to maximise the use of its operational property to benefit both the local economy and also from achieving income to the Council. He referred to significant projects that the Council was looking to progress, which he emphasised should be undertaken without delay. With regard to other income to the Council (in particular from Government receipts) a cautious approach

was to be taken. For example, the new Homes Bonus was to be capped at current rates so as to ensure that the Council did not become over reliant on this as a source of income. Additional income to the Council had also been achieved in recent times from the localisation of retained Business Rates and this had been boosted by the success of the local economy. However, the Council was aware that any change to government policy may impact on this as a source of continued income.

The Chief Finance Officer drew Members' attention to the substantive changes from the original report which were set out in bold. Attention was also drawn to the importance of setting a budget for 2015/16, particularly because of the extremely limited timeframe associated with the preparation of Council tax bills. The particular changes to the level of the General Fund Budget for 2015/16 as set out in Recommendation 2 (as highlighted in bold) were explained. In summary, the Chief Finance Officer explained that there were a net cost of £177,000 in 2015/16; an increase in the forecast deficits over the 5 year period of £732,000; and reductions in the forecast usable revenue reserves of £629,000 and usable capital receipts reserve of £870,000, when compared to the Original budget projections.

The Committee raised a number of issues and asked detailed questions. Where appropriate, responses were given as summarised below:

(i) Councillor Godfrey confirmed that the budget projections assumed income lost following the closure of Friarsgate car park due to its disrepair.

(ii) The Chief Finance Officer explained that costs associated with the Judicial Review (i.e. payment of costs to the challenger) had been previously included in the budget, prior to the outcome of the decision. This had included provision in 2014/15 for the Council's expected share of defence costs. The Revised budget for 2015/16 proposed an additional £200,000 which covered £100,000 towards legal and review costs, with the remainder to be utilised to move the scheme forward. However, the additional budget may not be sufficient to cover a full assessment of options for the site.

(iii) With regard to the Capital Programme, Councillor Godfrey explained the costs going forward associated with the Carfax project. These included forecast costs with the building of the scheme following the public consultation exercises. The project would need to be advanced as soon as possible as the Council would rely on the income to be achieved from the scheme. Councillor Godfrey clarified that each major project within the Programme had been timetabled appropriately and according to the respective decisions required to be made.

(iv) The Chief Finance Officer explained that currently there were no significant receipts for the Community Infrastructure Levy (CIL). These were currently below £30,000 and would be accounted for correctly at outturn and then eventually dispersed according to the

Council's CIL policies. To date, there had not been a significant number of schemes coming forward attracting CIL. A budget would be set for expenditure as and when the proposals were developed.

(v) The Chief Finance Officer reported that administration costs related to Affordable Housing contributions were to be reviewed. Accordingly, there may be a corresponding reduction in future years.

(vi) Fluctuations in the forecasting of car park income were largely due to the various capital projects in the town area.

(vii) A Councillor raised concerns that the revised budget as set out did not include sufficient budgetary commitment required to change areas of the Council's work that had been criticised recently. For example, it was felt that it should look to improve processes related to major projects, consultation (including on how to take forward Silver Hill), liaison with developers, and with partner organisations. The Council should also look to review how it currently scrutinises Cabinet decisions. The Chief Executive advised that a review of the Council's Scrutiny processes was unlikely to require significant additional cost as advice could be sought on best practice through the Local Government Association.

(viii) A Councillor also suggested that in view of the urgent need to approve a budget for 2015/16 at the Council meeting on 19 February 2015 to support Council Tax, it was likely that a revised budget would need to be brought forward early in the new financial year. This was necessary to allow the Council to move forward with its other major projects. The Council should also undertake this work by working with residents and without being overshadowed by the Silver Hill ruling.

RECOMMENDED:

**THAT THE BUDGET AND COUNCIL TAX AS SET OUT IN
REVISED REPORT CAB2647 BE NOTED.**

RESOLVED:

That the content of the extract of minutes of Cabinet held 11 February 2015 be noted.

3. **HOUSING REVENUE ACCOUNT 2015/16 BUDGET AND BUSINESS PLAN 2015/16 – 2044/45**

(Report CAB2652 (HSG) refers)

MINUTE EXTRACT FROM CABINET (HOUSING) COMMITTEE HELD 4 FEBRUARY 2015

(Report CAB2662 refers)

EXTRACT OF MINUTES OF CABINET – 11 FEBRUARY 2015

(Report CL106 refers)

The Committee noted that Report CL106 had not been made available for publication within the statutory deadline. The Chairman agreed to accept the item onto the agenda as a matter requiring urgent consideration, to allow the Committee to refer to the comments of Cabinet as part of its consideration of Report CAB2652 (HSG).

Councillor Tait introduced the Report and drew attention to the detailed relevant discussions of the Cabinet (Housing) Committee.

In response to questions from the Committee, the Assistant Director (Chief Housing Officer) advised that the Housing Repairs budget had benefited in recent years from capital receipts from property disposals, some Section 106 funds income and also DCLG grant. He reminded Members of the benefits associated with the Housing Revenue Account's (HRA) self-financing arrangements. The Chief Finance Officer explained requirements for borrowing to support the repairs programme and the new build programme. Members also noted the existing ring fencing of the HRA and 'two pool' approach to allocating borrowing. In summary, the impact of the General Fund from the management of the HRA was neutral.

The Assistant Director also clarified that the Kitchen and Bathroom replacement programme had been amended since it was originally proposed in 2012. This had been revised following assessment of requirements for the Council to achieve the 'decent home standard' for its stock. It was seen that investment in the fabric of buildings should be prioritised over the replacement programme, albeit some capital had been retained for this purpose.

Councillor Tait undertook to supply to a Councillor the detailed costings associated with the Chesil Extra Care facility.

Councillor Tait welcomed comments from a Member that the HRA should continue to highlight those aspects of its projects and day to day work associated with the health and wellbeing of residents. He reminded the Committee of the requirement within local plan policies for the Council to build new Council houses to Code Level 5 for sustainability and energy efficiency, which was extremely beneficial to residents.

RECOMMENDED:

**THAT HOUSING REVENUE ACCOUNT BUDGET FOR 2015/16
AND THE BUSINESS PLAN 2015/16 TO 2044/45 BE NOTED.**

RESOLVED:

That the content of the extract of minutes of Cabinet (Housing) Committee held 4 February 2015 and Cabinet held 11 February 2015 be noted.
