

Special Cabinet
24 January 2017

WELWYN HATFIELD COUNCIL

Minutes of a special meeting of the CABINET held on Tuesday 24 January 2017 at 7.30pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE

PRESENT: Councillors J.W.Dean (Leader of the Council) (Chairman)

D.Bell (Executive Member, Resources)
H.Bromley (Executive Member, Environment)
T.Kingsbury (Executive Member, Policy and Culture)
B.Sarson (Executive Member, Business, Partnerships
and Public Health)
R.Trigg (Executive Member, Governance, Community
Safety, Police and Crime Commissioner
and Corporate Property)

ALSO
PRESENT: K.Holman, M.Levitt

OFFICIALS Chief Executive (M.Saminaden)
PRESENT: Executive Director (Public Protection, Planning and Governance) (N.Long)
Executive Director (Resources, Environment and Cultural Services) (K.Ng)
Executive Director (Housing and Communities) (S.Russell)
Head of Law and Administration (M.Martinus)
Head of Resources (T.Neill)
Governance Services Manager (G.R.Seal)
Communications Officer (T.Underwood)

120. ITEMS RELATING TO THE BUDGET AND POLICY FRAMEWORK FOR
RECOMMENDATION TO COUNCIL

The following item was considered:-

120.1. Budget 2017/18 - Addendum Report

Report of the Executive Director (Resources, Environment and Cultural Services) providing relevant updates to the budget reports which were considered at the Cabinet meeting on 10 January 2017 (Minute 113 refers) so that the Cabinet had all the relevant information available when making a recommendation to the Special Council on 6 February 2017 on the budget estimates.

There were a number of developments since the draft budget was presented to the Cabinet meeting on 10 January 2017. There were three changes which needed to be considered by the Special Cabinet before they were recommended to the Special Council for discussion.

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The first reflected changes to estimated business rates income. The Hertfordshire business rates pool would be dissolved in 2017/18 as it was likely to make an overall loss following the results received from the 2017 business rates revaluation. This would result in a loss of previously expected net income of £295,000. However, other aspects of business rates income had been re-estimated, notably the level of Section 31 Grants the Council expected to receive. The result was a zero net impact on business rates income in the 2017/18 budget.

The second change related to the Collection Fund estimate. This showed a £122,000 improvement on the estimate considered on 10 January 2017 so a lower drawdown from the Resources Earmarked Reserve for this would be required in 2017/18.

The third change to the 2017/18 budget related to the pension fund triennial valuation combining the Council and Housing Trust into one scheme. The recommended lump sum contribution option would involve minor changes to the budget estimates for 2017/18 through to 2019/20 as it was proposed that the major part of the impact would be taken as a revised lump sum contribution in the current financial year. As a result, the opening 2017/18 balances of the General Fund and Housing Revenue Account reserves were now estimated to be £6.9M and £9.9M respectively.

Taking all these changes into account, there was a minimal net impact on the estimates for 2017/18 and the estimated drawdown from the non-ringfenced General Fund reserve stood at £139,000 which was unchanged from the previous version. There was however, a slight improvement in the overall estimates for 2018/19 and 2019/20 but the Council would still be required to find approximately £1.4M of savings in the medium term to balance the budget.

120.2. Resources Overview and Scrutiny Committee - 19 January 2017

The Resources Overview and Scrutiny Committee budget scrutiny meeting on 19 January 2017 considered and discussed the budget reports submitted to the Cabinet meeting on 10 January 2017 and the Committee's comments were submitted. It was noted that these did not require changes to be made to the budget papers.

The Committee requested the Special Cabinet to review the reduction in grants for voluntary sector community services as this provision represented value for money.

The Cabinet was aware of this, but it had been necessary to include reductions in the grants budget as part of the overall savings required.

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RESOLVED:

That the changes detailed in section 3 of the report be approved and included in the budget papers to be submitted the Special Council meeting on 6 February 2017.

121. PROPERTY COMPANY - OUTLINE BUSINESS CASE

Report of the Executive Director (Resources, Environment and Cultural Services) presenting an outline business case to create a property company to enable commercial trading for property related investments under the Localism Act 2011.

The Council had considerable experience in managing a wide range of assets which were held for a mixture of social and urban town centre regeneration purposes rather than purely for delivering significant commercial benefits.

The Property Company would be set up as an income generating investment vehicle and aimed to achieve £250,000 of revenue income for 2018/19 rising to £500,000 per annum from 2019/20 onwards.

RESOLVED:

- (1) That the Cabinet agrees in principle to the establishment of a company which would be limited by shares and owned wholly by the Council.
- (2) That the Cabinet notes that a further report would be submitted to a future meeting setting out the operational and governance structure as well as the business plan for the company and a business plan detailing its potential activities, before any trading activity commenced.

122. PENSION FUND TRIENNIAL VALUATION 2016

Report of the Executive Director (Resources, Environment and Cultural Services) updating the Cabinet on the results of the 2016 valuation and seeking approval for a one-off lump sum contribution into the fund to help manage the annual contribution from the General Fund.

The Local Government Pension Scheme underwent a financial valuation every three years, the results of which were used to determine the contributions that the Council would need to make to the pension fund for the next three years. The latest 2016 valuation reflected the transfer of staff from the Community Housing Trust into the Council's fund. The funding level of the combined fund stood at 83%.

The actuary was required by Regulations to set a prudent contribution rate in order to ensure the long term solvency of the pension fund. The actuary had

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proposed to increase the cost of the future accrual from 17% currently to 18.3% of pay for the next three years and had also suggested three options to recover the structural deficit of the Council's pension fund.

- Option 1 would require an additional one-off payment of £1.9M in 2016/17 and the contributions for the next three years would remain at £888,000 per annum.
- Option 2 would require an additional one-off payment of a smaller amount of £1.3M in 2016/17 and the annual contributions would be fixed at £1.1M per annum
- Option 3 did not require any additional one-off payment in 2016/17 but would require contributions of £1.5M, £1.6M and £1.7M in each of the next three years

The cost would be split between the General Fund and Housing Revenue Account as the pension fund was now combined into a single scheme.

It was recommended that Option 2 be adopted.

Whilst Option 1 would have the advantage of lowering future payments, it would also result in the Housing Revenue Account deficit being increased beyond a sustainable level in the short term, increasing the borrowing requirement earlier than planned.

By contrast, Option 3 would unduly defer future payments and the Council would fail to optimise the return on an up-front payment.

It was believed that Option 2 provided the best balance between optimising the return on an up-front payment and maintaining adequate Housing Revenue Account reserves. It also enabled the Council to add £100,000 to an earmarked pension reserve each year from 2017/18 to 2019/20.

Adoption of Option 2 meant that original budget estimates for 2017/18 remained unchanged, as the main impact of the revised (combined) valuation was a change to the one off up-front payment in the 2016/17 financial year.

The Leader permitted Councillor M.Levitt to ask about the approach and preferred option for managing pension deficit payments and it was clarified that this was based on the requirement of Regulations, actuarial advice and the optimum position for the Council's budget.

RESOLVED:

That the Cabinet recommends to the Council an approach to manage the pension deficit based on:

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- an additional lump sum payment of £1.286M in the financial year 2016/17 to be paid into the pension fund on top of the current budgeted lump sum of £888,000 and to be funded from General Fund and Housing Revenue Account reserves.
- the future employer's contribution rate to the pension fund to be fixed at 18.3% of pay plus an annual lump sum to be determined by the actuary but no more than £1.1M in each of the next three years (2017/18 to 2019/20).
- to create an earmarked reserve for pension contributions and to contribute £100,000 in each of the next three years (2017/18 to 2019/20) into this reserve.

123. RE-INTEGRATION OF THE HOUSING SERVICE INTO WELWYN HATFIELD BOROUGH COUNCIL

Report of the Executive Director (Housing and Communities) updating the Cabinet on the progress of the integration project.

Following on from the Cabinet's recent decision to wind-up the Welwyn Hatfield Community Housing Trust and bring the housing service back into the Council, this report gave an update from the position reported at the meeting on 6 December 2016 (Minute 101 refers).

The report of the Executive Director (Housing and Communities) confirmed that the anticipated target date of 1 February 2017 for the transfer of services, staff and contracts back into the Council would be met, clarified that the Council would be receiving all assets and liabilities from the Trust as a result of the re-integration and confirmed that an Insolvency Practitioner, Ernst and Young, was in the process of being appointed to act on the Trust's behalf to wind up the company.

The Directors of the Board had given an assurance that whilst the Company was active they had not created liabilities by acting outside the Trust's approved governance arrangements.

RESOLVED:

That the actions being taken by the Council in relation to the transfer of housing services back into the Council and the legal wind-up of the Trust be noted.

Meeting ended at 7.50 pm
GS