

WELWYN HATFIELD BROROUGH COUNCIL
SPECIAL CABINET – 24 JANUARY 2017

Comments from the Resources Overview and Scrutiny Committee on 19 January 2017:-

38. 2017/18 BUDGET REPORTS:

The Committee received a report of Executive Director (Resources, Environment and Cultural Services) which advised that the Cabinet at its meeting held on 10 January 2017 had considered the details for the proposed General Fund Budget, Capital Programme, Housing Revenue Account Budget, Medium Term Financial Strategy and Treasury Management Strategy for financial year 2017/18.

In accordance with the Council's budget and policy framework rules, the Resources and Overview Scrutiny Committee was formally invited to consider the proposals as part of the budget setting process and make comments to the Special Cabinet meeting on 24 January 2017.

Members made the following comments:

38.1. Medium Term Financial Strategy 2017/18 to 2019/20

Members asked about the £1.5 budget gap and what measures were in place to bridge the gap. It was explained that the budget gap had not been assumed to be met from reserve funds. It was noted that the new 100% Business Rates Retention Scheme would have an impact on budgets in the future and that there would be additional responsibilities given to local authorities; further information would be made to Members when the government consultation is published. Clarification was also sought on the new Business rates appeal process from April 2017.

Concern was expressed in respect of how further welfare reforms would impact on HRA projections and members were advised that further announcements were awaited from the Government.

The Strategy sets out principles to source efficiencies beyond 2017/18 and proposals to deliver these will be reported to Members.

38.2. Housing Revenue Account Budget 2017/18

The budget figures reflected the decision to return the management of the Housing stock directly to the Council and all housing services will be managed within a simplified structure and there will be no management fee.

Rents have been set in accordance with the proposed legislative directive to reduce council rents by 1% each year for four years. This has led to an average weekly rent for 2017/18 for £105.33. The Housing Revenue Account position for 2017/18 is an operational deficit of £4.7m. The report noted that there has been an increase in the net financing cost of loan repayments of £1.8m which has put pressure on reserves and along with further rent reduction increases the difficulty in supporting service requirements without a restructure of the loan repayments over the medium term.

Members were advised that savings had been made to cover the pressures from a reduction in the bad debt provision, staff budget reduction, increases in fees and charges and the introduction of a vacancy factor in the HRA to match that already in place in the general fund. Appendix 1 within the report was explained in terms of the HRA operating balances.

38.3. General Fund budget 2017/18

Members asked how the Government's austerity measures will affect the Council's budget, as the deficit continues to impact on local authorities. It was noted that the Borough Council proposes to increase the average Band D council tax rate by £5 and that this was the first increase in eight years.

There will be a cut in grants to parish and town councils following the decline in grant income from central government. The core grant from Government is set to drop by 18% to £3.3m.

The Executive Director (Resources, Environment & Cultural Services) explained that the business rates pooling regime for Hertfordshire has collapsed for 2017/18 but it would have a minimal impact on the 2017/18 budget. The other change to the budget recently is the impact of the triennial pension fund valuation on the 2017/18 budget, now that the valuation covers both the Housing Trust and the Council. It was noted that a decision will be made by Cabinet next week regarding the options to address the pension deficit, which will lead to a few minor changes to the budget.

A question was asked about possible funds being available for youth projects. It was explained that the 2017/18 budget includes a youth and sport budget. Members have expressed concerns regarding reduction in Community grants and would like to highlight to Cabinet that this will have an impact on the valuable service that our Voluntary sector provide, who is already facing difficulties finding volunteers to provide their service.

38.4. Capital Programme 2017/18 to 2021/22

The report noted that the Capital expenditure programme for 2017/18 was £43.6m, of which the General Fund schemes was £17.4m, S106 £1m, Affordable Housing programme £13.9m and Housing major repairs scheme £11.3m.

Members considered the capital expenditure programme for the period to 2021/22 as detailed within the report and included – General Fund capital schemes, S106 schemes, Affordable housing programme, Housing repairs schemes and other housing schemes e.g. sheltered housing refurbishment.

Clarification was sought from officers in respect of S106 receipts and the use of funds. It was explained that £0.8m during 2017/18 will support local organisation to upgrade football facilities in Hatfield and £0.2m during 2017/18 to support rugby facilities. There were no further S106 receipts identified to support non housing schemes in the future.

A question was raised in respect of the increase of charges for garages for the ongoing garage renovations. It was explained that a capital budget was required for the refurbishment of the garages following complaints from garage tenants and this would help reduce the void rates in garages. Explanation was sought on the history of increase of charges for garages, what was the typical void period for garages and whether the demand for garages was on the decline?

Members enquired about the Splashlands project in terms of timescales and officers responded that work is currently underway to get the right leisure mix to enable use of the site during the whole year to maximise the income.

Key projects highlighted for 2017/18 General Fund schemes included:

- Hatfield town Centre - £1.6m
- High View £0.4m
- Property Company £5m
- Huntersbridge car park £0.6m
- Bereavement Services £4.2m
- Splashlands £2.3m

38.5. Treasury Management Strategy 2017/18

Members enquired about the current treasury portfolio and future investments. It was noted that long term or with unrated counterparties was being increased from £35m to £45m. This was to reflect a likely increase in use of medium term pooled bond and/or equity funds. It was explained that funds were more volatile in the short term but highly diversified and were likely to yield higher returns than fixed deposits with banks.

In terms of changes being made to lending the Bank Rate remains at 0.25% for some time. Forecast predicts that a return in the region of £450k for 2017/18 based on an assumed average investment balance through the year of £50m and an average return on investments of 0.9%.

Clarification was sought on the previous monies borrowed and how the fund was utilised. Discussion ensued on future borrowing and investments. It was suggested that if the Council was taking out a further loan it would be best to borrow earlier rather than leave for later.

The investments detailed in Appendix A were explained. It was clarified that Council's treasury consultants, Arlingclose Ltd, generally recommend a secured bank deposit limit of 30% of general fund reserves and unsecured limit of 15% to ensure resilience

in the event of a default. Members were advised that Arlingclose Ltd provided advice and information on investments, debt and capital finance issues.

A question was asked in respect of paying the loan back before maturity and it was explained that it would not be of benefit to the Council.

RESOLVED:

- (1) That the Committee's comments on the Council's budget proposals for 2017/18 be submitted to the Special Cabinet meeting on 24 January 2017 for consideration following which the budget would be presented to Special Council meeting 6 February 2017.
- (2) That the Special Cabinet consider the Committee's request for review of the reduction in grants for voluntary sector, community services, as this provision of services represents value for money.