

EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of the Scrutiny Committee held at Knowle, Sidmouth on Wednesday, 27 July 2005

Present:

Councillors:

P W Burrows (Chairman)
A R Giles (Vice-Chairman)

D G Button
D J Cox
Mrs C E Drew
H J Jeffery
D R A Key
Mrs A E Liverton

Mrs F I Newth
Mrs M A Rogers
A J Toye
Dr H W Waterworth

Also Present

Councillors:

Miss V Ash
P A Diviani
Miss J M Elson
R G Franklin
M J L Green

Ms S M Merritt
A T Moulding
J B Nicholson
A J Wilkinson
S Wragg

Ms J Wright – Independent consultant

Apologies:

Councillors:

Mrs K J Bamsey
D G Button
Mrs M A Rogers
P J Skinner
Mrs E E Wragg

The meeting started at 6.30pm and ended at 9.05pm

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Minutes

The minutes of the Inaugural Meeting of the Scrutiny Committee held on 22 June 2005 were confirmed and signed as a true record.

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Understanding the Budget

The Corporate Director – Economy gave an informative presentation on understanding and influencing the Budget. Copies of the slides shown during the presentation were made available to Members, together with a guide to the Local Government Finance Settlement.

Members were advised that the Council had two main budgets – revenue and capital. The former was funded by three main sources of income: Council Tax, fees and charges and Government grants. It was noted that the annual Council Tax paid to this Council by a Council Tax Band D payer in East Devon was £107.09. This amount was below average amongst other Devon authorities and was the 19th lowest nationally. The ability to increase Council Tax was now restricted by central government through the use of capping powers, thereby limiting one of the Council's main streams of income.

***3 Understanding the Budget (Cont.)**

The second stream of income relied on by the Council was the government formula grant. This grant was made up of the amount due to the Council from business rates together with the revenue support grant. The size of the grant in cash terms had changed very little since 1994/5. The revenue support grant was calculated by looking at how much the Council should notionally spend less how much it should notionally receive from Council Tax, plus a guaranteed annual increase. The figure for notional spending was worked out by making calculations for various criteria including resident population, flood defence work, deprivation and coast protection.

The third income stream relied on by the Council was fees and charges paid for services, or use of property, provided by the Council. Members were advised that this was the only income stream which the Council could significantly affect and was the largest one. The income attributed to each income stream on average each year, was as follows:

Council Tax: £5.65m

Government Grant: £6.601

Fees and charges: £11.114

The main sources of income from fees and charges were sports centres, car parks and rents. The income provided fluctuated each year, for example a wet summer could mean less visitors to seaside towns and a resultant fall in car park income. The importance of fees and charges as a source of income was stressed.

The second part of the budget was expenditure. The Council incurred both revenue and capital expenditure. Revenue expenditure was defined as "expenditure on recurring items including the running of services and capital financing e.g. employees, premises, transport". The Council's main areas of revenue expenditure were staff and supplies and contracted out services, for example the refuse collection.

Revenue expenditure was monitored annually by the preparation of budgets. These were prepared in detail in accordance with a timetable. Budgets were seen to represent the Council's priorities in financial terms. To influence a budget it would be necessary to act early on in the budget cycle rather than as late as January/February.

The second form of Council expenditure was capital expenditure. The Housing Act 1989 defined expenditure for capital purposes as "purchase, construction or enhancement of land, roads, buildings, structures, vehicles, plant and equipment". Any enhancement should "substantially length[en] the life, the value, or use of an asset". All expenditure must be dealt with as revenue expenditure unless it meets with this criteria.

Capital expenditure could be funded from either capital receipts, capital grants, borrowing or revenue. Capital receipts were obtained by selling off assets. One of the Council's main sources of capital receipts was the selling off of Council housing. From 2004/05 75% of the income generated through Council house sales would be taken away from the Council by central government thereby reducing this source of income.

Members were advised that borrowing money was an option for the Council if it wished to maintain a 'high' level of investment, however the cost would impact on the revenue budget, which would be a problem for the Council at the present time.

It was noted that although capital projects were provided via capital expenditure they often resulted in revenue expenses through, for example, staffing and maintenance costs. In addition balance spent on capital projects would no longer be available to accrue interest which was treated as a source of revenue income.

The Corporate Director – Economy was thanked for his report.

***3 Understanding the Budget (Cont.)**

The Chairman introduced Julia Wright, independent consultant, who was present to facilitate discussion on the budget and offer advice on how the Committee could scrutinise topics in future.

The following points were noted:

There was no such thing as a naïve question.

The Committee should take an overall view of topics with task and finish forums being used if it was necessary to look at any specific areas in more detail.

It would be worth spending time looking at what affect changes could have on the future.

It was important to move away from traditional thinking.

The Committee should look to other authorities for examples on how they could scrutinise different topics.

It was important to ask searching questions.

The four principles of scrutiny were stated as: critical friend; engaging the public; owning the process; and making an impact.

Members were asked, in the small discussion groups in which they had been sitting throughout the meeting, to discuss how they felt the budget should be scrutinised and what were they trying to influence. It was suggested that the Committee should be looking for lessons which could be learnt, challenging whether the budget matched the Council's priorities and looking at what could be done to influence the budget, for example increasing charges and the services provided.

The following ideas were put forward as topics the Committee could consider:

- Land – could the Council make more money from the properties and land it owned?
- Why were some services losing the Council money?
- Were staff levels appropriate?
- Was the Council abiding by the priorities identified by the service prioritisation?

It was suggested that Town and Parish Councils should be consulted.

Julia Wright was thanked for attending the meeting and facilitating the discussion.

RESOLVED that a Task and Finish Forum be established comprised of Councillors Burrows, Cox and Waterworth to look into the Council's fees and charges with the remit to make specific recommendations for change.

***4 Update on work programme**

The Chief Executive updated the Committee with regard to the work programme drawn up at the previous meeting.

Communications would be considered at the meeting to be held in September 2005.

Anti-social behaviour and affordable housing would be considered at the October and November meetings respectively. It was anticipated that Staff and corporate working would be considered in January 2006.

Chairman Date.....