

**Minutes of the Meeting of the FINANCIAL POLICY PANEL
held on 2 February 2017**

PRESENT -

Councillor Eber Kington (Chairman); Councillors Richard Baker, John Beckett, Omer Kokou-Tchri, Barry Nash, Keith Partridge and Vince Romagnuolo

Absent: Councillor Graham Dudley

Officers present: Kathryn Beldon (Director of Finance and Resources), Lee Duffy (Head of Financial Services), Brian Thompson (Interim Head of Financial Services) and Fiona Cotter (Democratic Services Manager)

17 DECLARATIONS OF INTEREST

No declarations of interest were made by councillors regarding items on the Agenda.

18 2017/18 BUDGET AND COUNCIL TAX REPORT PRESENTATION

The Panel received and considered a report which provided an update on the preparation of the budget for 2017/18 following the announcement of the provisional local government finance settlement. The report sought any final guidance from the Panel prior to the preparation of the 2017/18 Budget and Council Tax report for the Council meeting on 14 February 2017.

The report set out the overall budget targets for 2017/18, agreed at Strategy and Resources Committee on 27 September 2016. It was highlighted that, whilst provision had been made for a 1% increase in pay at that time, the estimates had been prepared on the basis of a 1.5% pay award, subject to the agreement of the Strategy and Resources Committee on 7 February 2017.

There were still certain external financing income levels that needed to be finalised, such as the actual local government finance settlement. However, the Head of Financial Services confirmed that it was unlikely that the final local government settlement for 2017/18, including revenue support grant, would be different to the provisional settlement. The Council had signed up to a fixed four year settlement but this still meant a 22.3% reduction in funding in 2017/18 and a tariff adjustment of £624,000 in 2019/20. However, there was no evidence to suggest that those authorities that had not accepted a four year settlement were in any better position. The Council had voiced its concerns to its MP regarding the tariff adjustment and the Panel expressed its frustration at the fact that the

Council was effectively being penalised for its ability to raise income from Council Tax with its core spending power being reduced by 7.4% in 2017/18.

The Council would continue to benefit from additional funding from the New Homes Bonus scheme but this source of funding was expected to reduce dramatically over the next couple of years with the introduction of a revised scheme. For 2017/18, approximately £1,054,000 of New Homes Bonus would be transferred to the Corporate Projects Reserve for funding capital or corporate projects with £500,000 allocated to help fund services. Whilst the Council had been prudent in not relying too heavily on this grant to help fund services, the revised four year forecast nevertheless anticipated this source of funding to fall below the £500,000 annual planned use of NHB originally built into the Medium Term Financial Strategy, to around £200,000, by 2020/21.

No use of working balances was currently anticipated. However there were a number of risks to this assumption arising from unsettled budget items, including the pay settlement, currently included at 1.5% but which was yet to be decided by the Strategy and Resources Committee and the Council Tax had yet to be set. For financial planning purposes, the Medium Term Financial Strategy included an annual council tax increase of £4.95 for a Band D equivalent – the maximum permitted under current capping limits. This equated to a 2.72% rise or 10 pence per week and would support service delivery.

The Medium Term Financial Strategy anticipated that savings of £3.2 million would be required between 2016 and 2020. The Efficiency Plan specified where and in which year the total £3.2 million needed to be achieved. Although progress had been made to reduce the level of unidentified savings required to balance the budget by 2019/20 to £436,000 there was still work to be undertaken to achieve this objective. In particular, the excellent work done in reducing homelessness costs was applauded. Additional income from the acquisition of commercial properties of £172,000 had also been incorporated into the plan but it was stressed that it was prudent to work towards finding around £500,000 to mitigate any other pressures not yet apparent.

In terms of Business Rates, the latest forecast was that the Council would collect around £24 million in rates, of which the Council could expect to retain around £1.5 million following various deductions. The safety net threshold for 2017/18 was estimated at £1,226,000 compared to the £1.5 million used as income in the draft estimates. This limited the exposure of losses to £301,000 next year compared to the estimate used in the Budget Book. Again, the Panel expressed frustration at the funding formula which meant that the Council did not retain all of the income generated from business growth in the Borough.

Accordingly, the Panel:

- (1) Noted the provisional Government financial settlement and changes to the criteria for the award of New Homes Bonus grant and its impact on future funding;

- (2) Noted the latest position on Retained Business Rates and the funding available for 2017/18;
- (3) Supported the assumption that there would be no use of working balances (revenue reserves) in the 2017/18 budget;
- (4) Agreed to support a recommendation to Council of a Council Tax increase of £4.95 for a Band D equivalent property;
- (5) Noted the updated four year Financial Plan and Efficiency Plan (Cost Reduction Plan).

19 MINUTES

The Minutes of the meeting of the Financial Policy Panel held on 6 December 2016 were agreed as a true record and signed by the Chairman.

The meeting began at 7.30 pm and ended at 8.21 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)