Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 12 September 2017

PRESENT -

Councillor Eber Kington (Chairman); Councillors Richard Baker, John Beckett, Neil Dallen, Graham Dudley, Omer Kokou-Tchri, Barry Nash and Vince Romagnuolo

Officers present: Lee Duffy (Head of Financial Services) and Fiona Cotter (Democratic Services Manager)

4 DECLARATIONS OF INTEREST

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

5 BUDGET TARGETS 2018/19

The Panel received and considered a report, which updated the financial forecast and recommended financial targets for preparing the draft budget for 2018/19 and financial planning for 2019/20 and 20/21.

As a result of the reduction in Government grant funding over recent years, the Council had reduced actual spending in cash terms. The Council was no longer in receipt of Revenue Support Grant and faced a tariff adjustment in 2019/20 that was effectively negative Revenue Support Grant. It was not yet clear what would happen in 2020/21 in this regard. The Head of Financial Services stated that a report was due to go the next Strategy and Resources Committee meeting regarding the recently announced Localisation of Business Rates pilot scheme. Officers were clear that their position was that they would seek to ensure that any pilot scheme sought to redress the impact of negative Revenue Support Grant. The Panel again expressed its frustration with the Government's approach to funding public sector services.

The Panel was pleased to note that the Auditors again intended to issue an unqualified audit opinion in respect of the Council's financial statements. It was confirmed that £2.5m was the agreed minimum level of unspecified reserves. This approach was approved by the Auditors and the amount was consistent with that held by other authorities of this size. Whilst the current general fund balance was £834,000 above this, the Council still faced a number of financial uncertainties. It was unclear whether negative Revenue Support Grant would continue and escalate, for example, and the Council still needed to find £1.5m in savings over the next three financial years.

Cost reductions in the region of £90k still needed to be identified in 2018/19. This shortfall was based on a number of assumptions, in particular that the County Council would be reducing its financial contribution to services provided by this Council and the loss of transitional Business Rate Relief. Many authorities appeared to be banking on the localisation of Business Rates propping up services but Officers were sceptical and did not believe the Council should rely on this.

Provision of £100k had been made in 2018/19 and 2019/20 to mitigate the potential impact of benefit reforms on services such as homelessness or benefits – it was a contingency. However, the contingency for Service Changes and Pressures reduced to £100k by 2020/21. This was because certain items had been moved from capital and reclassified as revenue expenditure (IT and bin replacement).

In regard to the New Homes Bonus, the new eligibility criteria assumed a level of growth before it kicked in and the assumption had been made that it would be difficult for this Council to meet the threshold thereby leading to a significant reduction in this source of funding to only £196k in 2020/21.

It had been assumed that homelessness grant funding had been secured in 2018/19 of £131k per annum for three years but the Head of Financial Services was seeking confirmation of this as such funding had been an element of Revenue Support Grant which this Council no longer received. No assumptions had been built in regarding homelessness in general as significant growth had already been built into the budget for this. No provision had been included for income for the acquisition of new commercial properties as this was still subject to member approval at meetings due to take place next week. Income from the two commercial properties already in Council ownership had been taken into account in the forecast net cost of services in 2017/18 of £8,365k. Likewise, it was not appropriate to include any provision for an increase in members' allowances over and above RPI until the report of the Independent Remuneration Panel had been received and considered by the Council.

In terms of income generation, it was reiterated that some property was already generating income. The Council had been successful in a bid to the Local Government Association to assist in looking at other income generation streams. It was hoped that this work would commence in October. However, the Chairman again cautioned against committing significant amounts of Officer time in chasing small amounts of income. It was again confirmed that the saving in relation to the disposal of the Ebbisham Centre was a half year saving. The crucial savings in relation to its disposal would be in relation to maintenance liabilities.

Going forward, the report reiterated the key features of the on-going programme, which had been implemented to deliver the necessary savings and additional income required to meet the funding shortfalls:

- Continuation of delivery of savings identified in the Council's Efficiency Plan;

- A base review of the year-end position at the relevant time, identifying any potential savings, additional cost pressures and areas where savings could be developed. These would be used to update the four year financial plan;

- Generation of additional income from investment in commercial property and the realisation of cost reductions in the operation of Council owned property;

- Delivery of an Income Generation Plan that would identify new income streams for the Council and also highlight areas where further income could be increased from existing services.

The greatest financial risks continued to appear to be further potential funding cuts from Central Government and from Surrey County Council for services provided by this Council. It was noted that whilst the pay restriction in the public sector had been relaxed resource constraints would need to be taken into account in any pay award. The Panel would receive an updated position on the budget for 2018/19 at its meeting in December.

Finally, the Chairman pointed out that under his Chairmanship, the Capital Member Group would not "*seek* to limit" but, so far as it was within its control to do so, *would* limit the number of schemes included within the capital expenditure programme to enable retention of the agreed minimum level of capital reserves.

Accordingly, the Panel recommended to the Strategy and Resources Committee:

(1) The following overall revenue budget target for 2018/19:-

  a) estimates are prepared including options to reduce organisational costs by £588,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy;

  b) that at least £200,000 additional revenue is generated from an increase in discretionary fees and charges, based on minimum overall increase in yield of 3.0%;

  c) that a provision for pay award is made of £228,000 that represents an increase to the staffing budget of 1.5%;

(2) That further savings and efficiencies be identified to address the budget shortfalls of £90,000 in 2018/19, £577,000 in 2019/20 and £791,000 in 2020/21;

(3) That the Capital Member Group limits schemes included within the capital expenditure programme that enable the retention of agreed minimum level of capital reserves.

6 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 25 May 2017 were agreed as a true record and signed by the Chairman.

The meeting began at 7.30 pm and ended at 8.19 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)