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Simon Young, Solicitor
Head of Legal and Democratic Services



FINANCIAL POLICY PANEL

Tuesday 12 September 2017 at 7.30 pm

Committee Room 1 - Epsom Town Hall

The members listed below are summoned to attend the Financial Policy Panel meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Councillor Eber Kington (Chairman)
Councillor Richard Baker
Councillor John Beckett
Councillor Neil Dallen

Councillor Graham Dudley
Councillor Omer Kokou-Tchri
Councillor Barry Nash
Councillor Vince Romagnuolo

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Young', written over the typed name.

Head of Legal and Democratic Services

For further information, please contact Fiona Cotter, tel: 01372 732124 or fcotter@epsom-ewell.gov.uk

AGENDA

1. DECLARATIONS OF INTEREST

Members are asked to declare the existence and nature of any Disclosable Pecuniary Interests in respect of any item of business to be considered at the meeting

2. BUDGET TARGETS 2018/19 (Pages 3 - 16)

This report updates the financial forecast and recommends financial targets for preparing the draft budget for 2018/19 and financial planning for 2019/20 & 2020/21.

3. MINUTES (Pages 17 - 18)

The Panel is asked to confirm the Minutes of the Meeting of the Panel held on 25 May 2017 (attached) and to authorise the Chairman to sign them.

BUDGET TARGETS 2018/19

Report of the: Head of Financial Services
Contact: Lee Duffy
Urgent Decision?(yes/no) No
If yes, reason urgent decision required: N/A
Annexes/Appendices (attached): **Annexe 1** – Updated Four Year Plan
Other available papers (not attached): Policy Book 2017/18

REPORT SUMMARY

This report updates the financial forecast and recommends financial targets for preparing the draft budget for 2018/19 and financial planning for 2019/20 & 2020/21.

RECOMMENDATION (S)

That the Panel recommends 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%;**

Notes

- | | |
|---|--|
| <p>(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;</p> <p>(3) That the Capital Member Group seek to limit schemes included within the capital expenditure programme that enable the retention of agreed minimum level of capital reserves.</p> | |
|---|--|

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The Medium Term Financial Strategy aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.
- 1.2 The Strategy and Resources Committee has agreed the following key service priority:-
- 1.2.1 Set budget targets for 2018/19 to keep the tax level below the Surrey average.
- 1.2.2 Delivery of the Financial Plan for 2016-2020 whilst limiting use of New Homes Bonus
- 1.3 It is the Financial Policy Panel's role to advise the Strategy and Resources Committee on all matters relating to the budget and policy framework.

2 Introduction

- 2.1 The Council carried out a comprehensive review of its finances leading to the approval of the Four Year Financial Plan 2016-2020.
- 2.2 The major challenge for the Council is to deliver year-on-year savings to achieve a balanced budget during the funding cuts faced in the four year settlement.
- 2.3 To address the funding shortfall the Council has produced an efficiency saving programme and has reduced actual spending in cash terms.
- 2.4 In May the Financial Policy Panel received a preliminary report on preparing the 2018/19 budget and agreed a budget reporting timetable.
- 2.5 The following table is taken from the Financial Plan and provides an overview of the budget review process:-

| Annual Review | Financial Planning |
|-----------------------------------|---|
| May | <ul style="list-style-type: none"> Financial Review |
| June | <ul style="list-style-type: none"> End of Year Financial Reports |
| July – September | <ul style="list-style-type: none"> Review of Revenue and Capital Reserves Update of Four Year Budget Forecast Set Budget Targets for 2018/19 |
| October – Nov December | <ul style="list-style-type: none"> Estimates and Budget Options Capital Appraisals Capital Finances |
| January | <ul style="list-style-type: none"> Service estimates and investment plans for following year |
| February | <ul style="list-style-type: none"> Determine Budget and Council Tax |
| March | <ul style="list-style-type: none"> Publish Budget Council Tax Information & Billing |
| April | Start of new Financial Year |

2.6 This report provides an update on the Council's financial position prior to the Strategy and Resources Committee approving budget targets for 2018/19.

3 Government Four Year Settlement

3.1 The funding outlook for the Council has changed significantly for the four years following the final financial settlement in early 2016. A widely expected phased cut to funding was front loaded and left the Council with no Revenue Support Grant from 2017/18 onwards, and an overall 66% reduction in funding between 15/16 and 19/20. The baseline funding for 2018/19 is £1.4m.

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenue Support Grant | 417 | 0 | 0 | 0 |
| Retained Business Rates – Baseline | 1,300 | 1,324 | 1,364 | 1,407 |
| Transitional Grant | 93 | 83 | 0 | 0 |
| Tariff Adjustment | 0 | 0 | 0 | -624 |
| Forecast Funding | 1,810 | 1,407 | 1,364 | 783 |

- 3.2 As a further comparison our baseline funding in 2010/11 was £4.2m. The anticipated baseline funding for 2019/20 is £783k.

4 The Council's Financial Position

2016/17 Revenue Account Final Accounts

- 4.1 The final accounts for 2016/17 were reported to Strategy and Resources Committee in June 2017. The District Auditor, Grant Thornton, will report back to the Strategy and Resources Committee later this month. Adjustments to the draft accounts will also be reported. To date no changes have been identified either to the financial performance for 2016/17 or to the level of cash reserves available as at 31 March 2017.
- 4.2 At the time of writing this report the Auditors intend to issue an unqualified audit opinion in respect of the Council's financial statements.
- 4.3 At the end of 2016/17 the Council's reserve levels stood at £3.334m for general fund balances and £13.188m for strategic earmarked reserves. A breakdown of these reserves can be found in the Council's Statement of Accounts published online.
- 4.4 The 2016/17 budget did not anticipate any withdrawal from general fund reserves to finance the provision of services. The actual year end position allowed the Council to make a contribution to general fund balances of £163,000 leaving the Council with a general fund balance of £3.334m. This is £834,000 above the £2.5m internally set threshold.
- 4.5 The 2017/18 budget was set with a balanced budget and anticipated no use of general fund reserves.

Capital Reserves

- 4.6 The following statement of the Council's capital reserves is also taken from the financial statements for 2016/17:-

| | Usable Capital Receipts £'000 |
|---|--|
| Balance brought forward at 1 April 2016 | 4,388 |
| Amounts received in 2016/17 | + 737 |
| Amounts applied to finance new capital investment | - 812 |
| Reduction in realised capital resources | - 75 |
| Balance carried forward at 31 March 2017 | 4,313 |

- 4.7 The estimated commitments on capital reserves required to fund schemes in the 2017/18 capital programme total £1.864 million; £1,221,000 for schemes brought forward and £643,000 for new schemes.
- 4.8 The estimate of uncommitted capital reserves is therefore reduced to £2.4 million.

5 Budget Outlook for 2018/19

- 5.1 A financial model has been prepared and the following table summarises the latest budget forecast:-

| | <u>2017/18</u> <u>Budget</u> £'000 | <u>2018/19</u> <u>Forecast</u> £'000 | <u>2019/20</u> <u>Forecast</u> £'000 | <u>2020/21</u> <u>Forecast</u> £'000 |
|--|--|--|--|--|
| Net Cost of Service b/f | | 8,365 | 8,619 | 8,525 |
| Add back prior year use of reserves/provisions | | 225 | | |
| Pay & Price Increases | | 418 | 395 | 395 |
| Contingency for Service Changes and Pressures | | 395 | 174 | 100 |
| Changes in External Funding | | 4 | 65 | 65 |
| Increase in Fees & Charges | | -200 | -200 | -210 |
| Identified savings (breakdown in 5.4) | | -588 | -528 | 0 |
| Forecast Net Cost of Services | 8,365 | 8,619 | 8,525 | 8,875 |
| Interest on Balances | -220 | -220 | -220 | -220 |
| Use of New Homes Bonus | -500 | -500 | -304 | -196 |
| Transfer from Working Balance (-) | 0 | 0 | 0 | 0 |
| Forecast Net Expenditure | 7,645 | 7,899 | 8,001 | 8,459 |
| | | | | |
| Base income from Council Tax | 6,045 | 6,251 | 6,460 | 6,673 |
| Retained Business Rates | 1,527 | 1,558 | 1,589 | 1,620 |
| Tariff adjustment | 0 | 0 | -625 | -625 |
| Transitional Grant | 83 | 0 | 0 | 0 |
| Adjustments | -10 | 0 | 0 | 0 |
| Total Funding | 7,645 | 7,809 | 7,424 | 7,668 |
| | | | | |
| Forecast Budget Shortfall | 0 | 90 | 577 | 791 |

- 5.2 The forecast budget shortfall for 2018/19 is £90,000 and over the next 3 years financial years (inclusive of 2018/19) the total deficit is £1.458m. This shortfall includes the following assumptions:
- 5.2.1 That £500k New Homes Bonus Grant is used to fund services in 18/19, the criteria for eligibility for this grant has been changed and as a result funding for future years will reduce significantly, with levels expected to drop to £304k in 2019/20 and £196k in 2020/21.
 - 5.2.2 Increases in yield from fees and charges are increased by 3% from 2018/19 onwards.
 - 5.2.3 Provision for increase in pay bill reflects current proposal submitted to Staff Consultative Group costing £228k in 2018/19,
 - 5.2.4 Reduction in funding from SCC of £254k to support provision of services for refuse collection and highways horticultural, partially offset by an increase in garden waste subscription fees of £119k to mitigate loss of funding.
 - 5.2.5 Homelessness grant funding secured in 2018/19 for £131k per annum for 3 years
 - 5.2.6 No provision has been provided for income from the acquisition of new commercial properties.
 - 5.2.7 No provision has been included for an increase in business rates payable on council owned properties due to loss of transitional reliefs.
 - 5.2.8 No provision has been made for an increase in member allowances over and above rpi.
 - 5.2.9 £200k included to fund expenditure previously charged to capital for IT and bin container replacement
 - 5.2.10A provision of £100k in 2018/19 and 2019/20 to mitigate the impact of benefit reforms.
 - 5.2.11 Loss of housing benefit admin grant of £45k in 2018/19 and a further £24k in 2019/20
 - 5.2.12A provision for an increase in property maintenance costs of £50k for 2018/19 and 2019/20.
- 5.3 The 2018/19 budget figures will change throughout the budget setting process as managers and Accountants review budgets and trends.
- 5.4 The following savings for 2018/19 were agreed in principle by the relevant Policy Committees in the 2017/18 budget targets reports last year:

| | £'000 | Committee |
|--|------------|-------------|
| Restructuring of Senior Management Team | 60 | S&R |
| Disposal of Ebbisham Centre | 52 | C&W / S&R |
| Cease sweeping up highway verge cuttings after cutting | 52 | Environment |
| Issuing licences for professional users of parks | 10 | C&W |
| Allotments – self management | 4 | C&W |
| Introduce vending in parks | 5 | C&W |
| Operational efficiencies and income generation | 405 | All |
| Total savings | 588 | |

2018/19 deficit

5.5 The following statement of the Council's capital reserves is also taken from the financial statements for 2016/17:-

5.6 This leaves the Council with a budget deficit of £90,000 for 18/19. It is anticipated that further savings should be achievable to address the funding gap through:

5.6.1 **Efficiency savings** – officers will continue to review service delivery to identify any further efficiencies, income streams and economies of scale.

5.6.2 **Income generation** – officers will deliver an Income Generation Plan that will identify new income streams for the Council and also highlight areas where further income can be increased from existing services

5.6.3 **A base review** – this entails reviewing the year end position for 2016/17, identifying any potential savings, additional cost pressures and areas where savings can be developed.

5.6.4 **Property related** – to generate additional income from investment in commercial property and to realise cost reductions in the operation of Council owned property.

5.7 It is proposed that officers undertake reviews throughout the year and during the budget setting process to help deliver a balanced budget for 2018/19. If necessary a list of proposals will be presented to members by officers with suggestions of how to reduce the £90,000 shortfall.

5.8 The following main factors were used to prepare the forecast.

| ASSUMPTIONS USED | BASE £'000 | 2017/18 Budget | 2018/19 Forecast | 2019/20 Forecast | 2020/21 Forecast |
|--|-----------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Inflation - prices | 9,500 | | 2.0%* | 2.0% | 2.0% |
| Pay bill growth | 11,000 | 2.1% | 2.1%** | 1.9% | 1.9% |
| Fees & Charges allowance: annual increased yield on discretionary charges | 6,600 | | 3.0% | 3.0% | 3.0% |
| Interest rate used | | 1.00% | 1.25%*** | 1.5%*** | 2.00%*** |
| Increase in Council Tax | 6,045 | £187.02 | £5 increase on Band D | £5 increase on Band D | £5 increase on Band D |
| Increase in Property Base | | 32,324 <i>Properties</i> | 0.75% | 0.75% | 0.75% |

* allows for unavoidable price inflation only

** assumes pay proposal submitted to Staff Consultative Group is approved.

*** assumes additional resources available from interest equalisation reserve to maintain a minimum £220,000 per annum for general fund use

6 Budget Timetable 2018/19

6.1 In May the Financial Policy Panel received a preliminary report on preparing the 2018/19 budget and agreed a budget reporting timetable. The table below summaries the overview of the budget review process:

| Annual Review | Financial Planning |
|----------------------|---|
| May | Financial Review |
| June | End of Year Financial Reports |
| July - September | Review of Revenue and Capital expenditure Set budget targets for 2018/19 |
| October - December | Estimates and Budget Options Capital finances and appraisals |
| January | Service estimates and investment plans for following year Capital schemes to Council |
| February | Determine budget and council tax Approve capital programme for 2018/19 |
| March | Publish budget Council tax information and billing |

7 New Homes Bonus Scheme

- 7.1 The New Homes Bonus protocol agreed by Strategy and Resources Committee in September 2013 allowed for £500,000 per annum of grant to be used to finance general fund services.
- 7.2 Central Government last year changed the criteria for the award of the grant and as a result significantly reduced the amount of New Homes Bonus payable. The level of funding is expected to reduce from the £1,554,000 for 2017/18 down to £664,000 in 2018/19.
- 7.3 The current forecast anticipates the continued use of £500,000 of New Homes Bonus in 2018/19 but this funding reduces down to £304,000 in 2019/20 and £196,000 in 2020/21.

8 Forecast for 2019/20 and 2020/21

- 8.1 **Annexe 1** projects a further deficit of £577,000 in 2019/20 and £791,000 in 2020/21. If the £90,000 shortfall in 2018/19 is addressed this would reduce the deficit in 2019/20 to £487,000 and 2020/21 to £701,000.
- 8.2 There are still a number of risks that may impact on these projections such as the impact of any delays or changes to efficiency savings, welfare reforms and further reductions in external funding for services from Surrey County Council.
- 8.3 A programme has been implemented to deliver the necessary savings and additional income required to meet the funding shortfalls. The key features of this programme are:
 - 8.3.1 Continuation of delivery of savings identified in the Council's Efficiency Plan
 - 8.3.2 A base review of the year end position for 2016/17, identifying any potential savings, additional cost pressures and areas where saving can be developed. These will be used to update the four year financial plan.
 - 8.3.3 Property related – to generate additional income from investment in commercial property and to realise cost reductions in the operation of Council owned property.
 - 8.3.4 Income generation – officers will deliver an Income Generation Plan that will identify new income streams for the Council and also highlight areas where further income can be increased from existing services

9 Fees and Charges

- 9.1 Budgeted income from discretionary fees and charges totals nearly £7 million. Additional income targets were again set this year for Council run venues along with increases in other fees and charges. The 2018/19 budget forecast assumes an additional yield on charges set by the Council generating £200,000 based on a minimum overall increase of 3.0% in total income.
- 9.2 Any shortfall in income will need to be offset by additional cost savings so that a balanced budget can be achieved.

10 Council Tax and Retained Business Rates

- 10.1 The forecast assumes an increase of £5 on Band D equivalent property per annum in council tax income. It is anticipated this level of tax increase would keep the council tax in the lower half of the Surrey Districts, consistent with the council tax policy.
- 10.2 The current Band D for the Borough is £187.02. The Borough's council tax is benchmarked against the other Surrey District council tax levels below:-

| SURREY | Average council tax for the authority including parish precepts - Band D | |
|--------------------|--|----------|
| | £ | % change |
| Runnymede | 154.59 | 3.34 |
| Mole Valley | 175.89 | 3.93 |
| Epsom & Ewell | 187.02 | 2.72 |
| Guildford | 189.65 | 3.47 |
| Spelthorne | 192.44 | 2.67 |
| Elmbridge | 211.77 | 1.93 |
| Reigate & Banstead | 220.60 | 2.42 |
| Tandridge | 225.93 | 2.70 |
| Surrey Heath | 225.96 | 2.41 |
| Waverley | 226.18 | 3.56 |
| Woking | 226.71 | 2.23 |

Source :DCLG website August 2017

- 10.3 The forecast also assumes a 2% increase in the Council's share of retained business rates income for each financial year.

- 10.4 The Council maintains a Business Rates Equalisation Reserve to finance any fluctuations in its share of Business Rate income. The uncommitted balance on this reserve currently stands at £795,000.

11 Capital Programme

- 11.1 The capital programme review for 2018-2019 is under way. The Capital Member Group has met this month to review draft bids.

12 Proposals

- 12.1 The recommendations to the Strategy and Resources Committee are covered in the recommendations of this report.
- 12.2 The Panel is requested to advise whether any changes are needed to the budget strategy or the charging assumptions used in setting the budget target for 2018/19.

13 Financial and Manpower Implications

- 13.1 ***Chief Finance Officer's comments:** Decisions on a pay settlement for April 2018 are not required prior to the budget being agreed however resource constraints will need to be taken into account in any pay award.*
- 13.2 *The financial outlook for 2018/19 was contained in the Four Year Financial Plan and is shown in Annexe 1 of this report.*
- 13.3 *The 2018/19 budget figures will change throughout the budget setting process as managers and the Finance Team review budgets and trends.*

14 Legal Implications (including implications for matters relating to equality)

- 14.1 ***Monitoring Officer's comments:** No comments for the purposes of this report.*

15 Risk Assessment

- 15.1 A high level of risk to Council finances has arisen from the resultant public sector spending cuts. The main risks for next year are set out in the 2018/19 budget report.
- 15.2 The longer term financial risks are contained in the Four Year Financial Plan 2016-2020.

16 Conclusion and Recommendations

- 16.1 The recommendations to the Strategy and Resources Committee are covered in the recommendations of this report.
- 16.2 This report covers budget targets for 2018/19, taking into account the financial forecast for the next three years and the Council's approved Medium Term Financial Strategy.

- 16.3 Based on the assumptions used, the forecast identifies that cost reductions are required in the region of £90,000 in 2018/19 and £1.458 million in total over the next three financial years
- 16.4 The budget strategy involves continuing to deliver efficiency savings and generate extra service income whilst reviewing service levels so that service costs can be reduced as needed to achieve a balanced budget year on year.
- 16.5 The budget strategy also requires prudent use of government grants such as the New Homes Bonus to limit reliance on specific grants for funding council services.
- 16.6 The greatest financial risks appear to be further potential funding cuts from Central Government and from Surrey County Council for services provided by this Council.
- 16.7 The budget position for 2018/19 will be reassessed later this year when detailed service estimates have been prepared.

WARD(S) AFFECTED: (All Wards);

REVENUE BUDGET FOUR YEAR FORECAST

| FOUR YEAR BUDGET PROFILES | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|---------|----------|----------|----------|
| | Budget | Forecast | Forecast | Forecast |
| | £000 | £000 | £000 | £000 |
| NET SPEND B/F FROM PREVIOUS YEAR | | 7,645 | 7,899 | 8,001 |
| add back: Use of New Homes Bonus in Previous Year | | 500 | 500 | 304 |
| add back: Interest on Balances as credited to the revenue account in previous year | | 220 | 220 | 220 |
| add back: Use of Reserves/Provisions in previous years budget | | 225 | 0 | 0 |
| Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance) | 8,365 | 8,590 | 8,619 | 8,525 |
| Allowance for Pay and Price Inflation | | | | |
| General Inflation - price base | | +190 | +190 | +190 |
| General Inflation pay bill base | | +228 | +205 | +205 |
| | | | | |
| Prices Increases net of Increased Fees & Charges | | +418 | +395 | +395 |
| Regulation & Legislative Changes | | | | |
| Pension Fund Valuation 2019 | | | | +100 |
| IT and bin replacement programmes transferred from capital | | +200 | | |
| Loss of Housing Benefit Admin Grant | | +45 | +24 | |
| Increase in provision for property maintenance | | +50 | +50 | |
| Provision for impact on services of latest benefit reforms | | +100 | +100 | |
| Legislation Impacts | | +395 | +174 | +100 |
| Changes to External Funding | | | | |
| Refuse & recycling (SCC) | | +218 | +65 | +65 |
| Increase in garden waste fees to offset reduction in SCC subsidy | | -119 | | |
| Highways horticulture (SCC) | | +36 | | |
| Parking enforcement (SCC) | | | | |
| Homelessness Grant (DCLG) | | -131 | | |
| Changes to External Funding | | +4 | +65 | +65 |
| New Home Bonus | | | | |
| Estimated New Homes Bonus | -1,554 | -665 | -304 | -196 |
| Transfer to Corporate Project Reserve | +1,054 | +165 | +0 | +0 |
| NHB Funding used to support General Fund services | -500 | -500 | -304 | -196 |
| Cost Reduction Plan | | | | |
| Savings from Reviews and Star Chamber Exercise | | -476 | -406 | |
| Restructuring of Senior Management Team | | -60 | | |
| Disposal of Ebbisham Centre | | -52 | | |
| Reduction in homelessness costs through new properties | | | -122 | |
| Additional income identified in Income Generation Plan | | | | |
| Income from investment in commercial property | | | | |
| Cost Reduction Plan | | -588 | -528 | +0 |
| Fees and Charges | | | | |
| Increased yield on discretionary Fees and Charges | | -200 | -200 | -210 |
| | | | | |
| | | -200 | -200 | -210 |

| FOUR YEAR BUDGET PROFILES | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|--------------|----------------|--------------|--------------|
| | Budget | Forecast | Forecast | Forecast |
| | £000 | £000 | £000 | £000 |
| Interest on Balances (excludes interest credited to strategic reserves) | | | | |
| Capital Reserves | 1,719 | 1,278 | 1,000 | 1,000 |
| Working Balance | 5,877 | 5,277 | 4,627 | 4,577 |
| Section 106 | 1,500 | 500 | 0 | 0 |
| Other Balances | 3,750 | 800 | 500 | 500 |
| Investments (average) | 12,846 | 7,855 | 6,127 | 6,077 |
| Interest rate used (supplemented by interest equalisation reserve) | 1.00% | 1.25% | 1.50% | 2.00% |
| Interest on Reserves | -128 | -98 | -92 | -122 |
| Interest on Cash Flow / Tax Collection credited to General Fund | -40 | -50 | -60 | -80 |
| Total Interest Forecast | -168 | -148 | -152 | -202 |
| Interest separately allocated to Strategic Reserves | | | | |
| Add: Use of interest equalisation reserve | -52 | -72 | -68 | -18 |
| Interest credited to General Fund to Finance Services | -220 | -220 | -220 | -220 |
| SUMMARY OF FORECASTS | | | | |
| Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance) | 8,365 | 8,590 | 8,619 | 8,525 |
| Price Increases (inflation) | | +418 | +395 | +395 |
| Legislation Impacts | | +395 | +174 | +100 |
| NHB Funding used to support General Fund services | -500 | -500 | -304 | -196 |
| Changes to External Funding | +0 | +4 | +65 | +65 |
| Cost Reduction Plan | | -588 | -528 | +0 |
| Fees and Charges | | -200 | -200 | -210 |
| Interest credited to General Fund to Finance Services | -220 | -220 | -220 | -220 |
| Forecast Net Cost of Services | 7,645 | 7,899 | 8,001 | 8,459 |
| SETTLEMENT ASSESSMENT FUNDING FORECAST | | | | |
| RSG | +0 | +0 | +0 | +0 |
| Tariff Adjustment | +0 | +0 | -625 | -625 |
| Transitional Grant | +83 | +0 | +0 | +0 |
| Retained Business Rates | 1,238 | 1,558 | 1,589 | 1,620 |
| Small Business Rate Relief Grant | 289 | included above | | |
| Formula Grant / Business Rate Retention | 1,610 | 1,558 | 964 | 995 |
| Base Income from Council Tax | | 6,045 | 6,251 | 6,460 |
| Increase in council tax base | | +45 | +47 | +49 |
| | 6,045 | 6,090 | 6,298 | 6,509 |
| Forecast for increase in Council Tax income | | +161 | +162 | +164 |
| Council Tax Income Forecast | 6,045 | 6,251 | 6,460 | 6,673 |
| Deficit on Retained Business Rates | -111 | | | |
| Collection Fund Surplus | 101 | 0 | 0 | 0 |
| Assumed Collection Fund Income (Formula Grant + Council Tax) | 7,645 | 7,809 | 7,424 | 7,668 |
| Forecast Budget Shortfall (required use of working balance) | 0 | 90 | 577 | 791 |
| GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION | | | | |
| Estimated Working Balance b/f | 3,334 | 3,334 | 3,244 | 2,667 |
| Resulting Working Balance c/f | 3,334 | 3,244 | 2,667 | 1,876 |

**Minutes of the Meeting of the FINANCIAL POLICY PANEL
held on 25 May 2017**

PRESENT -

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

Absent: Councillor Barry Nash and Councillor Vince Romagnuolo

Officers present: Brian Thompson (Interim Head of Financial Services), Mark Shephard (Head of Property) and Fiona Cotter (Democratic Services Manager)

1 DECLARATIONS OF INTEREST

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

2 FINANCIAL PLANNING 2018/19

The Panel received and considered a report which sought guidance on the approach to be used in preparing the budget for 2018/19.

The Council's approach to budgeting remained unchanged. The report highlighted that the Council had agreed financial targets to achieve a balanced budget in 2018/19. The current Medium Term Financial Strategy anticipated the need for savings of £1.6 million over the next two years as detailed in Annexe 2 of the report. This savings target took into account savings already identified and left unidentified savings of £38K to be found in 2018/19 with significantly more still to be identified in 2019/20. The Interim Head of Financial Services stated that Officers were confident that the £38K could be found through income generation but that the Council faced a challenge in meeting its target in 2019/20 with, inter alia, the prospect of the proposed tariff adjustment. This had been factored into the budget forecast and the revised four year forecast also anticipated that the amount of New Homes Bonus that the Council could rely on would diminish. The Panel again expressed its frustration at the Government's approach to funding public services.

In response to queries from Panel members, the Interim Head of Financial Services undertook to circulate further information to the Panel regarding the anticipated saving of £77K to be made in relation to Parks in 2019/20 and why the savings in relation to disposal of the Ebbisham Centre were only estimated to be £52K in 2018/19 (paragraph 5.3 of the report referred). It was clarified that the Panel would still have the opportunity to advise on the resourcing of the

Capital Programme at its December meeting with the project appraisals going to the relevant policy committees in January 2019.

It was noted that the budget forecast for 2018/19 included a contingency for loss of Housing Benefit Admin Grant and the impact of the latest benefit reforms but that some staff savings might be realised on the introduction of Universal Credit. The inclusion of £100k net increase in funding requirements as the anticipated impact of benefit reforms was a prudent estimate. It was confirmed that the budget would also be adjusted to take account of venues income performance against targets. Property revenue fed into the forecast net cost of services in 2018/19. It was also confirmed that Officers were confident that the operational efficiencies and income generation proposals of £476K (a component of the £588,000 savings agreed in principle) would be achieved. However, it was stressed that the main assumptions used in preparing the forecast for 2018/19 contained a lot of unknown quantities.

It was anticipated that further savings ought to be achievable to address the financial gap. In terms of income generation, Officers were keen for the Council to become more commercial although the Chairman cautioned that any investment of staff resource in looking at projects needed to be proportionate to the potential income stream that might be generated. Property related income had been separated out as its own discrete potential income stream.

It was noted that the staff budget would inevitably also be put under pressure and that the staffing impact of any service changes would need to be considered where service options were put forward for consideration. In that regard, the Chairman of the Environment Committee highlighted proposals currently under discussion with the County Council in relation to on-street parking enforcement likely to be the subject of a report to the Environment Committee in the very near future.

Accordingly, the Panel confirmed:

- (1) The approach to be taken to the 2018/19 budget review as set out in the report before it;
- (2) That it had no additional guidance it wished to provide on the revised four year Financial Plan;
- (3) The budget reporting timetable as set out in Annexe 3 to the report.

3 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 2 February 2017 were agreed as a true record and signed by the Chairman.

The meeting began at 7.30pm and ended at 8.16pm

COUNCILLOR EBER KINGTON (CHAIRMAN)