

**Minutes of the Meeting of the FINANCIAL POLICY PANEL held on
6 February 2018**

PRESENT -

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

Absent: Councillor Graham Dudley

Officers present: Lee Duffy (Chief Finance Officer) and Brendan Bradley (Chief Accountant)

11 DECLARATIONS OF INTEREST

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

12 2018/19 BUDGET AND COUNCIL TAX REPORT PRESENTATION

The Panel received and considered a comprehensive report that provided an update on the preparation of the budget for 2018/19 following the announcement of the provisional local government finance settlement.

The report sought any further guidance from the Panel prior to the preparation of the 2018/19 Budget and Council Tax report for the Council meeting on 20 February 2018.

The general fund summary position contained in the 2018/19 Budget Book reflected the draft service estimates with no use of working balances. The report highlighted, however, that there were certain external financing income levels that still needed to be finalised.

The report reminded members that the Council had agreed to accept the offer of the four-year settlement and the production of an Efficiency Plan (formerly the Cost Reduction Plan). The report highlighted that the latest settlement figures received showed a slight change to the four-year settlement provided in February 2016. The settlement figure for 2019/20 showed the baseline figure for Business Rates being reduced by £12,000 when compared to the original settlement. Payment of the 2018/19 settlement to local authorities by central government was pending. This amounted to £1,364K for this Council.

It was noted that the latest settlement still included a tariff adjustment of £625,000 in 2019/20 and there still remained uncertainty on how the changes to

business rates proposed for 2020/21 would impact on the Council. Until the outcome of a proposed consultation on the implementation of the tariff adjustment was known, for the purposes of current forecasts, the Medium Term Financial Strategy assumed that the tariff adjustment would increase annually by inflation.

The report further highlighted that a successful bid had been submitted on behalf of Surrey, to which all authorities in Surrey were party, to become a pilot for Business Rates Retention in 2018/19. The report set out the basis on which the Council had agreed to participate in the pilot notably that all authorities would receive a guaranteed gain of £0.5m from money set aside from the separate financial stability/sustainability and economic regeneration pots. Details on the funding retained under the pilot were unlikely to be available in time for agreeing the 2018/19 budget: the budget report would therefore be presented to Council based on the original method of redistribution of business rates income.

The four-year plan had also assumed that £500k of New Homes Bonus could be use to fund revenue services. However, the reduced levels of grant for New Homes Bonus now available had been incorporated into the updated Financial Plan with reliance on this as a source of funding for services removed by 2021/22.

Annexe 1 to the report comprised an overview of the draft budget for 2018/19 showing the impact of different council tax options, with increases shown of 0% and 2.98%. For financial planning purposes, the Medium Term Financial Strategy and Budget Book included an annual Council Tax increase of 2.98%, which equated to an additional £5.58 per annum or 11 pence per week for a band D equivalent property.

As a result of the uncertainty surrounding possible changes to the rules regarding Minimum Revenue Provision, and the need to maintain a minimum level of capital reserves of £1 million as agreed in the Council's Financial Plan, the report sought guidance on the use of £540,000 of dividend income from the Council's commercial property investment company, EEPIC, to finance schemes within the capital programme for 2018/19.

The Efficiency Plan submitted to Council in February 2017 set out identified savings of £588,000 for 2018/19. Annexe 3 to the report set out an updated Plan. The most significant change to the plan reported last year was a reduction in homelessness costs of £230,000 being realised a year earlier than expected. This saving had previously been identified in the Plan for 2019/20 at £122,000. However, the report also highlighted that although significant progress had been made to reduce the level of unidentified saving required to balance the budget, the Medium Term Financial Strategy latest projection showed that £616,000 of savings still needed to be identified to meet the objective of setting a balanced budget with no use of reserves in 2019/20.

Accordingly, the Panel:

- (1) Noted the provisional Government financial settlement;

- (2) Noted that the Council had been successful as part of a Surrey bid to become a pilot for retained business rates and the potential funding available for 2018/19;
- (3) Confirmed its support for the use of no working balances (revenue reserves) in the 2018/19 budget;
- (4) Agreed that options of a Council tax freeze or an increase of 2.98% should be presented to Council;
- (5) Supported a £540K contribution being made from the Council's Commercial Property Company (EEPIC) to support funding of services and capital projects within the budget for 2018/19;
- (6) Noted the updated four-year Financial Plan and Efficiency Plan (Cost Reduction Plan).

13 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 5 December 2017 were not available for the meeting.

The meeting began at 7.30 pm and ended at 8.30 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)