

**Minutes of the Meeting of the FINANCIAL POLICY PANEL
held on 1 December 2015**

PRESENT -

Councillor Neil Dallen (Chairman); Councillors Richard Baker (as nominated substitute for Councillor Keith Partridge), John Beckett, Kate Chinn, Omer Kokou-Tchri, Jan Mason and Jean Steer

Absent: Councillor Keith Partridge and Councillor Clive Woodbridge

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

8 DECLARATIONS OF INTEREST

A declaration was made in accordance with S106 of the Local Government Finance Act 1992 in respect of items 03 (Finance Update) and 04 (Capital Programme 2016/17) on the Agenda as set out below the relevant minute.

9 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 13 October 2015 were agreed as a true record and signed by the Chairman.

10 FINANCE UPDATE

The Panel received and considered a report which asked Members to note the forecast financial position on revenue and capital for 2015/16 as at the end of Quarter 2 and to provide comments on the work being carried out to address the deficit forecast over the next 4 financial years.

The Head of Financial Services reported that the Quarter 2 Budget Monitoring report for 2015/16 had been circulated to all councillors last week. This detailed report provided a summary of the position for both revenue and capital.

The latest forecast position on revenue for 2015/16 was that the Council anticipated to be exceeding budget by £412,000 at year end. There were four significant adverse variances against the budget. In particular, those in relation to homeless, parking and planning income were highlighted.

There had been an increase in households in B & B and a rise in the weekly rate of accommodating each household (£504,000). The rise in the weekly rate was as a result of upgraded facilities being provided and the fact that the Council was

required to provide kitchen facilities for those in temporary accommodation for longer than six weeks. However, this rising cost had previously been identified as a significant risk. The general contingency had been increased which had gone some way towards mitigating its full impact and work was continuing to bring this cost down further. It was confirmed that the number of homeless was currently hovering around 58 and the new temporary accommodation in Upper High Street was now fully occupied. Government financial support towards homelessness formed part of the Revenue Support Grant but no additional Government support was provided.

There was also an adverse variance in relation to Parking (£156,000) due to a reduction in the number of PCNs being issued for car park parking but predominantly on-street parking violations. Currently car parking was undergoing a number of changes with a short, medium and long term strategy under consideration – notably the introduction of barrier controlled parking in the Hope Lodge and Town Hall car parks. This was having an impact on parking income but it was anticipated that this would stabilize. In addition, planning fees were down by £104,000 as it was unlikely that the Council would receive as many large planning applications as originally anticipated and budgeted for.

In terms of mitigating action to deal with the deficit, the Leadership Team had been informed of restrictions being put in place for the remainder of this financial year and tasked with identifying further actions to reduce it. £200k had already been identified by Heads of Service reviewing unspent “discretionary spend” budgets (i.e. budgets which were not deemed as essential spend). Examples of discretionary spend included attending courses and conferences and non-essential property repairs with no health and safety implications. The outcome of this review would be incorporated into the Q3 forecasting. There was also a freeze on recruitment and a freeze on employing further agency staff or consultants although it was recognised that there was a need for some agency staff to keep services running. It was not possible to give a ball park figure on the savings this freeze on staffing could generate at this time.

The forecast for capital expenditure was that, of the budgeted approved programme of £5,535k, it was expected that £3,502k would be spent by the end of the year. Of the £2,033k underspend, the most significant elements of the programme which made up the slippage (£1,494k or 73%) were:

- Demolition of 1-3 Blenheim Road (£163k): Officers were currently investigating whether the flats could, in fact, be brought back into operation as temporary accommodation. Whilst the Council had previously agreed to demolition, temporary accommodation costs had increased to the extent that it now made refurbishment more viable;
- Horton Chapel (£490k): The current position had recently been reported to the Strategy and Resources Committee;
- IT (£233k): This sum was required to complete approved schemes in 2016/17;

- Lower Mill Repairs (£100k): Work needed to be carried out in the summer months so would now be undertaken in 2016/17;
- Affordable Housing (£344k): Some of this funding had originally been earmarked for Hollymoor Lane, any underspend on individual schemes would be carried forward to 2016/17;
- Plan E (£164k): This was the Council's share of funding for this project which was now expected to be undertaken in 2016/17.

It was confirmed that the Council was potentially still eligible for housing receipt but this was reducing over time and new receipts were unlikely: this was therefore forecast as "nil". The recent Government announcements in relation to right-to-buy were unlikely to make a difference.

The Panel was informed that the latest draft budget for 2016/17 expected no use of General Fund reserves as per the Final Plan. It was still draft – certain assumptions had been made and certain issues needed to be addressed. The Director of Finance predicted that New Homes Bonus was likely to be withdrawn at some point but it could not be retrospectively removed. However, there still remained a deficit in future years and work was still required to ensure delivery of targeted savings.

In light of the Council's financial situation, Members of the Panel had been keen to see the Venues Review originally scheduled for 2016/17 undertaken as soon as possible after the conclusion of the Social Centres Review. Following discussions with the Chairman and Vice Chairman of Audit and Scrutiny Committee, it was proposed to commence the review in February 2016. The proposed terms of reference for the review were attached as Annexe 1 to the report.

Accordingly, the Panel:

- (1) Noted the Council's 2015/16 second Quarter's forecast financial position for revenue and capital; and
- (2) Noted the Terms of Reference for the Venues Review as set out in Annexe 1 with any subsequent amendments to be authorised by the Director of Finance and Resources

Note: Councillor Omer Kokou-Tchri declared that section 106 of the Local Government Finance Act 1992 currently applied to him and that he would not therefore be voting on any question in relation to this item. No vote was required.

11 CAPITAL PROGRAMME 2016/17

A report was presented to the Panel which sought guidance on the preparation of the draft capital programme for 2016/17 and on funding to be released for capital investment.

The capital programme presented within the report was based on the guidance given by the Capital Member Group (CMG). Throughout the process the Capital Member Group had reviewed schemes totalling £2.2m and was suggesting a capital programme of £1m. A summary of all the schemes reviewed by the Group and whether CMG recommended them for inclusion or not in the draft Capital Programme was set out in Annexe 3 to the report before the Panel.

The £1.0m worth of schemes recommended for inclusion would be funded by £0.7m of capital reserves and £0.3m from grant funding (Disabled Facilities Grant). The uncommitted level of capital reserves as at the end of this year (based on full delivery of this years' programme) would be £2.8m. The proposed programme for 2016/17 would reduce this by £0.7m which resulted in a forecast level of capital receipts at the end of 2016/17 of £2.1m.

The Capital Member Group had also reiterated that externally funded schemes should only proceed subject to receipt of external funds and the identification of funding to cover any revenue costs associated with the scheme. This included disabled facilities schemes which would be subject to receipt of the relevant Government Disabled Facilities Grant (£286K). It was further noted that, to support business continuity, the Council replaced broken bins and the container replacement programme was the built in contingency for this. Similarly, it was recognised that the Epsom Cemetery was close to capacity and therefore the CMG supported a bid for its extension. Full details of all supported bids in the draft Capital Programme would be reported to the appropriate policy committee in January 2016.

With limited capital receipts available to fund investment, the CMGs proposals tried to balance the risk by measuring essential investment needs against resource limitations. If a matter became a health and safety issue or it could be demonstrated that capital investment would generate income, then such a project would have to be considered for inclusion in the on-going capital programme. In the long term the Council would need to consider alternative funding sources to finance capital investment or the further sale of Council assets. The Council could borrow to finance capital projects but only if it would generate an income.

The Panel agreed that, based on the advice of the Capital Member Group, the following capital programme for 2016/17 to be considered by Council in February:

- (1) Prioritised schemes totalling £745,000 to be added to the capital programme and funded from capital reserves (£695,000) and revenue reserves (£50,000), subject to the relevant policy committees receiving and approving project appraisals;
- (2) Schemes totalling £286,000 to be included in the capital programme, subject to external funding sources and subject to support for scheme appraisals by the relevant policy committees;

Note: Councillor Omer Kokou-Tchri declared that section 106 of the Local Government Finance Act 1992 currently applied to him and that he would not therefore be voting on any question in relation to this item. No vote was required.

12 S106 UPDATE REPORT

The Committee received a report which provided an update on the funds held under Section 106 (s106) planning agreements.

The Panel was reminded that Community Infrastructure Levy was a separate matter. This report related to residual s106 monies which was a reducing source of income. The Panel was informed that the Council currently held a balance of s106 funds of £3.7m. £0.2m was due to other organisations - mainly Surrey County Council - and £1.9m of these funds had been earmarked to fund projects within the current capital programme. Therefore, the remaining uncommitted balance was £1.5m. A further £1.0m of s106 was earmarked for funding potential projects, which reduced the uncommitted balance of funds to just under £0.5m – some of which might potentially be used for some property acquisition.

In relation to uncommitted contributions, it was noted that, whilst no use had been identified for the circa £16k received in relation to the 468 Chessington Road agreement, this amount was made up of various sums of money held for different purposes and could not be used wholly on one particular project. Additionally, in response to a query regarding the use of some of the balance outstanding in relation to the West Park agreement for secure allotment fencing around the Noble Park allotments (not a Council owned site), it was noted that Senior Accountant, Lesley Shields, would be able to provide a breakdown of the allocation of the circa £75k not allocated to Horton Chapel.

The report informed the Panel that, at its meeting on 17 March 2015, the Leisure Committee had, in principle, approved a project to replace the multi-play equipment at Poole Road Recreation Ground which had been decommissioned on health and safety grounds. It was proposed to fund this project from the following s106 funds:

Received	Address	Conditions	£	Previous use of s106
07/02/2010	7-9 Windmill Lane	Provision of open space facilities within EEBC	8,000.00	None used
08/04/2008	33A and 35 Cheam Road	Provision of open space facilities within EEBC	4,761.00	Flood works at Clarendon Park
31/10/2013	137-139 Chessington Road Ewell	Provision or improvement of public open space within EEBC	3,000.00	Playground equipment at Pemberley Chase

Received	Address	Conditions	£	Previous use of s106
28/01/2014	379-393 Kingston Road Ewell	Parks, gardens & amenity green space	2,028.50	Gatley Playground
28/01/2014	379-393 Kingston Road Ewell	Parks, gardens & amenity green space	210.50	Gatley Playground
			18,000	

The report further informed the Panel that, following on from the success of the skate/BMX park projects, Officers had identified a piece of Parkour equipment they wished to locate in Court Recreation Ground. Parkour was a growing sport and had been successfully introduced in other Boroughs. Parkour Training Facilities catered for anyone over the age of 8 years old (ParkourUK recommended age for beginners) and therefore catered for a very large demographic that in some play areas was under catered for. S106 money could be used to fund this project as it qualified as an outdoor sports facility. Quotes had been received in the region of £11,000 including a contingency. It was proposed to fund this contribution from the agreement in relation to Pine Lodge, Horton Lane. The condition attached to this sum was that it was to be used for the provision of open space/outdoor sports facilities within the Borough. To date none of the contribution (£27,652.09) had been utilised. On-going maintenance of the equipment could be met within existing resources.

The report further highlighted that two schemes had been approved as part of the 2014/15 capital programme subject to s106 funding becoming available:

- Parks Bench Replacement Programme (£26,000): Officers had identified a need to start a park bench replacement programme. It was proposed to place two new benches in each of the Council's 26 parks.
- Replacement of Parks Boards - Improvement to Onsite Visitor Information (£43,000): It was proposed to improve visitor information in seven of the Council's high profile parks. The project was to include providing signs to identify the park and welcome visitors, renewed artwork to provide an informative park map, lockable noticeboards which could be used by Friends Groups and the Council and renewed byelaw signs.

Having noted the current position on s106 funds held by the Council, the Panel:

- (1) Supported the use of s106 funds identified in the report for the following schemes: Poole Road Recreation Ground Play Equipment (£18,000), Court Recreation Ground Parkour equipment (£10,900);

- (2) Supported the allocation of s106 identified in the report to the capital schemes for Parks Information Boards and Park Bench Replacement previously approved in 2014/15 capital programme.

The meeting began at 7.30 pm and ended at 8.20 pm

COUNCILLOR NEIL DALLEN (CHAIRMAN)