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Simon Young, Solicitor
Head of Legal and Democratic Services



FINANCIAL POLICY PANEL

Tuesday 24 May 2016 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 Neil Dallen (Chairman)
Councillor John Beckett
Councillor Kate Chinn
Councillor Omer Kokou-Tchri

Councillor Jan Mason
Councillor Keith Partridge
Councillor Jean Steer
Councillor Clive Woodbridge

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Young', written over a faint, larger version of the same signature.

Head of Legal and Democratic Services

For further information, please contact
Fiona Cotter, tel: 01372 732124 or email: 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. MINUTES

The Panel is asked to confirm the Minutes of the Meeting of the Panel held on 2 February 2016 (to follow) and to authorise the Chairman to sign them.

3. FINANCIAL PLANNING 2017/18 (Pages 3 - 18)

This report asks the Panel to note progress made on identifying savings within the 2016/17 budget to reduce the use of New Homes Bonus to £500,000 and seek guidance on the approach to be used in preparing a budget for 2017/18.

4. NOMINATIONS TO THE CAPITAL MEMBER GROUP (Pages 19 - 22)

This report seeks the Finance Policy Panel's nominations for the Capital Member Group

FINANCIAL PLANNING 2017/18

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Annexe 1: Objectives of the Medium Term Financial Strategy Annexe 2: Working Draft of the Cost Reduction Plan 2016-2020 Annexe 3: Budget Reporting Timetable
<u>Other available papers</u> (not attached):	Four year Financial Plan 2016 -2020 Service Plan for 'Managing Resources' Corporate Priority

REPORT SUMMARY

This report asks the Panel to note progress made on identifying savings within the 2016/17 budget to reduce the use of New Homes Bonus to £500,000 and seek guidance on the approach to be used in preparing a budget for 2017/18.

RECOMMENDATION (S)

Notes

- (1) That the Panel notes the progress made to identify in-year budgeted savings for 2016/17 to reduce the use of New Homes Bonus to £500,000.**
- (2) That the Panel agrees the approach to be taken to the 2017/18 budget review as set out in this report.**
- (3) That the Panel provides guidance on the revised four-year Financial Plan.**

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

- 1.1 The Council agreed the Financial Plan 2016-20 at the February budget meeting.
- 1.2 The Strategy and Resources Committee agreed a Corporate Plan which included a key priority 'Managing Resources' in April 2016.

2 Background

- 2.1 The Medium Term Financial Strategy (MTFS) aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.
- 2.2 The MTFS will be used to provide a framework for the annual budget review. The key components of the MTFS are set out in Annexe 1.
- 2.3 This report considers the steps needed to achieve a balanced budget in 2017/18 and in future years.

3 Financial Projections

- 3.1 The four year budget forecast anticipates the need for savings of £2.2 million over the next three years. The assumptions used in preparing the forecast are clearly stated in the Financial Plan. As with any financial forecast, there is scope for position to be better or worse than anticipated.
- 3.2 The financial projections will be updated as the impact of new regulation and funding changes become clearer. It is, however, anticipated that the focus of the budget review will be on the delivery of budget saving, either through cost reduction or income generation.

4 Current Budget Position

- 4.1 The Council is in the process of closing last year's accounts. The provisional position is that the revenue working balance will be maintained at approximately £3 million.
- 4.2 The final expenditure figures for 2015/16 will be reported to Strategy and Resources Committee at the end of June and underspends on some budgets may provide opportunities to identify on-going savings.
- 4.3 There is no planned use of the working balance in 2016/17 although approximately £634,000 of New Homes Bonus is being used to help fund general fund services.
- 4.4 Based on the provisional outturn figures for last year, the highest risk to the 2016/17 budget as in previous years is the cost of dealing with homelessness.

5 Budget Forecast for 2017/18

- 5.1 The following forecast for 2017/18 has been extracted from the Four Year Financial Plan:-

	2017/18 £000	2016/17 £000
Net Cost of Service b/f (excluding use of New Homes Bonus & interest on balances)	8,702	
Pay & Prices Increases - Prices	+ 180	
Pay & Price increases – Pay	+ 180	
Contingency for Service Changes and Pressures	+ 334	
Pension Fund valuation 2016	133	
Loss of Housing Benefit Admin Grant	51	
Increase in provision for property maintenance	50	
Impact of latest benefit reforms	100	
Increases in Fees & Charges	-200	
Annual Savings Target	-895	
Forecast Net Cost of Services	8,301	8,702
Interest on Balances	-220	-220
Use of New Homes Bonus	-500	-634
Use of Business Rates Equalisation Reserve	0	-121
Transfer from Working Balance (-)	0	0
Forecast Net Expenditure	7,581	7,727
Formula Grant Forecast	0	417
Transitional Grant	83	93
Business Rates Forecast	1,464	1,435
Council Tax Income Forecast	6,034	5,829
Collection Fund Deficit	0	-47
Collection Fund Income	7,581	7,727

- 5.2 The annual savings target for 2017/18 of £895,000 included within the Financial Plan comprises of £512,000 which has been agreed in principal by the individual service committees and £383,000 still to be identified.

5.3 A breakdown of the £512,000 is as follows:

	£'000	Committee
Alternative payroll provision	10	Strategy & Resources
Cap discretionary rate relief for business rates	22	Strategy & Resources
Shared ICT service	10	Strategy & Resources
Charging for Enabling Officer	3	Environment
Cease additional cuts to highway verges	150	Environment
Issuing of licences for professional users of park	10	Community & Well-Being
Introduce vending in parks	5	Community & Well-Being
Venues Service Review	64	Community & Well-Being
Operational efficiencies and income generation	238	All
Total Identified Savings	512	

5.4 The following table shows the assumptions that were used in preparing the forecast for 2017/18 in the Financial Plan:-

ASSUMPTIONS USED	BASE £000	2017/18 Forecast
General Inflation - prices	9,000	2.0%
Pay bill growth	11,000	1.0%
Fees & Charges allowance: annual increased yield on discretionary charges	- 6,600	3.0%
Interest rate used		1.5%
Reduction in Core Government Funding/Retained Business Rates	- 1,945	-20%
Increase in Council Tax income	- 5,829	£5 increase on Band D equivalent property

6 Use of New Homes Bonus

6.1 The New Homes Bonus protocol agreed by Strategy & Resources in September 2013 allowed for £500,000 per annum of grant to be used to finance the general fund.

6.2 Due to late changes in Government's funding assessment the Council had to increase this to £634,000 within the 2016/17 budget. However, it was agreed that officers would explore options to reduce the use of this grant back down to £500,000.

- 6.3 All areas of the 2016/17 budget have been reviewed and this has generated £119,000 of potential savings which will reduce the use of New Homes Bonus down to £515,000. The most significant of these being an increase in budgeted building control income £39,000 and grant receivable for local council support being £25,000 more than was expected.
- 6.4 Another reason to reason to reduce our reliance on New Homes Bonus is due to Government's review of this funding stream. The DCLG have been out to consultation on potential changes and it appears almost certain that the level in funding currently received from this source will be significantly reduced in future.

7 Updated Position

- 7.1 Since the production of the Financial Plan there have been a number of changes to the forecast mainly as a result of recently made decisions. As a result the forecast level of savings to be delivered to produce a balanced budget for 2017/18 has reduced from £383,000 to £220,000.

	£'000	2017/18 £'000
Savings to identified to balanced budget as per Financial Plan		383
Changes		
Budget Review exercise	-119	
Rental income from approved property purchases	-70	
Handback of Highways tree maintenance to SCC	-31	
Cease sweeping up verge grass cuttings (brought forward from 2018/19)	-52	
Restructuring of Highways Horticultural teams	-41	
Option rejected to hand back highway verge maintenance to SCC	+150	
		-163
Forecast Funding Gap for 2017/18		220

- 7.2 It is anticipated that further savings should be achievable to address the gap and the areas that officers expect these to come from are:

7.2.1 **Service Reviews:** In addition to the venues review which is looking at Hook Road Arena, Ewell Court House, Play House and Bourne Hall. The Car Parking Member Group is also looking at ways to generate further income from car parking and identify opportunities to reduce the cost of running car parks.

7.2.2 **Efficiency Savings:** Officers will continue to look at how services are delivered to maximise efficiency and the use of IT.

7.2.3 **Income generation:** At least three business cases will be submitted for consideration by members as part of the capital bid process which could potentially generate significant income streams for the council.

8 Forecast for 2018/19 and 2019/20

8.1 As with 2017/18 although the financial projections have improved from that published in the Financial Plan it still shows that a further £½ million of savings are still needed to be identified and delivered to enable a balanced budget with no use of general fund reserves for 2019/20.

8.2 There are still risks that may impact on these forecasts such as the impact of welfare reforms, works required to maintain services (e.g. building repairs) and funding requirements from the next pension fund valuation.

8.3 A programme has been implemented to deliver the necessary savings and additional income over the next four years.

8.4 The key features of the programme comprise:

8.4.1 A number of Service Reviews

8.4.2 'Doing Business Better' reviews with the aim of increasing efficiency, effectiveness and cost.

8.4.3 Property Related Review – to realise cost reduction of Council operational buildings, increase income from investment properties and generate new receipts from surplus buildings / land.

8.4.4 Income Generation – At least three business cases to be considered by members which will generate significant income streams to the council. Income generation proposals have also been considered within the four year plan agreed in principle by Members last year.

9 2017/18 Budget Timetable

9.1 The proposed revenue and capital programme reporting timetables are contained at [Annexe 3](#).

9.2 An updated cost reduction plan will be prepared for the September budget targets report where the efficiency savings for 2017/18 will be reassessed.

10 Financial and Manpower Implications

10.1 The financial outlook for 2017/18 was contained in the Four Year Financial Plan 2016-2020 and is summarised in this report.

10.2 It is inevitable that pressure will remain on all areas of expenditure, including the staff budget. The efficiency programme is based on a rolling programme of cost review and may be realisable through natural turnover and without compulsory redundancy, dependent upon the actual level of external funding available to the Council.

10.3 The staffing impact of any service changes will need to be considered where service options are put forward for consideration.

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

11.1 *Monitoring Officer's comments: There are no implications for the purposes of this report.*

12 Sustainability Policy and Community Safety Implications; Partnerships

12.1 There are no implications for the purposes of this report.

13 Risk Assessment

13.1 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 2016/17 budget report.

13.2 The longer term financial risks are contained in the Four Year Financial Plan 2016-2020.

14 Conclusion and Recommendations

14.1 The Council has agreed financial targets to achieve a balanced budget in 2017/18. After year-on-year of funding cuts the Council has become more adept at managing on reduced financial support from Central Government however the financial challenges have not diminished.

14.2 The Council has agreed that the use of New Homes Bonus to fund general fund services should be restricted to £½ million, savings and additional income have been identified that reduce the use of NHB close to £500,000 for 2016/17.

14.3 It is recommended that the cost reduction through efficiencies and service expenditure reviews are used as the main tools to achieve a balanced budget in 2017/18.

WARD(S) AFFECTED: (All Wards);

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**KEY COMPONENTS OF THE MEDIUM TERM
FINANCIAL STRATEGY 2016-2020**

The Council's Medium Term Financial Strategy sets out the approach that the Council has agreed to manage its finances.

COUNCIL TAX

- Ensure that Council Tax stays below the average of the Surrey Districts

BUDGET POSITION AND REVENUE RESERVE

- Produce a balanced revenue budget each year
- Maintain a prudent level of strategic reserves and a minimum of £1 million in Corporate Projects Reserve
- Utilise reserves pro-actively to manage major risks to the Council's finances
- Maintain a minimum working balance of £2.5 million at 31 March 2020

INCOME

- Increase income from fees and charges by 6% in 2016/17 and 3% per annum thereafter
- Maintain charging policies for each service
- Manage risks to central government funding and business rate retention
- Maintain high collection rates for council tax and business rates
- Make prudent investment of reserves and cash balances
- Generate increased income from the external use of Council assets
- Optimise the use of Council assets, realise capital receipts from sale of surplus assets

INVESTMENT IN SERVICES

- Use Annual Service Targets to allocate resources to deliver the Council's Priorities
- Prioritise capital investment to ensure retained property is fit for purpose
- Maximise the use of external funding opportunities to deliver improvements to the community infrastructure, including affordable housing
- Deliver the three year capital programme of £2.5 million
- Maintain a minimum uncommitted level of capital reserves of £1 million at 31 March 2020

EFFICIENCY

- Review services to ensure they continue to provide value for money
- Achieve a reduction in operating costs through smarter working
- Reduce the subsidy of Council occupied properties
- Increase the efficiency and resilience of the organisation through investment in staff and technology
- Deliver savings so as to improve the forecast budget position by £3.2 million by 2019/20.

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UPDATED COST REDUCTION PLAN - 2017/18 to 2019/20

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Operational efficiencies and income generation	357	372	199	928
Strategy & Resources Committee				
Alternative payroll provision	10			10
Cap discretionary rate relief for business rates	22			22
Shared ICT Service	10			10
Rental income from approved property purchases	70			70
Environment Committee				
Charging for Enabling Officer	3			3
Cease sweeping up highway verge cuttings after cutting	52			52
Restructuring of Highways Horticulture teams	41			41
Handback of Highways trees maintenance to Surrey County Council	31			31
Community & Well-Being Committee				
Issuing of licences for professional users of parks	10			10
Allotments – self management		4		4
Review of operation of parks			77	77
Introduce vending in parks	5	5	5	15
Venues Service Review	64			64
Reduction in homelessness costs through new properties			197	197
Total Identified Savings	675	381	478	1,534
Unidentified savings Target	220	154	313	687
Forecast Total Savings Required to Deliver Balanced Budget	895	535	791	2,221

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REVENUE BUDGET PLANNING 2017/18 - REPORTING TIMETABLE

MONTH	TOPIC	REPORT TO	OBJECTIVE
MAY 2016	Financial Planning for 2016/17	Financial Policy Panel 24 May 2016	<ul style="list-style-type: none"> • Agree approach to Service & Financial Planning in the annual budget review • Confirm budget reporting timetable for 2017/18
JUNE 2016	2015/16 Final Accounts	Strategy & Resources Committee 28 June 2016	<ul style="list-style-type: none"> • Report outturn figures for last year and financial position as at 31 March 2015 • Agree year end transfers to/from strategic reserves
JULY 2016			
AUG 2016			
SEPT 2016	Budget Targets 2017/18 Audited Financial Statements	Financial Policy Panel 13 September 2016 and Strategy & Resources Committee 27 September 2016	<ul style="list-style-type: none"> • Review of Revenue and Capital Reserves • Update of Four Year Budget Forecast • Set Budget Targets for 2017/18
OCT 2016	Service Budget Planning Reports	Environment Committee 25 October 2016	<ul style="list-style-type: none"> • Guidance on the preparation of service budget reports
NOV 2016	Service Budget Planning Reports	Policy Committees 8 - 22 November 2016	Guidance on the preparation of service budget report
DEC 2016	Budget Update	Financial Policy Panel 6 December 2016	Update on budget preparation and local government funding

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MONTH	TOPIC	REPORT TO	OBJECTIVE
JAN 2017	Service Estimates	Policy Committees 17 - 31 January 2017	Recommend service budgets to Council
FEB 2017	Service Estimates	Strategy & Resources Committee 7 February 2017	Recommend service budgets to Council
	Local Govt. Finance Settlement	Financial Policy Panel 2 February 2017	Guidance on Council Tax Options following announcement of grant settlement / localisation of business rates
	Budget Meeting	Council 14 February 2017	Update of MTFS Council Tax and Budget decisions
MARCH 2017	Service Plans	Policy Committees 7 - 28 March 2017	Update Service Plans and approve Annual Service Targets for 2017/18
APRIL 2017	Service Plans	Strategy and Resources Committee 4 April 2017	Update Service Plans and approve Annual Service Targets for 2017/18

CAPITAL PROGRAMME REVIEW 2017/18 - REPORTING TIMETABLE

MONTH	TOPIC	REPORT TO	OBJECTIVE
JUNE 2016	Final Accounts 2015/16	Strategy & Resources Committee 28 June 2016	<ul style="list-style-type: none"> To report final capital spend for 2015/16 and commitments on uncompleted schemes Nominate members of Capital Member Group
JULY 2016			
AUG 2016			
SEPT 2016	Budget Targets 2017/18	Financial Policy Panel 13 September 2016 Strategy & Resources Committee 27 Sept. 2016	Guidance on capital strategy
OCT 2016	Section 106 Funds	Financial Policy Panel 27 October 2016	<ul style="list-style-type: none"> Identify funds available from Section 106 planning agreements Forecast future receipts
NOV 2016			
DEC 2016	Capital Investment Programme Funding	Financial Policy Panel 6 December 2016	Advice on resourcing capital programme in 2017/18
JAN 2017	Capital Project Appraisals	Policy Committees 17 - 31 January 2017	Recommend capital schemes to Council

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MONTH	TOPIC	REPORT TO	OBJECTIVE
FEB 2017	Capital Project Appraisals	Strategy & Resources Committee 7 February 2017	Recommend capital schemes to Council
	Budget 2016/17: Capital Programme	Financial Policy Panel 2 February 2016 Council 11 February 2016	Approve capital programme for 2016/17 and update provisional programme 2017-2019.
MARCH 2017	Publish Capital Programme		

NOMINATIONS TO THE CAPITAL MEMBER GROUP

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	None
<u>Other available papers</u> (not attached):	Capital Strategy 2016/17 Policy Book 2016/17

REPORT SUMMARY

This report seeks the Finance Policy Panel's nominations for the Capital Member Group

RECOMMENDATION (S)

That the Panel nominates Members to the Capital Member Group.

Notes

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

1.1 The Strategy and Resources Committee have agreed as a key service priority the preparation of a new Medium Term Financial Strategy for 2016/20. The current MTFS includes targets for capital investment and capital reserves. These will be reassessed as part of this year's capital programme review.

2 Background

2.1 The capital budget timetable requires that the Financial Policy Panel receives a report on the proposed capital programme and funding options for 2016/17 at the December meeting. Service project appraisals are then presented to the policy committees in January and schemes receiving committee support will be included in the Budget and Council Tax report for Council approval in February 2017.

2.2 The Capital Member Group co-ordinate the preparation of the new capital programme and review funding, including capital reserves, new capital receipts, grants, CIL and Section 106 (planning gain) receipts.

- 2.3 In view of public sector funding restrictions the Capital Member Group has continued to limit schemes recommended for inclusion into the capital programme to those that were a prioritised service or for health and safety or essential to keep services running. Any other schemes included within the capital programme need to be self-financing, either through external grants/contributions or through revenue savings (on a business case evaluation).

3 Capital Member Group

- 3.1 The Capital Member Group is a working group nominated by the Financial Policy Panel to oversee the work of the officer capital management group and review the capital strategy validate criteria applied to capital project appraisals.
- 3.2 There are no set rules for membership of the Capital Member Group however as a guide in the past Members nominated:-
- 3.2.1 total 6 members
- 3.2.2 are chaired by the Chairmen of Strategy and Resources Committee
- 3.2.3 are generally, but not always, Panel Members
- 3.2.4 include some, but not all, of the committee chairmen
- 3.2.5 include opposition party representation
- 3.3 Last year membership of the Group comprised Councillors Neil Dallen (Chairman), Michael Arthur, Jean Steer, Tina Mountain, John Beckett and Clive Woodbridge.

4 Capital Programme Review Timetable

- 4.1 The proposed capital programme review timetable is shown below with provisional dates for the Capital Member Group meetings. These dates are subject to confirmation with the new members of the Group.

Capital Member Group Action	Deadline
Discuss approach for 2017/18 bids and review schemes carried forward from the 2015/16 capital programme.	20 July 2016 (Wed)
Discuss approach and identify which of the potential bids should be worked into full bids for review in November.	7 Sept 2016 (Wed)
Review appraisals, funding and draft FPP report.	9 Nov 2016 (Wed)

- 4.2 In previous years, some of the work for the group may be during daytime working hours, dependent upon the work programme. However, meetings will generally be held at 5 pm.

5 Proposals

5.1 The Panel is asked to nominate Members to the Capital Member Group.

6 Financial and Manpower Implications

6.1 There are no implications for the purpose of this report.

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

7.1 There are no implications for the purpose of this report.

7.2 *Monitoring Officer's comments: No further comments on this report.*

8 Sustainability Policy and Community Safety Implications

8.1 There are no implications for the purpose of this report.

9 Partnerships

9.1 There are no implications for the purpose of this report.

10 Risk Assessment

10.1 All major projects are subject to risk assessment.

11 Conclusion and Recommendations

11.1 Nominations are sought to the Capital Member Group to assist in the formulation of the new capital programme for 2017/18 to meet the capital budget reporting timetable.

WARD(S) AFFECTED: (All Wards);

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