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Head of Legal and Democratic Services



## FINANCIAL POLICY PANEL

Tuesday 13 September 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 Eber Kington (Chairman)  
Councillor Richard Baker  
Councillor John Beckett  
Councillor Graham Dudley

Councillor Omer Kokou-Tchri  
Councillor Barry Nash  
Councillor Keith Partridge  
Councillor Vince Romagnuolo

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 [fcotter@epsom-ewell.gov.uk](mailto:fcotter@epsom-ewell.gov.uk)

### AGENDA

1. **MINUTES** (Pages 3 - 16)

The Panel is asked to confirm the Minutes of the Meeting of the Financial Policy Panel held 1 December 2015, 2 February 2016 and 24 May 2016 (attached) and to authorise the Chairman to sign them.

2. **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

3. **BUDGET TARGETS 2017/18** (To Follow)

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

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**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 parks 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 £1m 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 | None used                               |
| 08/04/2008 | 33A and 35 Cheam Road          | Provision of open space facilities within EEBC            | 4,761 | Flood works at Clarendon Park           |
| 31/10/2013 | 137-139 Chessington Road Ewell | Provision or improvement of public open space within EEBC | 3,000 | Playground equipment at Pemberley Chase |

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

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 pastime which appealed to 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)

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**Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 2 February  
2016**

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**PRESENT -**

Councillor Neil Dallen (Chairman); Councillors Kate Chinn, Omer Kokou-Tchri, Jan Mason, Keith Partridge and Jean Steer

Absent: Councillor John Beckett and Councillor Clive Woodbridge

Officers present: Lee Duffy (Head of Financial Services) and Simon Young (Head of Legal and Democratic Services)

**13 DECLARATIONS OF INTEREST**

On arriving at the meeting at approximately 19:43, 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 the Budget and Council Tax Report Presentation item.

**14 MINUTES**

It was noted that the minutes of the meeting of the Panel held on 1 December 2015 would be reported to a later meeting of the Panel.

**15 BUDGET AND COUNCIL TAX REPORT PRESENTATION**

The Panel received a report which provided an update on the preparation of the budget for 2016/17. The report sought any final guidance from the Panel prior to the preparation of the Budget and Council Tax report for the Council on 11 February 2016 and the Financial Plan for 2016-2020, including assumptions on New Homes Bonus.

It was noted that it had been agreed in September that no use would be made of working balances to fund services. The draft budget book therefore required no use of working balances in 2016/2017. The Council's budget target had included a 2% increase in council tax to strengthen the Council's income base going forward.

The Government grant settlement for 2016/17 of £1,717k, was £345k lower than expected and that had been included in the Financial Plan in September. The settlement was £578k less than 2015/16 which represented a 25% reduction.

At the same time as announcing next year's settlement, the Government had provided provisional settlement figures for a further 3 years. From the 4 year settlement it showed that the Government had front loaded the cuts in Revenue Support Grant, with Grant funding disappearing for this Council in 2017/18.

The funding settlement also introduced a new element called 'tariff adjustment'. The Council had been informed that this would work in effect as 'negative Grant' and would not form part of the baseline funding assessment or form part of the retained business rates calculation.

As a result using the provisional 4 year settlement figures, overall net funding in 2019/20 for the Council from Revenue Support Grant, Business Rates and Tariff Adjustment had been reduced by £732k compared to the Financial Plan agreed in September, representing a total reduction in funding of £1.5m since 2015/16.

New Homes Bonus grant was expected to increase by £158k for 2016/17 to £2,116k. It was proposed that £773k of this grant be used to finance general fund services, which was £273k more than previously proposed.

The Government had announced that New Homes Bonus would continue. However, it was likely to be subject to reform and this was likely to affect the level of funding received from 2017/18 onwards.

It was noted that since the production of the budget book additional employer national insurance contributions of £180k had been included as a result of changes to the state pension scheme. This additional cost was funded by the proposed increase in the use of New Homes Bonus.

The Panel made no recommendation to Council but requested that the budget report include four options for Council Tax (a freeze, an increase of 1.52%, an increase of 1.98% and an increase of £4.95 for a Band D property).

*Councillor Omer Kokou-Tchri arrived whilst this matter was under consideration and made the declaration referred to above.*

*The meeting began at 7.30 pm and ended at 8.16 pm*

COUNCILLOR NEIL DALLEN (CHAIRMAN)

## Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 24 May 2016

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### PRESENT -

Councillor Eber Kington (Chairman); Councillors Richard Baker, John Beckett, Alex Clarke, Graham Dudley, Barry Nash and Keith Partridge

Absent: Councillor Omer Kokou-Tchri and Councillor Vince Romagnuolo

Officers present: Frances Rutter (Chief Executive), Lee Duffy (Head of Financial Services) and Fiona Cotter (Democratic Services Manager)

#### 16 DECLARATIONS OF INTEREST

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

#### 17 MINUTES

The Minutes of the meeting of the Financial Policy Panel held on 2 February 2016 would be presented to the next meeting.

#### 18 FINANCIAL PLANNING 2017/18

The Panel received and considered a report which set out progress made on identifying savings within the 2016/17 budget to reduce the use of New Homes Bonus to £500,000. The report also sought guidance on the approach to be used in preparing a budget for 2017/18.

The report highlighted that the Medium Term Financial Strategy aimed to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan. It was to be used to provide a framework for the annual budget review. It was noted that one of the key components of the Strategy was to produce a balanced revenue budget each year and to maintain a prudent level of strategic reserves. It was noted that the Council's level of reserves was not excessive and borrowing was only permitted for capital expenditure. Whilst income from fees and charges was increasing by 6% in 2016/17 the Council remained committed to ensuring that its Council tax remained in the lower half of Surrey Districts. It was suggested that the terminology in the document setting out these key components should be clarified to make this latter point clear.

There was no planned use of the working balance in 2016/17 but New Homes Bonus was being used to help fund general fund services. The Council had agreed that the use of New Homes Bonus should be restricted to £500,000 per

annum and savings and additional income had been identified to reduce its use close to this in 2016/17 (the original forecast anticipating use of £634,000). The report highlighted that it was prudent for the Council not to rely on New Homes Bonus as the future of this funding stream was uncertain.

It was noted that the annual savings target for 2017/18 of £895,000 included within the Financial Plan comprised £512,000 already agreed in principle by individual policy committees, leaving £383,000 still to be identified. The Panel was pleased to note that, as at the date of this meeting, this target had been further reduced to £220,000.

A significant number of these savings had been delivered/identified in areas which were the responsibility of the Environment Committee but areas within the responsibility of the Strategy and Resources Committee had also made a large contribution towards these. However, it was also noted that a service review of venues was expected to generate significant savings.

The Panel wished to record its thanks to Officers for the work done in identifying and delivering these savings at this point in the budgetary process. However, it was highlighted that, whilst significant inroads had been made, the Council still faced challenges ahead in delivering a balanced budget for 2017/18.

Accordingly, the Panel:

- (1) Noted the progress made to identify in-year budgeted savings for 2016/17 to reduce the use of New Homes Bonus to £5000,000;
- (2) Agreed that cost reduction through efficiencies and service expenditure reviews be used as the main tools to achieve a balanced budget in 2017/18.

## 19 NOMINATIONS TO THE CAPITAL MEMBER GROUP

The Panel received a report which sought nominations to the Capital Member Group to assist in the formulation of the new capital programme for 2016/17 to meet the capital budget reporting timetable.

The proposed capital review timetable and provisional dates for Capital Member Group meetings were set out in the report as follows:

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

Accordingly the Panel nominated Councillors Eber Kington (Chairman), Neil Dallen, John Beckett, Omer Kou-Kou Tchri and Barry Nash to sit on the Capital Member Group.

*The meeting began at 7.30 pm and ended at 7.58 pm*

COUNCILLOR EBER KINGTON (CHAIRMAN)

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