

## FINANCIAL POLICY PANEL

Tuesday 26 June 2018 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 Hannah Dalton

Councillor Omer Kokou-Tchri  
Councillor Barry Nash  
Councillor Vince Romagnuolo  
Councillor Clive Smitheram

Yours sincerely



Chief Executive

For further information, please contact Fiona Cotter, tel: 01372 732124 or [fcotter@epsom-ewell.gov.uk](mailto: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. FINANCIAL PLANNING 2019/20 (Pages 3 - 18)

This report seeks guidance on the approach to be used in preparing the budget for 2019/20.

#### 3. MINUTES (Pages 19 - 26)

The Panel is asked to confirm the Minutes of the Meeting of the Panel held on 5 December 2017 and 6 February 2018 (attached) and to authorise the Chairman to sign them.

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## Financial Planning 2019/20

<b>Head of Service/Contact:</b>	Lee Duffy, Chief Finance Officer
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	N/A
<b>Annexes/Appendices (attached):</b>	<b>Annex 1:</b> Key Components of the MTFS <b>Annex 2:</b> Four Year Efficiency Plan 2016-20 <b>Annex 3:</b> Budget Planning timetable 2019/20
<b>Other available papers (not attached):</b>	Four Year Financial plan 2016-2020 Budget Book 2018/19 Final Outturn Reports 2017/18

### Report summary

This report seeks guidance on the approach to be used in preparing the budget for 2019/20.

### Recommendation (s)

That the Panel:

- (1) Confirms the approach to be taken in formulating the 2019/20 budget as set out in this report;
- (2) Provides guidance on the revised four-year Financial Plan;
- (3) Confirms the budget reporting timetable in Annex 3.
- (4) Notes MCHLG's updated Statutory Guidance on Local Government Investments, as set out from paragraph 8.2.

### 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 2016 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. This report considers the steps needed to achieve balanced budgets during the term of the financial strategy.
- 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 **Annex 1**.

## **3 Financial Projections**

- 3.1 The current Financial Forecast submitted to Council in February 2018 anticipates the need for savings of £0.5 million in 2019/20 in order to achieve a balanced budget with no use of general reserves. The assumptions used in preparing the forecast are stated in the Council report. As with any financial forecast, there is scope for the 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 savings, 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 position as at the end of 2017/18 is that the revenue working balance will slightly increase by £14,000 and remains at approximately £3.3 million, as per the provisional revenue outturn report circulated via Members Update on 01 June.
- 4.2 The final, audited expenditure figures for 2017/18 will be reported to Strategy and Resources Committee at the end of July 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 2018/19 although £500,000 of New Homes Bonus is being used to help fund general fund services. However the current Financial Plan shows that the level of funding from New Homes Bonus available to support the general fund is expected to reduce significantly in 2019/20.
- 4.4 Based on the provisional outturn figures for last year, the highest risk to the 2018/19 budget appears to be maintaining anticipated levels of income for areas such as planning and in the cemetery, a further risk is any unbudgeted reductions to external funding.

**5 Budget Forecast 2019/20**

- 5.1 The following forecast for 2019/20 has been extracted from the Four Year Financial Plan included within the Budget and Council Tax report (February 2018):-

	<b>2019/20 Forecast £000</b>	<b>2018/19 Budget £000</b>
<b>Net Cost of Service b/f (excluding use of New Homes Bonus, interest on balances)</b>	8,403	
Pay & Prices Increases - Prices	+ 190	
Pay & Price increases – Pay	+ 260	
Contingency for Service Changes and Pressures	+ 370	
IT expenditure transferred from capital	+100	
Reduction in corporate contingencies	-25	
Removal of provision for events in Borough	-10	
Increase in provision for property maintenance	+50	
Impact of latest benefit reforms	+100	
Changes to external funding	+155	
Increases in Fees & Charges	- 200	
Net change in contributions form reserves/provisions	- 475	
Annual Savings Target	-461	
<b>Forecast Net Cost of Services</b>	<b>8,087</b>	<b>8,403</b>
Interest on Balances	-150	-120
Use of New Homes Bonus	-473	-500
Transfer to / from Working Balance	0	0
<b>Forecast Net Expenditure</b>	<b>7,464</b>	<b>7,783</b>
Business Rates Forecast	1,563	1,532
Negative RSG	-625	0
Council Tax Income Forecast	6,526	6,290
Collection Fund Deficit	0	-39
<b>External Funding</b>	<b>7,464</b>	<b>7,783</b>

- 5.2 The annual savings target for 2019/20 of £461,000 included within the Financial Plan and shown in **Annexe 2** comprises of £406,000 which has been agreed in principal by the individual service committees and £55,000 still to be identified.

- 5.3 A breakdown of the £406,000 is as follows:

	£'000	Committee
Review of operation of parks	77	C&W
Introduce vending in parks	5	C&W
Operational efficiencies and income generation	324	All
<b>Total Identified Savings</b>	<b>406</b>	

- 5.4 The following table shows the main assumptions that were used in preparing the forecast for 2019/20 in the Financial Plan:-

ASSUMPTIONS USED	BASE £000	2019/20 Forecast
General Inflation - prices	9,500	+ 2.0%
Pay bill growth	11,000	+ 2.4%
Fees & Charges allowance: annual increased yield on discretionary charges	- 6,600	+ 3.0%
Interest rate used (average return on investments)		1.00%
Reduction in Core Government Funding / Retained Business Rates / Negative RSG	- 594	- 38%
Increase in Council Tax Base (Band D equivalent properties)	32,658 (properties)	+ 0.75%
Increase in Council Tax income	- 6,337	3% Per annum

## 6 Retained Business Rates

### Business Rates Pilot

- 6.1 The Financial Forecast does not reflect the additional income the Council is expecting to receive as a result of being part of an approved Pilot. The financial benefits for this Council will become clearer later on in the year when the performance of the Pool will be known.
- 6.2 The Council agreed to be part of the Pilot on the understanding that there would be a guaranteed financial gain for this authority of at least £0.5 million in excess of what would be received under the old method for redistribution of business rate income.

- 6.3 The Council agreed to set up a Business Rate Equalisation Reserve in 2013/14 to help manage the fluctuations in business rates retained under the new arrangements.
- 6.4 The reserve has been increased significantly in 2017/18, this has occurred due to a decision being made to increase in the provision for appeals to cover a significant potential claim. If the claim is successful the reserve will be used to cover the loss of the Council's share of business rate income. However, if the claim is unsuccessful the fund and the Council will benefit significantly.
- 6.5 The large deficit was generated as a result of an increase in the fund's provision for appeals to cover a significant potential claim.

<b>Business Rate Equalisation Reserve Forecast</b>	<b>£000</b>
<b>Balance 31 March 2018</b>	<b>2,245</b>
Planned use to partially offset 2017/18 deficit	-65
<b>Forecast balance 31 March 2019</b>	<b>2,180</b>
Planned use to partially offset Prior Year Deficit	-1,995
<b>Forecast balance 31 March 2020</b>	<b>185</b>

## **7 New Homes Bonus**

- 7.1 Further significant reductions in funding available from New Homes Bonus are expected for 2019/20 when projections show that there will be insufficient New Homes Bonus available to fund services of £500,000 per annum as agreed under the protocol.
- 7.2 The grant is expected to reduce to £472,000 in 2019/20 and fall further to £364,000 in 2020/21.

## **8 EEPIC (Property Investment Company)**

- 8.1 The Council agreed to set up an investment property company towards the end of 2017, since its inception the Company has acquired 2 properties which, after deducting interest payments and contributions to reserves, will provide an overall benefit to the Council's general fund in 2019/20 of around £700,000. This funding is included in the base budget.
- 8.2 From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The guidance aims to restrict the ability of Local Authorities to purchase out-of-Borough investment properties, through the following clause 46:
- 8.3 *"Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed".*

- 8.4 The operation of the new guidance means that out of Borough acquisitions, funded by borrowing and where the intention is purely to profit from the investment, may not meet the requirements of the guidance in terms of borrowing. As such, it would be viewed as high risk. However, there could out of Borough investments which would be acceptable if, for example, the property were close to the Council's boundary (and the purpose for the investment was not for profit) or if the proceeds from the investment were earmarked for a specific local project (rather than to fund a general budget gap).
- 8.5 The operation of the new guidance has not been tested in the courts as yet. Officers will consider whether it may be prudent to delay any further out-of-Borough investment property purchases until further guidance or case law comes to light, that would clarify a Council's ability to invest out-of-Borough.
- 8.6 The new guidance does not impact on the two out-of-Borough purchases already made through EEPIC in 2017, since they occurred before the new guidance took effect this financial year.
- 8.7 For in-Borough investment property acquisitions that are funded by borrowing, these are considered within a Council's powers, provided the purpose of the was not to generate a profit, for example to regenerate the local area or to safeguard jobs in the locality.

## **9 Negative Revenue Support Grant**

- 9.1 Government announced late last year that they would undertake a review in Spring 2018 of the funding settlement for councils that are expected to make payments to Central Government in the fourth year (2019//20) of the four year settlement.
- 9.2 The announcement made by the Communities secretary in December stated that they will be looking at fair and affordable options for dealing with negative RSG and will formally consult in the spring.
- 9.3 This Council is expected under the settlement to make a payment of £625,000 in 2019/20 and at the time of writing this report no further information on any potential changes have been announced by MHCLG.

## **10 Service and Financial Planning**

- 10.1 It is anticipated that further savings of £55,000 (see paragraph 5.2) should be achievable to address the gap and the areas that officers expect these to come from are:



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

10.1.2 A base review, this entails reviewing the year end position for 2017/18, identifying any potential savings, additional cost pressures and areas where savings can be developed.

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

10.1.4 Income Generation Review – to include analysis of charging powers and service utilisation and identify options for income generation.

## **11 2019/20 Budget Timetable**

11.1 The proposed revenue reporting timetable is contained at **Annexe 3**.

11.2 The timetable reflects the normal budget review process and will need amending if a more comprehensive corporate service review is required.

11.3 Prior to the Budget Targets being set by Strategy and Resources Committee in September the Chief Finance Officer will update the four year financial forecast based on the current level of service provision.

11.4 The following review of resources will be carried out by September to assist financial planning for 2019/20:-

- Any changes to external funding;
- A revised forecast on business rate income under the business rate retention scheme;
- A forecast of council tax income;
- The Council's financial standing following close of accounts including a review of reserves and provisions
- A summary of income from fees and charges across all council services
- A base review of the year end position for 2017/18, to identify any potential savings, additional cost pressures and areas where savings can be developed.

## **12 Financial and Manpower Implications**

12.1 The financial outlook for 2019/20 was contained in the Four Year Financial Plan 2016-2020 and is summarised in this report.

- 12.2 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.
- 12.3 The staffing impact of any service changes will need to be considered where service options are put forward for consideration.
- 12.4 The Council has adequate resources to carry out a budget review supporting the delivery of the cost reduction plan. Should the Council require a more comprehensive review of services additional resources and expertise may be required.

### **13 Legal Implications (including implications for matters relating to equality)**

- 13.1 The legal implication are contained within the body of the report.
- 13.2 ***Monitoring Officer's comments:*** *None arising from the report itself. The vires of future property purchases will be considered at the time of any potential opportunity.*

### **14 Risk Assessment**

- 14.1 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.
- 14.2 The longer term financial risks are contained in the Four Year Financial Plan 2016-2020.

### **15 Conclusion and Recommendations**

- 15.1 The Council has agreed financial targets to achieve a balanced budget in 2019/20. 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.
- 15.2 Projections for 2019/20 indicate that £461,000 of savings will be required to achieve a balanced budget for next year, with £406,000 of these savings already identified it leaves £55,000 still to be found.
- 15.3 The four year budget forecast will be updated in September 2018 and the Panel will receive a full update on the Council's finances, including revenue and capital reserves and provisions.
- 15.4 It is recommended that cost reduction through efficiencies, income generation and service expenditure reviews are used as the main tools to achieve a balanced budget in 2019/20.

- 15.5 It is also recommended that any gain from the Business Rate pilot scheme is earmarked to smooth out the impact of reductions in funding from Government from 'negative RSG' and diminishing New Homes Bonus grant.

**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 EFFICIENCY PLAN - 2018/19 to 2019/20**

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Operational efficiencies and income generation	253	237	501	324	1,315
<b>Strategy &amp; Resources Committee</b>					
Reduce hardship fund	5				5
Alternative payroll provision		10			10
Acquisition of investment properties		172	805		977
<b>Environment Committee</b>					
Introduce Planning Performance Agreements	12				12
Charging to variations to Section 106 Agreements	4				4
Charging for Enabling Officer	2	3			5
Parking income above 6% yield	367				367
Cease sweeping up highway verge cuttings after cutting		52			52
Highways Horticultural Restructure of Team		41			41
Cease additional cuts to highway verges		52			52
<b>Community &amp; Well-Being Committee</b>					
Allotments – introduce water charging	8				8
Allotments – self management			2		2
Extend Housing Act charges	4				4
Cease extended out of hours service	24				24
Reduction in homelessness costs through new properties		75	230		305
Charge for Handyman Service	10				10
Introduce administration charge for Home Improvement Agency service	10				10
Cemeteries increase charges for inscriptions	12				12
Increase of fees in cemetery	11				11
Merging Routecall Service	152				152
Social Centre Review	73				73
Advertising on litter bins	2				2
Review of operation of parks				77	77
Introduce vending in parks			-	5	5
Venues Service Review		52	52		104
<b>Total Identified Savings</b>	<b>949</b>	<b>694</b>	<b>1,590</b>	<b>406</b>	<b>3,639</b>
<b>Unidentified savings Target</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>55</b>
<b>Forecast Total Savings Required to Deliver Balanced Budget</b>	<b>949</b>	<b>694</b>	<b>1,590</b>	<b>461</b>	<b>3,694</b>

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## REVENUE BUDGET PLANNING 2019/20 - REPORTING TIMETABLE

MONTH	TOPIC	REPORT TO	OBJECTIVE
<b>JUNE 2018</b>	Financial Planning for 2019/20	Financial Policy Panel 26 June 2018	<ul style="list-style-type: none"> <li>• Agree approach to Service &amp; Financial Planning in the annual budget review</li> <li>• Confirm budget reporting timetable for 2019/20</li> </ul>
<b>JULY 2018</b>	2017/18 Final Accounts Audited Financial Statements	Strategy & Resources Committee 26 July 2018	<ul style="list-style-type: none"> <li>• Report outturn figures for last year and financial position as at 31 March 2018</li> <li>• Agree year end transfers to/from strategic reserves</li> </ul>
<b>AUG 2018</b>			
<b>SEPT 2018</b>	Budget Targets 2019/20	Financial Policy Panel 11 September 2018	<ul style="list-style-type: none"> <li>• Review of Revenue and Capital Reserves</li> <li>• Update of Four Year Budget Forecast</li> <li>• Set Budget Targets for 2019/20</li> </ul>
<b>OCT 2018</b>	Service Budget Planning Reports	Community & Wellbeing Committee 9 October 2018 Environment Committee 23 October 2018	Guidance on the preparation of service budget reports
<b>NOV 2018</b>	Service Budget Planning Reports	Strategy & Resources Committee - 27 November 2018	Guidance on the preparation of service budget report
<b>DEC 2018</b>	Budget Update	Financial Policy Panel 4 December 2018	Update on budget preparation and local government funding

<b>MONTH</b>	<b>TOPIC</b>	<b>REPORT TO</b>	<b>OBJECTIVE</b>
<b>JAN 2019</b>	Service Estimates	Community & Wellbeing Committee 22 January 2019 Environment Committee 29 January 2019 Strategy & Resources Committee 31 January 2019	Recommend service budgets to Council
<b>FEB 2019</b>	Local Govt. Finance Settlement  Budget Meeting	Financial Policy Panel 5 February 2019  Council 19 February 2019	Guidance on Council Tax Options following announcement of grant settlement / localisation of business rates Update of MTFS Council Tax and Budget decisions
<b>MARCH 2019</b>	Service Plans	Community & Wellbeing Committee 19 March 2019 Environment Committee 26 March 2019	Update Service Plans and approve Annual Service Targets for 2019/20
<b>APRIL 2019</b>	Service Plans	Strategy and Resources Committee 2 April 2019	Update Service Plans and approve Annual Service Targets for 2019/20

**Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 5 December 2017**

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**PRESENT -**

Councillor Eber Kington (Chairman); Councillors John Beckett, Neil Dallen, Barry Nash, Vince Romagnuolo and Clive Smitheram (as nominated substitute for Councillor Richard Baker)

Absent: Councillor Richard Baker, Councillor Graham Dudley and Councillor Omer Kokou-Tchri

Officers present: Lee Duffy (Chief Finance Officer), Brendan Bradley (Chief Accountant) and Fiona Cotter (Democratic Services Manager)

**7 DECLARATIONS OF INTEREST**

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

**8 TREASURY MANAGEMENT - INTERIM REPORT**

Prior to considering a report that updated members on treasury management performance for the first six months of 2017/18, the Panel received a presentation from Nazmin Miah, Senior Client Consultant of Link Asset Services. The presentation covered a market update, the Council's investment options and potential changes in the treasury management sector affecting local authorities.

The presentation highlighted that there was significant uncertainty in the economy and the market was very fragile. Borrowing was cheap at the moment but investment on cash returns low in the near term. The majority of Council's investment portfolio consisted of a mix of liquid funds, which yielded 0.57%. The Aberdeen fund was an ultra-short fund that provided a constant, steady yield. The portfolio also invested in a Building Society with a BBB+ rating, which was yielding well.

In respect of current developments in treasury management, it was highlighted that the CIPFA Treasury Management Code and Prudential Code had been revised and were due to be published imminently. These had last been reviewed in 2011 and one of the aims of the review was to address the "commercialism" agenda and "non-treasury" investments.

A Government consultation on the capital framework was due to close shortly. Local authorities were required to follow DCLG investments guidance. It

appeared that the requirements would be fair. Local authorities already had the power of competence and would now be able to exercise this in respect of investments as long as decisions were proportionate.

Prior to taking her leave of the meeting, the Chairman thanked Ms. Miah for the presentation, stating that the Council was very proud of its finance team but it was helpful to know that additional help was at hand.

The Strategy and Resources Committee agreed the Treasury Management Strategy for 2017/18 at its meeting in March 2017. Current policy required Officers to produce an interim report on investment performance and this report covered the period 1 April 2017 to 30 September 2017.

The Chief Finance Officer highlighted that the Council had reduced the amount of money invested with Aberdeen Asset Management plc and utilised the money rather than borrowing at 2.5%. This did not preclude re-investment of funds at a later date should the markets change.

Despite low returns, investments for the first six months met the profiled budgeted income for the same period, with an average annualised return on investments of 0.53%. The return made on money market funds of 0.14% was higher than the benchmark of 0.11%. Investment in money market funds had been limited to short-term investments from surplus funds which would need to be called back with no notice required. Current strategy and recent guidance obtained from the Council's independent financial advisors was to limit fixed term investments to a period of one year until there was improved stability in within the financial markets.

The necessity to hold around £589,000 by year-end in the Interest Equalisation Reserve was queried. The reserve enabled variations in investment returns to be accommodated within the general fund budget without having an adverse effect on the levels of funds available for the delivery of services in year. Without this reserve, the Council would currently have to find £41,000 from elsewhere to maintain service delivery. The level of this reserve was kept under review and periodically re-assessed. However, with base rates and investment returns at historically low levels, and with no immediate sign of these increasing, the funds in this reserve could erode at a time when the funds in it were needed more than ever.

Having noted the performance on return of investments for the first six months of 2017/18 and the current investment decisions being made within the terms set out in the Treasury Management Strategy, the Panel supported the decision to continue to place the management of the Council's external funds in the hands of Aberdeen Asset Management plc.

## 9 CAPITAL PROGRAMME 2018/19

A report was presented to the Panel summarising the proposed 2018/19 Capital Programme, seeking the Panel's guidance prior to its submission to Council in February 2018.

The Chairman highlighted that the Capital Programme had been the subject of intense scrutiny by members on the Capital Member Group which had resulted in the proposals before the Panel.

The report highlighted that the following schemes, totalling £1,225,000 in 2018/19 and £250,000 in 2019/20, were proposed for inclusion in the capital programme to be funded from capital reserves, subject to the relevant policy committee receiving and approving project appraisals:

<b>Scheme/Funding from Capital Reserves</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000s</b>	<b>£'000s</b>
Installation of LED Lighting Various Sites	75	
Repair of St Marys Churchyard Flint Faced Wall	77	
ICT Programme of Work	60	
ICT – Document Management System replacement	50	
Replacement of Customer Relationship Management system and Data Warehouse	250	250
H&S Improvement Works Ashley Centre Car Park	165	
Ashley Centre Carpark levels 4 a & b waterproof coverings	227	
Playhouse replacement of stage floor and changing rooms refurb	66	
Poole Road Pavilion boiler, pump and plant replacement	50	
Bourne Hall replacement of old defective air conditioning unit	25	
Financial Management System Upgrade	65	
Renewal of Town Hall lift controls	80	
Upgrade of carpark credit card machines	35	
<b>Total proposed capital programme funded from reserves</b>	<b>1,225</b>	<b>250</b>

The report also highlighted that the Council received a fixed government grant allocation for disabled facilities grants via the Better Care Fund to the tune of £588,000.

Capital reserves were considered the appropriate funding stream for the ICT work programme. Senior management were well aware of the risks and challenges in this area and members were assured that reports on individual elements of various work streams, particularly the Customer Relationship Management System and Data Warehouse, would be reported to committee as appropriate.

The Chief Finance Officer highlighted the risks of sustaining the capital programme going forward as capital reserves depleted and that should any surplus revenue funds arise following the Council's recent purchases of investment property, consideration could be given to applying such funds to supplement the capital programme. This approach would enable earmarked capital receipts to be returned to the capital reserve, thereby mitigating the risk of capital reserves falling below the minimum threshold in future years. The Panel noted this as an option. The report highlighted that, currently, if all schemes were progressed between 2018 and 2020, the estimated level of reserves would fall from £3.1m at 1 April 2018 to £1.6m at 31 March 2020. This was before any use of CIL, S106 or revenue funding was taken into account.

In regard to the use of CIL, all parties needed to be mindful of the agreed process: in particular, the County Council had a call on these receipts.

Accordingly, the Panel agreed with the advice of the Capital Member Group and submitted the following 2018/19 Capital Programme to Council for approval in February 2018, subject to the relevant policy committees first approving project appraisals:

- (1) Prioritised schemes totalling £1,225,000, funded from capital receipts of £1,225,000, less any S106, CIL or revenue reserves subsequently identified with a further commitment of £250,000 for 2019/20;
- (2) An additional scheme totalling £588,000 subject to external funding sources.

## 10 MINUTES

The Minutes of the meeting of the Financial Policy Panel held on 12 September 2017 were agreed as a true record and signed by the Chairman.

*The meeting began at 7.30 pm and ended at 8.24 pm*

COUNCILLOR EBER KINGTON (CHAIRMAN)

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

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**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)

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