

## Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 10 September 2019

---

### PRESENT -

Councillor Eber Kingston (Chairman); ; Councillors Kate Chinn, Nigel Collin, Neil Dallen, David Gulland, Colin Keane, Barry Nash and Clive Smitheram

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

#### 1 DECLARATIONS OF INTEREST

No declarations of interest were made by councillors regarding items on the agenda for the meeting.

#### 2 REVIEW OF RESERVES

The Panel received and considered a report reviewing the level of the Council's reserves.

The Panel requested confirmation that the Audit Commission's suggested range for un-earmarked reserves was 5% to 100% of net operating expenditure, as stated in in the report. *(Post meeting note – officers have confirmed the Audit Commission's suggested range of 5% to 100%).*

The Panel queried the appropriateness of the Property Income Equalisation Reserve target balance and whether it was, in fact, over prudent.

The Chief Finance Officer explained that the target balance represented one year's rental income from each of the five commercial properties purchased in recent years using external borrowing. It was explained that the reserve would be needed to mitigate the risks of losing a tenant and associated rental income, as services to residents depended on this income and the Council would have to fund the annual borrowing costs. The reserve would also needed to mitigate the risk of having to undertake significant capital works at any of the properties in order to maintain tenants/rental income. The Chief Finance Officer confirmed his view that the target balance was appropriate and proportionate to the risks faced by the Council, and agreed to circulate a post meeting note with further detail.

The Panel also queried the level of reserves held principally for Insurance, Value Added Tax, and Property Maintenance.

The Chief Finance Officer explained that these reserve balances were required for the purposes set-out in the report, and considered that the balances were

appropriate and proportionate to the level of financial risk faced by the Council in the medium term.

Following consideration, the Panel agreed:

- (1) That the overall level of the Council's reserves and provisions were appropriate for the sound management of the Council's finances.
- (2) That the level of individual reserves and provisions were appropriate and it supported the transfers between reserves as set out in paragraphs 7.18, 7.22, 7.35 and 7.51 of the report.

### 3 BUDGET TARGETS 2020/21 AND THE DEVELOPMENT OF THE MEDIUM TERM FINANCIAL STRATEGY FOR 2020-2024

The Panel received and considered a report that sought guidance on the budget targets for 2020/21 and the development of the Medium Term Financial Strategy 2020-2024.

The Panel queried the level of pay provision; the Chief Finance Officer explained that the provision was an estimate based on CPI inflation of 2% and that the actual figure would be agreed as part of the pay award at a subsequent Strategy & Resources Committee.

The Panel asked about progress on the work programme for addressing the funding shortfall identified within the next four year forecast. The Chief Finance Officer explained that a base review had identified savings that would be incorporated into the budget setting process. Star chamber meetings had been held with Heads of Service over the Summer and the outcome of this process would be reported to members in due course.

The Panel were informed that the Fair Funding Review had been delayed by the Chancellor of the Exchequer in favour of a one year settlement for 2020/21, with provisional individual settlements for Councils expected to be announced in December 2019. However, the Fair Funding Review could still adversely impact the Council's financial position from 2021/22, and the Medium Term Financial Strategy forecasts factored in the most likely scenario.

The Panel agreed that the minimum working balance target should remain at £2.5million.

Accordingly, the Panel agreed to recommend to Strategy & Resources Committee:

- (1) The following overall budget target for 2020/21:-
  - a) That estimates are prepared including options to reduce organisational costs by £544,000 in 2020/21 to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy;

- b) that at least £290,000 additional revenue is generated from an increase in discretionary fees and charges, is based on minimum overall increase in yield of 3.0%, with the exception of car parking which is set at 6.0% as these charges are adjusted every two years;
  - c) that a provision for pay award is made of £400,000 that allows for a 2% cost of living increase.
- (2) That further savings are identified for inclusion within the new Medium Term Financial Strategy for 2020-2024 to reduce the Council's net operating costs by a minimum of £1,825,000 over the period 2020/21 to 2023/24;
- (3) That Capital Member Group seeks to maintain a minimum capital expenditure programme to control the use of capital reserves between 2020 and 2024, subject to an appropriate prioritisation of spend to save and externally funded schemes.

COUNCILLOR EBER KINGTON (CHAIRMAN)