

**Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 29 January
2020**

PRESENT -

Councillor Eber Kington (Chairman); Councillors Kate Chinn, Nigel Collin, Neil Dallen, Colin Keane, Julie Morris (as nominated substitute for Councillor David Gulland), Barry Nash and Clive Smitheram

Absent: Councillor David Gulland

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

9 DECLARATIONS OF INTEREST

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

10 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 3 December 2019 were agreed as a true record and signed by the Chairman.

11 2020/21 BUDGET AND FINANCIAL PLAN 2020 - 2024

The Panel received the report on the proposed budget for 2020/21 and Medium Term Financial Plan 2020-2024.

In reply to a question on whether the Medium Term Financial Plan could include financial provision to deliver the Council's Climate Change Action Plan, the Chief Finance Officer responded that the Council had already earmarked funding for a Climate Change Officer for a period of two years to deliver the plan.

Furthermore, the Medium Term Financial Strategy (MTFS) included the development of a new criteria for assessing capital schemes, in order to further facilitate capital projects that positively impact the environment.

Beyond these measures, the Chief Finance Officer explained that given the Council's projected deficit of £443,000 by the end of the four year period, there were no further surplus revenue funds to be allocated. However, as future proposals arise from the Climate Change Action Plan, the proposals will be costed, assessed on their merits, and funding options considered at the time.

In response to a comment that it is important for the car park service to be given the flexibility to achieve an average 3% annual increase in income over the four year period, rather than being bound to a rigid 6% increase in fees and charges

every other year, Officers referred to page 71 of the MTFS, which supported increasing fees and charges by an average of 3% per annum.

In reply to a comment on whether the council had specific plans for achieving the income targets set-out on in the MTFS on page 28, particularly those that relate to increasing income from the Council's assets, Officers responded that it was important for the income criteria to be included in the MTFS, as this provided them with a mandate to ask Heads of Service and Managers to deliver additional income. Officers had already presented, in the recent past, reports to Policy Committees with the aim of improving the financial sustainability of Bourne Hall and Ewell Court House. Officers are also currently producing an Asset Management Plan, which will set-out how the Council can optimise the management and use of its assets.

Members asked which asset(s) were sold in 2015/16 to generate £1.6m capital receipts in that year.

Officers responded that they thought the receipts related to the disposal of Downs House, however, this would be confirmed post-meeting*.

**Post meeting note – in 2015/16, the Council received £1.0m for Downs House, £0.4m from Right to Buy sales and £0.2m for the release of restrictive covenants over land.*

In reply to a question on whether it was appropriate to close the remaining balance of £240m on the Council's out-of-Borough Commercial Property Acquisition Fund, Officers responded that the fund has already been suspended in 2018 by S&R Committee, after statutory guidance from MHCLG was introduced to restrict Council from borrowing to invest purely for profit. As there had been no change in the regulatory environment since then, officers now considered it appropriate to formally close the fund. However, should there be a future change in the regulatory environment, or if a scheme were identified that met the requirements of the guidance, a future report could go to Members to request funding.

The Council would retain open its in-Borough Commercial Property Acquisition Fund, as acquisitions that were not purely for profit could meet the requirements of the guidance. The fund had a remaining balance of approximately £56m, which was considered sufficient at the current time. Should the fund be fully utilised in future, a future report could go to Members to request further funding.

In reply to a question on whether the 2020/21 budget provision for homelessness would be sufficient, given the current high numbers of households in temporary accommodation, Officers advised that the budget provision was considered sufficient at the current time, however, it was acknowledged that homelessness is a high-risk service area due to external pressures and the position would need to be kept under review. Should service pressures significantly increase in future, a report would need to go to the appropriate Policy Committee to consider mitigation and funding options.

In reply to a question on why the provisions for pension deficit funding were required specifically 2020/21 (£150k) and in 2023/24 (£100k), Officers responded that the Pension Fund was subject to triennial valuations, the last valuation at 31 March 2019 identified a £5m deficit on the fund. As a result, the external actuary had advised that the Council's employer's contributions should increase by approximately £150k per annum from 2020/21.

The next triennial valuation is due at 31 March 2022 and will impact employer's contributions from 2023/24. As such officers considered that a £100k provision in 2023/24 was prudent at the current time.

The Panel considered that the following wording should be added to recommendation 6 of the report prior to its agreement:

“subject to central government’s confirmation in the final finance settlement that the referendum threshold for council tax increases will remain at the higher of 2% or £5. Should Central Government increase the threshold to 3% in the final finance settlement, the Panel confirmed it would support a council tax increase of 2.99%.”

Following consideration, the Panel agreed:

- (1) To provide the Chief Finance Officer with any further guidance needed on the presentation of the 2020/21 Budget and Council Tax report and on the Financial Plan 2020-2024.**
- (2) To note the provisional Government financial settlement for 2020/21.**
- (3) To support that the surplus business rates income generated in 2018/19 from being part of the Surrey Pilot is set aside to mitigate the future impact of the ‘Fair Funding Review’.**
- (4) To note that the Council was successful in its attempt to be part of a Surrey Pool for Business Rates income for 2020/21.**
- (5) To confirm support that there will no use of working balances (general fund reserve) in the 2020/21 budget.**
- (6) To agree to support a recommendation to Council of a council tax increase of £4.95 for a Band D property, equivalent to an annual increase of 2.5%, subject to central government’s confirmation in the final finance settlement that the referendum threshold for council tax increases will remain at the higher of 2% or £5. Should Central Government increase the threshold to 3% in the final finance settlement, the Panel confirmed it would support a council tax increase of 2.99%.**
- (7) To confirm support for the Financial Plan 2020-24 and Medium Financial Strategy.**

The meeting began at 6.00 pm and ended at 6.59 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)