

**Minutes of the Meeting of the FINANCIAL POLICY PANEL  
held on 9 June 2015**

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**PRESENT-**

Councillor Neil Dallen (Chairman); Councillors Kate Chinn, Omer Kokou Tchri, Jan Mason, Jean Steer and Clive Woodbridge

In attendance: Councillor Alexander Clarke

Absent: Councillors John Beckett and Keith Partridge

Officers present: Kathryn Beldon (*Director of Finance and Resources*), Lee Duffy (*Head of Financial Services*) and Fiona Cotter (*Democratic Services Manager*)

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- 1 MINUTES. The Minutes of the Meeting of the Financial Policy Panel held on 3 February 2015 were agreed as a true record and signed by the Chairman.
- 2 DECLARATIONS OF INTEREST. A disclosable pecuniary interest was declared in respect of item 03 on the Agenda (Financial Planning 2016/17) as set out below the relevant minute.
- 3 FINANCIAL PLANNING 2016/17. The Panel received a report which sought guidance on the approach to be used in preparing the budget for 2016/17.

The Panel noted that the Council was in the process of closing last year's accounts. As at the date of this meeting, it was anticipated that a contribution of £80,000 to £85,000 would be required from general fund reserves as opposed to the £100,000 originally forecast. This was a result of better than forecast income in areas such as planning and parking. However, homelessness, increased costs on property related matters and the salary budget were areas of significant adverse variance and homelessness, in particular, was an area of on-going concern. As a result, the draft final outturn provided that the revenue working balance would be maintained at around £3.3million with strategic reserves of £6.4million at the end of 2014/15.

The 2015/16 budget envisaged £229,000 use of general fund reserves and maintaining a working balance of £3million. It also anticipated receiving £1.9million in New Homes Bonus with £500,000 being used to fund services, the remaining going into reserves which could be drawn on for corporate projects if necessary.

The forecast budget deficit for 2016/17, as reported to Council in February 2015 was £878,000 which was based on:

- A 2% Council Tax increase
- An increase in annual yield from fees and charges of 2%

- An increase in the Council's pay bill of 2.6% (2% inflation and 0.6% for progression)
- Inflation of 2% on expenditure
- Use of £500,000 of New Homes Bonus to finance services

The Panel was informed that it was anticipated that the total amount of New Homes Bonus for 2016/17 was £2.3million. However, there was no guarantee that this would continue into the future and the grant could be withdrawn or the rules changed at any time – the Head of Financial Services cited the precedent of Planning Delivery Grant.

The Panel was further informed that it was likely that the position could potentially be worse. There remained several areas of significant financial risk within this forecast which needed to be investigated further. These included:

- Containing the cost of homelessness: the budget for 2015/16 allowed for around 70 families in Bed and Breakfast accommodation. Latest figures suggested that the budget needed to allow for around 80 – a further cost of at £100,000;
- An increasing demand on the property maintenance related budgets (both revenue and capital). Examples of recent necessary maintenance included new boilers at the Town Hall and repairs to the Playhouse roof. It was therefore prudent to increase the budget to cover such increasing major repairs to the Council's assets to £150,000. It was confirmed that the way major repairs were funded (traditionally out of capital reserves) was to be reviewed;
- Achievement of venues targets which had been below expectations and needed to improve;
- Changes to central government levels of funding – this was a big unknown

It was also noted that changes to the Local Government Pension Scheme did not address the deficit in the Surrey Pension Fund caused by poor return on investments. This was a national not purely a local problem. The Fund re-evaluation in 2013 identified an increase in employer contributions for this authority (based on aged and number of employees) of £133,000 per annum over the next three years. The impact of this would be felt in 2017/18.

Allowing for the increase in cost of homelessness and property maintenance, it was likely that the deficit for 2016/17 could, in fact, be over £1million.

Although there remained uncertainties within the forecast, the current position suggested that if the Council wished to deliver a balanced budget for 2016/17, it would still need to identify further savings in excess of £1million. Officers were working in conjunction with committee chairmen to identify service saving options and on a number of reviews to address the funding shortfall. These were:

- A base review, reflecting on 2014/15 to identify any potential savings;
- A "Star Chamber" exercise where service managers would present options for how their services could deliver savings;
- Individual Service Reviews;
- Doing Business Better, aiming at increasing efficiency, effectiveness and reducing cost of services;

- Property and Income Generation Reviews (which did not rule out the disposal of assets)

That the Panel confirmed:-

- (1) the approach to be taken to the 2016/17 budget review as set out in this report;
- (2) that officers work with policy committee chairmen to bring forward service saving options, in addition to the savings already targeted ; and
- (3) the budget reporting timetable set out in Annexe 1 to the report.

*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.*

**6 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 2015/16 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 2014/15 bids and review schemes carried forward from the 2012/13 capital programme.	22 July 2015 (Wed)
Meet to discuss approach and identify which of the potential bids should be worked into full bids for review in November.	9 Sept 2015 (Wed)
Review of appraisals, funding and draft FPP report.	11 Nov 2015 (Wed)

Accordingly the Panel nominated Councillors Neil Dallen (Chairman), Michael Arthur, John Beckett, Jean Steer, Clive Woodbridge and a Conservative representative to be nominated by the Conservative Group Leader, Councillor Tina Mountain, to sit on the Capital Member Group.

*The meeting began at 19.31 hours and ended at 20.03 hours.*

NEIL DALLEN  
Chairman