

**Minutes of the Meeting of the FINANCIAL POLICY PANEL
held on 8 September 2015**

PRESENT -

Councillor Neil Dallen (Chairman); Councillors John Beckett, Kate Chinn, Jan Mason, Keith Partridge, Clive Woodbridge and Tina Mountain (as nominated substitute for Councillor Omer Kokou-Tchri)

Absent: Councillors Omer Kokou-Tchri and Jean Steer

Officers present: Lee Duffy (Head of Financial Services) and Fiona Cotter (Democratic Services Manager)

1 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 7 July 2015 were agreed as a true record and signed by the Chairman.

2 DECLARATIONS OF INTEREST

No declarations of interest were made by Councillors regarding items on the agenda.

3 BUDGET TARGETS 2016/17

The Panel received and considered a report which updated the financial forecast, recommended financial targets for preparing the draft budget for 2016/17 and the approach to financial planning for 2017-20.

The Panel was reminded of the wider context in which the Council was planning its finances. The Council had seen a significant cut in government funding, (its core grant had been reduced by £1.9m over the last five years), whilst the impact of benefit reforms had seen the Council's homelessness costs increase from £143K in 2010/11 to a budgeted £816K for 2015/16. Interest rates were at historic lows: in 2007/08 (before the banking crisis), base rates were at 5% and the Council generated £1.25m from its investments to pay for services. At the date of this meeting, interest rates were at 0.5% and the Council had budgeted to receive £200k to fund services. It was therefore becoming an increasingly tough fiscal environment.

The level of general reserve at the start of 2015/16 stood at £3.3m. With the budgeted use of £230k of general fund reserves to fund services, this would

bring the balance down to £3.1m. The Council's policy was to maintain a minimum working balance of £2.5m (which was comparable with that held by other local authorities and considered a prudent level). However, 2015/16 was already proving to be challenging and it was likely that the Council would need to draw down more of its reserves to fund its homelessness obligations which had increased sharply in the first quarter and this remained a significant financial risk.

Strategic Reserves had increased slightly in 2015/16 to £7.2m but this increase took into account New Homes Bonus grant and the Council had committed to spend £1.3m of these reserves this year.

The latest forecast budget deficit for 2016/17 (before savings) was £850k, based on the following assumptions:

- A Council Tax increase of 2% (1% = £55K);
- An increase in annual yield from fees and charges of 3%;
- An increase in the Council's pay bill of 2.1% (1.5% inflation and 0.6% progression);
- Inflation of 2% on expenditure;
- Use of £500k of New Homes Bonus to finance services.

The Council had forecast receipt of a total New Homes Bonus grant of £2m in 2016/17. Indications were that this stream of funding would continue but it remained uncertain as to how and at what level it may be awarded for 2016/17 onwards. Therefore, at odds with a number of authorities, this Council had taken the decision not to heavily rely on this funding stream to finance service delivery.

The Head of Financial Services also highlighted that additional employer pension contributions of £133k were included in the forecast deficit figure as well as £150k for works to council property and £100k for additional homelessness costs.

Thus, although there remained uncertainties in the forecast, not in the least the level of government funding, the current position suggested that if the Council wanted to deliver a balanced budget for 2016/17 it would still need to identify savings of £850k and Officers were currently working on a programme to assist in addressing this funding shortfall for 2016/17 and beyond. In particular, it was highlighted that a number of service reviews would be phased over the next four years and a "Star Chamber " exercise was currently underway which required Heads of Service to present options as to how their services could generate savings to the Council over the next four years. A further update would be provided to the Panel in December.

In view of the financial situation outlined at the meeting, the Chairman suggested that the Panel recommend an increase in annual yield from fees and charges of 6% which raised the target by a further £200,000 of additional income to a total of £400k. In response to concerns from Panel members, it was stressed that this

was a 6% increase in yield overall. Individual policy committees would be able to take into consideration any negative impact on demand anticipated by increases in specific charges which might justify a lesser increase but at the same time needed to be mindful of the need for the Council to meet its overall budget target.

During the course of the meeting the following points were also noted:

- There was, to date, no nationally agreed and co-ordinated approach to the current refugee crisis: once the situation had become clearer, the Council would have a better idea about what was needed in terms of support but this would clearly be an additional challenge in light of the Council's chronic housing problem;
- Officers were sensitive to the economic implications and human cost of the social housing shortage within the Borough and were working hard to try and address this;
- Revenue Reserves and Provisions: YELL Funds had originally been allocated to a County Council project with young people – a Youth Parliament – which was now defunct. Some of this money had been ring fenced but Officers were looking at how best to utilise the rest. Likewise, the Historic Buildings Fund had been set up when the Council had a full-time Conservation Officer to administer a grant aid scheme for conservation works but this scheme was currently in abeyance and the Head of Financial Services suggested that this money could perhaps be subsumed back into the General Fund. The purpose of the Business Rates Equalisation Reserve was to smooth out the financial impact of the back log of Valuation Tribunal appeal settlements;
- It was confirmed that generally, the Council paid the "Living Wage". Pay negotiations were currently on-going – a sum had been set aside in the forecast to meet the pay settlement – this would be the subject of a separate report to the Strategy and Resources Committee.

Accordingly, the Panel recommended to the Strategy and Resources Committee:

- (1) The following overall revenue budget target for 2016/17:
 - (a) estimates to be prepared including options to reduce organisational costs by £650,000 subject to the government grant announcement, 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 £400,000 additional revenue is generated from an increase in discretionary fees and charges, based on a minimum overall increase in yield of 6%;
 - (c) that a provision for the pay award is made of £230,000 that represents a 1.5% increase;

- (2) That further savings be identified for inclusion within the Medium Term Financial Strategy that would reduce the Council's net operating costs by a minimum of £1,644,000 over the period 2017/18 to 2019/20;
- (3) That the Capital Member Group seek to limit schemes included within the capital expenditure programme that enable retention of the agreed minimum level of capital reserves.

The meeting began at 7.30 pm and ended at 8.10 pm

COUNCILLOR NEIL DALLEN
(CHAIRMAN)