EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 20 July 2017
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	7.00 - 7.45 pm
Members Present:	Councillors G Mohindra (Chairman), A Lion, C Whitbread and J Philip		
Other Councillors:			
Apologies:	S Stavrou		
Officers Present:	R Palmer (Director of Resources), D Bailey (Head of Transformation) and R Perrin (Democratic Services Officer)		

---

8. Substitute Members

The Cabinet Committee noted that there were no substitute members for this meeting.

9. Declarations of Interest

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

10. Minutes

RESOLVED:

That the minutes of the meeting held on 22 June 2017 be taken as read and signed by the Chairman as a correct record.

11. Financial Issues Paper

The Director of Resources advised that the report provided a framework for the Budget 2018/19 and updated Members on a number of financial issues that would affect the Authority in the short to medium term. He advised that following the General Election result on 8 June 2018, the outcome of the Government being weakened greatly limited their legislative ambition and with the Brexit negotiations there had been little point in updating the MTFS for anything other than the 2016/17 outturn. There had also been concerns over the policies that had been previously mentioned by the Government such as devolution, housing, planning and the fair funding review before the General Election but had not featured in the recent Queen's Speech.

The Director of Resources advised that the following issues represented the greatest areas of current financial uncertainty and risk to the Authority;

Central Government Funding – the Settlement Funding Assessment (SFA) would reduced over the next four years by £2.43m (45%) and exceed the SFA in 2019/20, creating a negative Revenue Support Grant. The Fair Funding Review, which concerned the funding formulae for devolved administrations, had not been mentioned in the Queen's Speech and the existing approach of an annual reduction being applied to the old formula amounts to achieve the desired overall reduction in funding would be likely to continue.

Business Rates Retention - There had been very little growth anticipated after 2016/17, despite the building of the retail park and other known likely developments within the district. It was the first year which would be billed using the new rating list which would be a particularly challenging year for estimating business rates. There were also still hundreds of appeals outstanding on the old lists and based on previous experience and discussions with the Valuation Office, the total provision against appeals was currently £3.5m. Furthermore the 100% local retention of business rates had been not mentioned in the Queen's Speech and appeared to be on hold and the Council remained in the business rates pool for 2017/18, which would be monitored for future pooling.

Welfare Reform - The Local Council Tax Support (LCTS) scheme overall had been a success with the collection of some Council Tax from most of the people receiving support. There had been no significant changes proposed for 2018/19, to allow sufficient time to understand the consequences of changes with the National Living Wage and tax credits. The introduction of the Benefits Cap limit to the total amount of benefits a household could receive in a year to £26,000 and the further reduction by £6,000 to £20,000 was likely to cause greater changes in people's behavior and working patterns. The lower cap had been phased in across the country during 2016/17 and early indications were that 157 claimants in the district would be affected. Universal Credit (UC) still continued to progress slowly with some post codes in the district being affected from September 2017 and new claims being fully covered by September 2018. The clarity over the time period and process for the migration of existing housing benefit claims to UC and the role local authorities would perform under the new system were still awaited. The grant paid to local authorities to administer housing benefit would also see a further reduction of £42,000, which had been a cut of over 10%.

New Homes Bonus - The reductions in New Homes Bonus (NHB) for 2017/18 had been far greater than had been anticipated with a reduction of £2.5m over the period from 2016/17 to 2020/21. Furthermore, a reduction in the number of year's payable from 6 to 4 was being implemented, reducing to 5 years in 2017/18 followed by the full reduction to 4 years in 2018/19. There was also a proposal to withhold NHB from authorities that had not got a Local Plan in place or to reduce payments where planning approval had been granted on appeal, which had not been introduced for 2017/18 but would be considered again for 2018/19.

Development Opportunities - There had been some slippage in the programme for the retail park relating to the highway works although most of the large units had now been let. Negotiations were also continuing with potential tenants with indications that the projected rent levels should be achieved and the budgeted allowance for tenant incentives would not be exceeded. The MTFS included a prudent view of £2.2m to allow for any shortfall, management costs and interest. Progress had been less encouraging with the mixed use re-development of the St Johns area in Epping because of the length of time it had taken for the land acquisition from ECC and negotiations about the provision for a cinema in the development agreement being protracted. The former Winston Churchill pub site was progressing well and the ground floor retail element income was anticipated to be approximately £350,000 and should commence in 2018/19. The underspend on the capital programme, and the additional revenue contribution from the General Fund, had meant it was possible to finance the capital programme in 2016/17 without any additional borrowing. However, this would not be possible for 2017/18 and going forward due to capital no longer be freely available and borrowing costs would need to be included in the project appraisals.

Transformation – Members had made the strategic choice to concentrate services in the new building, so that the Conder Building and rear extension part of the Civic Offices site could be freed up for redevelopment. The second phase of the review was now underway to produce indicative floor plans, a sequential schedule of works and more detailed costings which would allow Cabinet to determine the future configuration of the Civic offices and make appropriate provision in the 2018/19 budget. The Head of Customer Services had now been in post for over 6 months and good progress had been seen on a number of initiatives, including the work on customer contact which was likely to significantly change the structure and working practices of the Council. The Invest to Save budget had £406,000 in the fund at the end of 2016/17, although only £59,000 of this was unallocated.

Waste and Leisure Contracts - The waste service had been procured at a lower cost and the savings had been included in the MTFS. However, issues with recycling and service delivery had meant that CSB growth of nearly £0.5m had been included in the revised estimates for 2016/17, together with £0.2m of DDF expenditure which would not be sustainable in the long term. There were various options being discussed with Biffa at the Waste Management Partnership Board to examine how the overall costs could be reduced in future years. The new leisure contract had started on 1 April 2017 with Places for People for a period of 20 years. Over the lifetime of the contract the average CSB savings would be more than £1m per year and because the payments under the contract varied considerably between years, the CSB savings were phased in over the first four years of the contract. It was noted that given the length and value of the contract it could be necessary to amend some of the assumptions and amounts as time progressed.

Miscellaneous – It was noted that Members should be advised of a potential recession as the economy had continued on a path of very limited growth and was now under pressure from higher inflation. Consequently, Development Control and rent from the commercial estate could suffer with a reduction in income and be magnified, as the proportion of income coming from retained business rates decreased and the pressure on services increased within benefits and homelessness. There was also the Council’s single largest cost, which was the annual pay bill of around £22m, which had been capped at 1% for several years. There was talk of changing this, but every 1% pay award exceeding the 1% would add £220,000 to the CSB. The unions had submitted a 5% pay claim and while this was unlikely to be achieved the award for 2018/19, it could exceed 1% altering the MTFS.

The Cabinet Committee noted that there were a lot of unknowns at this point and that come October 2017, they would hopefully have more information on the policies coming forward and effects these would have on local authorities finance.

Recommended:

(1) That the establishment of a new budgetary framework including the setting of budget guidelines for 2018/19 be set including;

(a) The ceiling for Continuing Services Budget next expenditure be no more than £12,920 million including net growth;

(b) The ceiling for District Development Fund expenditure be no more than £929,000;
(c) The balances continue to be aligned to the Council's net budget requirement and that balances be allowed to fall no lower than 25% of the net budget requirement; and
(d) The District Council Tax not be increased, with Council tax for a Band 'D' property remaining at £148.77.

2. That a revised Medium Term Financial Strategy for the period to 2020/21 be developed accordingly;

3. That communications of the revised Medium Term Financial Strategy to staff, partners and other stakeholders be undertaken; and

4. That the reductions in the parish support grants be implemented in equal stages to achieve complete removal by 2019/20.

Reasons for Decisions:

By setting out clear guidelines at this stage the Committee established a framework to work within in developing growth and savings proposals. This should help avoid late changes to the budget and ensure that all changes to services had been carefully considered.

Other Options Considered and Rejected:

Members could decide to wait until later in the budget cycle to provide guidelines if they felt more information, or a greater degree of certainty, were necessary in relation to a particular risk. However, any delay would reduce the time available to produce strategies that comply with the guidelines.

12. Any Other Business

Resolved:

That, as agreed by the Chairman of the Cabinet Committee and in accordance with Section 100B(4)(b) of the Local Government Act 1972, the following items of urgent business be considered following the publication of the agenda:

- Corporate Plan 2018-2023.

13. Corporate Plan 2018-2023

The Head of Transformation reported that the Corporate Plan was the Council's highest level strategic document that covered the period 2018-2023. In consultation with Management Board, Leadership Team and Cabinet Members the Plan was being reviewed and updated with consultation being sort from the individual Select Committees, Overview and Scrutiny, Customers, Partners, Businesses and Staff.

The draft Corporate Plan had been produced in a way that could easily be understood by customers with the vision, purpose, corporate aims and objectives grouped under three themes; People, Place and Council. The intention was to base the performance reporting through benefits maps that marked out the flow of work left to right and replace the KPI's, Key Action Plan and Transformation Projects reports. The Head of Transformation advised that a traffic light system would be implemented on the benefits maps, which should in turn would help Managers and Members to manage by exception and show how performance related to achievements within the Corporate Plan.

The Cabinet Committee advised that they were happy with the design and layout of the document but the benefits and performance measurements need further work. The weakness in particular with Staff moral really needed to be referred to in the risk register rather than the corporate plan.

Recommended:

(1) That, subject to the amendments above, the Corporate Plan be recommended to Cabinet for approval.

Reasons for Decisions:

To inform the development of the proposed Corporate Plan 2018-2023, specifically the proposed Benefits and Performance Measures for 2018-2023.

Other Options Considered and Rejected:

No other options were available.

CHAIRMAN