EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 14 July 2016
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	7.00 - 8.00 pm

Members Present: Councillors G Mohindra (Chairman), R Bassett, A Lion and S Stavrou

Other Councillors: Councillors J M Whitehouse

Apologies: C Whitbread

Officers Present: R Palmer (Director of Resources) and R Perrin (Democratic Services Officer)

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10. Declarations of Interest

(a) Pursuant to the Council's Code of Member Conduct, Councillors G Mohindra, S Stavrou, A Lion and J M Whitehouse declared a personal interest in item 4 - Financial Issues of the agenda, in so far as it relates to the Local Council Tax Support payable to Parish/Town Councils as they are Parish/Town Councillors. They understood that there are no binding decisions being made by the Sub-Committee at the meeting and therefore would advise that when the decisions were due on this later in the budget cycle, they would seek a dispensation if required.

11. Minutes

RESOLVED:

That the minutes of the meeting held on 16 June 2016 be taken as read and signed by the Chairman as a correct record.

12. Financial Issues Paper

The Director of Resources advised that the report provided a framework for the 2017/18 Budget and updated Members on a number of financial issues that would affect the Authority in the short to medium term. He advised that the information, new legislation and regulations that were normally available by now, to inform the Medium Term Financial Strategy (MTFS) had not been forth coming, owing to the EU referendum. The result of the referendum to leave the European Union had resulted in a new Prime Minster and Cabinet being appointed, which in turn could effect legislation and policies coming forward and could reduce funding prospects for local government.

The Director of Resources reported other areas of current financial uncertainty and risk to the Authority as follows;

- Central Government Funding – the Settlement Funding Assessment (SFA) reduced over the next four years by £2.45m (45%), resulting in a negative Revenue

Support Grant and the Core Spending Power, which considers the Government's thinking on Council tax and the New Homes Bonus was likewise to reduce across the same period by £2.05m (13.5%). Local Council Tax Support was also affected by the reduction in the Revenue Support Grant and this would result in the removal of the grant to town and parish councils completely by 2019/20. Furthermore, the Secretary of State for Communities and Local Government advised local authorities in March 2016 that they could accept the 4-year figures as fixed for SFA, if accompanied with an efficiency plan to show "how this greater certainty could bring about opportunities for further savings". This funding would be honoured "barring exceptional circumstances" and also contained a cautionary note that future levels of funding to those who preferred not to have a four year settlement could not be guaranteed.

- Business Rates Retention – The Council had received over £0.75m in 2014/15 for Section 31 grants and anticipated £0.7m in 2015/16 and £0.4m in 2016/17. The business rates pool, which the Council became a member of for 2015/16 and 2016/17 had no levy paid to the Treasury and despite the requirement of safety net funding for two members in 2015/16, the Council had been still £118,000 better off. There were still 400 appeals outstanding with the Valuation Office and a total provision of £4 million. Although this had been felt prudent there was still an outstanding appeal for a rateable value of £6 million, which could result in a significant shortfall. The Collection Fund for 2015/16 had less than £30,000 difference to the estimate, which required no amendments to MTFS. Furthermore, the announcement of 100% local retention of business rates being retained within local government and no amounts of either base funding or growth being paid over to the Treasury with the policy being fiscally neutral, would mean that any additional funding would be matched by a transfer of additional responsibilities that had previously been centrally funded. Therefore through the reform process local government as a whole would need to try and limit the amount of risk that was transferred and that some form of safety net was maintained. The new system was to be implemented by 2019/20 but this now looks unlikely.
- Welfare Reform – No significant change had been proposed to this council's scheme of local council tax support for 2017/18, to allow sufficient time to understand the consequences of the changes to maximum level of support being reduced to 75%, no major reductions in tax credits and the introduction of the National Living wage for 2016/17. The Benefits Cap reduction by a further £6,000 to £20,000 was likely to cause greater changes to people's behavior and working patterns and would be phased in across the country during 2016/17. The early indications were that several hundred claimants in this district would be affected with the effects more evident in 2017/18. The Universal Credit continued to progress slowly with no clarity over the time period and process for the migration of the existing housing benefit claims to UC or the role local authorities would perform under the new system. Finally, the savings achieved by the Department for Work and Pensions through reducing the grant paid to local authorities to administer housing benefit had a modest reduction of £22,000 in 2015/16 and £73,000 (16%) for 2016/17.
- New Homes Bonus - The consultation on the proposed changes to NHB closed on 10 March 2016 and no further information had emerged on the future policy direction. The potential changes when comparing the MTFS projections with the Government's Core Spending Power figures showed amounts to be lower in 2017/18 (£2.2m), 2018/19 (£1.4m) and increasing slightly in 2019/20 (£1.6m).
- Development Opportunities – The retail park at Langston Road continued to progress with the building firm to be appointed by Cabinet in July 2016.The mixed use re-development of the St John's area in Epping was taking much longer than anticipated for the acquisition of the land from ECC and other possibilities for Waltham Abbey and North Weald were being evaluated. There would need to be a different way of thinking going forward because capital funding would no longer be freely available in 2016/17.

- Transformation – The key accommodation review would report back to Cabinet in September and strong progress had been made with the customer contact project. Further consideration would be required over the period of the MTFS for ongoing resources. The Invest to Save budget of £0.5m had proven popular and additional funding had been necessary.
- Waste and Leisure Contracts – The waste contractor Biffa, remain confident that they would be able to fulfil their obligations at the price tendered and the additional resources would remain in place until the transition of four day service had been completed satisfactorily. The Leisure Management Contract was unlikely to be let before the extension of the old contract had expired and so a negotiation would be needed to further extend the current contract. The savings would now not arise until 2017/18, although it was evident from the competitive dialogue that the savings were likely to exceed those currently allowed for and this would be kept under review as the budget developed.
- Miscellaneous – It was noted that Members should be advised of the consequences of a slowdown in the economy, in particular the related income streams, increased pressure on services with greater spending on benefits and homelessness. The pension contributions for the next three years were currently being calculated for March 2016 valuations and following the referendum the actuaries could assume lower investment returns and require higher contributions to compensate.

In conclusion the Director of Resources advised that the Council remained in a strong financial position as the overspend in 2015/16 was not significant and the Council had substantial reserves to address the greater political uncertainty and higher level of financial risk, resulting from the referendum. It would appear that the Brexit result, may take much more of the Government's and Civil services time and with a change in Prime Minster and Cabinet Members policies may change direction. It was in the Council's interest to make prudent assumptions and look to see how the Council's finances could be best safeguarded for the future. The updated MTFS set out a programme of net savings which should be achievable and the Council's financial strength allows for the necessary savings over the medium term. The process would also be assisted by having the Invest to Save fund to help with initial funding or investment and should allow some more creative solutions to be developed.

Councillor J M Whitehouse asked that Town and Parish Councils be informed before October 2016 with how the Council wished to proceed with reduction in Local Council Tax Support, so that they could factor it into their budget circle. The Director of Resources advised that he would email the Town and Parish Council's with the Cabinet decision once it had been agreed.

The Cabinet Committee considered the recommendations, noting that further information would come forward when the Secretary of State for Communities and Local Government, the Rt Hon Sajid Javid and the Secretary of State for Work and Pensions, the Rt Hon Damian Green had established themselves.

Recommended:

(1) That the establishment of a new budgetary framework including the setting of budget guidelines for 2017/18 be set including;

(a) The ceiling for Continuing Services Budget net expenditure be no more than £13.107m including net growth;
(b) The ceiling for District Development Fund expenditure be no more than £259,000;

(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 2019/20 be developed accordingly;

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

4. That the reductions in the parish support grants be reduced in equal stages to achieve complete removal by 2019/20 be taken forward; and

5. That the Government's offer of a four-year funding settlement be taken forward.

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 was necessary in relation to a particular risk. However, any delay would reduce the time available to produce strategies that comply with the guidelines.

13. Any Other Business

It was noted that there was no other urgent business for consideration by the Sub-Committee.

CHAIRMAN