

Minutes of a meeting of the **JOINT PERFORMANCE MONITORING PANEL AND POLICY DEVELOPMENT PANEL** held in the Council Chamber, Council Offices, Priory Road, Spalding, on Monday, 14 December 2015 at 6.30 pm.

PRESENT

D Ashby	H Drury	M J Pullen
B Alcock	L J Eldridge	J L Reynolds
P E Coupland	C N Johnson	J Tyrrell
J R Astill	J D McLean	P C Foyster
T A Carter	A M Newton	P A Williams

Apologies for absence were received from or on behalf of Councillors G R Aley, M D Booth, C J T H Brewis, J L King, M D Seymour, A C Tennant and R Grocock

In Attendance: Executive Director – Commercialisation, Interim Chief Accountant and Principal Democratic Services Officer.

7. ELECTION OF CHAIRMAN

Councillor Alcock was elected Chairman for the duration of the meeting.

8. DECLARATION OF INTERESTS

There were no declarations of interest.

9. DRAFT BUDGET, MEDIUM TERM PLAN AND CAPITAL STRATEGY

The Panels received a report by the Executive Director, Commercialisation which set out the draft capital and revenue budget estimates, the medium term financial plan and the capital strategy for consideration.

The appendices to the report outlined the 2016-17 revenue and capital estimates for the General Fund, the proposals for the setting of discretionary fees and charges, the outline position to 2019-20, the medium term financial plan and the capital strategy. The medium term financial plan set out the framework within which the budget was to be set to ensure that it enabled the Council to achieve its own corporate objectives. The capital strategy set out the framework for the capital budget setting.

Councillors noted that during recent years the council, alongside many public sector service providers, had experienced financial

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pressures in various combinations; public sector funding cuts, all time low returns on cash deposits and a national economic downturn affecting jobs, housing and business growth. During this same period the basis on which the public sector was funded had undergone unprecedented reform, radical changes that affected the council's funding financial position both directly and indirectly including National Welfare Reform, Localisation of Council Tax Relief, Business Rates Retention, New Homes Bonus and of course reduction and in some cases removal of a range of grant funding sources. Each change brought elements of uncertainty in terms of impact.

Despite these challenges and as a result of the Council's prudent financial management and innovative income generation, the Council had been positioned to secure a sustainable financial future across the medium term with no dependency on reserves. This position was enabling the Council time to develop a clear financial strategy in the medium and longer term to identify and deliver the more complex transformational changes required to meet the significant financial challenges of future years.

This complex change had already started with the recent approval of the transformation programme and identification of projects. Some changes had been delivered early, with accelerated savings, in respect of the integration of Housing Services and adopting contemporary accounting practices in relation to the Minimum Revenue Provision position. Introduction of a Garden waste collection scheme had also been agreed for 2016/17.

The draft budget supported the principle of reducing reliance on Revenue Spending Grant and provided funding for a growth fund to deliver on-going revenue income streams over the medium term. Reducing the reliance on uncertain sources of funding would make the council a more stable organisation able to deliver services to residents with more certainty in the longer term.

In 2015/16 £1.1m of funding was agreed and set aside to provide up-front investment for the transformation programme, which was in progress and no further funding requirements had been identified at this stage.

The Panels also received a presentation from the Executive Director – Commercialisation and the Interim Chief Accountant. Councillors noted that the objectives were:

- To be a 'financially independent' Council
- To generate additional revenue schemes

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- Invest in service improvements to further improve Value for Money

Councillors considered the situation concerning the capital expenditure cost for the refuse vehicles. It was noted that in 2012/13 the Council applied for and secured grant funding of £1,768,000 of the total amount awarded £1,039,000 was capital funding and the balance revenue funding. The whole amount was paid in stages across 3 financial years. Three freighters were purchased in 2013/14 using £385,000 from the capital element of the grant. In addition, waste and recycling software was purchased at a cost of £76,000. The revenue element of the grant was spent on four officers to promote recycling and education programmes for all users and the retention of free black sacks over three years.

Environmental Services' refuse vehicles lease ended in June 2014. At a cost of £2,085,000 30 vehicles were purchased (11 freighters and other 19 other vehicles). After the remaining capital element of grant had been taken into account, the Council needed to find £1,507,000. The Council could have taken the money out of the bank and paid off the debt or spread the payment over 7 future years. At the time the decision was taken the Council was balancing its budget one year at a time and so the decision was taken to spread the cost.

However, the council was now in a position where it did not want to carry debt in the future and so it was proposed to identify sources of funding to pay off the debt of £1,507,000. Sources had been identified, including in year savings, Council Tax reserve and £164,000 useable capital receipts.

Councillors gave consideration to whether the capital receipt element of the proposed funding which arose from the residual element of Right to Buy sales after all ring fencing to housing purposes had been accounted should also be ring fenced for Council housing. It was noted that it was generally the norm in other authorities for this money to be utilised in the General Fund, however some authorities had in place a policy that stated that Right to Buy receipts were ring fenced for Council housing. Councillors considered that in the absence of a policy it was appropriate for the residual receipts from Right to Buy to be used towards the capital expenditure costs of the refuse vehicles. It was agreed however that in order to inform future financial planning, the Policy Development Panel be invited to give consideration as to whether the Council should have a policy on this issue.

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Councillors also considered the current position regarding the Housing Revenue Account and the General Fund. With regard to the General Fund it was noted that there was a budget gap of £320,000 in 2016/17. Councillors discussed the following proposals for meeting the shortfall:

- Council Tax Increase £81,000
- Council Tax Base £90,000 (measured Dec 2015)
- Welland Homes £50,000 (Interest payments)
- Salaries Drag factor £40,000
- European Grant administration fee £25,000
- Drainage Board levy freeze £34,000

It was agreed that these proposals be supported.

The Panels also gave consideration to the other proposed opportunities that had been identified for future savings:

- Earmarked reserves
- Organisation design (develop and deliver Transformation)
- General Fund Services and HRA Services amalgamation
- Council Tax Relief Scheme
- Compass Point Business Services
- Financial Settlement (potential threat also)
- HRA Rent Policy
- HRA Affordable Housing Programme and Welland Homes

It was agreed that, in principle, these issues should be explored.

The Councillors thanked the Executive Director – Commercialisation and Interim Chief Accountant for their clear presentation and responses to questions.

Agreed:

1. That the joint meeting of the Performance Monitoring Panel and Policy Development Panel makes the following recommendations to Cabinet:
 - a. In the absence of a policy on how the Council will use residual receipts from Right to Buy sales, £164,000 useable capital receipts from housing sales be utilised towards the capital expenditure costs for the refuse vehicles;

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b. The following proposals for closing the £320,000 Medium Term Financial Plan General Fund budget gap were supported:

- Council tax Increase £81,000
- Council tax Base £90,000 (measured Dec 2015)
- Welland Homes £50,000 (Interest payments)
- Salaries drag factor £40,000
- European Grant administration fee £25,000
- Drainage Board levy freeze £34,000

c. In principle, the following opportunities should be explored to identify potential savings in future years:

- Earmarked reserves
- Organisation design (develop and deliver Transformation)
- General Fund Services and HRA Services amalgamation
- Council Tax Relief Scheme
- Compass Point Business Services
- Financial Settlement (potential threat also)
- HRA Rent Policy
- HRA Affordable Housing Programme and Welland Homes

2. That it be recommended to the Policy Development Panel that it gives consideration to examining whether the Council should have a policy that says that all residual gain from Right to Buy sales is ring fenced for council housing and that the outcome of this consideration is recommended to Cabinet in order to assist future Medium Term Financial Plan setting.

10. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

There were no urgent items.

(The meeting ended at 8.30 pm)

(End of minutes)