

FINANCE & GOVERNANCE CABINET ADVISORY BOARD

Tuesday, 3 October 2017

Present: Councillor Reilly (Chairman)
Councillors Horwood (Vice-Chairman), Chapelard, Dawlings, Heasman, Holden, Jukes, Munn and Uddin

Officers in Attendance: William Benson (Chief Executive), Diane Brady (Civic Development Manager), Lee Colyer (Director of Finance, Policy and Development), Keith Trowell (Senior Lawyer and Deputy Monitoring Officer) and Mike McGeary (Democratic Services Officer)

Other Members in Attendance: Councillors Basu, McDermott, Moore, Simmons, Mrs Soyke and Weatherly

APOLOGIES FOR ABSENCE

FG43/17 Apologies for absence were reported from Councillors Gray and Lewis-Grey.

DECLARATIONS OF INTERESTS

FG44/17 There were no declarations of interest made, within the provisions of the Code of Conduct for Members.

NOTIFICATION OF VISITING MEMBERS WISHING TO SPEAK

FG45/17 There were no other members of the Council who had registered their wish to address the Board within the provisions of Council Meetings Procedure Rule 18.

MINUTES OF THE PREVIOUS MEETING

FG46/17 The minutes of the meeting dated 22 August 2017 were submitted.

RESOLVED – That the minutes of the Board meeting dated 22 August 2017 be agreed.

FINANCE AND GOVERNANCE CABINET ADVISORY BOARD - WORK PROGRAMME

FG47/17 The Board received its work programme for the period up to 31 March 2018, which was based on the issues set out in the Council's Forward Plan.

RESOLVED – That the work programme be noted.

BUDGET UPDATE REPORT

FG48/17 Lee Colyer, the Director of Finance, Policy and Development, provided an update on the projections for the 2018/19 budget and subsequent years. Members noted that the budget deficit currently forecast for 2018/19 was £269k, which was an improvement of £484k on the previously reported projection.

Particular attention was drawn to the Government's latest indication in respect of the retention by local government of business rates. Mr Colyer advised that the Government was now inviting local authorities in England to

pilot 100% business rates retention in 2018/19 and to pioneer new pooling and 'tier split' models.

Mr Colyer reminded the Board that this latest government proposal was set against the backdrop of zero Revenue Support Grant (RSG) for local authorities after 2019/20; he added that Tunbridge Wells Borough Council would reach the 'zero RSG' position before that deadline – and in fact was facing 'negative RSG' in 2018/19.

Mr Colyer said that discussions had been held at the Kent Finance Officers' Group, which had concluded that there might be some financial benefit to Kent local authorities collectively applying to pilot 100% business rate retention. It was noted that one of the recommendations arising from this report was to seek authority for the decision on whether to be part of a Kent business rates pilot to be delegated to the Director of Finance, Policy and Development, in consultation with the Portfolio-holder for Finance and Governance.

For the remainder of his report, Mr Colyer explained the key principles of the authority's Council's Tax strategy and how these applied to elements such as fees and charges, car parking charges, staff savings and efficiencies and digital transformation. It was noted that the draft budget proposals would be presented to the Cabinet in December, having been considered by this Board on 14 November, before a period of public consultation took place.

Members of the Board considered the report and its recommendations and raised the following issues:

- Councillor Munn asked if there were any staffing implications that might follow a county-wide collaborative approach towards the piloting of business rates. Mr Colyer advised that there would not be any staffing implications.
- Councillor Munn drew attention to paragraph 2.8 of the report, where mention was made of the Government's 'supplementary information to invitation to local authorities prospectus' relating to possible pilot schemes. He asked whether there would be any benefit to members to have sight of this document. Mr Colyer advised that this was a technical document which accompanied the invitation to local authorities to submit proposals for a pilot scheme, adding that it was available for general viewing on the website of the Department for Communities and Local Government.
- Councillor Holden asked if the County Council would be the beneficiary of any local business rates under the piloting arrangements. Mr Colyer said that the level of benefit to KCC and the district councils would be determined through discussion and agreement.

Councillor Holden sought clarification over whether the reference to the Government's 'growth' programme in respect of business rates meant 'economic' growth more generally. Mr Colyer advised that the retention of business rates was essentially about commercial growth which led to an increase in the business rates tax base.

Councillor Holden was still unclear as to what the benefits would be to the County Council. Mr Colyer said that, under the current process, local government was able to retain 50% of growth in business rates, with KCC receiving 9%. He added that, should the Government decide to move to a scheme where local government retained 100% of business rates, then it was a matter for KCC and the districts to determine how to share the other 50%.

In that respect, the Chairman said that the discussion amongst the Kent Leaders' group on 19 October would be an important element in the submission of a pilot bid.

- Councillor Dawlings said that he could see the benefit of making a bid to be part of a pilot scheme. He asked, however, what the position would be if the bid were unsuccessful. Mr Colyer advised that the Government could only afford to agree to a limited number of bids thus, if Kent's submission were unsuccessful, its fall-back position would be to seek approval to remain in its existing 'business rates pool', which had been operating since 2014.
- Councillor Chapelard referred to the decision taken by the Borough Council in October 2016 to accept the Government's four-year Revenue Support Grant settlement; he asked for a breakdown of the benefits that this decision had brought. Mr Colyer drew attention to the bar chart in paragraph 2.3 which showed that RSG in 2016/17 had been £830k, reducing to £201k in 2017/18, zero in 2018/19 and – theoretically – a negative RSG position in 2019/20 of £606k. Mr Colyer said that, while agreeing to the four-year settlement had not been particularly beneficial for the Borough, it (a) provided a basis for financial planning over the period and (b) had probably protected the Council from even more severe cuts in support, based upon recent government policy towards local government.
- Councillor Heasman raised a number of issues relating to the level of the Borough Council's revenue expenditure, the effect of inflation on long-term contracts and the five year budget projections, set out in Appendix A to the report.

Mr Colyer said that: (i) the inflation element in long-term contracts was based on the annual CPI and RPI figures; (ii) approximately £7.5m was collected through council tax locally; (iii) the currently-projected budget deficit of £269k for 2018/19 was a manageable figure at this point in the cycle; (iii) the Council had a good track record of achieving a balanced budget position by the time it was set each February; (iv) the half-year actual figures in November would enable the Council to make some adjustments to some fees and charges for the year ahead; and (v) the deficit figure shown in Appendix A for 2019/20 was not solely due to a potential negative government grant position, but also because of some other factors.

Mr Colyer stressed that he remained hopeful that the negative government grant situation in 2019/20 would not occur.

Councillor Heasman reiterated his concerns over the potential budget deficit position in future years, particularly if the Government did not

proceed with its earlier commitment to increase the proportion of business rates growth that could be retained by local government.

Mr Colyer said that the Council was already benefiting from the 50% business rates retention scheme for local government; he added that a number of significant commercial schemes in the Borough – either imminent or very likely to proceed in the near future – would help to boost the situation. Mr Colyer stressed that no assumptions had been made in the budget-setting figures to date, despite that optimistic forecast.

- Councillor Holden asked whether those who had been adversely affected by this year's business rates revaluation had started to benefit from the discretionary rate relief scheme. Mr Colyer advised that it had been the Government that had established the transitional relief arrangements, which the Borough Council was implementing as quickly as possible. He added that his advice remained that those businesses adversely affected should be challenging the Valuation Office Agency's reassessment.
- Councillor Heasman asked what the position was with New Homes Bonus within the forecasts. Mr Colyer advised that provision for this had been made within the base budget, adding that it was expected that this would increase in 2018/19.

RESOLVED – That the recommendations set out in the report be supported.

URGENT BUSINESS

FG49/17 The Democratic Services Officer advised that there were no additional items for the Board's consideration which had arisen since the publication of the agenda.

DATE OF THE NEXT MEETING AND SCHEDULED ITEMS

FG50/17 It was noted that the next meeting of the Board was scheduled to take place on Tuesday 14 November at 6.30pm, when the following items would be discussed, based on the current Forward Plan:

- Civic development delivery
- Performance summary, quarter 2
- Complaints summary, quarters 1 and 2
- Draft Asset Management Plan 2018/19
- Draft Corporate Priorities 2018/19
- Fees and charges setting 2018/19
- Council Tax Reduction Scheme 2018/19
- Revenue, capital and treasury/prudential indicator management reports, quarter 2
- Calculation of council tax base
- Draft Medium Term Financial Strategy 2018/19 – 2022/23
- Draft budget 2018/19

EXEMPT ITEM

RESOLVED – That, pursuant to section 100A (4) of the Local Government Act 1972 and the Local Government (Access to Information) (Variation) Order 2006, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act, by virtue of the paragraph shown below.

Minute FG51/17 Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

ROYAL VICTORIA PLACE UPDATE

FG51/17 Diane Brady, the Civic Development Manager, reported upon a proposal to appoint specialist consultant chartered surveyors. She reported that it was proposed that the consultants be appointed through the Crown Commercial Services Framework and that the necessary process had been followed to obtain tenders from the potential suppliers.

The report included a recommendation to approve a budget from the authority's 'Invest to Save' reserve to enable the appointment to take place and to deliver the required services. It was noted that the views of the Advisory Board were to be fed into a meeting of the Cabinet, which was taking place the same evening.

Attention was drawn to the fact that, because of the need for urgency in this matter, the Chairman of the Overview and Scrutiny Committee had been consulted and had agreed that the Cabinet decision could not be 'called-in'; this agreement was within the provisions of Overview and Scrutiny Procedure Rule 14, under the authority's Constitution.

Members of the Advisory Board considered the report and its recommendations and raised a number of issues of detail, which Ms Brady and Mr Colyer – the Director of Finance, Policy and Development – clarified.

RESOLVED – That the recommendations set out in the report be supported.

NOTE: The meeting concluded at 7.20 pm.