

FINANCE & GOVERNANCE CABINET ADVISORY BOARD

Tuesday, 2 October 2018

**Present: Councillor David Reilly (Chairman)
Councillors Mrs Soyke (Vice-Chairman), Chapelard, Dawlings and Heasman**

Officers in Attendance: Lee Colyer (Director of Finance, Policy and Development (Section 151 Officer)) and Mark O'Callaghan (Democratic Services Officer)

Other Members in Attendance: None

APOLOGIES

FG38/18 Apologies for absence were received from Councillors Holden, Jukes, Lewis, Lewis-Grey, Scott and Uddin.

DECLARATIONS OF INTERESTS

FG39/18 There were no disclosable pecuniary or other significant interests declared at the meeting.

NOTIFICATION OF VISITING MEMBERS WISHING TO SPEAK

FG40/18 There were no Visiting Members who had registered as wishing to speak.

MINUTES OF THE MEETING DATED 21 AUGUST 2018

FG41/18 Members reviewed the minutes. No amendments were proposed.

RESOLVED – That the minutes of the meeting dated 21 August 2018 be approved as a correct record.

WORK PROGRAMME AS AT 24 SEPTEMBER 2018

FG42/18 Members reviewed the work programme. No queries were raised.

RESOLVED – That the Work Programme as at 24 September 2018 be noted.

ANNUAL AUDIT LETTER 2017/18

FG43/18 Lee Colyer, Director of Finance, Policy and Development, introduced the report which included the following comments:

- The report set out the conclusions from the annual audit 2017/18 which demonstrated good financial governance and effective planning. The letter confirmed an unqualified audit opinion and value-for-money conclusion.
- The 2016/17 letter had been the subject of an objection to the statement of accounts from a local elector. Following a detailed investigation the objection had been dismissed by the auditor.
- The Council had now received nine consecutive clean audit letters.
- Local government finances were under the highest scrutiny and such a good record should not be taken for granted.

The discussion included consideration of the following additional matters:

- The objection had been taken seriously and thoroughly investigated. The Council welcomed scrutiny as it was open and transparent.
- The objection had been costly to the Council and the auditor's report was in the possession of the objector.
- Local electors had a right to lawfully scrutinise the accounts.
- The auditor could only make an assessment on value-for-money retrospectively and in accordance with the applicable legislation. Works, such as the Crescent Road Car Park extension, had not yet commenced but when complete the auditors would make an assessment whether the Council had made properly informed decisions and deployed its resources to achieve planned and sustainable outcomes for tax-payers and local people.
- The auditors also assessed the diligence of the Council's decision-making processes and had wide experience in doing so.
- The 'low priority recommendation' referred to on page 28 of the agenda was a technical matter unrelated to the substance of the accounts.
- The statement referring to the Audit and Governance Committee on page 29 of the agenda contained a typographic error which would be corrected for the report to Cabinet.
- The report had previously been considered and agreed by the Audit and Governance Committee on 11 September 2018.

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

BUDGET UPDATE 2019/20

- FG44/18 Lee Colyer, Director of Finance, Policy and Development, introduced the report which included the following comments:
- The report set out the second stage in setting the forthcoming year's budget.
 - Of the £703k forecast deficit in the budget, £606k was as a result of the negative Revenue Support Grant.
 - The Government had commenced a consultation of ending the negative grant with the amount being made up from the Government's share of Business Rates.
 - The Government intended to replace Revenue Support Grant with Business Rates Retention.
 - The Council had lost £4.6m of Government support but had managed to deliver a balanced budget. The opportunities for further efficiencies were limited so the Council needed to find new income from Business Rates.
 - The Council had recognised the need for financial self-sufficiency at an early stage and had invested in the local economy through culture and leisure. This in turn had given confidence to the private sector who had also invested significantly.
 - Additional income from Business Rates was £64k in 2015/16, £595k in 2016/17 and £1.7m in 2017/18.
 - The pilot for the retention of Business Rates would provide £600k in the current year and £1m fund for West Kent.
 - All authorities in Kent had agreed to jointly reapply for the pilot next year.

- A decision on the pilot was expected in December 2018. If successful, income was estimated to generate a further £450k in 2019/20 plus £780k for the West Kent fund.
- Business Rate growth demonstrated that the Council's economic strategy was working.
- There were no substantive changes to the Budget Strategy.
- The Government had announced that the Autumn Budget was due on 29 October 2018.

The discussion included consideration of the following additional matters:

- The Business Rates base line and collection fund surplus, stated in the report as £107k, was shown as a cost because the surplus from last year could not be taken for granted. The majority of the collection fund surplus came from Council Tax but the Council would not know whether more than expected had been recovered until nearer the time of closing the accounts.
- The calculation of the income from the Business Rate pilot was complex and included recovery of backdated income from solar farms being listed by the Valuation Office and reallocation of funds being held in anticipation of the Tunbridge Wells Hospital Business Rates appeal rebate.
- Business Rates income would not necessarily increase every year due to complexities including provisions and backdating following a delay in the Valuation Office listing new businesses.
- The process of appealing Business Rates valuations had been tightened, now requiring businesses to provide evidence as to why the valuation may be incorrect, and the Government was consulting on removing any liability on local authorities for any appeals with these being funded centrally.
- The Government had reaffirmed their intention for local authorities to retain 100 per cent of Business Rates, however, the required legislation had not been passed and a maximum of 75 per cent would remain for the time being.
- The cost of negative Revenue Support Grant would be funded centrally by the Government from its share of Business Rates.
- Key factors impacting the budget setting process included the Autumn Budget, publication of the technical consultation on Fair Funding and forthcoming Provisional Local Government Financial Settlement.
- Next steps included setting a draft budget ahead of a consultation leading to submission of the final budget for approval by Full Council in February 2019.

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

URGENT BUSINESS

FG45/18 There was no urgent business.

DATE OF THE NEXT MEETING

FG46/18 The next meeting would be held on Tuesday 13 November 2018 commencing at 6.30pm in Committee Room A at the Town Hall, Tunbridge Wells.

NOTE: The meeting concluded at 7.00 pm.