

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

RESOURCES AND PERFORMANCE – SPECIAL AUDIT AND RISK COMMITTEE

**Minutes of a Meeting of the
Resources and Performance – Audit and Risk Committee,
held on Thursday 14 June 2012 at 6.00 pm, in the Committee Suite,
King's Court, Chapel Street, King's Lynn**

PRESENT:

Councillors P Beal (Chairman), Councillor C Manning (Vice-Chairman),
M Chenery (*substitute for T de Winton*), D J Collis (*substitute for Mrs M Wilkinson*), J Collop,
H Humphrey, M Langwade, J Loveless, A Morrison, D Tyler, A White and A Wright

Portfolio Holder

Councillor N Daubney, Leader and Portfolio Holder for Resources

ARC11: **APOLOGIES**

Apologies were received from Councillors Mrs S Collop, M Hopkins, Mrs M Wilkinson and T de Winton.

ARC12: **DECLARATIONS OF INTEREST**

Councillor Humphrey declared a personal interest in ARC18 in any matter relating to the Incinerator campaign and took no part in the debate.

ARC13: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC14: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

ARC15: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC16: **REVENUE OUTTURN 2011/2012**

The Chief Accountant presented the report, which set out the revenue outturn of 2011/2012 for the General Fund. The report showed details of the major

differences between actual costs/income and the revised estimates for 2011/2012 reported in the February monitoring report.

Members were advised that the accounts showed actual Borough spend of £18,303,305, which was £272,335 less than the Revised Estimate for 2011/2012 of £18,575,640. The working balance of the Council would stand at £3,549,738 on 31 March 2012.

The Chief Accountant informed the Committee that the summary showed an underspend of £272,335 which offset the necessity to draw from balances as planned. The actual reduction in balances was £8,625.

The Committee was advised that the operations of the Council over the year ending 31 March 2012 had continued to look for opportunities to produce budget savings that supported the Council's drive for reduction in costs. During 2011/2012 Service Managers had been successful in holding posts vacant for periods of time to produce savings on salary budgets of £320,000. It was highlighted that this was not a position that could be guaranteed to continue, but every opportunity to produce such savings would be examined in the current year.

The Chief Accountant explained that income received over the past year had also exceeded expectations. At the time of setting the budget, Service Managers were very cautious of the economic climate and estimates in terms of income reflected those views. Across most of the service areas income had actually been held at previous levels and in certain services exceeded expectation. Overall, income was some £300,000 plus above estimates in 2011/2012.

The Committee was informed that the 2011/2012 outturn was within budget and allowed the Council to set aside funds for a variety of future demands in addition to carrying forward a General Fund balance that was higher than originally estimated. A number of the budget savings were 'one-offs' and would not necessarily be repeated in future years. Others were 'early wins' on cost reduction initiatives where savings had already been incorporated in the 2012/2013 budget, but not accounted for in 2011/2012. It was highlighted that there were, however, some savings in the year that would be carried forward and would reduce budgets set out in the Financial Plan for 2012/2015. The results of the outturn would be examined to look at the potential impact on the current year and future year's budgets, and any ongoing reductions would be included as part of the monthly monitoring reports.

The Chief Accountant outlined the major differences in the revised estimates and the actual costs as set out at Section 3 of the report.

Members were advised that the underspend on the budget for 2011/2012 resulted in a small decrease to the General Fund working balance of £8,625

which provided for a revised balance of the General Fund as at 31 March 2012 of £3,549,738.

The Chief Accountant explained that the accounts showed the General Fund balance was £3,549,738, which was higher than the level anticipated in the Financial Plan 2011/2015, adjusted by February monitoring, and it would be used for a period of years to help maintain council tax levels.

Councillor Humphrey congratulated all service areas in achieving an excellent level of savings. He commented that it was a credit to all staff to deliver services within the resource available.

In response to questions from Councillor Humphrey regarding the level of reserves, the Deputy Chief Executive explained that the level of reserves consisted of a variety of savings. He explained that the underspend in general terms had resulted from a number of one off savings, which would not necessarily be repeated in future years and which presented opportunities for the Council to make good use of its reserves. The Committee was informed that £250,000 had been transferred to reserves as a contingency for the new Revenues and Benefits System threshold. However, if the reserve was not required then it would be transferred back into the General Fund balances.

In another example it was noted that for car parking an amount of funding had been allocated in the current Capital Programme, but was not enough to undertake a comprehensive review and replace the machines with the required technology, therefore an amount had been transferred to reserves to allow the project to go ahead.

Councillor Morrison also congratulated the Council on its good housekeeping, which generated significant savings within service areas.

Councillor Morrison referred to page 12 of the report and the saving of £21,000, which had been achieved within publicity and tourism and sought assurance that this was cost effective. He commented that the Borough survived on tourism and asked if the saving had not been identified, would it mean more money would be available to spend on publicity in order to attract more visitors to the Borough. In response the Deputy Chief Executive explained that publicity was organised in a variety of ways to encourage visitors to the area and that the tourism publicity budget had not been reduced.

The Leader informed Members that a strategy was set for projects and a budget allocated, if however, staff had delivered the project more efficiently within the objectives set, and a saving achieved, then the Service Manager would meet with the relevant Portfolio Holder to ascertain if there was an opportunity to use the saving elsewhere within that particular service area.

In response to a further question from Councillor Morrison on the health promotions amounting to £4,990, the Deputy Chief Executive undertook to find out the details requested and email a response to the Committee.

Councillor Loveless expressed surprise in the net saving of £253,284 for performance. In response, the Chief Accountant explained that an element of the overall saving had resulted in a £48,000 saving from the Legal Services Review, £44,000 had been achieved from the printing service and generally Service Managers had identified new ways of delivering services more effectively.

Councillor Loveless referred to the additional transfer of £141,570 to bring the Incinerator Campaign Fund up to £250,000 and enquired on the spend to date of the campaign. In response, the Leader advised that £141,570 to be transferred to reserves was not an additional amount, but the amount required to bring it up to £250,000 agreed by Cabinet. To date the budget spent on the Incinerator Campaign had mainly been for technical support to enable the Borough Council to submit its case to the Secretary of State and also for legal costs. The Leader agreed to forward details on the spend to date to Councillor Loveless direct.

Councillor J Collop referred to page 8 of the report relating to Community Centres. He asked how the Special Expenses for King's Lynn were charged against the two Community Centres. In response, the Deputy Chief Executive explained that the charge on Special Expenses had been frozen during the current year. However, during the next financial year, the cost of the new Community Centre at St Michael's School would be charged to King's Lynn Special Expenses. The Community Centre, which had been previously based at the NORA offices, would be removed as the building had now been demolished.

In response to questions from Councillor J Collop on the £43,585 being transferred to the homelessness strategy reserve, the Chief Accountant explained that this was not a new reserve, but an existing one which was being "topped up" by an element of unspent external government grant received for the homelessness strategy.

RESOLVED: That Cabinet be advised that the Resources and Performance Panel supports the recommendation as set out in the report to Cabinet as follows:

That Cabinet approves the revenue outturn and proposed transfers to reserves for 2011/2012.

ARC17: **CAPITAL PROGRAMME AND RESOURCES 2011/2013**

The Chief Accountant presented the report which provided details of the outturn of the 2011/2012 Capital Programme and outlined amendments and rephrasing to the spending on schemes, revising the programme for 2012/2013. The Capital Programme outturn for 2011/2012 totalled £5,542,502 against an approved budget of £6,211,930. Members were advised that it had been necessary to rephrase a total of £853,990 of scheme costs to 2012/2013.

Capital receipts generated in the year totalled £692,288 of which £683,427 was useable.

The Committee was informed that the full Capital Programme 2011/2012 of £6,211,930 was reported at the Cabinet meeting on 7 February 2012 and approved by Council on 23 February 2012.

The Chief Accountant explained that the final figures for the outturn on the Capital Programme showed that it would be necessary to carry forward a further £852,990 as schemes carried over to future years. In a number of cases there were over or under spends which net to an £183,559 overspend across the overall Capital Programme. A net reduction of £230,458 was reported on those schemes which required funding within the overall Capital Programme and this underspend would not be carried forward. The main schemes where underspends were reported included ICT programme staffing costs for data cleansing for planning geographical information met from revenue; smaller regeneration projects and the overall NORA project. In addition, there were a number of over and under spends across the schemes which came with resources i.e. reserves or unsupported borrowing, which totalled £414,017 over spend. The over spend would reduce the level of reserves.

The Committee was advised that the main expenditure was in respect of affordable housing schemes, which were fully funded from developer contributions/second homes funding which were held in reserves; improvement works to the ferry funded from Section 106 funding held in reserves and the new trade waste software funded from revenue contribution. Table 1 showed the summary of the programme and actual spend to 31 March 2012.

The Chief Accountant explained that the capital debtors and creditors represented payments that would be made or received during 2012/2013. The net sum was actually funded from capital reserves when payments were made/income received in 2012/2013.

Members were informed that a requirement of capital controls was that details of the Minimum Revenue Provision (MRP) calculation were reported to

Cabinet. The MRP was the minimum amount that must be charged to the Council's revenue accounts each year as a provision to repay debt. A local authority was required to calculate an amount of MRP, which they considered to be prudent, prepare a statement of its policy on making MRP and submit it to full Council. The amount of MRP charged to the accounts in 2011/2012 was £416,433 against a budget of £410,000.

The Chief Accountant explained that the Capital Programme 2012/2013 of £10,264,180 was approved by Council on 23 February 2012. It was proposed to carry forward budget provision of £852,990 from 2011/2012 to 2012/2013. Amendments had been included in the Capital Programme 2012/2013 and were summarised in Table 4 and Appendix 2.

It was noted that as part of the closedown of the revenue accounts a number of transfers to reserves had been made to fund capital projects.

The Committee was advised that the opportunity had been taken to review the schemes included in the original programme for 2012/2013. Where it was not anticipated that these projects would not be undertaken during this period the budgets would be rephased to future years of the Capital Programme.

The Chief Accountant explained that Table 7 at Section 6 provided details of the revised estimated capital resources for 2012/2013 updated after funding the 2011/2012 Capital Programme, and including amendments and rephrasing. The estimated resources available for future years would be reviewed and updated as part of the detailed review of the 10-year Capital Programme.

With regard to the 10 Year Capital Programme 2012/2012, as detailed earlier in the report, the actual amount of capital receipts achieved in 2011/2012 was well below target, although it was anticipated that the sales expected in 2011/2012 would be completed during 2012/2013. It was noted that the capital receipts target for 2012/2013 had been reduced from £4.8 million to £2.3 million. It was highlighted that given the current economic climate it was not expected that the flow of capital receipts would improve, and any further reduction would have an impact on the ability to deliver the current Capital Programme.

The Chief Accountant explained that it was proposed that the current 10 year Capital Programme would be subject to a detailed review of all schemes – operational and new developments/projects. The operational schemes in 2012/2013 would proceed as approved, future years would be subject to the review. All new major developments/projects would be reviewed – no commitments for future capital expenditure were to be made pending the review. Members noted that the review would be undertaken in accordance with the criteria and timetable set out at Appendix 3.

In conclusion, the Chief Accountant explained that the financing arrangements for the Capital Programme were within budget. Where rephasing to/from 2012/2013 was to be made then the funding would follow. The Minimum Revenue Provision charge for 2011/2012 would be met from within the overall revenue outturn for the year. The revenue implications of all capital schemes would be met from within existing budgets. The estimated resources available to fund the Capital Programme 2012/2013 and the risk implications and sensitivity/consequences were detailed in the table at Section 10 of the report.

In response to questions from Councillor Langwade on the re-roofing of the Guildhall, the Deputy Chief Executive explained that the provision of £198,000 had been included within the budget for the past three years. The repairs to the roof had not been considered absolutely necessary in terms of repair. A condition survey had been conducted on all Council owned properties. However, a review would be undertaken of all projects within the Capital Programme and the amount may be taken out in 2012/2013 if the repairs were not considered to be at a critical stage, but could well be rephased to 2014/2015.

Following questions from Councillor Chenery on the Specific Capital Grants, the Chief Accountant referred Members to page 25, table 7 and explained that the £577,000 Special Capital Grants had related to the Disabled Facilities Grant received from Government. The Deputy Chief Executive explained that this equated to 60% of the Council's spend, for example, of a £1m scheme, £600,000 would be received from Government and the Borough Council would contribute £400,000.

Councillor Chenery enquired what the Town Centre Public Realm budget would be used for. In response, the Deputy Chief Executive advised that this was Section 106 contributions received from Tesco and Sainsbury's which would be spent on signage, improvements to walkways, street furniture, lighting, etc to improve and attract visitors to the Town Centre.

Councillor Loveless referred to page 35 and commented that £32,500 had been allocated to Arts Centre roof repairs. The Deputy Chief Executive explained that the repairs identified could include an element of the Guildhall or buildings within the Arts Centre complex.

Councillor Loveless explained that two years ago approximately half of the seating within the Guildhall had been refurbished and asked if there was any intention to carry out works on the remaining seating. The Deputy Chief Executive advised that there was no provision in the current Capital Programme for 2012/2013, but could be a project in the longer term programme. Members would therefore be required to make decisions on priorities within the Capital Programme.

RESOLVED: That Cabinet be advised that the Resources and Performance Panel supports the recommendations as set out in the report to Cabinet as follows:

- 1) That Cabinet note the outturn of the capital programme for 2011/2012 of £5,542,502.
- 2) That the financing arrangements for the 2011/2012 capital programme be approved;
- 3) That Cabinet approve the revised 2012/2013 capital programme of £8,119,370 as detailed in the report.
- 4) That a detailed review of the 2012-2015 capital programme and resources be undertaken as detailed in the report and a report presented to the 30 October 2012 Cabinet.

ARC18: **DATE OF NEXT MEETING**

The next meeting of the Audit and Risk Committee would be held on Tuesday 26 June 2012 at 6 pm.

The meeting closed at 6.35 pm