RECOMMENDATIONS TO CABINET 5 FEBRUARY 2014 FROM THE MEETING OF THE RESOURCES AND PERFORMANCE PANEL 27 JANUARY 2014

RP101: **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED: "That under Section 100(a)(4) of the Local Government Act, 1972, the press and 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 paragraphs of Part 1 of Schedule 12A to the Act."

RP102: **EXEMPT CABINET REPORT: PROCUREMENT REVIEW**

In presenting the report, the Chief Executive explained that as part of the Council's Cost Reduction Programme, Cabinet agreed at their meeting on 8 January 2013 to commission an external review of the Authority's procurement practices and purchasing arrangements, as a "focused spending reduction and value for money exercise, procured on a "no win, no fee" basis with the emphasis placed on supplier spend analysis work." The tender also included the requirement to examine a selection of recent procurements and identify good practice from elsewhere in balancing cost, quality and value for money to aid the Council, in improving outcomes in the future. Cabinet instructed officers to carry out the procurement exercise and to prepare a further report on the outcome, together with a timetable on how the work identified within the tender would be delivered. The report responded to Cabinet's instructions.

The Portfolio Holder for Special Projects and the Chief Executive responded to comments and questions from the Panel.

RESOLVED: That the Panel support the recommendation to Cabinet as follows:

That Cabinet considers the outcome of the tender evaluation exercise and resolve that no contract is awarded and pursues the goal of reducing the Council's procurement cost through the work of the Procurement Working Group established as part of the wider Cost Reduction Programme approved by Cabinet in November 2013.

RETURNED TO OPEN SESSION

RP103: **CABINET REPORT: COAST SHARE**

The Chief Executive presented the report which proposed that the Borough Council joined Coastshare Limited, a not for profit company established by North Norfolk District Council and Great Yarmouth Borough Council. It was highlighted that the Coastshare was a not for profit company set up in light of the change in the Finance Act 2012 that allowed for the provision of services at cost to not for profit organisations without a requirement to charge VAT.

The Panel was provided with background information, options considered, policy implications, financial and personnel implications.

In response to questions from Councillor Gourlay relating to no profit being made and motivation and drive, the Chief Executive explained that both Great Yarmouth and North Norfolk Borough Councils were motivated in the same way as the Borough Council i.e. to identify savings at the same time as delivering good quality services. The Coast Share Group would allow the Borough Council to offset costs and generate more income rather than reducing the current services which were provided within the Borough.

The Deputy Chief Executive explained that the Chief Executive and himself had met with North Norfolk District Council who confirmed that although the Borough Council could be a member of the group, the authority could also “row its own local boat” and involve other public organisations such as the Queen Elizabeth Hospital, Academies, Voluntary Groups, etc. If services were provided by local members of the group then VAT did not have to be paid. The Deputy Chief Executive highlighted that no surplus could be made, but the benefit was that a contribution was received against fixed costs.

The Leader commented that the Council had identified a better practice to deliver services and would continue to seek such opportunities in the future.

Councillor Collop asked how the formula was calculated in order not to make a profit but only to offset costs. In response, the Deputy Chief Executive explained that all costs were apportioned and gave an example at the close down of accounts and salaries being on-costed, etc, therefore the same principle was adopted. It was important to calculate an acceptable rate.

Councillor Cousins stated that he supported the recommendation set out in the report and highlighted the importance of working with other Councils in coastal areas to work together on coastal defence issues.

Councillor Humphrey commented that he was concerned that there was insufficient capacity for the Borough Council to take on additional work. In response, the Chief Executive explained that currently the Borough Council operated services for other Councils and gave an example of the Car Parks Section running the service for North Norfolk District Council. In this case, additional members of staff were recruited. However, where contracts were coming up for renewal then a review would be undertaken to ascertain if it was necessary to retain the current level of the workforce or reduce it. The Panel was advised that the Council’s aim was generally not to employ additional staff, but to use the capacity within the authority. The Chief Executive gave an example of the Grounds Maintenance Service Area where the aim was to make the operation as cost effective as possible. Other service areas did not engage in providing services to other organisations. Wherever possible resource would be redirected to the larger service areas and each service area would be looked at in its own right. Services would therefore only be provided to other organisations if it made business sense to do so.

In response to questions from Councillor D J Collis, the Chief Executive explained that where the Borough Council gave grants to voluntary organisations and could provide back office staff support, this would reduce the amount of grant paid and voluntary groups would therefore not be subject to paying VAT. The Chief Executive gave assurance that where the Borough

Council acquired services from other members of the Coast Share Group he was confident they would provide value for money and be a good quality service.

Following comments from Councillor Langwade regarding the Council potentially providing purchasing services to other organisations, the Chief Executive advised that this was unlikely as the Borough Council was the only authority in Norfolk that had its own in-house Procurement Team.

RESOLVED: That the Panel support the recommendations to Cabinet as follows:

Cabinet is recommended to:

1) Agree that the Borough Council joins Coastshare Limited.

2) Appoints two Members to join the Coastshare Executive Board.

RP104: **CABINET REPORT: CAPITAL PROGRAMME 2013 – 2017**

The Chief Financial Officer presented the report which:

- Revised the 2013/2014 projections for spending on the Capital Programme.
- Set out an estimate of capital resources that would be available for 2013 – 2017.
- Detailed new capital bids that were recommended to be included in the Capital Programme for the period 2013 – 2017.
- Outlined provisional figures for capital expenditure for the period 2013 – 2017.

Members' attention was drawn to the following sections of the report:

- Capital Programme 2013 – 2014: Further Amendments
- Capital Programme 2014 – 2016.
- Capital Programme 2016 – 2017 and New Bids on the Capital Programme
- Capital Programme 2013 – 2017.
- Capital Resources 2013 – 2017.
- Equality Impact Assessment.
- Prudential Framework.
- Financial Implications.
- Risk and Sensitivity Analysis.

The Panel was invited to comment/ask questions.

There were no questions from the Panel.

The Chairman, Councillor Beal thanked the Chief Financial Officer for an excellent report.

RESOLVED: That the Panel support the recommendations to Cabinet as follows:

1) Cabinet recommends to Council the amendments to capital schemes and resources for the 2013 – 2017 Capital Programme as detailed in the report.

2) Cabinet recommends to Council that new capital bids of £195,000 were to be funded from available capital resources and included in the Capital Programme 2014 – 2017.

RP105: **CABINET REPORT: FINANCIAL PLAN 2013 – 2017**

The Deputy Chief Executive presented the full Financial Plan 2013/2017, which was produced on an annual basis, as part of the council tax setting process. The Council updated its longer term Financial Plan to take account of any changes in financial settlements, inflation on service costs and revised priorities of the Administration.

Members were reminded that in February 2013, the Council set out a Financial Plan for 2012/2016 that took account of the coalition government's aim of reducing the national deficit and the impact on the Council of significant reductions in Government grant. The Plan showed the formula grant to the Council reducing by 16% in cash terms over the period 2013/2016.

The Panel's attention was drawn to the Executive Summary on pages 3 to 5.

In total over the two years 2014/2015 and 2015/2016 the Government had provided funding of £1,270,830 less than anticipated in the current Financial Plan.

It was highlighted that there were no provisional figures for the level of funding to the Council for 2016/2017, but it had been assumed that a further cut would be made to the formula funding and a provisional figure of £8,432,510 was included in the Plan for that year.

Members were informed that an additional funding stream available to the Council introduced by changes to local government finance in April 2013 came from the retention of growth in business rates. In 2014/2015 the Council would retain 40% of net growth in the business rates achieved in 2013/2014. Any further growth in 2014/2015 would produce additional income to the Council in 2015/2016 and growth in 2015/2016 would become available to the Council in 2016/2017. The funding estimated to be retained by the Council in 2014/2015 was £480,000. The stream of additional funding from business rates in 2015/2017 was expected to increase as other new businesses came onto the valuation list.

The Deputy Chief Executive explained that in April 2011 the Government introduced a scheme which incentivised Councils to increase housing supply by rewarding them with a New Homes Bonus. The value of the Bonus was equal to the national council tax band D on each additional property added to the council tax list in a year and was paid for the following six years as an unringfenced grant. The Council had gained funding of £1,636,460 over the period to March 2014.

The grant figure for 2014/2015 was estimated to be £722,540 giving a total sum due of £2,359,000. It was assumed that over the next two years the bonus would increase by a further £535,000 per year.

The Panel was advised that the Council over the past few years had adopted a policy of seeking efficiencies and different ways of delivering services producing significant levels of savings and reductions in staffing and as a consequence the pay bill. Since 2011 service reviews had reduced on-going annual spending each year rising to £7.2m.

Members were informed that the Council continued to make use of working balances and reserves to protect the Council from volatile changes in the cost of services and receipt of income. The use of balances in this way provided the Council with time to consider in a more proactive and measured way how to deal with situations like the reduction in grant or changes in income from services. At no time does the Plan take working balances below the minimum level as stated in the Balances and Reserves Policy of the Council.

It was noted that as part of the financial settlement the Government had once again included an incentive for Councils to hold council tax to current levels. If the Council set council tax Band D at £111.97 (no increase) then the Government would provide extra grant equivalent to 1% of council tax income. This would equate to £65,000 for the Council, but the incentive was at present only available for two years in 2014/2015 and 2015/2016. The Financial Plan for 2014/2017 assumed no increase in council tax for the whole of the period through to March 2016 with a 2% increased proposed for 2016/2017 when a council tax Band D charge would rise from £111.97 to £114.

The Panel's attention was drawn to the following key areas of the Financial Plan:

- The Revenue Budget 2013/2014.
- Projected General Fund Balance 31 March 2014.
- Cost of Services 2014/2017.
- Changes to the Current Financial Plan.
- Fees and Charges 2014/2015.
- Corporate Business Plan, Service Plans and Investment.
- Performance Indicators.
- Staffing Plan.
- Financing Adjustment 2016/2017.
- Internal Drainage Boards.
- Special Expenses.
- General Fund Balance and Reserves.
- Budget Requirement 2014/2015.
- Formula Funding – Revenue Support Grant/Business Rates Retention
- Government Grants – Council Tax Freeze/Council Tax Support Grant.
- New Homes Bonus.
- Collection Fund Surplus.
- Council Tax – Council Tax Base 2014/2015 and future years.
- Parish Precepts.
- General Fund Financial Overview.

- Cost Reduction Programme.
- National Non Domestic Rates (Business Rates) 2014/2015.
- Prudential Framework.
- “Robustness” of Budget.

In conclusion, the Deputy Chief Executive advised that the Financial Plan 2013/2017 showed that the Council would need to manage the fact that spending in 2015/2016 and future years was projected to be above the level of income/funding available and that a cost reduction programme should remain active. Work was already underway on a number of initiatives that would reduce costs in 2014/2015 and future years.

In response to questions from Councillor Cousins regarding salaries, the Deputy Chief Executive advised that Central Government has put a cap on local authority salaries, however the Borough Council determined salaries locally and a 1% increase had been allocated in the budget for 2014/2015 and 2015/2016.

Following further questions from Councillor Cousins relating to increasing salaries to retain experienced employees, the Leader advised that the Borough Council had various ideas to retain an experienced workforce. He added that the Borough Council determined salaries locally and judgements would therefore need to be made.

In response to questions from Councillor D J Collis on the Collection Fund Surplus, the Deputy Chief Executive advised that the target had been set at 97.5%. However, it was anticipated that the collection rate would be around 99%.

Councillor Cousins commented that Councillors should be encouraged to promote the Borough in order to attract new businesses, etc to the area.

In response to questions from Councillor Collop on the recommended level of the General Fund Balance, the Deputy Chief Executive explained that CIPFA advised that the minimum requirement was calculated by taking 5% of the Budget Requirement and adding the Authority’s Bellwin allocation which would equate to £1m for the Borough Council. The Deputy Chief Executive added that an element of contingency should be allocated and therefore suggested that around £1.5m would be sensible. Members were advised that the current high General Fund Balance would allow the Council to draw from the balances in 2015/2016 thereby “balancing the budget” in all the years of the Financial Plan. Over the period of the Plan to 31 March 2017 the balances would be reduced to £2,307,155 which would still be in excess of the minimum requirement.

RESOLVED: That the Panel support the recommendations to Cabinet as follows:

<u>Recommendation 1</u>

It is recommended that Council approve the revision to the Budget for 2013/2014 as set out in the report.

Recommendation 2

Council is recommended to reaffirm the Balances and Reserves Policy and the maximum balances set out for the reserves as noted in the report.

Recommendation 3

It is recommended that Council:

1) Approves the budget of £18,805,380 for 2014/2015 and notes the projections for 2015/2016 and 2016/2017.
2) Approves the level of Special Expenses for the Town/Parish Councils as detailed in the report.
3) Approves the Fees and Charges 014/2015 detailed in Appendix 3.
4) Approves a Band D council tax of £111.97 for 2014/2015.

Recommendation 4

Council is recommended to approve a minimum requirement of the General Fund balance for 2014/2015 of £974,515.