RECOMMENDATIONS TO CABINET – 7 FEBRUARY 2012 FROM THE REGENERATION, ENVIRONMENT AND COMMUNITY PANEL MEETING HELD ON 1 FEBRUARY 2012

REC64: **FINANCIAL PLAN 2011 – 2015 & FEES AND CHARGES**

David Thomason gave an overview of the Financial Plan 2011 – 2015.

The original budget 2011/2012 was approved by Council on 24 February 2011. Throughout the year the budget had been monitored and where necessary, approval was sought for additional budget provision. Revisions to the 2011/2012 budget were approved at Cabinet on 10 January 2012 when full details of the changes to the original budget were provided. The figures had been further reviewed as part of the budget process and proposed adjustments were discussed.

The budget for the year remains under tight control. Although external factors such as the increased cost of power and reduced levels of income had impacted on the budget, the additional income from the New Homes Bonus and the early gains from the cost reduction programme had brought the situation back into balance.

The net impact of the projected outturn 2011/2012 on the overall level of General Fund balance was within £2,000 of the estimated figure calculated twelve months ago.

Costs and income for the services of the Council within each Portfolio were updated. On production of an annual budget and future projection of costs for the Council, certain assumptions had been made for the 2012 - 2015 budget projections. It was noted that:

- The general inflation assumptions were quite a challenge to predict and officers were keeping a watching brief on this;
- Business rates were set by Central Government;
- The Council was a member of Consortia through which electricity and gas services were procured. A good rate had been secured for the current year although there were concerns that the rates could rise significantly in the next few years.

The cost of each individual support service (accountancy, internal audit, property, legal services, HR, member services, CIC and income) were shown in the budget under the Performance Portfolio and were not allocated to direct services. However, there were certain support services/central costs (ICT, offices, depots, printing/graphics/postages) that were recharged to frontline service accounts as part of the budget.

Fees and Charges 2012 - 2013

It was noted that the Council relied heavily on income from charges for services to help keep council tax at low levels. The reliance however could expose the Council to risks in the current period of recession.

As a contribution towards the support of the town centres and visitors to the Borough, the proposals for 2012 – 2013 and 2013 – 2014 did not include any increase in the fees for car parking.

In 2010, the Government published a consultation paper which suggested that planning fees should be set locally and should aim to cover the cost of dealing with planning applications. It was noted that current projections showed a £200,000 deficit which would be supplemented by council tax income in order to break even. There was no Government permission afforded to Councils to increase planning application fees.

The charges for services at leisure and sports centres had been held in 2012 – 2013 at current levels and there was no proposed increase planned, in order to encourage sustained use of the facilities and maintain current income levels. There was a reticence to increase charges due to reaction of the market.

In November 2011, the Council approved a new Corporate Business Plan for 2011 – 2015 which set out the priorities for the administration. The Financial Plan reflected the refreshed aims of the Council.

The Council had adopted a number of local indicators that covered various service areas and were considered to be representative of measures on the performance of the Council in key areas. The indicators would be reported regularly to the Resources & Performance Panel.

In a recent Grant Thornton report on their findings from a financial health review of English local authorities (November 2011), best practice indicators for financial performance were highlighted. The areas covered were liquidity, balances, borrowing and workforce. The Grant Thornton report rated the risk indicators as green, amber or red. It was noted that the Borough Council had adequate arrangements identified and key characteristics of good practice appeared to be in place – a Green indicator.

Staffing Plan

At the time of setting the Financial Plan in February 2011 savings on the pay bill were £2.7m. In the current year a further £390,000 of savings on the staffing budget had been identified rising to £428,000 in 2014 – 2015. The Panel wished to acknowledge the work undertaken by councillors and staff in order to achieve savings of over £3m.

In March 2011 as part of the two year pay agreement, it was resolved that a flat rate sum, not exceeding £250 per full time employee (pro rata for part time) was awarded to all permanent/fixed term employees eligible for performance related pay on a one off basis, subject to the Council exceeding its budgeted savings target for 2011 – 2012. The target was 2011 – 2012 was set at £231,000. Savings in 2011 – 2012 had reached a sum of £594,250 therefore the £250 payment to each qualifying employee would be made in 2012 – 2013.

Internal Drainage Boards

Internal Drainage Boards levies were paid by the Council to the various Drainage Boards. The levies counted as spending of the Council but a percentage (82%) was repaid by Government one year in arrears as part of the grant settlement. Any substantial increase in the levies could have an impact on the council tax payer who would pick up the residual costs. The budget estimates of £2,630,800 for 2012 – 2013 were based on 2011 – 2012 actual costs plus an allowance for inflation.

The current arrangements for the partial repayment of levies through the grant settlement were likely to change in 2013 with the introduction of retention of business rates by the Council rather than the receipt of formula grant from Government. No provision for the settlement of changes in Drainage Board levies was included in the proposed new system of funding for local authorities. This introduced a degree of uncertainty in the budget process especially if Drainage Boards raised the levy above the rate of inflation. It was noted that representations had been made to Government but there had been no response to date.

Council Tax Special Expenses (Band D) – Downham Market, Hunstanton & King's Lynn

Current estimates of costs for the services and the level of Council Tax special expenses levy at Band D for each of the above towns for 2012 – 2013 was discussed. It was noted that in Hunstanton the actual charge had reduced to £32.46 from £37.49 and in this case, the lower charge would be made. In the case of Downham Market and King's Lynn, the actual charges had increased (£16.48 and £51.56 respectively) but the charge to be made was restricted to last years figure, £16.10 and £36.73 respectively, this is a consequence of the Councils accepting the 'freeze grant' from Government.

Parish Special Expenses

The Council also maintained footway lights, closed churchyards, play areas and open spaces in some of the rural parishes. A table which showed the cost of services that were deemed special expenses for 2012 – 2013 was discussed.

The sum total for special expenses was £772,810 however the Council could not fully recover all costs because of the freeze on Council Tax and therefore included a sum of £551,000 in the estimates for 2012 – 2013.

Government Grant – Council Tax Freeze

In 2011 – 2012 the Government provided an incentive to freeze council tax by offering councils an additional grant equivalent to a 2.5% increase on a Band D council tax charge. This grant would be payable for 3 years to 2013 – 2014. The sum due for 2012 – 2013 was £157,440.

In 2012 – 2013, if the Council froze council tax once more then the Government would again provide for an additional grant of £157,890 equivalent to a 2.5% increase in council tax but it would be for one year only. In 2012 – 2013 this would give a total figure to be claimed by the Council of £315,330 (£157,440 plus £157,890).

New Homes Bonus

The revised plan took into account the relatively new scheme introduced by Government last year 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. There was an enhancement of £350 for each affordable home added to the list. The scheme was introduced in April 2011 and the Council had gained funding of £451,600 for new homes for 2011 – 2012 and a further £601,080 which would be paid in 2012 – 2013.

It was assumed that over the next two years the bonus would increase by a further £550,000 per year, but this is like to be offset by a reduction in Government support available/baseline for business rate retention.

The introduction of the Bonus had, to some degree, offset the impact of reducing government grant but coupled with the savings achieved by the Council, it also allowed the Council to continue to hold car parking and leisure and sports fees and charges at current levels.

General Fund Balance & Reserves

As a consequence of the cost reduction programme, there had been reductions in staff levels that had brought about redundancy costs which had been met from a separate restructuring reserve. The level of this reserve initially stood at £800,000 and had been used to fund any costs associated with the reviews. In the budget, the Council would replenish this reserve by £96,440 which would bring the balance to £500,000. This would be sufficient to deal with any further staffing reviews.

It was noted that a current sum of £2.3m in reserves would enable the Council to reach 31 March 2015 with a working balance of £920,394 which was in excess of the minimum requirement of £872,910.

The Council's policy on Balances and Reserves was reviewed as part of the budget report to Council in February 2011. There was no proposal to make any changes at this time.

Budget Requirements 2012 - 2013

In 2012 – 2013 the budget requirements for the Council was £16,901,700. The sum would be met from Government Grant, any Collection Fund surplus and council tax.

Government Grant

Grant for 2012/2013 had been confirmed as being £10.9m. The Government intended to end the current complicated formula grant support to councils and from April 2013 had proposed "to repatriate business rates", allowing councils to keep a greater proportion of taxes raised locally. This would mean that councils who succeeded in growing their local economy got a direct boost to their finances. Full details of the scheme were not yet available. It was noted that the Government had transferred significant risk to local authorities as in crude terms, as business rates grew above the level of inflation, the Council would receive a higher level of resources from the collection of that tax. However, if business rates fell or grew more slowly than the rate of inflation, then the risk of a shortfall in resources would be passed to the Council, although a safety net was being mooted.

Collection Fund Surplus

The Collection Fund, an account that dealt with the collection of council tax and business rates, had been examined as part of the budget review. From closing the accounts in 2010 – 2011 it was estimated that the Council could draw sums of £225,000 each year for the period of 2012 – 2015.

Council Tax

It was noted that calculations showed a Council Tax base of 51,266 (number of Council Tax Band D properties) for 2012 – 2013. The tax base was formally approved by Council at its meeting on 24 November 2011. Future years showed an assumption that the tax base would rise by 300 per annum.

By holding down council tax levels year on year since 2005, the Council had performed considerably better than other districts, Norfolk Constabulary, Norfolk County Council, the Retail Price Index and the Consumer Price Index. The Council had absorbed the impact of inflation and not passed it on to its residents. The Panel acknowledged the sustained performance of the Council.

The Financial Plan 2011 – 2015 included a recommendation not to increase the council tax for 2012 – 2013 from £111.97 for a Band D property. It was assumed that the council tax for 2013 – 2014 would increase by 2.5% and 2014 – 2015 by 2.5%.

The proposed levels of council tax for 2012 – 2013 would remain as in the current year. However, the consequences of freezing council tax in 2012 – 2013 were highlighted as foregone income of £286,660 and special expenses costs being met from reserves over the period of the Financial Plan, would cost the Council £458,370.

General Fund Financial Overview

The Council's General Fund balance was highlighted and it was noted that the projected position for the period of the Financial Plan 2012 – 2015 would result in a balance of £920,394, above the minimum required balance of £872,909 to be held in General Funds.

Cost Reduction Programme

The Council's determination to act early during 2009 and 2010 showed it to be 'ahead of the game' and had made significant savings totalling £5.2m, all of which had been incorporated into the revised Financial Plan 2011 – 2015. It was highlighted that no consultants were employed on delivering the savings with all the work being carried out in house.

It was noted that these savings had allowed the Council to balance the budget for 2012 – 2013 and 2013 – 2014, which in turn had allowed for planned and organised change to the operation of the services to meet the potential deficit of future years.

Management Team were confident that this approach would enable the Council to close the gap projected for 2014 – 2015 in a measured and carefully managed way.

Robustness of the Budget

David Thomason stated that he was obliged to bring the risks of the budget to the attention of the Panel. However, it was reported that the budget was robust and that the Council would be in a stable financial position until 2015. Ongoing work would enable the Council to financially plan ahead for a rolling two year period.

The Chairman thanked David Thomason for his briefing and invited questions from the Panel, which were summarised below:

In response to a question from Councillor Loveless, David Thomason confirmed that the New Homes Bonus was being utilised in order to balance the budget.

In response to a question from Councillor Pope, David Thomason confirmed that special expenses charges to parishes were not fully recovered in 2012/2013.

In response to a question from Councillor Foster, David Thomason noted that the New Homes Bonus Scheme payments was probably attracting attention from developers however use of the New Homes Bonus funds was an area for discussion and decision by Members.

Councillor Foster wished to highlight an error relating to table titles on page 4, 1.8., which was acknowledged.

In response to a further question from Councillor Foster, David Thomason agreed that in relation to Internal Drainage Board Levies (page 65, Appendix 4) percentage increases would be included in future financial reporting. David Thomason also stated that actual levies were reported in the Council Tax resolution.

In response to a question from Councillor Beales regarding a circa 40% increase in Special Expenses for King's Lynn, David Thomason confirmed that a £90,000 grant from the Government had ended and that the costs related to the Neighbourhood Teams, which had been established following service reviews had been added to the special expenses charge for King's Lynn.

In response to a question from Councillor Foster regarding Development Control, Enforcement Service - Note b, (page 96, Appendix 1A) and Planning Policy, Planning Delivery Grant - Note a, (page 96, Appendix 1A), David Thomason confirmed that these costs were now being funded as part of general expenditure.

In response to a question from Councillor Foster regarding fees for Disposal of Abandoned Vehicles (Environmental Improvement & Protection – page 103, Appendix 1B), Chris Bamfield confirmed that this service was provided by a contractor at a fixed negotiated price.

In response to a question from Councillor Loveless, David Thomason confirmed that the staffing baseline was £21m however following service reviews which commenced in 2009, the staffing baseline had now reduced to £18m.

The Chairman then invited Portfolio Holders and the Leader to make any comments.

Councillor Daubney, Leader of the Council stated that the budget was a big challenge and there were many uncertainties however, with the foresight of the Cabinet and Management Team, a substantial amount of work had been undertaken in order to produce such a positive budget statement. Councillor Daubney acknowledged the service reviews that had been undertaken and had been pleased by the level of constructive thought and comments that they had elicited. Councillor Daubney stated that the retention of business rates would be a challenge and expressed concern that the majority of income from business rates was received from 7 major ratepayers in the Borough. However, on the whole, a positive budget was received and would continue in future years.

Ray Harding, Chief Executive stated that in the last 18 months there had been a lot of change including the departure of around 90 members of staff. In addition to this, staff had received no pay increases. However, staff morale had remained buoyant and the authority was in a good financial position through to 2015. It was the aim of the Cabinet and Management Team to remain two years 'ahead of the game'. Government would be making a further statement in the autumn. Ray Harding stated that the localised collection of business rates presented opportunities to grow the local economy to provide opportunities for employment and housing to encourage our Borough to flourish, whilst at the same time, increasing the Council's own income.

The Chairman thanked the Panel, Portfolio Holders and officers for their comments, questions and answers, and David Thomason and Lorraine Gore and their officers, for their sustained and ongoing hard work on the budget.

RESOLVED: That Cabinet be informed that the Regeneration, Environment & Community Panel support the recommendations to Cabinet as follows:

Recommendation 1
It is recommended that Council approve the revision to the Budget for 2011/2012 as set out in the report.

Recommendation 2
Council is recommended to reaffirm the Balances and Reserves Policy and the maximum balances set for the reserves as noted in the report.

Recommendation 3
It is recommended that Council:

1. Approve the budget of £16,901,700 for 2012/2013 and note the projections for 2013/2014 and 2014/2015.
2. Approve the level of Special Expenses for the Town/Parish Councils as detailed in the report.
3. Approve the Fees and Charges 2012/2013 detailed in Appendix 3.
4. Approve a Band D council tax of £111.97 for 2012/2013.

Recommendation 4
Council is recommended to approve a minimum requirement of the General Fund balance for 2012/2013 of £881,669.

FINANCIAL PLAN 2012 – 2015 – IN RELATION TO REGENERATION, ENVIRONMENT & COMMUNITY

Lorraine Gore gave an overview of the report specifically related to the budgets and proposals for changes to the services within Regeneration, Environment and Community over the period 2012 – 2015, supported by appendices which showed detailed service budget information for Regeneration, Environmental Improvement and Protection, Community and Democracy, Housing General Fund, and Safer and Healthy Communities

In response to a question from Councillor Foster, relating to levels of subsidy, money spent on and income lost from The Walks Stadium, David Thomason stated that spectator figures were unavailable for The Walks Stadium and there was a negotiated fee agreement in place, which reflected the value of the ground as being used by the football club. Chris Bamfield also stated that figures relating to the Princess Theatre, Hunstanton and King's Lynn Arts Centre were also unavailable as they were no longer under the control of the Borough Council. Councillor Mrs Nockolds stated that she recalled that King's Lynn Town Football Club were given a one-off capital sum by the Borough Council. Councillor Beales enquired as to the residual costs on agreed arrangements, Ray Harding responded that King's Lynn Arts Centre received a continuing subsidy but King's Lynn Town Football Club did not, however there was an opportunity cost associated with their tenancy of the ground.

In response to a question from Councillor Shorting, it was confirmed that there would be no increase in market rents.

In response to a question from Councillor Chenery of Horsbrugh, Lorraine Gore confirmed that the £50 increase on cremation fees would go towards the capital expenditure required for new cremation equipment.

In response to a question from Councillor Whitby, David Thomason confirmed that he would forward details regarding the increase on Leisure Card Supplies and Services from 2011/2012 to 2012/2013.

In response to a question from Councillor D J Collis regarding the sale of assets (in particular land assets), David Thomason confirmed that the asset register was published at the close of accounts at the end of March. Councillor Beales confirmed that any sale of Council-owned land would be subject to due process.

RESOLVED: That Cabinet be informed that the Regeneration, Environment & Community Panel support the recommendation to Cabinet as follows:

- The Panel is invited to approve the budget proposals 2011/2015 for services within Regeneration, Environment & Community.

REC65: **CAPITAL PROGRAMME 2011 – 2015**

Lorraine Gore gave an overview of the report which highlighted amendments, rephasing and resources to the 2011/2015 Capital Programme, and updated Members on provisional capital expenditure for the 10 year period to 2021-2022.

The current economic climate had brought about a significant slowdown in investment by housing developers and commercial operators which, in turn, had impacted on the council's targets for land sales that would provide resources for its capital programme. Land sales of housing sites had also come to a halt. Commercial land sales were taking place but progress was slow and always subject to planning approval.

The Council was faced with a situation where capital resources to fund the capital programme were at an all time low and as a consequence, would need to revise its ambitions and current plans.

The report set out a programme for 2011/2015 that could be delivered if predicted land sales come about. Certain capital funds came from grants, VAT shelter receipts and reserves but a large part of funds came from land sales. The sums included in 2011/2015 were anticipated receipts from identified sites but if the market declined further, it would be necessary to revise the programme.

The programme of works for the years 2015/2022 set out draft proposals and in the light of the current state of the economy, further work would be required to look at funding issues. Proposals for a major housing development scheme, intended to generate future capital receipts, was currently being prepared and a report would be presented to Cabinet later in the year.

A full updated Capital Programme 2011/2012 of £11,426,010 was reported at Cabinet on 21 June 2011. Since that date further amendments to the programme had been reported as part of the monitoring reports and were summarised in the report.

Lorraine Gore highlighted several points to the Panel:

- The budget provision of £1,212,000 for housing adaptation assistance had been rephased across future years of the capital programme from 2012 to 2015.
- The rephasing of £1m for Utilities (Regeneration) required further discussion.
- Car parks resurfacing – Additional budget provision of £226,500 would be required in 2013/2014 and the capital programme would be amended accordingly.
- The capital programme 2013/2014 set aside £1m for possible land purchase to assist with the College of West Anglia redevelopment. The budget would be deleted from the programme as grant assistance had been provided to the College in 2011/2013 towards funding the rebuilding works on the Tennyson Avenue campus.
- The 2012/2013 programme included £1m land contribution for a housing joint venture. It was proposed to delete this budget from the programme until the proposals for a major housing development scheme had been considered by Cabinet later in the year. There would be no impact on the funding of the capital programme as the capital resources included £1m capital receipt in respect of this land, and the capital receipts would be amended accordingly.
- The 2014/2015 programme included budget provision of £6,350,000 for the development of a new multi storey car park. The project would be rephased back to 2016/2017 pending a further review of options and financing.
- The 10 Year Capital Programme – The overall capital programme now fully incorporated the Decade of Development schemes as approved at Cabinet on 27 July 2010. A review of these schemes had been undertaken for amendments and rephasing for the period 2011/2022, however in the current economic climate and the reduced flow of capital receipts, a detailed review of schemes in the programme for the period 2015/2022 would need to be undertaken and reported back to the Panel at a later date.

The Chairman thanked Lorraine Gore for her briefing and invited questions from the Panel, which were summarised below:

In response to a question from Councillor Loveless, David Thomason confirmed that NORA, Marsh Lane and Lynnsport had potential for development and outline planning permission was being considered. This would give a range of options however no decisions had been made.

In response to a question from Councillor Loveless, David Thomason confirmed that the relocation of the grounds nursery was subject to Council approval. A report would be considered by Cabinet in April. Successful relocation of the grounds nursery would free up land for potential development or sale.

In response to a question from Councillor Loveless, Chris Bamfield confirmed that the Council would receive a feed-in tariff for the installation of solar panels at King's Court and Lynnsport. Councillor Long commented that the feed-in levels were comparable to domestic tariffs.

The Chairman thanked the Panel, Portfolio Holders and officers for their comments, questions and answers, and David Thomason and Lorraine Gore and their officers, for their sustained and ongoing hard work on the capital programme.

RESOLVED: That Cabinet be informed that the Regeneration, Environment & Community Panel support the recommendations to Cabinet as follows:

- Cabinet recommends to Council the amendments to capital schemes and resources for the 2011-2015 capital programme as detailed in the report.
- Cabinet recommends to Council that new capital bids of £499,500 are to be funded from available capital resources and included in the capital programme 2012 – 2015.
- Cabinet note the forecast for capital expenditure for the 10 year period to 2021/2022.