

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

RESOURCES AND PERFORMANCE PANEL

**Minutes from the Meeting of the Resources and Performance Panel held on
Tuesday, 26th January, 2016 at 6.00 pm in the Committee Suite, King's
Court, Chapel Street, King's Lynn**

PRESENT: Councillor H Humphrey (Chairman)
Councillors B Anota, J Collop, P Colvin, G Hipperson, P Hodson, G Middleton,
A Morrison, D Tyler and G Wareham

Portfolio Holders:

Councillor A Beales

Councillor N Daubney – Leader and Portfolio Holder for Resources

Councillor A Beales – Deputy Leader and Portfolio Holder for
Regeneration and Industrial Assets

Officers:

Becky Box, Personnel Services Manager

Lorraine Gore, Assistant Director

Ray Harding, Chief Executive

In attendance:

Councillors R Blunt and L Bambridge

RP100 APOLOGIES

Apologies for absence were received from Councillors I Devereux and I Gourlay.

RP101 MINUTES

The Minutes of the Resources and Performance Panel held on 5 January 2016 were agreed as a correct record and signed by the Chairman.

RP102 DECLARATIONS OF INTEREST

There were no declarations of interest.

RP103 URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business.

RP104 MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There were no Members present under Standing Order 34.

RP105 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was no Chairman's correspondence.

RP106 **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

The Panel noted the responses made by Cabinet at its meeting held on 12 January 2016 to the recommendations made by the Resources and Performance Panel at its meeting held on 5 January 2016 in respect of the following items:

- Final Council Tax Support Scheme 2016/2017.
- Housing Benefit and Council Tax Support Risk Based Verification: Policy Update.
- 2015/2016 Budget Monitoring.
- Corporate Business Plan 2015/2016.

RP107 **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 1 and 2 of Part 1 of Schedule 12A to the Act.

RP108 **EXEMPT REPORT: PROGRESS REPORT ON CORPORATE APPRENTICESHIP SCHEME**

The Personnel Services Manager presented the report which was circulated with the Agenda.

The Panel was reminded that in October 2012 Cabinet agreed to the introduction of a Corporate Apprenticeship Scheme within the Council and six apprentices were recruited in early 2013.

The proposal to introduce the Apprenticeship Scheme was also considered by the Resources and Performance Panel in October 2012, and since then the Panel had received regular updates on the apprentices progress. The report was designed to update Members on the latest position with the scheme.

Members' attention was drawn to section 2.5. The Personnel Services Manager advised that the response rate to the advertisement was disappointing and further work was being undertaken to evaluate whether there were any underlying reasons for the differing response rates achieved.

The Personnel Services Manager informed the Panel that the five apprentices appointing in September 2015 were progressing well and were on track. It was highlighted that in addition to the national requirements of the scheme the apprentices received further additional support from the Council.

The Panel was invited to ask questions/comment on the report, a summary of which is set out below.

In response to questions from Councillor Morrison on the recruitment process, the Personnel Services Manager explained that apprentices accompanying officers when visiting secondary schools to promote the Council's Apprenticeship Scheme.

Following further questions from Councillor Morrison on the rate of pay made to apprentices compared to school leavers going directly into employment, the Personnel Services Manager explained that she did not have the information to hand but would circulate the information to the Panel.

The Chairman, Councillor Humphrey commented that the Borough Council's operated a good Apprenticeship Scheme and also seeking to encourage other employers in the Borough to participate in an Apprenticeship Scheme. The Chairman further commented that although there was a low response rate the quality of applicants was good. The opportunity of the Council's Apprenticeship Scheme provided young people with an opening to a career.

The Chairman, Councillor Humphrey thanked the Personnel Manager for the update report.

RESOLVED: Members noted the contents of the report.

RETURNED TO OPEN SESSION

RP109 CABINET REPORT: PROCUREMENT - PRINT EQUIPMENT

The Chairman, Councillor Humphrey informed the Panel that the report had been deferred at the request of the Leader.

RP110 CABINET REPORT: BUDGET 2016/2017

The Assistant Director presented, with the aid of a power-point presentation, the Financial Plan for 2015-2020 which was produced as part of the council tax setting process to take account of any changes in financial settlements, inflation on service costs and revised priorities of the Administration. The presentation provided Members with background information and highlighted the key issues of the Financial Plan for 2015-2020.

A copy of the presentation is attached to the minutes at Appendix 1.

The Assistant Director advised Members that the Financial Plan 2015/2020 included significantly more downside risks around funding than in previous years. The estimated business rates growth presented a significant level of risk. If the anticipated projects did not progress as planned or are cancelled the growth would not be achieved.

The Panel was invited to ask questions/comment, a summary of which is set out below.

In response to questions from the Chairman, Councillor Humphrey, the Assistant Director explained that the Government had issued a consultation document on New Homes Bonus: 'Sharpening the Incentive'. The plan assumed that the Government's 'preferred options' would be adopted and that the outcome of the proposals contained in the consultation would be a reduction in New Homes Bonus in 2017/2018 from the current arrangement. A link to the website could be found on the page 38 of the Financial Plan. The deadline for responses to the consultation document was 10 March 2016.

With regard to the New Homes Bonus, the Chief Executive informed the Panel that the Government had taken approximately half the funding allocated for New Homes Bonus and moved the funding to enhance better care from the third year onwards.

Following further questions from the Chairman, Councillor Humphrey on the estimated business rates growth, the Assistant Director explained that the Revenues and Benefits Manager and the Group Accountant were currently working on the NNDR, the return to Government on the estimated growth year on year. As part of this process the potential growth would be assessed and factored into the budget process. However, it was highlighted that there was a risk if the proposed development did not come forward and would therefore have a financial impact upon the Borough Council.

Councillor Anota referred to page 109 of the Financial Plan – Special Expenses 2016/2017 and asked for clarification. In response, the Assistant Director explained that special expenses were functions carried out by Parish Councils, but which the Borough Council undertook on their behalf and gave an example of the grass cutting service. The Executive Director, Commercial Services informed Members that play areas was another example of special expenses and advised that there was a total of 57 within the Borough.

In response to questions from Councillor Collop on the estimated figures relating to the increase in Council Tax, the Leader explained that this was a political judgement and that the Conservative Manifesto

had stated that Council Tax would not be raised over and above the rate of inflation. The Leader added that the Government focus was on Councils' 'core spending power' inclusive of locally generated resources. The core spending power analysis tabled published by the Government for each Council assumed that Councils in the lowest quarter of Council Tax levels (which included the Borough Council) would introduce the full £5 per annum per dwelling Council Tax increase now permitted for each of the next four years.

The Leader explained that the figures shown in the Financial Plan for 2016/2020 included a 0.8% increase in Council Tax for 2016/2017, with a 1.9% increase each year from 2017/2018. However, it would be open to the Council to take advantage of the opportunity to raise Council Tax by the maximum £5 per annum should Members wish to do so in future years.

In response to further questions from Councillor Collop on the target savings required by the end of the Financial Plan totalling £2.7m, the Leader, commented that it was a significant target to achieve, but was confident that both Members and officers could work together to identify savings. Since 2009, the Council had achieved savings amounting to £7.9m which was a remarkable achievement. The Leader outlined the significant changes being presented to Councils and the way they would operate in the future and drew Members' attention to the risks outlined in the budget by the Assistant Director. In conclusion, the Leader advised that there would be difficult decisions for the Council to make to achieve the level of savings required. The Leader added that even if the Council had determined to introduce the £5 Council Tax increase, a significant amount of savings would still need to be made.

The Chief Executive concurred with the comments made by the Leader and explained that even if the Council chose to raise Council Tax by £5 per annum for the following four years as Government had assumed Councils would introduce, there would still be a significant amount of savings to be identified.

The Chief Executive advised that since the publication of the Financial Plan report, there had been an announcement from the NHS Foundation Trust and that if the proposal was successful Councils would be required to make an ongoing financial commitment and would result in reduced business rates income to the Borough Council.

The Chief Executive explained that the Council was concerned regarding the Internal Drainage Boards levies which were paid by the Council to the various Boards. The levies counted as spending of the Council, but a contribution was made by Government as part of the financial settlement. Any substantial increase in the levies had an impact on the council tax payer who would pick up the residual costs. The Chief Executive highlighted that with the significant reduction in the

RSG, any increase in IDB levies in the future would have to be met from council tax or cost savings.

The Chief Executive also referred to the 2017 revaluation of business rates and emphasised that there were significant risks in the Council's budget in future years. The Council would commence work immediately to identify potential savings, but explained that Members would be presented with difficult decisions with regard to discretionary services and that those services would be required to be reduced or alternatively cease.

In response to questions from Councillor Collop on the future savings and difficult challenges facing the Council, the Leader commented that the Council relied on the advice from the Treasury Team. However, the Leader added that the Council had no control over a strategy to deal with the economy. The Leader stated that he was proud of the Borough Council and commended the work undertaken by staff to date in identifying savings and that he was confident the future savings would be achieved. However, he echoed the comments of the Chief Executive in that there would be difficult decisions for Members to make regarding the level of discretionary services provided in future years.

In response to the questions from the Chairman, Councillor Humphrey regarding the reimbursement of the lump sum pension payment, the Assistant Director explained that by making an early payment to the Norfolk Pensions Service gave the Council a saving of approximately £176,000 over the three years 2014/2017. It was explained that a review was undertaken every 3 years and the next one was due in 2017/2018. The Financial Plan 2015/2010 proposed a further upfront lump sum payment of £3,175,000 to Norfolk Pensions to cover the deficient contributions for the period 2017/2020. This would save the Council approximately (£225,000) over the 3 years.

In response to questions from Councillor Aota on business rates growth, the Assistant Director explained that the Council had looked at developments that might come forward and gave an example of Downham Market. The Council made judgements on the information currently known during the budget process.

The Chairman, Councillor Humphrey commented that staff were aware of the efficiencies that would be required and added that managing expectations was vital and suggested that Cabinet gave consideration to getting the message out to the public that the Council would be required to consider its future level of service with regard to discretionary services provided.

RESOLVED: The Panel supported the recommendations to Cabinet as set out below:

Recommendation 1

It is recommended that Council approve the revision to the Budget for 2015/2016 as set out in the report.

Recommendation 2

Council is recommended to reaffirm the Policy on Earmarked Reserves and General Fund Working Balance and the maximum balances set for reserves as noted in the report.

Recommendation 3

It is recommended that Council:

- 1) Approves the budget of £17,970,200 for 2016/2017 and notes the projections for 2017/2018, 2018/2019 and 2019/2020.
- 2) Approves the level of Special Expenses for the Town/Parish Councils as detailed in the report.
- 3) Approves the Fees and Charges 2016/2017 detailed in Appendix 4.
- 4) Approves a Band D Council tax of £112.87 for 2016/2017.
- 5) Instructs Management Team to present the Council's Efficiency Plan to Cabinet as soon as the Government guidance is published and that the Council takes up the option to 'fix' the four year settlement referred to in paragraph 1.3 above.

Recommendation 4

Council is recommended to approve a minimum requirement of the General Fund balance for 2016/2017 of £932,756.

Recommendation 5

Instructs Management Team to present the Council's Efficiency Plan to Cabinet as soon as the Government guidance is published and that the Council takes up the option to 'fix' the four year settlement referred to in paragraph 1.3 above.

a Financial Plan 2015/2010 Presentation by Assistant Director

Attached as an Appendix to the Minutes.

RP111 CABINET REPORT: CAPITAL PROGRAMME 2015/2020

The Assistant Director explained that the report:

- Revised the 2015/2016 projections for spending on the Capital Programme.

- Set out an estimate of capital resources that would be available for 2015-2010.
- Details of new capital bids that were recommended to be included in the Capital Programme for the period 2016-2020.
- Outlined provisional figures for capital expenditure for the period 2015-2020.

The Assistant Director explained that the current economic conditions continued to create a challenging environment for achieving capital receipts to support the funding of the Council's Capital Programme. It was highlighted that the Council was faced with a situation where capital resources to fund the Capital Programme continued to be limited.

Members were advised that the report set out a programme for 2015/2020 that could be delivered if predicted land sales came about. It was explained that the Capital Programme 2015-2020 included a number of major projects including the Major Housing Development.

The Panel's attention was drawn to the following sections of the report:

- Summary of the monitoring position of the budget to 30 November 2015.
- Revised Capital Programme 2015/2016.
- Proposed amendments to the Capital Programme 2015/2016.
- Medium Term Capital Programme 2016-2018.
- Capital Programme 2018/2019 and 2019/2020 and New Bids.
- Capital Resources 2015/2020.
- Financial Implications.
- Risk Implications.

At the invitation of the Chairman, the Portfolio Holder, Regeneration and Industrial Assets informed Members that the Major Housing Scheme was the Council's largest single borrowing requirement, but provided Members with assurance in that the Marsh Lane development would be developed in sub phases in order to manage the risk.

RESOLVED: the Panel support the recommendations to Cabinet as set out below:

- 1) Cabinet recommends to Council the amendments to capital schemes and resources for the 2015-2020 Capital Programme as detailed in the report.
- 2) Cabinet recommends to Council that new capital bids are to be funded from available capital resources and included in the capital programme 2016-2020 as detailed in the report.

RP112 **WORK PROGRAMME 2015/2016 AND FORWARD DECISIONS LIST**

The Panel noted the 2015-2016 Work Programme.

RP113 **DATE OF NEXT MEETING**

The next meeting of the Resources and Performance Panel would be held on Tuesday 23 February 2016.

The meeting closed at 7.10 pm



Financial Plan 2015/2020

**Lorraine Gore
Assistant Director
(Section 151 Officer)**



Background

- Current Financial Plan 2014/2018 approved February 2015 prior to the General Election
- Financial Plan 2014/2018 assumed reductions in Revenue Support Grant (RSG) of 13% per year as period of austerity expected to continue
- Target savings in 2017/2018 of £2.1m
- Council Tax frozen since 2011
- Car parking charges frozen since 2010
- No increase in Planning Fees since 2012



Local Government Finance Settlement Headlines

- Local Government Finance Settlement announcement 18 December 2015
- Core Spending Power will fall by 0.5% to 2019/20
- Defined as Revenue Support Grant (RSG), retained Business Rates, New Homes Bonus, Improved Better Care Fund, Rural Services Delivery Grant, council tax
- Prioritised social care
- Council tax included in calculation of RSG
- Negative RSG for some authorities
- Offer to local government to 'fix' for 4 years (subject to efficiency plan)



Local Government Finance

Settlement Council Tax

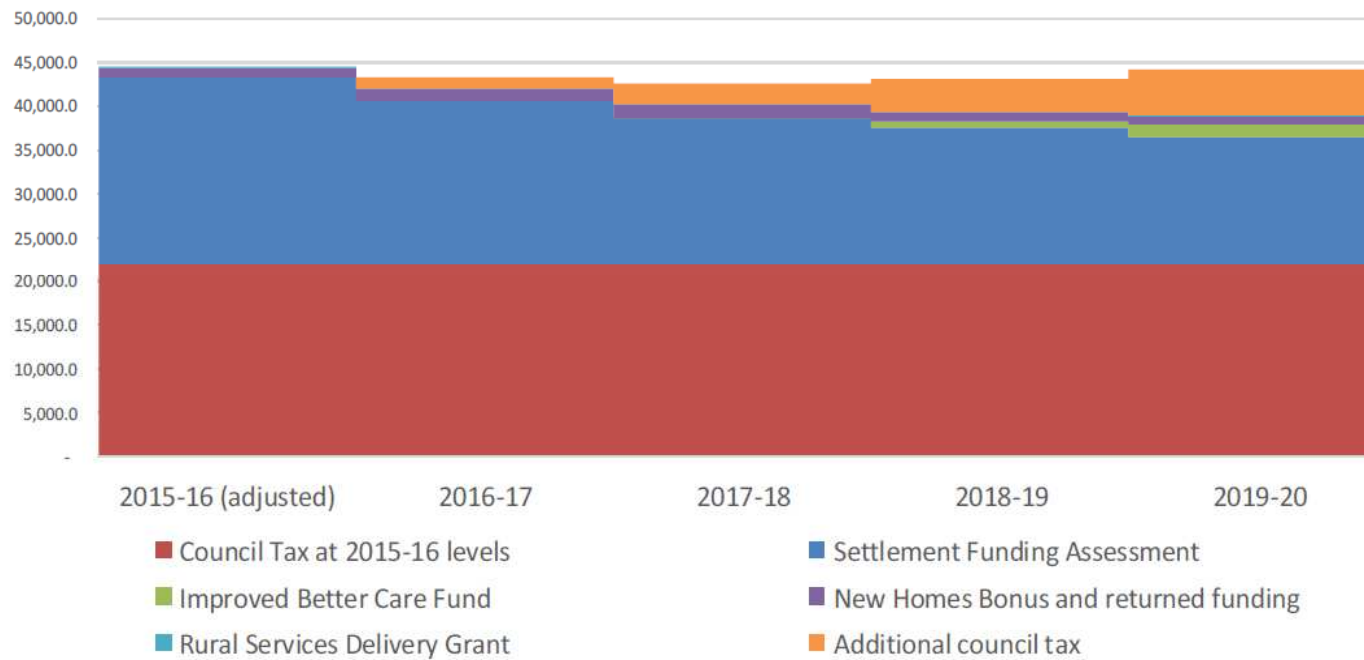
1. 2% referendum limit
2. 2% social care precept
3. Lower quartile Band D districts able to raise by the higher of £5 or 2% (which applies to BCKLWN)

Assumed growth in core spending power includes:

- 2 and 3 above
- 1.75% pa for inflation (average forecast CPI to 2020), over 4 years
- Growth in base extrapolated from last three years (estimated 7.8% in total)



Core Spending Power



Year on Year Percentage Change in Core Spending Power



Revenue Support Grant (RSG)

- The ending of RSG has been clearly signaled and it is assumed that the Council will receive no RSG after 2019/2020
- The reduction in Revenue Support Grant (RSG) is much greater than included in the current Financial Plan
- Whilst the Government has given some financial certainty by offering the option to 'fix' a four year settlement subject to publishing an 'efficiency plan'



Revenue Support Grant (RSG)

	Revised Estimate 2015/2016	Estimate 2016/2017	Projection 2017/2018	Projection 2018/2019	Projection 2019/2020
	£	£	£	£	£
Financial Plan 2015/2020	3,913,080	2,770,260	1,857,870	1,270,380	614,210
£ reduction each year		1,142,820	912,390	587,490	656,170
% reduction each year		29.21%	32.94%	31.62%	51.65%
% Cumulative reduction from 2015/2016		29.21%	52.52%	67.54%	84.30%



New Homes Bonus

- The Government has issued a consultation document on New Homes Bonus: 'Sharpening the Incentive'
- £800 million has been removed from the New Homes Bonus to divert to social care from 2017/2018
- The plan assumes that the government's 'preferred options' will be adopted.
- The Council's current capital plans for housing development are key in continuing to support the receipt of new homes bonus.



New Homes Bonus

- Government's 'preferred options' –
 - reduction in 2017/2018 from 6 years to 5 years, and then to 4 years from 2018/2019
 - withholding new bonus allocations if no local plan has been produced
 - reduction for homes built on appeal
 - only making payments above baseline representing deadweight
- The Government are also consulting on a further reduction to 3 or 2 years



New Homes Bonus

	Revised Estimate 2015/2016	Estimate 2016/2017	Projection 2017/2018	Projection 2018/2019	Projection 2019/2020
	£	£	£	£	£
Financial Plan 2015/2020	2,918,980	3,275,250	2,577,900	1,633,900	1,422,230
£ reduction/(increase) each year		(356,270)	697,350	944,000	211,670
% reduction/(increase) each year		(12.21%)	21.29%	36.62%	12.95%
% Cumulative reduction/ (increase) from 2015/2016		(12.21%)	11.68%	44.02%	51.28%



Retained Business Rates

The baseline business rates will increase annually in line with the increase in the business rates multiplier

	Revised Estimate 2015/2016	Estimate 2016/2017	Projection 2017/2018	Projection 2018/2019	Projection 2019/2020
	£	£	£	£	£
Financial Plan 2015/2020	4,983,950	5,025,480	5,124,320	5,275,490	5,444,110
£ increase each year		41,530	98,840	151,170	168,620
% increase each year		0.83%	1.97%	2.95%	3.20%
% Cumulative increase from 2015/2016		0.83%	2.82%	5.85%	9.23%



Retained Business Rates

The Council will retain 40% of any net growth in the business rates achieved and 100% of any growth in business rates from Renewable Energy facilities

The Financial Plan 2015/2020 includes assumptions on significant growth in business rates

	£
2015/2016	126,000
2016/2017	500,000
2017/2018	538,000
2018/2019	715,220
2019/2020	1,058,100



Retained Business Rates

There can however be no guarantee that these projects will materialise as developers/businesses will respond to changing market conditions. There is therefore a significant level of risk with this approach.

There is also risk to business rates growth from –

successful appeals to the Valuation Office against the valuation list – power station, GP surgeries

legal challenge on reliefs – NHS Foundation Trusts



Retained Business Rates

The next revaluation in business rates to reflect changes in the property market will be in 2017. At revaluation the multipliers are revised so that the overall national business rates bill only changes in line with inflation. It is expected that all baselines and therefore tariffs/tops ups will be adjusted for the changes in rates income resulting from the move from the 2010 list to 2017 list from April 2017.

There is however a risk that during the revaluation process some/all growth gets absorbed and/or redistributed.



Retained Business Rates

100% business rates retention from 2020.

The revised arrangements for business rates retention will not provide this Council with funding to replace the reductions announced in RSG.

We expect that under the new arrangements there will still be a formula adjustment to redistribute business rates between two tier authorities and to address economic differences. We await the outcome of the consultation for further details.



Internal Drainage Board Levies (IDBs)

IDB levies of £2.6m are paid by the Council to the various Boards.

The levies count as spending of the Council but a contribution is made by Government as part of the financial settlement.

Clearly with the significant reductions in RSG an increasing proportion of the IDB levies and any increases in future will have to be met from overall Council funding.



Financial Plan 2015/2020

- We can present a balanced budget for 2015/2020
- There is significantly more downside risk in the funding assumptions in particular with respect to business rates growth than at any time in recent years.
- Requires draw from General Fund Balances
- Target savings in 2019/2020 are £2.7m
- Council Tax proposed increase of 0.8%
- Increased fees and charges including car parking, garden waste service and crematorium fees



Financial Plan 2015/2020

- No growth items unless statutory – Government's minimum pay pledges, apprenticeship levy
- Public sector pay increases capped at 1%
- During the estimates preparation work has already commenced on identifying areas for cost reduction either in reducing expenditure or increasing income. All service managers were tasked with presenting proposals to Management Team which will now need to be worked up into the 'efficiency plan', for consideration by Members, as required by Government.



Financial Plan 2015/2020

	November Revised 2015/2016 £	Estimate 2016/2017 £	Projection 2017/2018 £	Projection 2018/2019 £	Projection 2019/2020 £
Borough Spend	16,606,230	16,289,610	21,103,710	16,990,610	17,515,660
Reimbursement of lump sum Pension Payment	1,108,000	1,266,000	(3,175,000)	1,501,000	1,674,000
Contribution (from)/to General Fund Balance	356,460	414,590	(492,270)	(1,874,840)	(2,740,440)
Borough Requirement	18,070,690	17,970,200	17,436,440	16,616,770	16,449,220
Revenue Support Grant	(3,913,080)	(2,770,260)	(1,857,870)	(1,270,380)	(614,210)
Business Rates Retention Baseline Funding	(4,983,950)	(5,025,480)	(5,124,320)	(5,275,490)	(5,444,110)
Business Rates Retention - Growth (net)	(126,000)	(500,000)	(538,000)	(715,220)	(1,058,100)
Business Rates Appeals - Power Station 2005	0	0	(580,000)	0	0
Business Rates Retention - Renewable Energy	(568,280)	(755,610)	(772,230)	(1,789,220)	(1,828,580)
Council Tax Freeze Grant	(66,010)	0	0	0	0
New Homes Bonus	(2,918,980)	(3,275,250)	(2,577,900)	(1,633,900)	(1,422,230)
Council Tax Collection Fund Surplus	(200,000)	(250,000)	(450,000)	(250,000)	(250,000)
Council Tax band D	111.97	112.87	115.01	117.20	119.42
	47,284	47,786	48,136	48,486	48,836
Council Tax	(5,294,390)	(5,393,600)	(5,536,120)	(5,682,560)	(5,831,990)
Funding Position	0	0	0	0	0



General Fund Balance

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
	£	£	£	£	£
Balance b/f	3,796,937	5,261,397	6,941,987	3,274,717	2,900,877
Reimbursement of lump sum Pension Payment	1,108,000	1,266,000	(3,175,000)	1,501,000	1,674,000
Estimated Contribution to/(Draw from) Balances	356,460	414,590	(492,270)	(1,874,840)	(2,740,440)
Balance c/f	5,261,397	6,941,987	3,274,717	2,900,877	1,834,437
Minimum requirement					
5% of Budget Requirement	903,535	898,510	871,822	830,839	822,461
Bellwin	34,246	34,246	34,246	34,247	34,248
Balance Required	937,781	932,756	906,068	865,086	856,709



Efficiency Plan

Successful cost reduction achieved in past – easier wins now gone

Services reviews – Member and Officer Teams

Expectation that major changes will be required in what, how much and to what standard services can be delivered in future

Managing Expectations vital

The organisation and the extent of the services it is able to provide will look very different by 2020



Questions?

