BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

JOINT MEETING OF THE REGENERATION AND DEVELOPMENT AND ENVIRONMENT AND COMMUNITY PANEL

Minutes from the Meeting of the Regeneration and Development & Environment and Community Panel held on Wednesday, 27th January, 2016 at 4.30 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn

PRESENT: Councillors Mrs K Mellish (Chairman), Miss L Bambridge, Mrs C Bower, T Bubb (substitute for Mrs J Collingham) Mrs S Collop, C Crofts, Mrs S Fraser, G Hipperson, M Hopkins, M Chenery of Horsbrugh, M Howland, P Kunes, J Moriarty, C Sampson, T Smith, Mrs S Squire, J M Tilbury, A Tyler, Mrs E Watson, Mrs J Westrop, D Whitby and Mrs A Wright

Portfolio Holders
Councillor N Daubney – Leader of the Council and Portfolio Holder for Resources

Officers:
Chris Bamfield – Executive Director
Lorraine Gore – Assistant Director
Ray Harding – Chief Executive

RD38: **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Mrs J Collingham, P Rochford, M Shorting and A Tyler.

RD39: **DECLARATIONS OF INTEREST**

There was none.

RD40: **URGENT BUSINESS**

There was none.

RD41: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There was none.

RD42: **CHAIRMAN'S CORRESPONDENCE**

There was none.

RD43: **BUDGET 2016/2017**

The Chairman offered thanks to the Assistant Director for the amount of work she and her team had put into presenting the budget in what was a difficult period.

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.

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 were cancelled the growth would not be achieved.

The Chairman invited questions and comments from the Panel, as summarised below.

Councillor Crofts referred to the Internal Drainage Board Levy and 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 Leader of the Council, Councillor Daubney informed those present that he had asked Members of the Council who were representatives on Internal Drainage Boards to ensure that they were kept up to date with the Internal Drainage Board’s finances and any forward planning to ensure that information relating to potential increase in levies was communicated to the Council.

Councillor Mrs Watson referred to an article she had seen in the media relating to increased Council Tax to be paid in areas liable to flooding to pay for flood defences. The Chief Executive explained that no announcement had been made officially to the Council and it was unlikely that proposals would be introduced for the forthcoming financial year. The Leader of the Council, Councillor Daubney explained that some Authorities had met with the Department for Communities and Local Government where defences were inadequate.

In response to a question from Councillor Kunes, the Assistant Director explained that Bellwin was a holding fund for disasters. Costs incurred could then be claimed back from the fund. She informed those present that the fund had been utilised during the tidal surge a few years ago.

In response to a question from Councillor Moriarty, the Assistant Director explained that a NNDR return had to be submitted to Government which was based on an estimation of Business Rates collected. It took into account potential appeals using information from the Valuation Office. This was then factored into the budget. It was highlighted that there was a risk if proposed development did not come forward and this would have a financial impact.

In response to a further question from Councillor Moriarty, the Assistant Director confirmed that Special Expenses had been frozen as this was a condition of the freeze grant. Now that there was no freeze grant, the amount of Special Expenses charged had been revisited and would be recharged to the relevant Parish Council. She reminded those present that the Environment and Community Panel had recently considered a review of grounds maintenance, which was a Special Expense. The Assistant Director explained that special expenses were functions carried out by Parish Councils, but which the Borough Council undertook on their behalf. Special Expenses would appear as a separate line on Council Tax Bills.

In response to a question from Councillor Moriarty, the Chief Executive explained that the Council had looked at various ways to generate income. He referred to the seriousness of the budget and the downside risks, which included lack of investment from Businesses, resulting in reduced Business Rates. He highlighted that if the national deficit was not met, the Government could look at reducing aid to Councils even further. He commented that a combination of measures and discretionary services would need to be looked. He referred to joint working and providing services to other Local Authorities, and commented that all Local Authorities were in the same position and therefore unlikely to be able to pay to outsource services. The Chief Executive commented that a wide range of opportunities would be explored and it was important to try and make savings as quickly as possible.

The Chief Executive informed those present that from 2020 onwards it would be unlikely that any RSG would be provided and the Council would have to be self-sufficient.

The Vice Chairman, Councillor Mrs Wright referred to the New Homes Bonus and the Assistant Director explained that the Government had taken approximately half the funding allocated for New Homes Bonus and diverted the funding to enhance social care. This would have a financial impact on all Shire District Authorities. The Chief Executive explained that the Council was still required to work towards meeting the five year housing supply, but there would now be less of a financial incentive for doing so.

Councillor Hipperson referred to Parish Precepts and explained that he was aware that advice had been provided to Parish Councils that they should increase the amount held in reserves. He asked if there was any guidance available on required levels etc. The Assistant Director advised him to contact the Norfolk Association of Local Councils who may be able to provide guidance.

The Leader, Councillor Daubney acknowledged the huge amount of work required to achieve the required savings. He explained that Management Team and the Cabinet had looked at savings plans and Members would be required to make difficult decisions. He explained that the Council would be required to draw on their balances; therefore it was important that as much budget was saved as possible as other factors could have an impact on the budget available such as a decrease in Business Rates.

Councillor Moriarty referred to the New Homes Bonus. The Chief Executive 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.

RESOLVED: That the Regeneration and Development & Environment and Community 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.

RD44: **CAPITAL PROGRAMME 2015-2020**

The Assistant Director presented the report which:

- 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.
- Provided 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 were forthcoming. 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.

The Chairman thanked the Assistant Director for the report and invited questions and comments from Members, as summarised below.

Councillor Moriarty asked if Devolution would have an impact on the delivery of the Capital Programme. The Chief Executive explained that a Devolution deal would not bring in extra money, but it would provide levers to access services and spend money more effectively.

The Leader of the Council, Councillor Daubney informed those present that Cambridgeshire had recently said no to a Devolution Deal. The Leader of the Council explained that it was a shame as he felt the East of England and East Anglia had been underinvested in and the Devolution Deal would have provided greater opportunities to access funding. He explained that a Devolution deal not including Cambridgeshire was now being looked at with Suffolk.

RESOLVED: That the Regeneration & Development and Environment & Community 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.

<u>The meeting closed at 5.30 pm</u>

Borough Council of King's Lynn & West Norfolk

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)

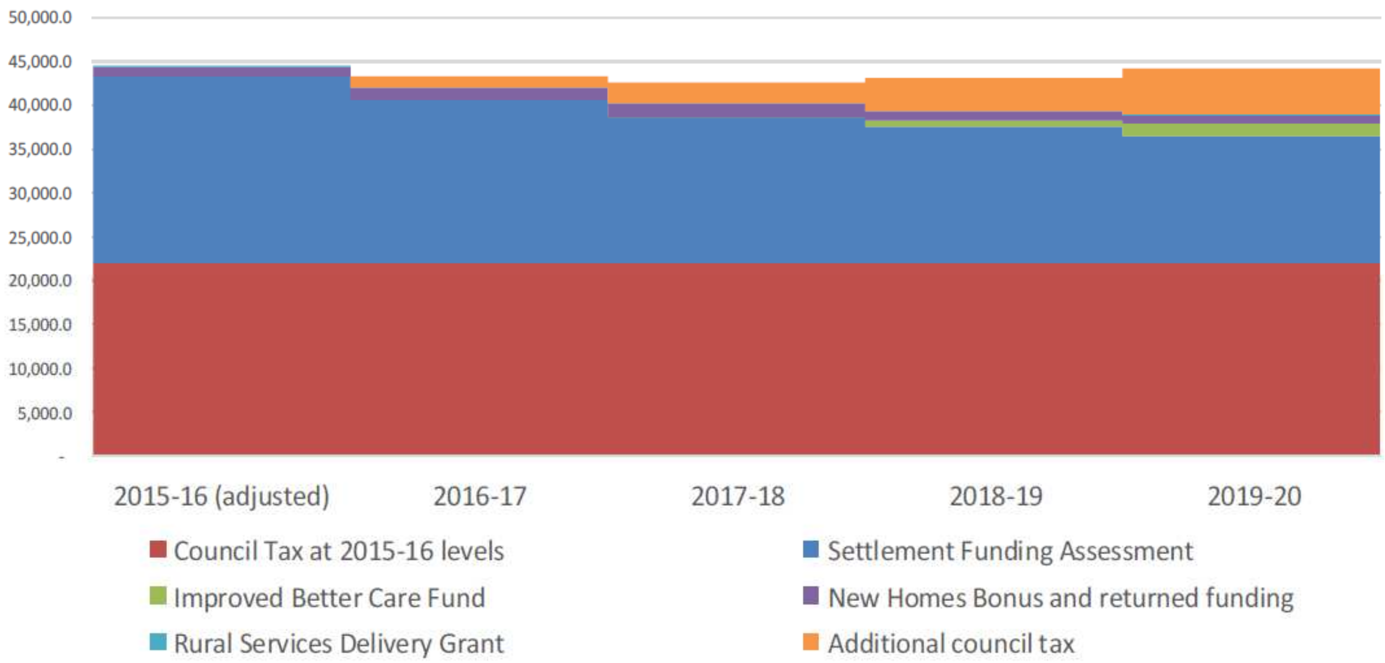
Local Government Finance Settlement Council Tax

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



Local Government Association

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**

732

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?