

Budget 2018-2023

Corporate Performance Panel
30 January 2019

Lorraine Gore
Deputy Chief Executive (Section 151 Officer)

Borough Council of
**King's Lynn &
West Norfolk**



Headlines

- Outturn 2017/2018 additional £844k to reserves plus £737k grant funding rolled forward
- Budget monitoring for 2018/2019 overall on track – to December 2018 favourable variance of £212,710
- Additional renewable energy additional business rates, Race Bank £1.2m per annum backdated to September 2017 transferred to major projects reserve
- Revenue cost reduction target for 2018/2019 is £148k achieved £110k to date



Headlines

- A 'funded budget' position for the period 2018-2023
- 'Funded' budget requires draw from general fund balance of £7.3m over the period. Planned approach to achieving early cost savings has enabled us to hold the general fund balance at a higher level than usual to provide for a planned and measured response to the reduction in grant funding
- By 2022/2023 general fund balance estimated to be £1.3m - minimum requirement is £919k
- Target savings in 2022/2023 of £2.7m

Headlines

- 2019/2020 is final year of the 4 year funding settlement
- For BCKLWN applies to Revenue Support Grant and Rural Services Delivery Grant only 3% of funding over the period 2018/2023 £3m of £93m total funding
- Expectation that Revenue Support Grant will end from 2020/2021
- Assumed that no Rural Services Delivery Grant from 2020/2021 although fair funding review may address some of the funding pressures of delivery of services in rural areas. Additional RSDG announced in provisional settlement for 2019/2020 of £91k



Headlines

- BCKLWN Universal credit full service went live from November 2018 (natural migration) Amber Rudd (Work and Pensions Secretary) recently announced that next stage of project for managed migration from existing benefits to UC is delayed
- Service costs updated and increases contained, some budgets held at 2018/2019 levels
- Growth items only where statutory requirement (includes minimum pay pledges). Autumn Budget set minimum wage rise to £8.21 (BCKLWN currently £8.50). The National Employers pay deal for the period 1 April 2018 to 31 March 2020 included increases in the minimum hourly rate to £8.50 in April 2018 and £9.00 from April 2019



Headlines

- The Budget 2018-2023 will be considered by Corporate Performance Panel on 30 January 2019 and Cabinet on 5 February 2019. Council Tax setting and approval of the Financial Plan 2018-2023 at Council on 21 February 2019
- Funding reliance in future on income raised locally: Council Tax, Business Rates, Fees and Charges
- Significant risk from 2020/2021 – impact of reforms to Business Rates Retention Scheme and results of the Fair Funding Review



Headlines

- Proposed council tax increase of £4.50 on Band D property in 2019/2020
- Proposed £4.50 increase in council tax for following years of Financial Plan
- Car park charges increased in April 2018 – to remain unchanged from April 2019

Financial Plan 2018/2023

| | Estimate 2018/2019 (December Monitoring) | Projection 2019/2020 | Projection 2020/2021 | Projection 2021/2022 | Projection 2022/2023 |
|---|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | £ | £ | £ | £ | £ |
| Total Service Expenditure | 10,863,640 | 11,495,360 | 13,489,030 | 14,523,620 | 15,334,800 |
| Additional transfers to Earmarked Reserves | | | | | |
| Cost reduction programme | 1,426,910 | 1,405,350 | 0 | 0 | 0 |
| Business Rates Renewable Energy | 907,060 | 1,858,850 | 1,197,790 | 1,214,750 | 1,232,040 |
| Financing Adjustment | 1,568,360 | 1,591,870 | 1,595,660 | 1,584,480 | 1,572,490 |
| Internal Drainage Boards | 2,714,880 | 2,772,770 | 2,829,150 | 2,886,680 | 2,945,370 |
| Council Tax Support to Parishes | 43,680 | 20,970 | 0 | 0 | 0 |
| Borough Spend | 17,524,530 | 19,145,170 | 19,111,630 | 20,209,530 | 21,084,700 |
| Reimbursement of lump sum Pension Payment | 1,415,000 | 1,517,000 | 0 | 0 | 0 |
| Contribution (from)/to General Fund Balance | 315,100 | (1,628,760) | (1,000,680) | (2,311,370) | (2,695,800) |
| Borough Requirement | 19,254,630 | 19,033,410 | 18,110,950 | 17,898,160 | 18,388,900 |



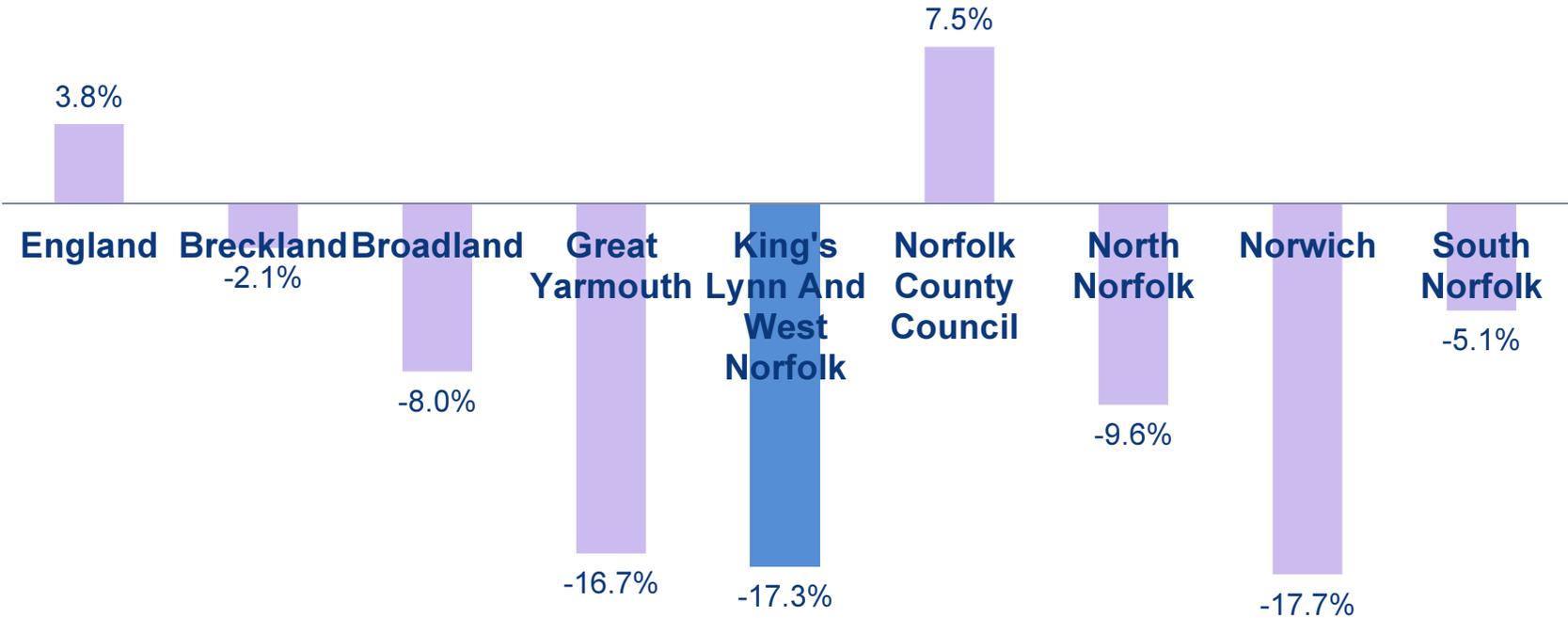
Financial Plan 2018/2023

| | Estimate 2018/2019 (December Monitoring) | Projection 2019/2020 | Projection 2020/2021 | Projection 2021/2022 | Projection 2022/2023 |
|---|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | £ | £ | £ | £ | £ |
| Revenue Support Grant | (1,270,380) | 0 | 0 | 0 | 0 |
| Rural Services Delivery Grant | (462,830) | 0 | 0 | 0 | 0 |
| New Homes Bonus | (1,265,440) | (1,022,890) | (666,620) | (478,250) | (324,440) |
| Taxation | | | | | |
| Business Rates Retention 75% Pilot Baseline Funding | (5,399,296) | (6,480,230) | (5,512,680) | (5,628,450) | (5,746,640) |
| Business Rates Retention 75% Pilot Additional Funding | 0 | 0 | (655,000) | 0 | 0 |
| Business Rates Funding From Growth | (1,073,754) | (1,355,870) | (1,539,880) | (1,727,430) | (1,922,690) |
| Business Rates Renewable Energy | (2,141,500) | (2,571,520) | (2,625,520) | (2,680,660) | (2,736,950) |
| Business Rates Collection Fund Surplus | (1,457,750) | (1,061,060) | (400,000) | (400,000) | (400,000) |
| Council Tax Collection Fund Surplus | (180,000) | (100,000) | 0 | 0 | 0 |
| Council Tax | (6,003,680) | (6,441,840) | (6,711,250) | (6,983,370) | (7,258,180) |
| Funding Position | (19,254,630) | (19,033,410) | (18,110,950) | (17,898,160) | (18,388,900) |

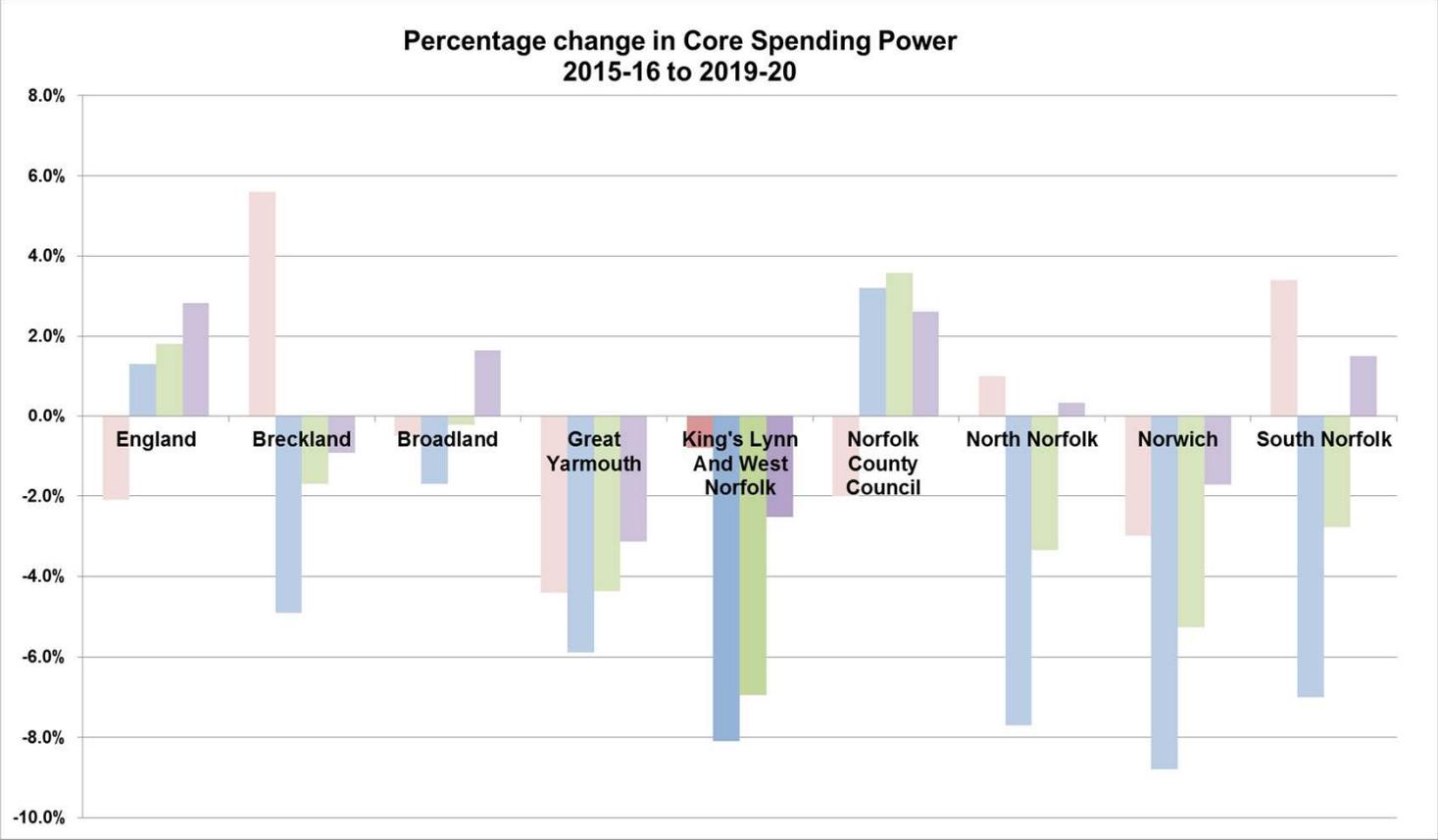


Core Spending Power

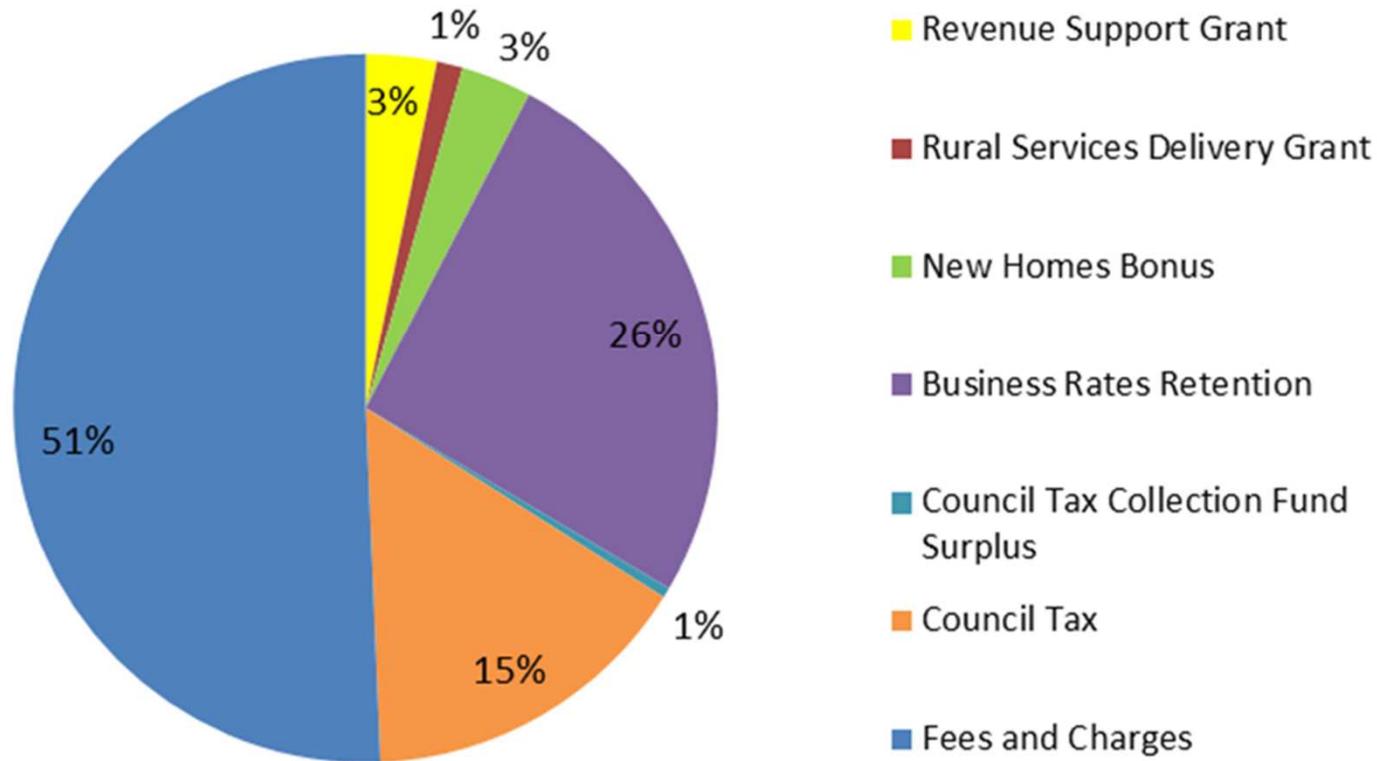
Percentage change in Core Spending Power
2015-16 to 2019-20



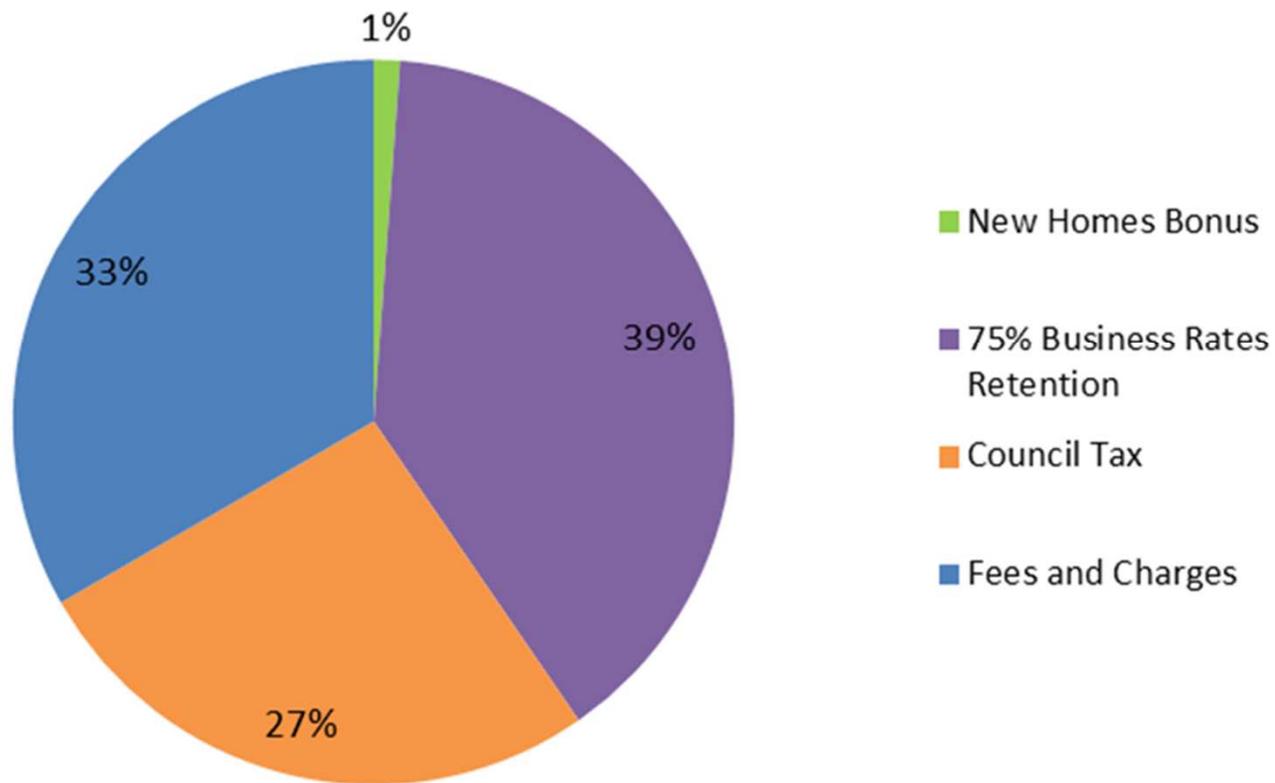
Core Spending Power



Council Funding 2018/19

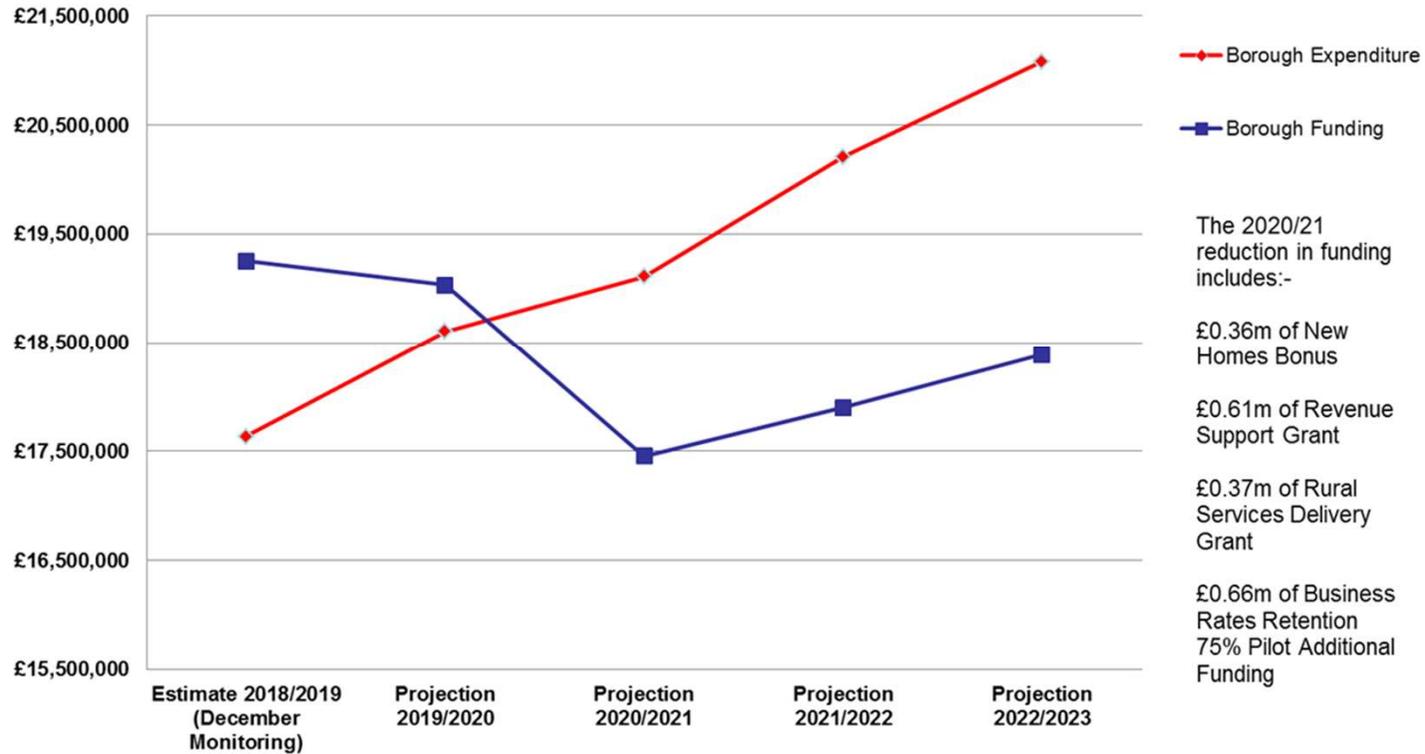


Council Funding 2022/23

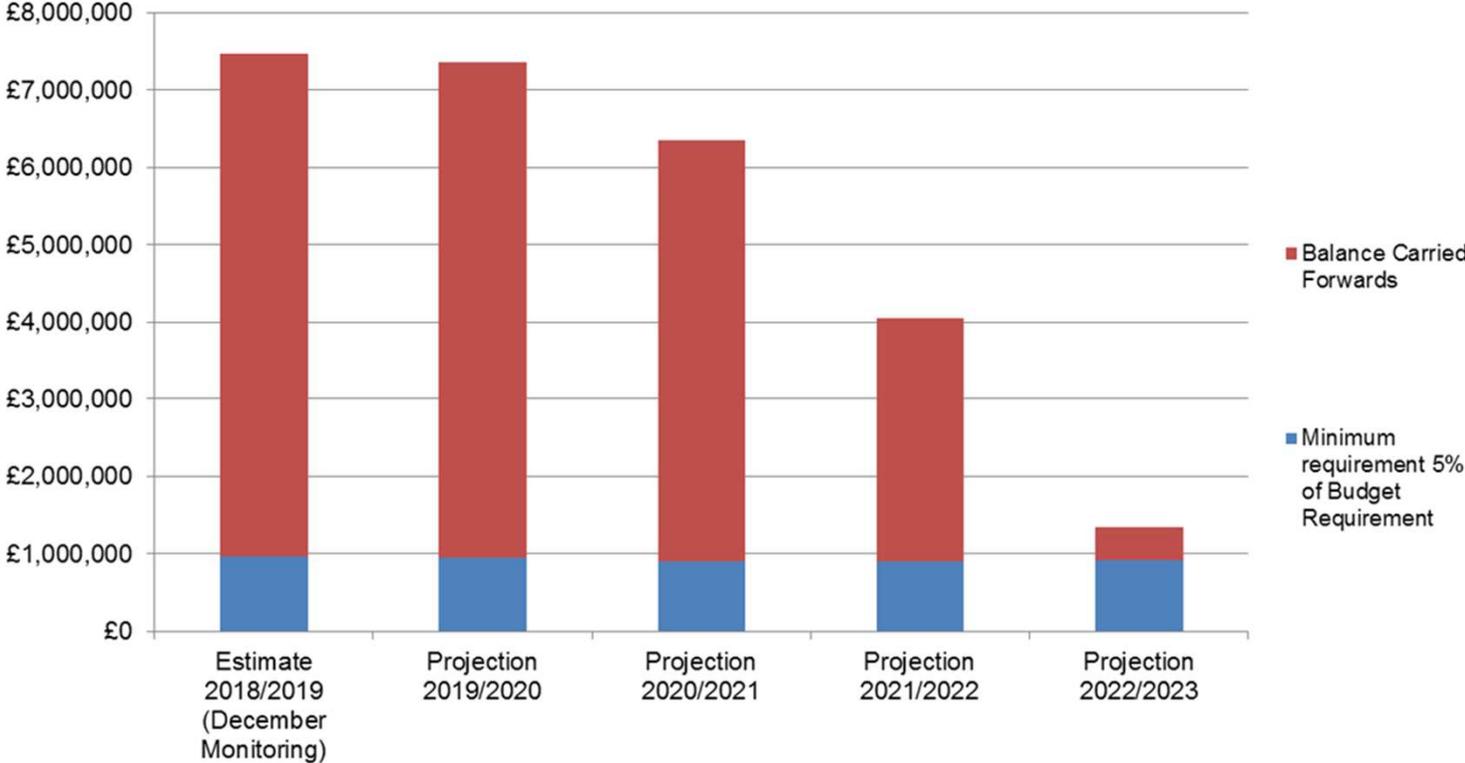


Borough Expenditure / Funding

(excluding cost reduction programme transfers to reserves
and back dated NNDR adjustments)



General Fund Balance



Delivering the Efficiency Plan

In taking up the offer of a four year funding settlement the Council was required to publish an efficiency plan. The Council’s efficiency plan was approved at Council on 29 September 2016. Annual savings of £1.4m achieved.

Savings achieved in 2018/2019

| Service Area | 2018/2019 Saving £ | 2019/2020 Saving £ | 2020/2021 Saving £ |
|---------------------------------|-----------------------|-----------------------|-----------------------|
| Personnel Service | 59,000 | 0 | 0 |
| Energy Efficiency | 21,100 | 33,600 | 21,640 |
| Parish Council Elections | 0 | 2,000 | 2,000 |
| Car Parking | 30,000 | 30,000 | 30,000 |
| | | | |
| Savings to Date | 110,100 | 63,600 | 51,640 |
| Target savings | 147,966 | 337,196 | 361,336 |
| Variance (under) to Date | (37,866) | (273,596) | (309,696) |

Delivering the Efficiency Plan

Target savings of £2.7m by 2022/2023 - the council will need to continue to identify further income generation/savings opportunities. Savings already identified and yet to be achieved:

| Service Area | 2018/2019 Saving £ | 2019/2020 Saving £ | 2020/2021 Saving £ | 2021/2022 Saving £ | 2022/2023 Saving £ | 2023/2024 Saving £ |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Target savings identified at budget setting February 2018 still to be achieved | 37,870 | 273,600 | 309,700 | 309,700 | 309,700 | 309,700 |
| Identified revenue savings from changes to leisure arrangements | 0 | 0 | 260,000 | 345,000 | 412,000 | 412,000 |
| Corporate Projects - identified new revenue income | 0 | 0 | 0 | 373,640 | 840,000 | 1,697,800 |
| Total identified savings | 37,870 | 273,600 | 569,700 | 1,028,340 | 1,561,700 | 2,419,500 |



Changes to Business Rates Discounts

As part of the Autumn Statement 2018 the Chancellor announced new and extended business rates discounts:

- Retail discount scheme where rateable value is less than £51,000 - discount of one third applies from 1 April 2019 and the scheme runs for two years
- 100% discount for all public lavatories from 1 April 2020
- Local newspaper discount scheme extended for a further year - £1,500 per year discount for offices occupied by local newspaper irrespective of the rateable value
- No further extension to the discount scheme for pubs where rateable value is less than £100,000 – this scheme ends in March 2019.



Business Rates Retention Reform

- Frequency of resetting of baseline and what date will be used for initial baseline reset
- Impact of Valuation Office delays and decisions
- Will 100% of renewable energy growth be retained
- No new money
- Business rates growth will not be enough to meet cost growth
- How much will be 'top sliced' to address economic differences across the country and particular pressures eg adult social care
- Next valuation brought forward one year to 2021 and then three yearly



Business Rates Retention

- Implementation still expected from April 2020 although no date set for the legislative changes
- Taken cautious approach for later years of medium term financial plan
- Significant uncertainty and risk
- Further consultation document published on 13 December alongside the provisional local government finance settlement:

Business Rates Retention Reform

Sharing risk and reward, managing volatility and setting up the reformed system



Business Rates Retention Pilot

- MHCLG approved 15 new Business Rates Pilots for 2019/2020 including a Norfolk Pilot
- Under the pilot arrangements the amount of RSG and RSDG received is zero. The value of the RSG and RSDG foregone will be taken into account in setting revised tariffs and top-ups.
- A business rates pilot in 2019-20 is forecast to deliver tangible benefits to the county as a whole, and will support the Government as it develops the new Business Rate Retention system for implementation in 2020-21. The financial benefit to Norfolk as a whole from piloting 75% Business Rates retention is forecast to be around £7.8m representing the additional 25% share of growth that would be retained locally and shared between the Districts and County Council. The one off benefit for BCKLWN is £655k



Fair Funding Review

- Outcome of Fair Funding Review not yet known
- Further consultation document published on 13 December alongside the provisional local government finance settlement;
A review of local authorities' relative needs and resources
Technical consultation on the assessment of local authorities' relative needs, relative resources and transitional arrangements
- Expect winners and losers
- Unknown if/what transitional arrangements will be
- Aim to make more transparent and simple!



Fair Funding Review

- Expect income which can be generated locally to be taken into account; council tax, fees and charges
- Still uncertainty on how IDB funding will be reflected
- Funding from 2020/2021 will reflect the final agreed business rates retention scheme and will be redistributed according to the outcome of the new needs assessment.



Fair Funding Review

Next Steps by MHCLG

- Autumn 2018 Planned consultation on relative needs, resources and principles for transitional arrangements (consultation document issued 13 December 2018)
- Spring 2019 Finalise options for needs and resources
- Autumn 2019 Set baseline funding levels and finalise transitional arrangements (fiscally neutral and time limited)



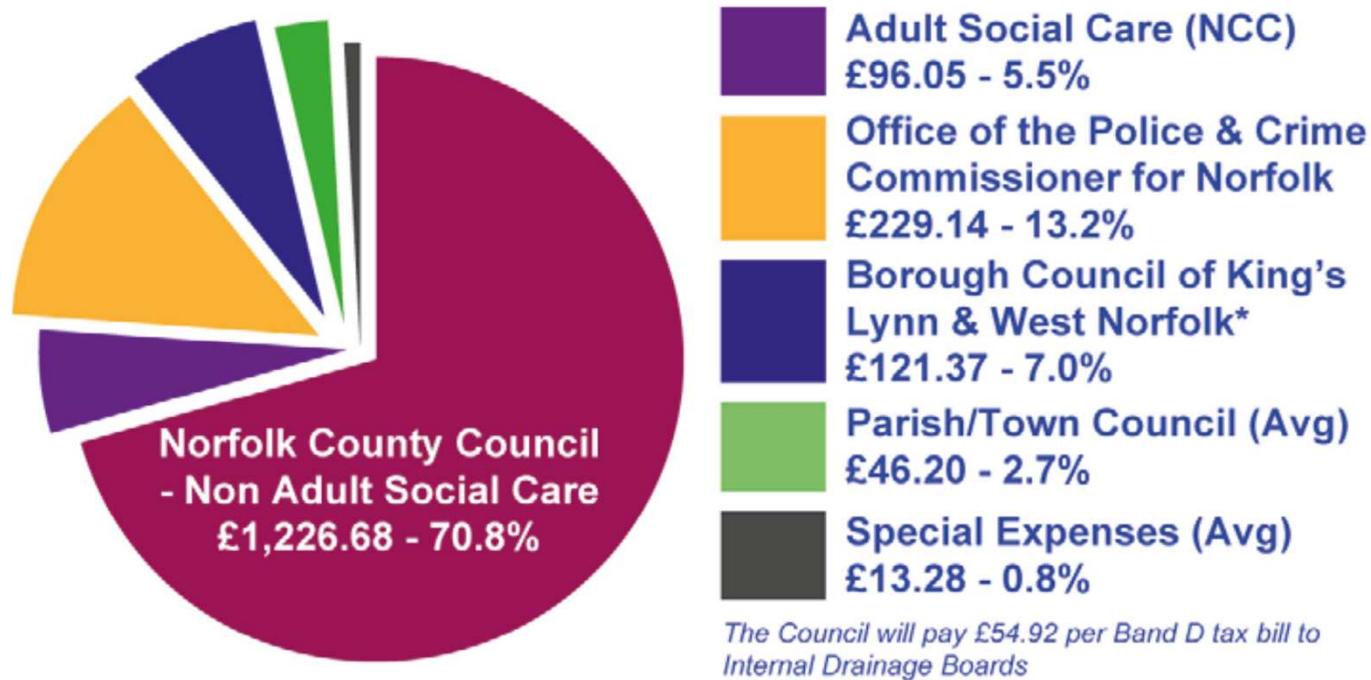
New Homes Bonus

The Minister announced as part of the provisional local government finance settlement that in the year ahead no new changes will be made to the way New Homes Bonus works

It is anticipated that as part of the reform of Business Rates Retention there will be further changes to the distribution of NHB. In setting the Financial Plan 2018-2023 a cautious approach has been taken in estimating future funding from NHB and it has been assumed that funding will reduce from 2020/2021 to payments for 3 years, then 2 years and finally a one year payment by 2022/2023.

A reduction from £1.3m in 2018/2019 to £0.3m in 2022/2023

Council Tax 2018/2019



Council Tax

The 'Referendums Relating to Council Tax Increase (Principles) (England) Report 2019/2020' published on 13 December 2018 state that for the borough council the principles for 2019/2020 are an increase of 3% or up to £5, whichever is higher.

This will apply to the overall increase in general council tax and special expenses.

Council Tax base 2019/2020 51,179 band D properties

Assumed annual increase of 300 properties for all years of the plan

Council Tax 2019/2020

The proposed levels of council tax for 2019/2020 includes a £4.50 increase on a Band D.

| BAND | 2019/2020 | BAND | 2019/2020 |
|------|-----------|------|-----------|
| | £ | | £ |
| A | 83.91 | E | 153.84 |
| B | 97.90 | F | 181.81 |
| C | 111.88 | G | 209.78 |
| D | 125.87 | H | 251.74 |



Council Tax Discounts

The following changes to Council Tax discounts were agreed at Council in November 2018

- Removal of the one month 100% discount for empty and unfurnished properties from 1 April 2019.
- Apply the maximum increases to the long term empty property premium starting from 1 April 2019. The premiums charged for properties empty for more than two years will increase from 50%.

| | 2019/2020 | 2020/2021 | 2021/2022 |
|----------------------------------|-----------|-----------|-----------|
| Empty for between 2 and 5 years | 100% | 100% | 100% |
| Empty for between 5 and 10 years | 100% | 200% | 200% |
| Empty for over 10 years | 100% | 200% | 300% |

- Introduction of the Care Leavers' local discount from 1 April 2018.



Fees and Charges

Fees and Charges – general average increase of 2.4%, the projected level of inflation by April 2019

Car parking charges were last increased in April 2018 and will remain unchanged for 2019/2020

Arrangements are currently underway to transition to the new delivery model for leisure services agreed by Cabinet in October 2018. Fees and charges for 2019/2020 will continue to be set by Alive Leisure, in consultation with the Council and will be increased on average by 2.4%, the projected inflation level by April 2019



Internal Drainage Board Levies

Future funding of IDB levies charged to the Council still uncertain

Fair funding review needs to address IDB funding

King's Lynn IDB advised 2% increase for 2019/2020

Remaining boards not yet advised levies for 2019/2020

IDB levies 2019/2020 £2.7m – 14.5% of Borough spend of £19m

The Council will pay £54.16 per Band D to meet the IDB levies in 2019/2020

Capital Programme Objectives

Provide assets (acquisition, construction or enhancement)

- to deliver the Council's key priorities
- to deliver against the Council's Efficiency Plan
- appropriate to the delivery of the Council's services



Capital Programme Challenges

Limited capital resources

Need to reduce revenue costs, prioritise schemes which:

- Reduce revenue expenditure
- Increase or generate new revenue income
- Increase council tax base

Statutory requirements and managing demand
- private sector housing assistance

‘Maintain - reduce – improve’ existing service levels

Take advantage of technology and digital strategy

Opportunity cost of decisions



Capital Programme Challenges

Prioritising competing schemes

Funding arrangements

Use uncommitted resources

Take out additional borrowing

Review current programme v new opportunities

Ageing assets and systems

Promote innovation

Delivery timescales and lead in times

Deliver enhancements



Capital Programme 2018/2023

| | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|--|------------|------------|------------|------------|------------|
| | £ | £ | £ | £ | £ |
| Major Projects | 31,134,760 | 43,887,210 | 20,829,110 | 0 | 0 |
| Operational Schemes | 5,253,140 | 5,474,800 | 2,993,540 | 2,985,800 | 2,541,300 |
| Exempt Schemes (Major Projects) | 6,885,000 | 14,036,610 | 28,243,270 | 18,181,670 | 15,361,660 |
| Total | 43,272,900 | 63,398,620 | 52,065,920 | 21,167,470 | 17,902,960 |

Major Projects

Major Housing Project – Lynnsport, Marsh Lane, NORA phase 4 (modular), Columbia Way, King’s Lynn and Alexandra Way Hunstanton

Enterprise Zone – infrastructure and speculative units

Operational Schemes

Private sector housing assistance – Disabled Facilities Grants

Vehicles

ICT

Leisure facilities – equipment and buildings refurbishment



Corporate Capital Projects and Delivery of Efficiency Plan

Estimated new revenue income of £1.7m by 2023/2024 has been identified from capital investment opportunities and achievement is key to meeting the target savings

Examples:

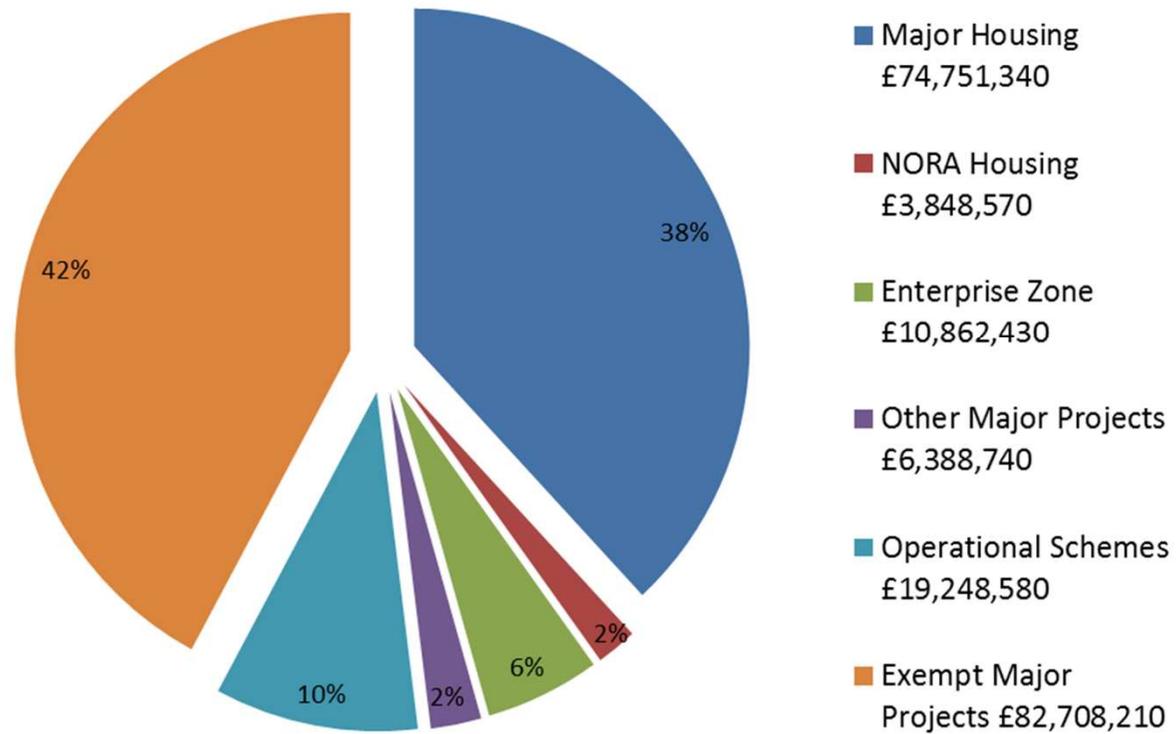
Cinema – Corn Exchange

Private rented housing – West Norfolk Property Ltd

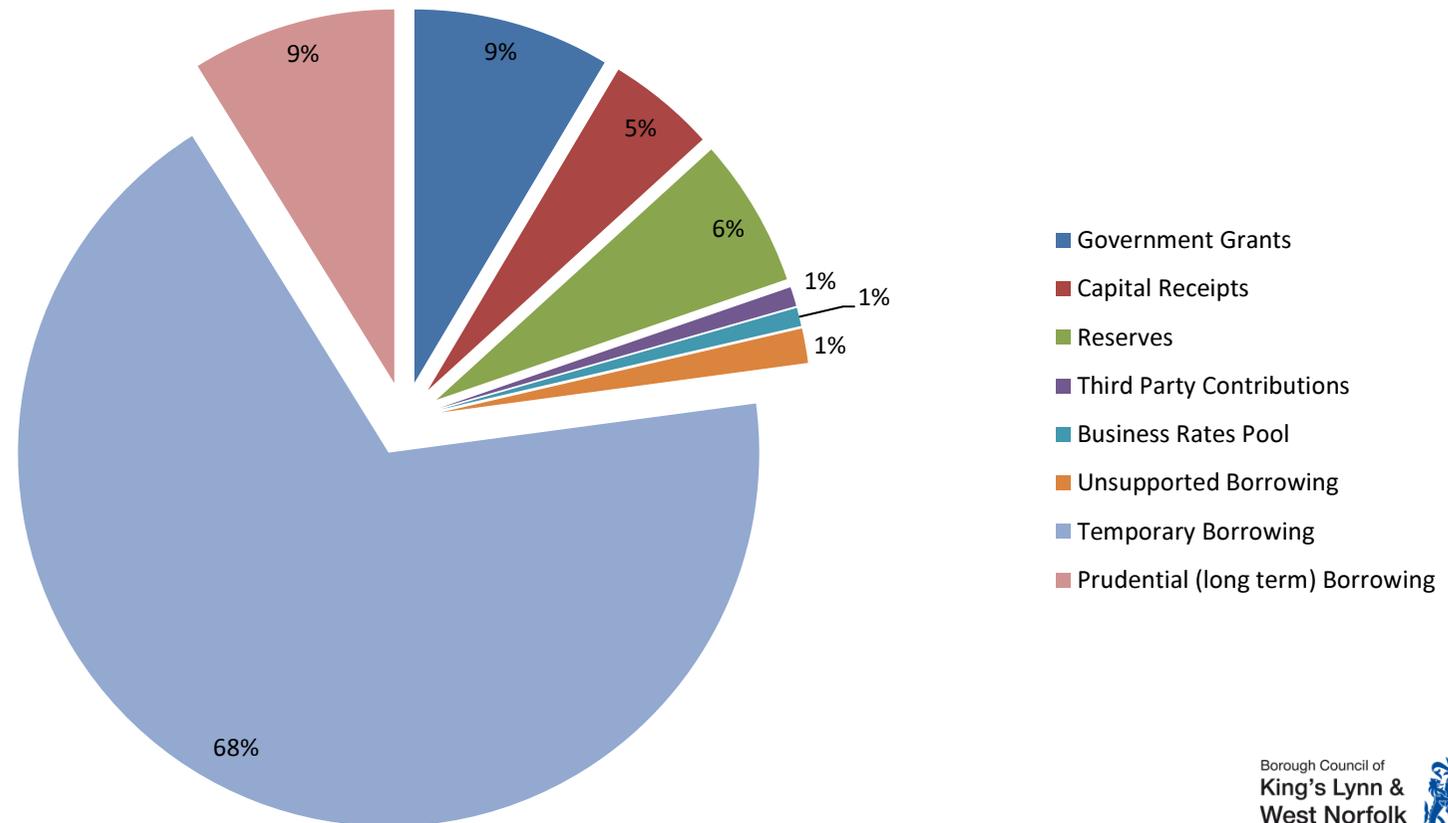
Doctors Surgery



Capital Programme 2018/2023



Capital Estimates 2018-2023 : Funding



Questions?