

RECOMMENDATIONS TO CABINET ON 2 FEBRUARY 2016 FROM THE RESOURCES AND PERFORMANCE PANEL AT ITS MEETING ON 26 JANUARY 2016

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 as an Appendix.

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 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 funding 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 that they were appealing to reduce their business rates and that if the proposal was successful it would result in reduced business rates income to the Borough Council and put increased pressure on the Council's finances.

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 Anota 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.

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a Financial Plan 2015/2020 Presentation by Assistant Director
Attached as an Appendix to the Minutes.

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.