RECOMMENDATIONS FROM CABINET ON 5 FEBRUARY 2019
TO COUNCIL ON 21 FEBRUARY 2019

CAB122 will be taken with item 8 on the agenda.

CAB122 **<u>THE FINANCIAL PLAN 2018/2023</u>**

The Deputy Chief Executive presented the budget report which explained that as part of the council tax setting process the Council updated its longer term Financial Plan to take account of any changes in financial settlements, inflation on service costs and revised priorities of the administration.

In February 2018 the Council set out a Financial Plan for 2017/2022. The Plan reflected the continued significant financial challenges faced by the Council.

Changes to the local government finance system were expected to include the phasing out of Revenue Support Grant (RSG) and changes to the distribution of New Homes Bonus. There would be a full reset of the business rates system in 2020/2021 which would allow full implementation of reforms to the Business Rates Retention Scheme and the outcome of the review into relative needs and resources, the Fair Funding Review.

The report explained that the Council could present a funded budget for all years of the medium term financial plan to 2023. There was significant uncertainty from 2020/2021. The impact of the implementation of the reform of the Business Rates Retention scheme and the Fair Funding Review from 2020/2021 were still unknown, but there was considerable downside risk.

The provisional local government finance settlement announced by Government on 13 December 2018 confirmed the fourth and final year of the 4 year offer. It was noted that the 4 year offer only included RSG and Rural Services Delivery Grant (RSDG). The ending of RSG had been clearly signaled and it was assumed that the Council would receive no RSG from 2020/2021. As with RSG it had also been assumed that the Council would receive no RSDG from 2020/2021. This was a cautious approach.

As part of the provisional settlement for 2019/2020 the Government announced an additional £16m in RSDG to ensure that the grant remained at its 2018/2019 level.

It was noted that the Government focus was on Councils' 'core spending power' inclusive of locally generated resources. The core spending power analysis tables published by the Government for each Council assumed that Councils in the lowest quartile of Council Tax levels (which included the Borough Council) would introduce the full £5 per annum per Band D dwelling Council Tax increase now permitted under the Council Tax Referendum Principles.

In the provisional local government finance settlement announced on 13 December 2018 the Government approved 15 additional 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.

The implementation of reforms to the Business Rates Retention Scheme meant existing grants would be incorporated into business rate retention including the RSG and RSDG. The revised arrangements for business rates retention would not provide this Council with funding to replace the reductions announced in RSG. The review into relative needs and resources, the Fair Funding Review, would redistribute business rates. It could be anticipated that there would be winners and losers as a result of the funding review.

In preparing the Financial Plan 2018/2023 assumptions had been made on continued growth in business rates for 2019/2020. There could however be no guarantee that business growth would materialise as developers/businesses would respond to changing market conditions, and the added uncertainty as the Brexit arrangements unfold. There was therefore a significant level of risk with this approach. If the anticipated projects did not progress as planned or were cancelled the growth would not be achieved.

The report set out that the Council over recent years had adopted a policy of seeking efficiencies and different ways of delivering services producing significant levels of savings. A robust process to identify proposals to address the continuing budget deficit had been underway since the autumn 2015. In taking up the offer of a four year funding settlement the Council was required to publish an efficiency plan and monitor progress on delivery of savings. As at the end of November 2018 the Council had achieved actual ongoing annual savings of £1.4m. Where savings were achieved in advance of 2020/2021 these would be transferred to reserves to fund investment in major capital projects which will provide future revenue income.

Work had been underway during the current financial year on securing the cost reduction/income generating targets identified as part of the budget setting process in February 2018. The actual annual savings achieved of £1.4m were included in the Financial Plan 2018/2023 from 2020/2021 and by the end of this medium term plan there was still a budget gap of £2.7m. The budget gap may be even higher depending on the impact of the reforms to the Business Rates Retention scheme and the Fair Funding Review. The delivery of the major corporate capital projects to generate additional/new income is vital in achieving the required budget savings.

The costs of services of the Council had been updated. In terms of containing spending a number of service budgets had been held at 2018/2019 levels and increased had been made only where known price increases have occurred. Growth items had only been included where there was a statutory requirement including minimum pay pledges.

It remained difficult in the current economic climate to estimate levels of income in certain services including planning, car parks and industrial estates and a cautious approach had been taken in projecting forward into 2019/2023.

Under Standing Order 34 Councillor Moriarty asked whether the NWES loan would be covered in the budget, and if caution would be used in the lending of money to other councils. He also queried the savings allocated in the parish council elections in the report and the Deputy Chief Executive undertook to look into the figures quoted.

The Chairman reminded members that the NWES loan would be the subject of an Internal Audit report to be considered at the next Audit Committee and once seen there would be a clearer picture. He confirmed the building was in the Council's control and was delivering what the building was constructed for with all its space rented and yielding a rental. With regard to other councils they also had the tax raising mandate and should one fail its residual body would take on any liabilities however when it occurred it was dealt with prudently. He confirmed that if anything was remiss with the NWES case then he would ask for an impartial investigation.

Under Standing Order 34 Councillor Joyce reminded Members that Northamptonshire Council would not exist after May 2020. He drew attention to comments made by Councillor Pope at the time of the NWES loan warning against a further loan. He asked when the £3m would be coming back to the Council.

The Chairman reminded Councillor Joyce that Councillor Pope had been on the Cabinet at the time of the NWES decisions were made. He reminded Members that the Council was still in negotiation with NWES. Councillor Beales referred to meetings past and present with the NWES Board when appropriate Council officers attended, and confirmed that when the information was available it would be reported.

Under Standing Order 34 Councillor Tilbrook expressed support for raising revenue, and asked why the major housing work could not be brought forward to bring in income sooner. The Chairman confirmed that he was keen to start the private rentals but to bring things forward it would impact on other plans.

Councillor Beales drew attention to the progress made on the provision of rental homes, but a huge amount of infrastructure had been installed early in the planned and current schemes, sometimes with a large amount of clean up of a site required. The progress for the schemes was structured in a manageable way, with the capital costs having to be resourced. The sales prices of the properties were being regularly reviewed and West Norfolk Property would rent out the properties.

Councillor Devereux drew attention to the fact that 47% of a Band D Council Tax went to the Internal Drainage Boards (IDBs), the majority of which was not currently refunded by the Government, however this was now under review.

The Deputy Chief Executive explained that during the course of the fair funding review officers had attended consultation events with Ministry representatives who originally did not understand the impact of and costs IDB levies on the Borough, however they were now including flood defence and coastal protection in their review.

In summing up the Chairman expressed the desire to show the levies on the Council tax bill so the consumer was aware of the costs involved. He drew attention to the fact that taking out the IDB levy, the Borough's Council Tax was one of the lowest in the country, but that also without the IDBs the area would be under water so much valuable farmland and properties would be unusable.

The Deputy Chief Executive explained that the Norfolk Business Rates Pool Pilot for 2019/2020 would provide additional income for the Borough, although it was not known at this stage what other areas would be reduced and by how much in future once the business rates retention scheme was implemented.

RECOMMENDED:

Recommendation 1

That Council approve the revision to the budget for 2018/2019 as set out in the report.

Recommendation 2

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

Recommendation 3

That Council :

1) Approves the budget of £19,033,410 for 2019/2020 and notes the projections for 2020/2021, 2021/2022 and 2022/2023.

2) Approves the level of Special Expenses for the Town/Parish Councils as detailed in the report.

3) Approves the Fees and Charges 2019/2020 detailed in Appendix 5.

4) Approves a Band D council tax of £125.87 for 2019/2020

Recommendation 4

That Council approves a minimum requirement of the General Fund balance for 2019/2020 of £951,671.

Reason for Decision

The Council is obliged to set a Budget Requirement and level of council tax before the beginning of a financial year commencing on 1 April.

CAB123 **<u>CAPITAL PROGRAMME AND RESOURCES 2018-23</u>**

The Deputy Chief Executive presented a report which:

- revised the 2018/2019 projections for spending on the capital programme
- set out an estimate of capital resources that would be available for 2018-2023
- detailed new capital bids that were recommended to be included in the capital programme for the period 2019-2023
- outlined provisional figures for capital expenditure for the period 2018-2023

The report contained an exempt section detailed proposed future corporate capital projects.

The Chairman thanked the Deputy Chief Executive and her team for all the work put into bringing the Financial Plan and the Capital report.

RECOMMENDED: 1) That the amendments to capital schemes and resources for the 2018-2023 capital programme as detailed in the report be approved.

2) That new capital bids be funded from available capital resources and included in the capital programme 2019-2023 as detailed in the report.

Reason for Decision
To report amendments, re-phasing and resources to the 2018-2023 Capital Programme

CAB124 **EXCLUSION OF THE 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 paragraph 3 of Part 1 of Schedule 12A to the Act.

CAB125 **LEISURE SERVICES TRANSFER**

Councillor Mrs Nockolds presented a report which explained that the Council and Alive Leisure Trust (ALT) had negotiated a provisional agreement with regard to the transfer of the Leisure Services operation from ALT to the Council. The basis of this agreement was that both organisations would work together to achieve a smooth and seamless transfer of the current service operation aiming for an early transfer of the service from 30 June 2019.

The Executive Director explained that the Environment and Community Panel had received a presentation on the proposal now put forward and had supported it unanimously.

The Cabinet expressed its satisfaction that the negotiations were progressing well and that the two organisations would work together to deliver the transfer smoothly.

RECOMMENDED: That the arrangements for transfer of Leisure as detailed in the report be approved.

Reason for Decision

To facilitate an early and cost effective transfer of the Leisure Service from Alive Leisure Trust to a Council Not for Profit Company.