Agenda item no.____4___

OVERVIEW AND SCRUTINY

Minutes of a meeting of the Overview and Scrutiny Committee held on 20 June 2018 in the Council Chamber, North Norfolk District Council, Holt Road, Cromer at 9.30 am.

Members Present:

Committee: Cllr K Ward (Chairman)

Cllr S Bütikofer
Cllr A Claussen-Reynolds
Cllr J English
Cllr V Gay
Cllr S Hester
Cllr N Smith
Cllr M Knowles
Cllr N Lloyd
Cllr R Reynolds
Cllr E Seward
Cllr B Smith

Officers in Attendance: The Corporate Director (SB), the Head of Legal and Democratic Services, The Head of Finance and Asset Management, the Democratic Services Manager, the Democratic Services Officer (Scrutiny) and the Democratic Services Officer.

Members in Attendance: Cllr A Fitch-Tillett, Cllr J Rest, Cllr M Prior, Cllr J Lee (Leader), Cllr D Young, Cllr R Price (Portfolio Holder for Property and Asset Commercialisation), Cllr B Hannah, Cllr N Pearce, and Cllr W Northam (Portfolio Holder for Finance, Revenue and Benefits).

1. CHAIRMAN'S OPENING ANNOUNCEMENT

Two reports – Treasury Management and Debt Recovery – were on the agenda as items for information. The Committee was requested to indicate whether they supported the recommendations to Council for these items. To aid with agenda management, the Chairman had agreed that there would not be a full debate on these reports unless Members requested one.

2. APOLOGIES

None.

3. SUBSTITUTES

None.

4. PUBLIC QUESTIONS

No public questions were received.

5. MINUTES

The minutes of the Overview and Scrutiny Committee held on 23 May 2018 were accepted as an accurate record and signed by the Chairman after the following amendment was noted: Mr J Rest had been present as a Member in Attendance, not as a Member of the Committee as stated.

6. ITEMS OF URGENT BUSINESS

None.

7. DECLARATIONS OF INTEREST

To be taken, if necessary, at the appropriate item on the Agenda.

8. PETITIONS FROM MEMBERS OF THE PUBLIC

None.

9. CONSIDERATION OF ANY MATTER REFERRED TO THE COMMITTEE BY A MEMBER

No items were submitted for consideration before the agenda was published and no item was raised at the meeting.

10. RESPONSES OF THE COUNCIL OR THE CABINET TO THE COMMITTEE'S REPORTS OR RECOMMENDATIONS

On 25 April, the Committee made recommendations to Cabinet in relation to the Annual Action Plan.

The recommendations were that the Plan should include the following:

a) Clear outcome-based targets, where appropriate.
b) Outcome-related results for areas that are "ambitions" rather than numerical targets.
c) Clarity about previous performance.
d) A narrative report attached to explain significant variances.
e) Benchmark figures (when an authority of similar size and location is providing the same service)

A Cabinet meeting took place on 11th June and accepted these recommendations.

11. 2017/18 OUTTURN REPORT (PERIOD 12 BUDGET MONITORING REPORT)

The report was introduced by Cllr W Northam, Portfolio Holder for Finance, Revenue and Benefits. He told the Committee that, in his time as Portfolio Holder, he had never had to make a negative report. Thanks to good financial control by staff, the Council was living within its means and had produced a healthy surplus without having to cut services. Furthermore, he stated the outturn report was upbeat and encouraging due to the hard work of the finance department.

The period 10 budget monitoring report was presented to Cabinet in February and covered the first 10 months of the year up to the end of January 2018. It forecasted a General Fund underspend of £273,000 with a further transfer from the Collection

Fund in relation to Business Rates of £564,000, giving an overall surplus of just over £837,000.

This report now presented the outturn position for the 2017/18 financial year and included a General Fund underspend of just over £249,000 and a transfer from the Collection Fund in relation to Business Rates of £745,000 giving an overall General Fund surplus of just over £994,000. Details were included within the report of the more significant year-end variances compared to the current budget for 2017/18. The report also made recommendations for contributions to reserves as applicable for future spending commitments. An update to the current capital programme was also included.

Whilst there were options available for earmarking underspend in the year, the report made recommendations that provided funding for ongoing commitments and future capital projects.

The final position allowed for £501,386 of budget and grant underspends to be rolled forward within Earmarked Reserves to fund ongoing and identified commitments for which no budget had been allocated in 2018/19. The position as reported would be used to inform the production of the statutory accounts which will then be subject to audit by the Council's external auditors Ernst and Young.

Written questions had been submitted by Cllr E Seward, the questions and answers can be found in Appendix A.

<u>Discussion</u>

Cllr E Seward stated that he had some additional questions following the summary of the report and emphasised that the report now showed what had happened, and was therefore not a prediction as had been given in February. He continued that apart from the stated surplus of £994k, the report revealed that there was an additional surplus of £1.5m being transferred to the Asset Management Fund. He then asked whether this meant that the surplus was larger than originally expected. The Head of Finance and Asset Management replied that there are 2 distinct parts to the budget process. The first is when the budget had originally been set back in February 2017; this showed an anticipated surplus of £1.046m of income over the base net budget of £14.6m and transfers were made at that time to the Asset Management Reserve (£905k), and the Enforcement Works Reserve (£141k). He added that the Outturn Report for the 2017/18 financial year now revealed an underspend of £994k against the net budget position of £14.6m. This had arisen due to the variances highlighted within the report, although there had been a one-off transfer as a result of collections and grants for benefits from the DWP of £227k, which would not be repeated in future years. He advised the Committee that this would be a one-off income, and that it had been added to the Council's reserves.

Cllr E Seward stated that the report had included a £2m surplus, which he explained was due to business rates relief. He then asked if it would be reasonable to assume that the same relief would be given again this year. The Head of Finance and Asset Management answered that the Council could assume that it would be given again, however it was important to note that the amount of relief could change. He added that the Council was using a new model to close down the Collection Fund as part of the annual accounts process. This had helped the Council publish the draft accounts by the new deadline at the end of May, with the new deadline for the completion of the audit and final publication of the accounts set for the end of July. It was also suggested that using the new CIPFA model to calculate accounts allowed for better monitoring throughout the year, although there was still room for forecasting differences, as the gross income accounted for within the Collection Fund is around £27m.

Cllr N Lloyd brought attention to pages 37-38 of the report, and stated that it was concerning that economic growth and business encouragement remained low, then asked how the Council could ensure that reserve money would be well spent. The Head of Finance and Asset Management answered that careful budget monitoring would continue to highlight any budget underspend, and whilst there was money still available, the majority had been utilised to fund existing projects. Cllr D Young added that £450k had been removed from the capital programme for public conveniences, and asked what this money was originally going to be used for. The Head of Finance and Asset Management replied that it had been primarily allocated for Wells Beach Road, but as the amount was probably not now enough to cover the costs of the entire project it had been removed pending a more detailed report on any scheme proposals.

Cllr D Young asked whether the description for the previously earmarked housing reserves needed updating. The Head of Finance and Asset Management replied that the housing allocation from Central Government was a surprise that had been kept in reserve for general spending on the Community Housing Fund, and that the description would need updating. The Corporate Director (SB) added that some of the money had been allocated to Holt, Wells and Stiffkey, with the potential for more to be given to Wells in the future. Cllr D Young asked if the costs of the Housing Fund were taken from this reserve. The Corporate Director (SB) replied that it was funded by an element of the money. The Chairman added that an event would be held on the 5th of July to provide an update on the Council's housing schemes.

Cllr S Hester said he was pleased to hear of any finance training being provided in the future, then asked who set the rates on pensions and who scrutinised this process with reference to the £1.1m variance in pension costs on page 15. The Head of Finance and Asset Management replied that the LGPS arranged all pension rates, and added that the cited £1m was being held as a liability on accounts but there was no effect on the General Fund at present. He continued that he was unsure of the effect that the gender pay gap would have on the pension fund, but reiterated that money was in place as a contingency. The Chairman explained that within the BBC, if gender pay-gap claims were proven and the employer had underpaid/underfunded pensions, then the organisation was liable and funding would be required to resolve the issue. The Corporate Director (SB) advised the Committee that there were more female than male employees at NNDC, but there were more men employed in the top 25% of the organisation, though this had been different in previous years. He assured the Committee that pay equity for duplicate jobs was a statutory requirement for all authorities, and NNDC ensured the same rates of pay were given to all men and women employed in the same role.

Cllr E Seward asked whether an answer was available to his written question submitted to the Committee regarding vacancies at the Council. The Head of Finance and Asset Management stated that it was not possible to provide a response to the particular question posed as that information was not held, but he would ask Human Resources to see what could be provided.

Cllr E Seward asked if there were any more thoughts on asset commercialisation that related to certain sites, specific assets, efficiency savings, areas, staffing and contractors. The Corporate Director (SB) replied that the asset commercialisation plan had been outlined by the conservative administration in 2015 with a plan to make the assets work harder for the Council. He continued that many Councils had now taken this approach, often selling off assets, but warned that this could only be done once. It was stated that Gleeds had been appointed to give advice on any assets that could generate greater return. Advice had been given to invest outside of the district to generate income, but there were reservations on spending funds that would not directly benefit the district. Gleeds had also suggested four revenue generating sites within the district, but the Council had chosen not to progress three of these due to difficulties arising from the controversial nature of the sites. It was also stated that the assets team would take a different approach on concessions going forward. The Corporate Director (SB) finished by stating that for the next twelve to twenty-four months NNDC was in a reasonably strong position, meaning at this stage that the future should be considered by elected members, and added that there were no predicted redundancies or service item reductions at present. The Leader stated that it remained the ambition of the current administration to make assets work for the Council, but they would continue to consult communities first. The Chairman asked for the NAO Asset Management Report to be circulated to members of the Committee.

The Chairman asked if recommendations could be taken en block. The recommendations passed.

RESOLVED

The Head of Finance and Asset Management to request details on the number of vacancies from each department at NNDC and provide a written response.

To note the Outturn Report and recommend the following to Full Council:

The provisional outturn position for the general fund revenue account for 2017/18;

The transfers to and from reserves as detailed within the report (and appendix C) along with the corresponding updates to the 2018/19 budget;

Transfer part of the surplus of £994,259 to the Capital Projects Reserve to support the capital programme;

The financing of the 2017/18 capital programme as detailed within the report and at Appendix D;

The balance on the General Reserve of £2.196 million;

The updated capital programme for 2018/19 to 2021/22 and the associated financing of the schemes as outlined within the report and detailed at Appendix E.

12. TREASURY MANAGEMENT ANNUAL REPORT 2017/18

The report was introduced by the Portfolio Holder, Cllr W Northam. It set out the Treasury Management activities actually undertaken during 2017/18 compared with the Treasury Management Strategy for the year. Treasury activities for the year had been carried out in accordance with the CIPFA Code and the Council's Treasury Strategy.

Investment activity: the Ministry of Housing, Communities and Local Government's (MHCLG) guidance on Local Government Investments required the Council to focus on security and liquidity, rather than yield when undertaking its treasury activities.

The Chief Technical Accountant and her team were congratulated for their work.

Discussion

The Chairman asked if there were any questions regarding the report. Cllr E Seward stated that the Council had gone over the limit on sums invested for over 364 days by £0.5m and asked what the implications of this overspend would be. The Head of Finance and Asset Management replied that the limit was only a guide, hence £0.5m over the guide of £30.0m was purely a risk management issue. As the Section 151 Officer he advised that this was not a big problem and added that the Council had made the move for longer term investments to help generate a greater return on its investments.

RESOLVED

That the Council be asked to RESOLVE that The Treasury Management Annual Report and Prudential Indicators for 2017/18 are approved.

13. DEBT RECOVERY 2017/18

The report was introduced by the Portfolio Holder, Mr W Northam.

This, an annual report, detailed the Council's collection performance and debt management arrangements for 2017/18. The report included:

- A summary of debts written off in each debt area showing the reasons for write-off and values.
- Collection performance for Council Tax and Non- Domestic Rates.
- Level of arrears outstanding.
- Level of provision for bad and doubtful debts.`

Writing off bad debts was a necessary function of any organisation collecting money. The Council was committed to ensuring that debt write-offs were kept to a minimum by taking all reasonable steps to collect monies due. There would be situations where the debt recovery process failed to recover some or all of the debt and would need to be considered for write off. The Council viewed such cases very much as exceptions and the report identified those debts.

The report summarized the Council's three main income streams and the level of debt associated with each, for the last four financial years. Write-offs for Council Tax, Business Rates and Sundry Income were lower than in the previous year.

Experience of using Enforcement Agents (EAs) for council tax and Non-Domestic (Business) Rates has proven that the threat of this action is often enough to generate the payments outstanding to NNDC.

When acting on behalf of the Council for recovery of housing benefit overpayments, currently a debt collection agency is instructed. It should be noted that in such cases, the agency has no legal powers to enforce collection. When a housing benefit overpayment is prosecuted, this must be through the County Court and use of the Courts enforcement agents only is permitted. These are civil servants employed by Her Majesty Court & Tribunals Service (HMCTS) and are renowned for being ineffective. However, cases prosecuted via the County Court, can (if over £600 in value) be 'transferred up' to the High Court. This process then enables the authority to pass cases to High Court enforcement agents with powers to seize goods and secure the rights and interests of the authority. High Court Enforcement Officers (HCEOs) tend to have significantly higher collection rates for debt recovery than those of the County Court Bailiffs, who are salaried without any financial incentive to collect.

Discussion

The Chairman thanked Cllr W Northam for his summary of the report.

The Head of Finance and Asset Management added that training would be provided in September regarding the medium term financial strategy and the budget, and suggested that he would ask Council members what issues they would like to address in the training. He noted that one of the main challenges facing the Council was in relation to the new proposals around localisation of business rates which had already reduced from 100% retention to 75% since the proposals were originally announced. This meant that future forecasting predictions would be difficult until this reduction was clarified and a new scheme agreed. The Chairman thanked the Head of Finance and Asset Management for his explanation and stated that it was very useful to help understand the difficulties facing the Council in regard to making funding forecasts. She then asked members of the Committee if there were any questions or observations.

Cllr R Reynolds asked for an explanation as to why there was a prediction for possible business rates retention to fall to 75%. The Head of Finance and Asset Management replied that he didn't expect this would fall any further, but that it could if the Government sought any extra funding for items such as the NHS. He suggested that partial base line resets had been discussed, but there remained lots of unknowns at this stage. A new system of Check, Challenge and Appeal had been developed but the Valuation Office was currently behind on appeals and nationally the situation was very difficult to understand. It was stated that members should be reassured that the Council had a substantial business rates reserve to help mitigate any impact from this.

The Chairman asked if there had been any improvement in the delay of Council tax valuation appeals. The Head of Finance and Asset Management replied that unfortunately there had been no improvement with many cases still waiting to be addressed, and that a back-log of appeals had caused extensive delays in issuing refunds. He added that delays had a compound impact on refunds and it was possible that some appeals may be funded by Central Government in the future but that this was subject to further consultation.

Cllr S Hester asked if business rates could be kept if they were taken from renewable energy companies and stated that it was his understanding that provided planning permission had been granted then rates retention would be 100%. The Head of Finance and Assets confirmed that 100% of business rates could be retained if they came from renewable energy companies. The Corporate Director (SB) added that this was the case with solar farm projects up to 50MW, but above this rates were retained by Central Government. He also stated that the Council's objection to sites at Bodham and elsewhere on-land, had shown that the Council did not approve projects purely for income purposes. It was also stated that the Council would not directly benefit from large new sites, but if Ørsted AC required a substation this would provide some income though NNDC was not the determining authority.

Cllr S Hester stated that a written explanation had been given regarding the £766K of benefits that had been overpaid, but asked if this would need to be repaid at some point. The Head of Finance and Asset Management replied that we receive 20,000 changes of circumstances reports annually and that at present these were taking an average of 14 days to process. This can then cause a lag between applications and changes, which in turn can mean that some customers are overpaid. Cllr E Seward conveyed that the Council had made provisions for overpayments, but asked if there was a distinction between this provision and the reserve that had been allocated for the DWP clawbacks. He also asked whether enforcement action was required in many cases. The Head of Finance and Asset Management replied that enforcement action wasn't often utilised on the basis that the Council saw this measure as punitive. He then informed the Committee that the provision for overpayment and the reserve fund were distinct from one another. Overpayments could often be clawed back from claimants, whereas generally the reserve was used if required following the end of year audit and primarily dealt with clawbacks if there were found to be any mistakes with benefit claims. It could also be used to help cover any shortfalls following the roll-out of Universal Credit, which was now on its seventeenth deferral for introduction. The Corporate Director (SB) added that following a recent report on Universal Credit, it was now scheduled for introduction in October, and the Council was in a better position than many, as it would be one of the last authorities to adopt the system. The Democratic Services Manager had informed the Council that there would be a pre-Council briefing on Universal Credit in July.

RESOLVED

To note the following and recommend to Full Council:

To approve the annual report giving details of the Council's write-offs in accordance with the Council's Debt Write-Off Policy and performance in relation to revenues collection.

To approve the updated Debt Write Off Policy (shown in Appendix 2)

To approve the updated Benefit Overpayment Policy and the use of High Court Enforcement Agents if considered necessary (shown in Appendix 4)

14. OVERVIEW & SCRUTINY COMMITTEE ANNUAL REVIEW 2017/18

The Chairman noted that she had added her comments to the annual review and asked if there were any calls for amendments. It was proposed that the review be recommended to Full Council which was agreed unanimously by the Committee.

RESOLVED

Recommend Overview and Scrutiny Annual Review to Full Council

15. ASSET MANAGEMENT WORKING GROUP

The Chairman stated that a politically balanced working party was being established with a draft terms of reference provided, and added that requests had been sent to the group leaders to nominate members to the group. She informed the Committee that at the next meeting the members of the group would be announced and a timetable would be agreed. The Corporate Director (SB) added that there may be new projects coming forward for the Working Party to discuss in July, but they were not yet ready for review. The Chairman confirmed that she had agreed to set-up the Committee.

RESOLVED

To establish a politically balanced working group of 5 members (the Chairman should be a member of the Overview & Scrutiny Committee)

To delegate appointment to the Working Group to the Group Leaders

To agree the terms of reference for the Asset Management Working Group

16. MARKET TOWNS INITIATIVE WORKING GROUP

The Chairman asked for an update from the Chairman of the Working Group. Cllr S Bütikofer replied that the application form would be agreed later that day, and that the launch event was approaching, to be held on the 2nd of July.

Cllr M Prior questioned why a request had been made for non-members of the group to be excluded from meetings, and stated that she did not feel observers would have an adverse effect on the workload of the group. She continued that it was her understanding that the Working Group’s Chairman had suggested that anyone was welcome to attend meetings. Furthermore, the Cllr believed that when observing prior meetings she did not add to delays, but had provided a useful contribution. She added that of the four inland market towns, it was unlikely that all local members would attend meetings, hence she was concerned why non-members were unwelcome and asked if there was a good reason for the exclusion as she felt it was unjustified. The Chairman replied that local member’s input was welcome, but that once this had been sought it was necessary to exclude non-members in order for progress and decisions to be made, and this was easier in a small group. Cllr S Bütikofer sympathised with the Cllr’s concerns, but added that it was important that the market towns received equal treatment, therefore it was necessary to exclude local members from the Working Group. She stated that she would call a vote on the issue of local member exclusion at the next meeting and report the decision back to Overview and Scrutiny. Cllr M Knowles stated that it was his understanding that none of the group members should be local members of the market towns involved in the project, and apologised if he had caused any offence when making a comment on the number of people attending meetings. Cllr A Fitch-Tillett stated that she had been an observer on the Beach Huts and Chalets Task and Finish Group, and that this had not caused any issue. Cllr M Prior then asked why observers had been allowed in one group but not others. The Chairman replied that Cllr A Fitch-Tillett had only attended the meetings as an observer and was not allowed to debate within the group unless invited to by the Chairman. Cllr M Prior stated that she was prepared to take the same role if allowed to attend future meetings. Cllr S Hester stated that this was a difficult situation due to the clear implications for a conflict of interest. He stated therefore, that the Working Group must be clear on the capacity of its attendees because having local members attend at this stage could make the meetings anecdotal. The Chairman reiterated that this issue must be discussed at the next meeting of the Working Group with the decision reported back to Overview and Scrutiny.

RESOLVED

The Working Group to vote on the exclusion of non-members at the next meeting

17. BEACH HUTS AND CHALETS TASK & FINISH GROUP

Cllr M Knowles stated that whilst the meeting had marginally gone off-track, it had been a very good brain-storming session and clear progress had been made. He added that the project remained on track. The Chairman thanked the Cllr and stated that she was pleased to hear that the project remained on track.

RESOLVED

To note that the Beach Huts & Chalets Task and Finish Group remains on-track.

18. THE CABINET WORK PROGRAMME

The Democratic Services Manager stated that there would be an enforcement board update in the next cycle, and that other than this the Work Programme was up to date.

RESOLVED

To note the Cabinet Work Programme

19. OVERVIEW AND SCRUTINY WORK PROGRAMME AND UPDATE

The Democratic Services Manager stated that the questions for the Scrutiny Rapid Review would be circulated to all members later that day. The Chairman added that the questions and answers had been discussed with the Planning Policy Manager and that the Q&A would be circulated in due course.

Cllr A Claussen-Reynolds stated that medical graduates coming to the UK were waiting months and in some cases up to a year for approval to work within the NHS. She informed the Committee that she had written a letter citing her concerns to be passed on to the Health Secretary. She added that written evidence had been provided on the matter by the Public Accounts Committee. On a final note she stated that CAPTA performance had been diabolical.

The Chairman stated that the Members Bulletin was very good, and anyone wishing to submit notices to the bulletin should contact the Democratic Services Officer.

The Democratic Services Manager Reminded members of the Committee that a Social Prescribing briefing would be provided on Wednesday at 3.30pm in the Council Chamber, with a drop-in session provided for members IT provision at 2.30pm in the Canteen.

RESOLVED

To note the Overview and Scrutiny Work Programme

The meeting ended at 10.55 am

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Chairman

APPENDIX A

Overview and Scrutiny – 2017/18 Outturn Report (agenda item 10)

This response has been provided by officers following a series of questions received from the Shadow Portfolio Holder for Finance, Revenues & Benefits (Cllr Eric Seward) and has been shared for further discussion at the meeting of Overview and Scrutiny scheduled to be held on Wednesday 20 June 2018.

1) Given the funding gaps being reported for the three financial years commencing 2019/20 what work is planned to address these gaps and in particular produce a balanced budget for 2019/20? In particular, what are the possible areas where savings can be found/higher income generated to achieve a balanced budget?

The outturn report helps to inform the production of the Medium Term Financial Strategy which will be presented to Members in the autumn of 2018 which in turn supports the production of the 2019/20 budget.

If there are trends in terms of either additional income generation over and above the level previously budgeted or indeed reductions in spending these will be analysed in more detail to see if these trends are likely to continue and to what extent they can be relied upon to provide additional income and /or savings in future years.

For the 2018/19 financial year the majority of the surplus related to business rates and for the reasons outlined below in terms of things such as the payment of the Section 31 grant this income cannot necessarily be relied upon moving forward. In terms of the ongoing work in relation to the localisation of business rates the recent discussions have focused around 75% retention now as opposed to 100% retention which was originally planned and it would also seem that the baseline is likely to be reset as part of this process which would effectively mean the growth we have seen would be removed in 2020/21. This is all still however subject to further discussion and consultation.

While planning income saw a significant increase compared with the base budget this was due to a number of large one-off planning applications and it cannot be assumed that this trend will necessarily continue, although this income source will be reviewed as part of the budgeting process.

There is a further update in relation to the anticipated increase for the waste contract below and again these changes will be factored in to the production of the next MTFS and budget forecasts.

The savings strategy at the present time continues to focus on some of those key underlying themes such as asset commercialisation, digital transformation and efficiency savings. At the present time, while £2m was agreed as part of the budget process to support a Local Asset Investment Fund and a further £940k was agreed as part of phase 2 of the digital transformation programme, no savings or additional income have as yet been factored into the budgets to reflect this investment and again this will be undertaken as part of the work on the MTFS and budget in terms of both the potential level of income/savings and the timing of them.

As outlined within the 2018/19 budget report the Government's assumption is that Councils will be increasing council tax year on year to help support their budgets. As the Council's Section 151 Officer this will continue to be my recommendation moving forward so that this income supports the base budget although ultimately this is a decision for Members to take as part of the annual budget and council tax setting process.

As has been discussed on a number of occasion, while the use of reserves to support the budget cannot be considered as a long term strategy for balancing the budget (as once they are spent they are gone), it does provide the Council with a short term means of funding any budget deficits which might arise due to timing issues with savings or the inability to deliver a particular saving/income stream.

Officers are looking to provide training during September in relation to the production of the MTFS and in relation to the budget setting process and we will be engaging with Members so that this training addresses the most relevant areas.

2) Business Rates:

(a) Given the favourable surplus of £744.6k in 17/18 which appears to have mainly arisen as a result of higher than expected Sec 31 grant is the Council expecting a similar favourable level of Sec 31 grants in the financial year 18/19?

It is not possible to tell with any certainty. Forecasting Section 31 grant levels is difficult, as this will be equivalent to the amount of certain reliefs (which the

Government has agreed to fund) granted to ratepayers during the year which will not be fully known until 31st March. Additionally, in the Autumn Statement, the Chancellor often announces additional relief for ratepayers which we cannot forecast, as we do not know which ratepayers it will affect or what the financial impact will be. Nationally, there is an upwards trend in Section 31 grant receipts coming into Local Authorities, although this should not be seen as income additional to Business Rates, because it is designed to replace income that is lost through giving relief. The impact of this lost income is not felt until the following year due to accounting requirements.

(b) When Is the application for mandatory business rate relief for NHS Trusts likely to be determined?

The application for mandatory rate relief for the NHS is not likely to be determined for several months. The process is currently working its way through the courts and the claim is being defended by Local Authorities. If this process is not successful for the Trusts, there is a private Members bill currently at its second reading stage which aims to give premises which are solely used by NHS Trusts for the provision of care an exemption from Business Rates. This would have the potential to have a larger ongoing impact, as this would completely exempt the properties from rates, rather than the 80% reduction currently being sought through the current legal action.

(c) If a determination is made in favour of NHS Trusts what is the sum that NNDC can be expected to refund to local NHS Trusts?

The financial impact on the Local Government Sector as a whole will be massive as many millions of pounds of funding are pulled from the Business Rates Retention System. The total cost of backdated relief is around £1.6bn, with an annual cost to the sector of £250m. North Norfolk District Council is in the Norfolk Business Rates Pool, which pools risk and reward from the Business Rates Retention Scheme across all Norfolk Councils. This means that any potential refunds due will be shared across the Councils, after the volatility fund (£1m) held within the Pool has been depleted. At the current time, we have not made any additional provision against this, as the LGA is still confident that the claim can be successfully defended. Any costs to NNDC would be met through the Business Rates Reserve.

3) General Fund: is the whole or part of the surplus of £944.3k being transferred to the Capital Projects Reserve? What will the balance be in this Reserve after such a transfer?

Yes the proposal is for the full surplus of £994k to be transferred to the Capital Projects Reserve. This would make the opening balance of this reserve as at 31 March 2018 £3.450m. There is already a budgeted contribution to come from this reserve to finance capital schemes during the 2018/19 financial year of £748k which would take the balance down to £2.702m as at 31 March 2019 assuming no slippage or changes to any of the proposed financing. The Council does however have two significant leisure developments to deliver in terms of the North Norfolk Sports Hub (£3.181m) and the Splash Leisure Centre provision (£10.667m). Use of this reserve to help part fund these schemes would reduce any borrowing requirements.

4) In the 18/19 budget what increase was provided for to address an extension of the Kier contract? Was it £1 million?

Yes the estimated requirement was budgeted at £1m from 2019/20 onwards. However as indicated at 9.5 at the time the main report was drafted the updated estimate was around £800k with the caveat that it was still subject to final agreement with Kier. Since that time negotiations have continued to progress and the current estimate is an increase of around £710k which represents a reduction of £290k compared with the original forecast. This is based on the 2018/19 base budget of £4.805m and the current revised price of £5.515m although as noted above this is still subject to final agreement.

This will be taken account of when the updated Medium Term Financial Strategy (MTFS) is produced and will then in turn feed in and support the budget preparation for 2019/20. Members should however also note para 9.6 which highlights the current issues in respect of the recycling income which could have a potential impact of around £100k for 2018/19 and may continue to impact in future years depending on how the market develops. Again this will be factored in to the MTFS as appropriate based on the best available information at the time.

5) Employee Costs:

(a) What was the cost of overtime in the financial year 17/18?

The overtime cost for the 2017/18 year was £133k which is around £8k less than the two previous years. The main areas where this expenditure was incurred includes;

- Revenues and Benefits (£35k) - there has been staff turnover and delays in being able to successfully recruit to posts which impacts on workloads and the requirement for overtime to meet the targets for assessment of applications and changes of circumstances. New recruits require training and mentoring (approximately 6 months) before they are able to fully process claims independently. This means the mentors are less productive so service is impacted before coming back up to previous levels in terms of work completion.
- Property Services (£19k) - due to the nature of the service provided the Property teams are required to attend to a variety of issues outside of normal working hours, whether this is to address issues with public conveniences or to undertake works within the main Cromer office over the weekend etc.

- Planning (£20k) - as has been reported on a number of occasions we have had challenges recruiting staff in some areas, one of which is the planning department and therefore the current staff have supported in a number of areas by working additional hours to try and ensure work and applications continue to be progressed in a timely manner.

(b) During 17/18 what was the average staff compliment and what was the average number of staff vacancies?

Budgeted staff compliment for 2017/18 was 314 (276.92 FTE - 258.74 office, 18.18 external), we do not hold or calculate information on the averages requested.

6) Planning Policy: what has caused the slippage in the planned spend of £71.9k relating to the Local Plan review?

The original budget for the local Plan was based on an estimate of likely costs mainly for external consultancy and examination. The total budget was profiled over a three year period based on likely predicted expenditure. Much of the evidence that is required for the Local Plan is being commissioned jointly with neighbouring authorities. This has saved money but has also resulted in some delays whilst agreement is reached with commissioning parties. Consequently it has been desirable to carry over underspends in the budget.

7) Benefits a Earmarked Reserve: what payments have been made as clawbacks to the Dept of Works & Pensions over the five financial years to 17/18?

The clawbacks over the last 5 years have been as follows;

2011/12 £102k
2012/13 £185k
2013/14 £-
2015/16 £19k
2016/17 £77
2017/18 Final claim not audited yet

At present we are not clear what impact the move to Universal Credit may have on the service, this reserve would also help to provide short term support to the teams should this be required to help implement the changes.

8) Property Services; given the overspend in 17/18 what was the budget for the Strategic Development Partnership and how much in this financial year was paid to Gleeds?

The original budget for the 2017/18 financial year for the Strategic Development Partnership work with Gleeds was £40k. The actual spend in relation to this area of work has been just over £11k with Gleeds and just under £4k with our land agents Pygott and Crone.

9) Street Signage: what is the reason for an underspend of £4750 in the financial year 17/18 when signs in some residential streets are falling into disrepair? In particular, is the underspend due to the threshold for the repair of street signs in residential areas being set too high?

Due to vacancies within the Environmental Services team for much of the last year the Council has not been able to undertake much in the way of surveying work. We have however continued to react to reports of damaged/missing signs and arrange for these to be repaired or replaced and also those that the team have noticed whilst they have been out and about. If there are specific signs/areas that Members are aware of that require attention then please let the Environmental Services team know. The team is now fully staffed and will be undertaking more proactive surveying work on the street signs in order to build up a database of the signs that the Council are responsible for and to identify any repair work needed.