Budget Review Group **6 February 2019**

Present: Councillor Gary Hewson *(in the Chair)*, Councillor Kathleen Brothwell, Councillor Bob Bushell, Councillor Thomas Dyer, Councillor Geoff Ellis, Councillor Helena Mair, Councillor Hilton Spratt and Councillor Lucinda Preston

Apologies for Absence: Councillor Chris Burke and Councillor Laura McWilliams

3. Declarations of Interest

No declarations of interest were received.

4. Draft Medium Term Financial Strategy 2019-2024

The Chair of the Budget Review Group reported that the main objectives of the Group were to examine the principles and planning process that supported the proposed Medium Term Financial Strategy, budget and Council Tax and establish that at each stage the budget:

- was clear, focused, achievable, realistic and based on sound financial practices;
- had clear linkages with corporate plans that formed the Council's Policy Framework, establishing that they were identifiable and designed to support the Council's Vision 2020.

The Council's Chief Finance Officer:

(a) Presented a report which explained the key elements and assumptions on which General Fund Revenue estimates had been prepared, noted as follows:

- a small element of Revenue Support Grant would be received, but this had dramatically reduced and would end from 2020/21 with the introduction of 75% Business Rates retention;
- the Revenue Support Grant element of the provisional settlement confirmed the allocations previously announced as part of the multi-year settlement. This showed a reduction in the level of grant received of 99.1%, from £2.585 million in 2015/16 to £0.022 million in 2019/20. Beyond 2019/20 it was assumed that there would be no further Revenue Support Grant payable by the Government and that the principal forms of funding would be from local taxation;
- the provisional Local Government Finance Settlement provided grant allocations for the New Homes Bonus. The Council would receive £0.720 million for 2019/20 which was a significant allocation in relation to its other funding streams. The Medium Term Financial Strategy prudently assumed that the current New Homes Bonus scheme would cease beyond 2019/20, but that the legacy payments would continue for a four year period as per the initial scheme design;

- Lincoln would form a business rate poll with Lincolnshire County Council and the other Lincolnshire District Councils following the unsuccessful bid to be a 75% pilot in 2019/20;
- following an assessment of the amount of business rates that the Council expected to collect during 2019/20 after allowing for the allocation of resources to Central Government and to the County Council, it was estimated that £5.289 million of the £44.7 million of business rates generated within the city would be retained by the City Council. Beyond 2019/20, assumptions had been made in relation to the reform of the business rates retention system which would be assessed as further changes were released by the Government ahead of implementation in April 2020;
- the business rates element of the collection fund had declared a surplus in relation to 2018/19 of £2.464 million of which the Council's share was £1.546 million and had primarily arisen as a result of the over provision for appeals;
- an increase of 2.95% in 2019/20 equated to an additional 10p per week for a Band A property and 12p per week for a Band B property. 80% of the city's properties fell within Band A or Band B;
- other key assumptions in formulating the draft General Fund revenue estimates for 2019/20 – 2021/22 included:
  - increases in the business rate taxbase of 0% per annum in 2019/20 and 2020/21 and 2% per annum from 2021/22;
  - increases in the council taxbase of 1.25% per annum;
  - New Homes Bonus income of £0.720 million in 2019/20, £0.502 million in 2020/21, £0.111 million in 2021/22, £0.50 million in 2022/23, reducing to £0 thereafer;
  - non-statutory fees and charges overall yield was assumed at 3% per annum, although individual service income budgets had been re-based;
  - an increase in employer pension contribution rates capped at 1% per annum for the period to the end of the current triennial review in 2020/21;
  - a provision for pay awards of 2%;
  - a provision for inflation of 3% per annum for contractual commitments;
  - a provision for 2% per annum general inflationary increases;
  - average interest rates on investments had been assumed at 0.85% in 2019/20, 0.93% in 2020/21, 1% in 2021/22, 1.05% in 2022/23 and 1.08% in 2023/24;
  - staff turnover targets of 1% per annum.

(c) Reported that it had been necessary to increase the savings targets by £0.5 million in 2019/20, increasing by a further £0.5 million to £1 million per annum from 2020/21, with total savings of £5.25 million per annum therefore required by 2020/21.

(d) Explained that the Housing Revenue Account Business Plan incorporated the Government's requirement for a 1% per annum rent reduction between 2018/19 and 2019/20 and assumed that from 2020/21 rents would revert back to an increase by the Consumer Price Index +1%. This increase in rent levels was in line with the Government's latest social rents consultation proposing that from April 2020 social rents would increase by

Consumer Price Index +1% for a period of five years. The Medium Term Financial Strategy 2019-24 had been prepared on this basis.

(e) Reported that other key assumptions had been used in formulating the Housing Revenue Account estimates for 2019/20 to 2021/22 as follows:

- assumptions for price inflation, interest rates, pay awards, vacancy savings and employer pension contributions were as per the General Fund;
- an average garage rents increase of 3% per annum;
- housing voids assumed at 1% per annum;
- a 1% reduction in the assumed collection rate to 98% per annum.

(f) Reported that the General Investment Programme for the period 2019/20 to 2023/43 was included within the Medium Term Financial Strategy, with the total allocated programme over the next five years being £5.4 million of which £3.4 million was estimated to be spent in 2019/20.

(g) Reported that the Housing Investment Programme for the period 2019/20 – 2023/24 was included within the Medium Term Financial Strategy, with the total allocated capital programme over the next five years being £61.2 million of which £16.3 million was estimated to be spent in 2019/20.

(h) Invited questions and comments from members.

Question
What measures were in place to deliver the remaining balance on the existing savings and what was the progress against these?

Response
The balance on the existing savings target was £195,000 to be delivered in 2019/20. There were a number of project reviews that would, once completed, achieve this target which included:

- restructure of financial services;
- property investment decisions taken by the Executive;
- investment in all grass and all weather pitches with Active Nation;
- generation of advertising income.

Question
What measures were in place to deliver the new £500,000 savings in 2019/20?

Response
Delivery of the additional savings targets would be through the Towards Financial Sustainability Programme focussing on the following key strands:

- One Council;
- Investment Opportunities;
- Commercialisation;
- Service Reduction or Withdrawal.

This was in addition to continually seeking ways to maximise tax bases through Council Tax and Business Rates.

In response to the One Council strand and referring to the recent decision by the Executive to procure a new website platform, working alongside the County Council, a question was asked as to whether more partnership working opportunities were envisaged with other local authorities in the county. The exploration of more shared services opportunities had been included in the previous year's strategy and this was attempted across a number of service areas, with Information Technology being a key service area. However, there had been a number of barriers to prevent this coming to fruition, although the procurement of the website with the County Council was a small step as part of any potential process regarding any further shared service opportunities in this respect. It was noted that the Council would continue to explore opportunities for shared services with other authorities. Where the Council had successful shared services in place, such as the Shared Revenues and Benefits Service for example, work was taking place to investigate where or how similar services could be shared or sold to make additional savings or generate an income.

Question
Have the savings proposals of £789,000 been subject to some form of scrutiny?

Response
All decisions in respect of savings were subject to approval under the Scheme of Delegation and Financial Procedure Rules, with those requiring Executive approval also being subject to the relevant scrutiny.

Question
Why was the table for 2020/21 in the report showing year on year increases of £600,000?

Response
The table reflected progress made since January 2019 in delivering target savings from the current Towards Financial Sustainability Programme, which included what the Council had already secured. It would be necessary to compare this table with the table in the previous year's Medium Term Financial Strategy in order for the figures to tally with the revised savings target. It was agreed that this would be circulated.

Question
Were there any annual figures of properties in each band that were zero rated for Council Tax students? With population rising it was assumed that the Council Tax base would rise, with such an increase putting more pressure on Council services and students in particular not contributing through Council Tax. Did the Council receive anything from the Government to compensate for this?

Response

A table was shown at the meeting which indicated that 1,407 properties consisted of student halls in the city and 1,614 properties were classified as private student accommodation.

It was noted that when the Government calculated Business Rates it based this on an area's need, which took into account population. The fact that students lived in the city and made up the city's population meant that this would be factored into the city's need when calculated by the Government.

A further question was asked regarding property companies owning or managing student accommodation and whether they would be exempt from paying Council Tax. It was noted that if students were in occupation at the property they would be exempt from Council Tax. The majority of student accommodation in the city was no longer owned by the University of Lincoln and was owned or managed by private companies. Although exempt from Council Tax due to the nature of the people occupying the properties, private companies would still be required to pay corporation tax on their company profits, although it was acknowledged that this went straight to the Government rather than to the local Council.

Question
Are figures available for the number of properties and past records to show movement on numbers of buildings that were zero rated for Business Rates?

Response
There were currently 3,550 hereditaments in the city, with a number of different types of exemptions noted as follows:

- agricultural land and buildings;
- buildings used for training and welfare;
- buildings registered for public religious worship or church halls;
- empty properties (exclusions applied for three months).

It was noted that there were a significant amount of mandatory and discretionary reliefs available.

A question was raised as to whether the Department for Work and Pensions, with its offices being based at City Hall, was classified as a building used for training and welfare. It was noted that the use of City Hall by the Department for Work and Pensions was classified as administrative so an exemption would not apply and its proportion of Business Rates was reflected in the City Council's recharge for use of City Hall.

Question
As income levels for parking income had not been achieved in the current year, what income from fees and services were set for 2019/20 – 2020/21?

Response
A table was presented at the meeting which identified all areas where the levels of fees and charges had been changed, with main areas including:

- car parking;
- New Homes Bonus;
- Building Regulations;
- Houses in Multiple Occupation and the introduction of new regulations.

Overall this had accumulated in an estimated income of £11.4 million in the previous year, which had now been reduced to £10.4 million resulting in a difference of approximately £998,000.

Discussion ensued on the Council's performance in relation to meeting its financial targets, but the Leader of the Council made the point that a wider perspective and consideration should be given to how the local economy was performing. Taking into account the above listed areas, they were all contingent on the amount of economic activity in the city which was why it was so important for the Council to do what it could to ensure that the local economy in Lincoln continued to grow. The Council had a reliance on other income streams following the significant reduction in Revenue Support Grant, which would cease completely in 2020/21.

A comment was made regarding the investment in the Cornhill area of Lincoln in that this was an important and welcomed change to the city, with an emphasis on leisure rather than retail which it was hoped would draw people into the city centre. However, a concern was expressed regarding an increase in car parking in the majority of the City Council's car parks for the tariff for over four hours, which it was proposed would increase from £8 to £8.50 and would mainly impact people that worked in the city. It was noted that people, particularly those working in the city, could apply for parking permits at a reduced rate which was much cheaper than paying a day rate for every day that they used the car park. Despite this, however, it was perceived that any such increase in car parking fees and charges was, in effect, penalising those people who visited the city centre for longer periods of time and which was counterproductive when seeking to attract more people into the city centre. In response a point was made that, compared to other cities, the price of car parking in the City Council's car parks was reasonable and the alternative to putting car parking fees and charges up would be to increase the cost of services or even reduce services elsewhere, directly impacting the city's residents.

In relation to car parking, the Leader of the Council made the following points:

- the cost of car parking in the City Council's car parks compared to other cities, not including market towns, was reasonable and the cost of car parking generally would be significantly more expensive if the City Council did not own or manage any of car parks in the city, with private operators then being able to monopolise car parking in the city;
- 20% of what the City Council charged was VAT, which was not always acknowledged when considering how much the Council received for car parking;
- the options available for people to achieve a discounted rate of car parking through a variety of incentives, such as season tickets or scratch cards, was publicised and clearly set out on the Council's website.

It was noted that the vast majority of fees and charges were not proposed to be increased and those that were had been increased in line with inflation.

A further question in relation to fees and charges was asked in relation to the Crematorium in response to proposals for new Crematoriums to be built in West Lindsey and North Kesteven. A significant amount of work had been undertaken by officers in response to these proposals and a report on this issue was scheduled to be considered by the Executive at its meeting on 11 March 2019.

Clarification was sought with regard to a reserve associated with the 100% Business Rates scheme. It was reported that a reserve had been put in place using funds from the scheme to deliver some of the Council's strategic priorities.

£60,000 of this had been spent on the citywide intervention team and £300,000 on central markets proposals, for example. A separate and completely unrelated Business Rates volatility reserve had also been put in place.

RESOLVED

That the Budget Review Group:

(1) Agrees that at each stage the budget was clear, focused, achievable, realistic and based on sound financial practices and had clear linkages with corporate and other plans that formed the Policy Framework to establish that they are identifiable and designed to improve services in the Council's strategic priority areas.

(2) Agrees to provide its comments to the Performance Scrutiny Committee and Executive on the draft Medium Term Financial Strategy 2019-24 and 2019/20 budget and Council Tax proposals to the Performance Scrutiny Committee and Executive prior to formal consideration by Council at its meeting on 4 March 2019.