

14 January 2016 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 13.01.16



Cabinet

Further to the recent despatch of agenda and papers for the above meeting, please find an item which the Chairman has agreed to take as an urgent matter:

	Pages	Contact
7. Draft Budget 2016/17 - Update	(Pages 1 - 14)	Adrian Rowbotham Tel: 01732 227153
Reason for urgency:		
As a result of waiting for Government clarification, the report missed the statutory date for publication. However the Cabinet will make its final recommendation on the budget at its meeting on 4 February 2016 and therefore the Chairman has therefore agreed to take it as an urgent matter.		

If you wish to obtain further factual information on any of the agenda items listed above, please contact the named officer prior to the day of the meeting.

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227247 or democratic.services@sevenoaks.gov.uk.

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DRAFT BUDGET 2016/17 - UPDATE

Cabinet - 14 January 2016

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

Executive Summary: The Council has an excellent track record in identifying, planning for and addressing financial challenges. In light of the challenging financial position facing all authorities five years ago, for 2011/12 the Council produced a 10-year budget together with a savings plan for the first time. This will be the sixth year this method has been used and provides the Council with a stable basis for future years.

This report sets out progress made in preparing the 2016/17 budget and updates Members on key financial information recently received.

The Provisional Local Government Finance Settlement was announced on 17 December 2015 and the level of reduction was much larger and faster than had been predicted by experts. Indicative figures included in the settlement show this Council no longer receiving any Revenue Support Grant from 2017/18 and in future years may also be required to make a 'tariff adjustment' payment to Government. It was already proposed to no longer include Revenue Support Grant and New Homes Bonus in the revenue budget from 2016/17, but the 'tariff adjustment' could be an additional burden if it remains when the final settlement is announced for 2017/18 onwards.

The other small changes explained in this report cancel out the £13,000 per annum shortfall reported in December.

Cabinet will make its final recommendation on the budget at its meeting on 4 February 2016, after taking into account any updated information available at that date.

Portfolio Holder Cllr. Searles

Contact Officer(s) Adrian Rowbotham Ext. 7153

Helen Martin Ext. 7483

Recommendation to Cabinet: Members give consideration to the current budget position and provide officers with any further instructions.

Introduction and Background

- 1 At the Cabinet meeting on 17 September 2015, Members considered a report setting out the Council's financial prospects for 2016/17 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2016/17 and beyond.
- 2 As part of the budget process officers put forward their Service Dashboards to the Advisory Committees between September and November, which set out a summary of current and future challenges and risks. The Advisory Committees recommended new growth and savings items which were considered at the Cabinet meeting on 3 December 2015. The position after this meeting was a remaining shortfall of £13,000 per annum.
- 3 The report to Cabinet on 3 December 2015 also contained updates to the Financial Prospects report.
- 4 This report sets out the current position for the 2016/17 budget and updates Members on key financial information received since the last report, including the Provisional Local Government Finance Settlement announced on 17 December 2015.

Financial Self-Sufficiency

- 5 The Council's Corporate Plan, introduced in 2013, set out an ambition for the Council to become financially self-sufficient. This would mean the Council no longer required direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 6 The decision to become financially self-sufficient is intended to give the Council greater control over its services, reducing the potential for decision making to be influenced by the level of funding provided by government to local authorities.
- 7 The attached 10-year budget assumes no Revenue Support Grant or New Homes Bonus from 2016/17 but does incorporate income from the Property Investment Strategy including the development of Sennocke and Bradbourne car parks.
- 8 It is intended that any funding received from Revenue Support Grant and New Homes Bonus will be put into the Financial Plan Reserve which can be used to support the 10-year budget by funding 'invest to save' initiatives and to support the Property Investment Strategy. One of the aims of the Property Investment Strategy is to achieve returns of 6%; therefore using funding for this purpose will result in additional year on year income that is not impacted by Government decisions.
- 9 Cabinet are keen to become financially self-sufficient early so that the Council is better able to anticipate and shape change, and place the Council on a stronger footing going forward. After making these changes, it is

achievable to be free from Government control and be able to move ahead in the knowledge that this Council has the financial resources to provide the services that the district's residents want into the future.

Updates to the Financial Prospects Report

- 10 The Financial Prospects report considered in September raised a number of financial risk areas for the Council. These were updated in the December report but further information has been received since which is explained below.
- 11 ***The Provisional Local Government Finance Settlement*** for 2016/17 was announced on 17 December 2015 together with indicative figures for 2017/18 to 2019/20. The level of reduction was much larger and faster than had been predicted by experts.
- 12 The indicative figures show that this Council is expected to receive no Revenue Support Grant (RSG) in any year after 2016/17 and in addition a 'tariff adjustment' has been included for the first time. Fourteen other district councils have also been affected in the same way from 2017/18 and many others in the following two years. This 'tariff adjustment' is in effect a negative RSG as shown in the table below.

Government Grant	2015/16 Final £000	2016/17 Provisional £000	2017/18 Indicative £000	2018/19 Indicative £000	2019/20 Indicative £000	
Local Share of Business Rates (a)	2,092	2,109	2,150	2,214	2,285	
Tariff Adjustment			-130	-580	-1,083	
Revenue Support Grant	1,605	633				
Settlement Funding Assessment (SFA)	3,697	2,742	2,020	1,634	1,202	
SFA Change (£)		-955	-722	-386	-432	-2,495
SFA Change (%)		-25.8%	-26.3%	-19.1%	-26.4%	-67.5%
New Homes Bonus	1,818	2,203	2,219	1,394	1,338	
NHB Change (£)		385	16	-825	-56	-480
NHB Change (%)		21.2%	0.7%	-37.2%	-4.0%	-26.4%
Total Grant Funding	5,515	4,945	4,239	3,028	2,540	
Total Change (£)		-570	-706	-1,211	-488	-2,975
Total Change (%)		-10.3%	-14.3%	-28.6%	-16.1%	-53.9%

(a) These are the baseline figures which the Govt uses (these are higher than the safety net figures used in the 10-year budget)

- 13 This dramatic reduction and by including a 'tariff adjustment' for the first time will have a major impact on district councils and it brings into question whether all local authorities will be able to survive in their current format.

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- 14 The Settlement Funding Assessment reduction for this council compared to others is as follows:

	Reduction
England	-31.8%
Shire Unitaries	-32.9%
Shire Counties	-42.4%
District Councils	-44.3%
Sevenoaks DC	-67.5%

- 15 The Council Leader and Leaders from two of the other fourteen other district councils initially affected, met Greg Clark MP, Secretary of State for Communities and Local Government on 4 January 2016 to discuss the Provisional Settlement and in particular the impact of the new ‘tariff adjustment’.
- 16 The provisional settlement included a consultation document, with a deadline of 15 January 2016, which this council has responded to. The Government will then issue a Final Local Government Finance Settlement for 2016/17. If this is available in time, it will be included in the report to Cabinet in February.
- 17 As the figures for 2017/18 to 2019/20 are only indicative at this time, they have not been incorporated into the attached 10-year budget as it is hoped that a resolution will be found that removes the need for a ‘tariff adjustment’ before the provisional settlement figures are provided for these years.
- 18 The Government refer to ‘Core Spending Power’ reductions averaging -2.8% in 2016/17. The figure for this council is -2.3%. Please note that ‘Core Spending Power’ is not only Government Grant; it also includes Business Rates, Council Tax and New Homes Bonus. As Government Grant is a low proportion of funding for this council, the large reduction in Government Grant has a smaller impact on ‘Spending Power’ than other councils making it a questionable comparison.

Core Spending Power	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	
Settlement Funding	3,697	2,742	2,020	1,634	1,202	
Council Tax Income	9,298	9,534	9,824	10,133	10,462	
NHB including returned funding	1,825	2,208	2,219	1,394	1,338	
Total	14,820	14,484	14,063	13,161	13,002	
Total Change (£)		-336	-421	-902	-159	-1,818
Total Change (%)		-2.3%	-2.9%	-6.4%	-1.2%	-12.3%

- 19 **Government Support: Revenue Support Grant (RSG) (£1.5m in 2015/16)** - This formula based grant has significantly reduced over recent years as the emphasis of Government Support has changed.
- 20 The Settlement included an amount of £632,791 for 2016/17 which is 61% lower than the amount received for 2015/16.
- 21 As reported to Cabinet in December, due to the uncertainty regarding the amount of RSG expected, the 10-year budget assumed no RSG from 2016/17 onwards resulting in there being no reliance on this funding source to support the revenue budget. Any amounts received will be put into the Financial Plan Reserve to support the 10-year budget including 'invest to save' initiatives and support for the Property Investment Strategy.
- 22 Up until 2015/16 an amount was included in the RSG for Homelessness (£90,000 in 2015/16), but it is not clear what the Governments intentions are for this in future years. Officers will look into how this can be managed going forward.
- 23 **Council Tax Support Funding for Town and Parish Councils** - The Local Government Finance Settlement did not include a separate amount for Town and Parish Councils therefore the assumption in the 10-year budget remains that no funding will be passed on. Members will be asked whether they wish to continue with this approach at the Council meeting on 16 February 2016.
- 24 Members may wish to note that in the first year of the Council Tax Support Scheme an amount of £1.008m was included within RSG for this purpose. The total RSG for 2016/17 is only £632,791.
- 25 **New Homes Bonus (£1.8m)** - The settlement included an amount of £2,202,513 for 2016/17.
- 26 As reported to Cabinet in December, in the same way as RSG, the 10-year budget assumed no New Homes Bonus from 2016/17 onwards resulting in there being no reliance on this funding source to support the revenue budget. Any amounts received will be put into the Financial Plan Reserve for the same purpose as noted above.
- 27 **Council Tax (£9.3m)** - The Government referendum limit has been set at 2% in recent years and the same level has been set for 2016/17. The 10-year budget assumes a 2% increase for all years
- 28 The Council Tax assumption for 2016/17 has been reduced to 1.96% which is the closest amount below 2% that results in a Band D Council Tax that is divisible by 9 which is recognised good practice due to the way in which amounts for each band are calculated. The impact of this change is £4,000 less income per annum.
- 29 Details of the Council Tax Base for 2015/16 are contained in a separate report to this meeting. The impact of these changes is £22,000 additional

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income per annum compared to the assumption included in the report to Cabinet in December.

- 30 The Collection Fund position, which is where Council Tax and Business Rates income is initially held before being distributed, will be reviewed in January which may result in additional one-off income in 2016/17.
- 31 **Locally Retained Business Rates (£1.9m)** - There was a small reduction for Locally Retained Business Rates in the Provisional Local Government Finance Settlement in 2016/17 to 2018/19 but a small increase in 2019/20 and also therefore ongoing years.
- 32 The 'tariff adjustment' mentioned earlier appears to be linked to Business Rates. However, when the Business Rates Retention Scheme was introduced the policy document stated that tariff and top-up payments will not change until the system is reset. The Government has said that this will not occur before 2020 at the earliest to provide Councils with the certainty they need to plan and budget.
- 33 In the first two years of this scheme, this council has been below the safety net level and future projections continue to take this prudent approach. The large number of outstanding appeals with the Valuation Office is likely to result in fluctuating annual Business Rates income; therefore it is prudent to budget at the safety net level.
- 34 The Government has made high level comments regarding changes to how much Business Rates is distributed to local authorities but there is no detail as yet.
- 35 A Business Rates Retention Pool is in operation within Kent. In certain circumstances it is financially beneficial to be a member of a pool. To date, it has not been financially beneficial for this council to be a member of the pool but officers will continue to review the position and report to members if the situation changes.
- 36 **Use of Reserves** - Ensuring the adequacy and sustainability of the Council's reserves continues to be a key part of the budget process. A detailed review of reserves will be included in the February Cabinet report.

Current Budget Position

- 37 The 10-year budget (Appendix B) shows a fully funded 10-year position.
- 38 Following the Cabinet meeting on 3 December 2015, there was a shortfall of £13,000 per annum before a balanced 10-year budget could be achieved.
- 39 As explained elsewhere in the report, the following small changes have been made since the last meeting which result in a fully funded 10-year budget:
 - Council Tax Base changes.

- Locally Retained Business Rates - small changes in the Local Government Finance Settlement.
 - Council Tax assumption for 2016/17 reduced from 2% to 1.96%.
- 40 Members are asked to give consideration to the current budget position and proposals put forward previously by the Advisory Committees and provide officers with further instructions.
- 41 As mentioned above, the effects of the 'tariff adjustment' in the indicative figures for 2017/18 to 2019/20 have not been included in the 10-year budget as it is unclear if this will remain in the settlement when provisional figures are provided for those years.

Key Implications

Financial

All financial implications are considered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered.

Current and future challenges together with risks were included in the Service Dashboards presented to the Advisory Committees and each Service Change Impact Assessment (SCIA) includes the likely impacts including a risk analysis.

An effective integrated policy and priority driven long-term financial and business process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future grant settlements. The risk will be mitigated by continuing to review assumptions and estimates and by updating Members throughout the process.

Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different

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groups. The decisions recommended through this paper directly impact on end users. The impact has been analysed and does not vary between groups of people. The results of this analysis are set out immediately below.

Individual equalities assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision making process is fair and transparent. These were included in the Draft Budget 2016/17 report to Cabinet on 3 December 2015.

Community Impact and Outcomes

Members' early consideration of the issues raised in this report would be beneficial to residents in that a planned approach to achieving a balanced budget should produce the best outcome for the community in limiting the level of budget reductions.

Conclusions

The budget process continues to be a significant financial challenge for a council that already provides value for money services to a high standard.

The 10-year budget currently shows a fully funded position over the whole period which keeps this council in a strong position going forward. However, the 'tariff adjustment' may become a burden if it remains in the provisional settlement figures for 2017/18 to 2019/20.

In making any further budget proposals, Members will need to consider the impact on customers, service quality and staff well-being, to ensure that these proposals lead to an achievable 10-year budget that supports the Council's aspirations for customer-focused services.

Appendices

Appendix A - Budget Timetable

Appendix B - 10-year Budget

Background Papers:

Report to Council 17 February 2015 – Budget and Council Tax Setting 2015/16

Report to Cabinet 17 September 2015 – Financial Prospects and Budget Strategy 2016/17 and Beyond

Report to Housing and Health Advisory Committee 22 September 2015, Economic and Community Development Advisory Committee 24 September

2015, Direct and Trading Advisory Committee 6
October 2015, Legal and Democratic Services
Advisory Committee 8 October 2015, Planning
Advisory Committee 13 October 2015, Finance
Advisory Committee 17 November 2015, Policy and
Performance Advisory Committee 26 November
2015 – Budget 2016/17: Review of Service
Dashboards and Service Change Impact
Assessments (SCIAs)

Report to Cabinet 3 December 2015 - Draft
Budget 2016/17

**Adrian Rowbotham
Chief Finance Officer**

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2016/17 Budget Setting Timetable

	Date	Committee
Stage 1		
Financial Prospects and Budget Strategy 2016/17 and Beyond	1 September	Finance AC
	17 September	Cabinet
↓		
Stage 2		
Review of Service Dashboards and Service Change Impact Assessments (SCIAs)	22 September	Housing & Health AC
	24 September	Economic & Comm. Dev. AC
	6 October	Direct & Trading AC
	8 October	Legal & Dem. Svs AC
	13 October	Planning AC
	17 November	Finance AC
	26 November	Policy & Performance AC
↓		
Stage 3		
Budget Update (incl. Service Change Impact Assessments (SCIAs), feedback from Advisory Committees)	3 December	Cabinet
↓		
Stage 4		
Budget Update (incl. Government Support information)	14 January	Cabinet
↓		
Stage 5		
<i>Budget Update and further review of Service Change Impact Assessments (if required)</i>	<i>January - February</i>	<i>Advisory Committees</i>
↓		
Stage 6		
Budget Setting Meeting (Recommendations to Council)	4 February	Cabinet
↓		
Stage 7		
Budget Setting Meeting (incl. Council Tax setting)	16 February	Council

Note: The Scrutiny Committee may 'call in' items concerning the budget setting process.

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Ten Year Budget - Revenue

	Budget 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	14,136	14,253	13,689	14,261	14,512	14,672	15,223	15,577	15,938	16,306	16,679
Inflation	473	569	506	622	446	638	454	461	468	473	478
Superannuation Fund deficit: actuarial increase	0	(721)	300	0	0	200	0	0	0	0	0
Net savings (approved in previous years)	(356)	(13)	(162)	(271)	(216)	(187)	0	0	0	0	0
New growth	0	88	28	0	30	0	0	0	0	0	0
New savings/Income	0	(487)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Net Service Expenditure b/f	14,253	13,689	14,261	14,512	14,672	15,223	15,577	15,938	16,306	16,679	17,057
Financing Sources											
Government Support											
: Revenue Support Grant	(1,516)	0	0	0	0	0	0	0	0	0	0
New Homes Bonus	(1,818)	0	0	0	0	0	0	0	0	0	0
Council Tax	(9,298)	(9,615)	(9,923)	(10,240)	(10,565)	(10,899)	(11,242)	(11,594)	(11,956)	(12,328)	(12,710)
Locally Retained Business Rates	(1,934)	(1,951)	(1,989)	(2,048)	(2,113)	(2,155)	(2,198)	(2,242)	(2,287)	(2,333)	(2,380)
Interest Receipts	(301)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Property Investment Strategy Income	0	(500)	(500)	(1,132)	(1,276)	(1,276)	(1,276)	(1,276)	(1,376)	(1,376)	(1,376)
Contributions to/(from) Reserves	(233)	(233)	(353)	(353)	(353)	(353)	(353)	(179)	(179)	(635)	148
Total Financing	(15,100)	(12,549)	(13,015)	(14,023)	(14,557)	(14,933)	(15,319)	(15,541)	(16,048)	(16,922)	(16,568)
Budget Gap (surplus)/deficit	(847)	1,140	1,246	489	115	290	258	397	258	(243)	489
Contribution to/(from) Stabilisation Reserve	847	(1,140)	(1,246)	(489)	(115)	(290)	(258)	(397)	(258)	243	(489)
Unfunded Budget Gap (surplus)/deficit	0	0	0	0	0	0	0	0	0	0	0

Assumptions	
Revenue Support Grant:	-100% in 16/17
Locally Retained Business Rates:	2% all years
Council Tax:	2% in all years
Interest Receipts:	£250,000 16/17 onwards
Property Inv. Strat.:	£500,000 from 16/17, £700,000 from 18/19, £800,000 23/24 onwards. Sennocke and Bradbourne development income included from 2018/19.
Pay award:	1% in 16/17 - 19/20, 2% later years
Other costs:	2.25% in all years
Income:	2.5% all years

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