

BUDGET UPDATE 2017/18

Cabinet - 12 January 2017

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 six 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 seventh 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 2017/18 budget and updates Members on key financial information.

The Provisional Local Government Finance Settlement was announced on 15 December 2016 which has no material impact on the 10-year budget position. The basis of the New Homes Bonus has been changed which does not help to fund the revenue budget but does support the Property Investment Strategy.

Adjustments since the last report include changing the Council Tax increase assumption for 2017/18 from 2% to 2.5% and including the actual Council Tax base.

Cabinet will make its final recommendation on the budget at its meeting on 9 February 2017, after taking into account any updated information available at that date.

Portfolio Holder Cllr. Scholey

Contact Officers Adrian Rowbotham Ext. 7153

Helen Martin Ext. 7483

Recommendation to Cabinet: Members give consideration to the growth and savings proposals in Appendix E and the current budget position and then provide officers with any further instructions.

Introduction and Background

- 1 At the Cabinet meeting on 15 September 2016, Members considered a report setting out the Council's financial prospects for 2017/18 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 2017/18 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 1 December 2016.
- 3 The report to Cabinet on 1 December 2016 also contained updates to the Financial Prospects report.
- 4 This report sets out the current position for the 2017/18 budget and updates Members on key financial information received since the last report, including the Provisional Local Government Finance Settlement announced on 15 December 2016.

Financial Self-Sufficiency

- 5 The Council's Corporate Plan, introduced in 2013, set out an ambition for the Council to become financially self-sufficient which was achieved in 2016/17. This means that the Council no longer requires direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 6 This approach was adopted in response to the financial challenges the Country is faced with in bringing its public spending down to ensure it is able to live within its means. In practice this has seen Government funding to local authorities dramatically reduced since 2010/11 with Sevenoaks District Council expecting to receive no Revenue Support Grant from 2017/18.
- 7 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.
- 8 The Council's decision to seek to become financially self-sufficient was subject to scrutiny by the Local Government Associations Peer Challenge of the District Council during December 2013. In their closing letter to the Council they concluded that they 'fully support that aspiration and given the existing and anticipated squeeze upon public finances this makes much sense'.
- 9 With the Council expecting to receive no Revenue Support Grant from 2017/18 and New Homes Bonus expected to reduce from 2018/19, this approach remains appropriate. The attached 10-year budget assumes no Revenue Support Grant or New Homes Bonus. Any funding received from these sources 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 supporting 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.

- 10 Cabinet are keen to remain financially self-sufficient and be ahead of the game. This will allow this Council 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

- 11 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.
- 12 ***The Provisional Local Government Finance Settlement*** for 2017/18 was announced on 15 December 2016. This included confirmation that this council was one of the 97% of councils that applied for the multi-year settlement that was offered last year. The grants included in this offer are:
- Revenue Support Grant - nil in 2017/18 to 2019/20.
 - Transitional Grant - £123,000 in 2017/18, nil in 2018/19 to 2019/20.
 - Rural Services Delivery Grant - nil in 2017/18 to 2019/20.
- 13 ***Government Support: Revenue Support Grant (RSG)*** (£0.6m received in 2016/17 but not used to fund the revenue budget) - As previously assumed, this council will no longer receive Revenue Support Grant from 2017/18.
- 14 ***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 21 February 2017.
- 15 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 2017/18 is nil.
- 16 ***New Homes Bonus (NHB)*** (£2.2m received in 2016/17 but not used to fund the revenue budget) - The Government has announced that the basis of NHB has been changed. Previously it was based on cumulative figures for 6 years but this is being reduced to 5 years from 2017/18 and 4 years from 2018/19. Also in future NHB will only be received on tax base growth above 0.4% instead of on all growth.

New Homes Bonus (estimated amounts)

2017/18	£1.756m
2018/19	£1.339m
2019/20	£1.284m

- 17 A reduction was previously assumed from 2018/19 but the latest announcement results in the reduction starting a year earlier. NHB is not used to fund the revenue budget but does support the Property Investment Strategy (PIS) therefore other funding sources may be required to fund future PIS schemes. There will be a review of reserves included in the February Budget report where funds may be reallocated to the PIS.
- 18 **Council Tax** (£9.7m) - The Government has announced that the referendum limit for the Council Tax Band D increase for district council's in 2017/18 is the higher of 2% or £5.
- 19 The previous assumption in the 10-year budget was a 2% increase for all years based on previous referendum limits. On 1 December 2016 Cabinet proposed that Council Tax for 2017/18 should increase by the maximum amount of £4.95 (2.5%). This change has been included in the attached 10-year Budget and results in an additional £49,000 of Council Tax income per annum.
- 20 Details of the Council Tax Base for 2017/18 are contained in a separate report to this meeting. The impact of these changes is £18,000 less income per annum compared to the assumption included in the report to Cabinet in December.
- 21 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 2017/18.
- 22 **Locally Retained Business Rates** (£2.0m) - The basis for allocating Government Support from 2013/14 changed to the Business Rates Retention Scheme. This scheme initially allows billing authorities, such as this council, to keep 40% of Business Rates received. However tariffs and top-ups are applied to ensure that the funding received by each local authority is not significantly different to pre 2013/14 amounts.
- 23 The Department for Communities and Local Government (DCLG) has undertaken a consultation called 'Self-sufficient local government: 100% Business Rates Retention'. The Government intends to introduce 100% Business Rates Retention to local government by the end of the current Parliament. It is expected that, at the same time, the Government will update the relative needs formulae (i.e. that determine the amount of resources that an authority will have if it collects at its Business Rates target) but this has not yet been announced.
- 24 Revised 'safety-net' amounts were included in the settlement which have been included in the attached 10-year budget. These are slightly higher than the amounts announced last year.

Business Rates Safety-Net

2017/18	£1.990m
2018/19	£2.055m
2019/20	£2.128m

- 25 A full revaluation of business rates premises has been completed by the Valuation Office Agency (VOA) and full details were released on 20 December 2016. This will result in an increased cost to this council and is explained in SCIA28 included in Appendix E.
- 26 **Property Investment Strategy** - This has been updated to reflect income from the latest acquisitions and the final hotel scheme.
- 27 **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.
- 28 **Growth and Savings** - The items supported by Cabinet on 1 December 2016 result in an average net saving of £69,000 per annum. If the additional items included in Appendix E are supported by Cabinet, the average net saving for all new growth and savings items will be £49,000 per annum.

Current Budget Position

- 29 The 10-year budget (Appendix B) shows a fully funded 10-year position.
- 30 The total impact of the new growth and savings items, together with the increased Council Tax assumption, Council Tax Base changes and small increase to the Business Rates Safety Net amount result in a net saving of £100,000 per annum as assumed in the 10-year budget approved by Council in February 2016.
- 31 Members are asked to give consideration to the growth and savings proposals in Appendix E and the current budget position and then provide officers with further instructions.

Key Implications

Financial

All financial implications are covered 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 groups.

Individual equality impact assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision making process is fair and transparent.

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 in budget reductions.

Appendices

Appendix A - Budget Timetable

Appendix B - 10-year Budget

Appendix C - Summary of the Council's agreed savings and growth items

Appendix D - Growth and savings proposals

Appendix E - Service Change Impact Assessment forms (SCIAs) for new growth and savings proposals in Appendix D

Background Papers:

[Report to Cabinet 16 February 2016 - Budget and Council Tax Setting 2016/17](#)

[Report to Cabinet 15 September 2016 - Financial Prospects and Budget Strategy 2017/18 and Beyond](#)

[Report to Planning Advisory Committee 22 September 2016, Housing and Health Advisory Committee 4 October 2016, Policy and Performance Advisory Committee 6 October 2016, Economic and Community Development Advisory Committee 11 October 2016, Legal and Democratic Services Advisory Committee 18 October 2016, Direct and Trading Advisory Committee 1 November 2016, Finance Advisory Committee 15 November 2016 - Budget 2017/18: Service Dashboards and Service Change Impact Assessments \(SCIAs\)](#)

[Report to Cabinet 1 December 2016 - Budget Update 2017/18](#)

**Adrian Rowbotham
Chief Finance Officer**