RECOMMENDATIONS TO COUNCIL ON 22 FEBRUARY 2018
FROM CABINET ON 6 FEBRUARY 2018.

CAB117: **FINANCIAL PLAN 2017/2022**

The Director – Finance Services presented the report to Cabinet which set out that as part of the council tax setting process the Council updated its longer term Financial Plan to take account of any changes in financial settlements, inflation on service costs and revised priorities of the administration.

The report reminded Members that in February 2017 the Council set out a Financial Plan for 2016/2021. The Plan reflected the continued significant financial challenges faced by the Council including the phasing out of Revenue Support Grant (RSG), changes to the distribution of New Homes Bonus, the impact of the Business Rates revaluation from 2017, a 100% Business Rates Retention Scheme from 2020 and a fair funding review.

The general election in May 2017 had added to the uncertainty for local government with no date set for the legislative changes required for the implementation of the 100% Business Rates Retention Scheme and the consultation process on the fair funding review only just underway.

The Council could present a balanced budget for 2018/2019 and a funded budget for the remaining years of the medium term financial plan to 2022. There was significant uncertainty from 2020/2021. The impact of the implementation of a new Business Rates Retention scheme and the Fair Funding Review from 2020/2021 were still unknown, but there was considerable downside risk.

The provisional local government finance settlement announced by Government on 19 December 2017 confirmed the third year of the 4 year offer. It should be noted that the 4 year offer only included RSG and Rural Services Delivery Grant (RSDG). The ending of RSG has been clearly signalled and it was assumed that the Council would receive no RSG from 2020/2021. As with RSG it had also been assumed that the Council would receive no RSDG from 2020/2021. As part of the recent settlement announcement additional RSDG has been provided in 2018/2019.

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

In the provisional local government finance settlement announced on 19 December 2017 the Government approved 10 additional Business Rates Pilots for 2018/2019 unfortunately the pilot bid from Norfolk was unsuccessful. There would be a further opportunity to apply to pilot the business rates retention scheme as the Government has confirmed that it would continue to pilot the scheme in 2019/2020. The Norfolk pooling arrangements which included all Norfolk districts and the county council will however continue in 2018/2019.

The Government also announced that the aim was for local authorities to retain 75% of business rates from 2020/2021. This would be through incorporating existing grants into business rate retention including the Revenue Support Grant and local authorities would be able to keep that same share of growth on their baselines from 2020/2021 when the system is reset. Further details of this announcement of a 75% scheme and what that meant for the 100% scheme was awaited.

The revised arrangements for business rates retention would not provide this Council with funding to replace the reductions announced in RSG. Under the new arrangements there would still be a formula adjustment to redistribute business rates between two tier authorities and to address economic differences.

The technical consultation 'Fair funding review: a review of relative needs and resources' opened on 19 December 2017 and closed on 12 March 2018. The consultation sought views on the approach to measuring the relative needs of local authorities. The government was working towards an implementation date of 2020/2021. So from 2020/2021 business rates would be redistributed according to the outcome of the new needs assessment. It could be anticipated that there would be winners and losers as a result of the funding review.

Under the current business rates retention scheme the Council retained 40% of any net growth in the business rates achieved and 100% of any growth in business rates from Renewable Energy facilities. In preparing the Financial Plan 2017/2022 assumptions had been made on continued growth in business rates for 2018/2019 and 2019/2020. There could however be no guarantee that business growth would materialise as developers/businesses will respond to changing market conditions, and the added uncertainty as the Brexit arrangements unfolded. There was therefore a significant level of risk with this approach. If the anticipated projects did not progress as planned or were cancelled the growth would not be achieved.

The government consulted on further changes to the New Homes Bonus. The Minister announced as part of the provisional local government finance settlement that in the year ahead no new changes would be made to the way New Homes Bonus worked.

The Council over recent years had adopted a policy of seeking efficiencies and different ways of delivering services producing significant levels of savings. A robust process to identify proposals to address the continuing budget deficit had been underway since the autumn 2015. In taking up the offer of a four year funding settlement the Council was required to publish an efficiency plan and monitor progress on delivery of savings.

Work was underway to produce the changes required to deliver the savings identified, before 2020/21. The work being completed, and therefore the savings being generated, were monitored closely and reported in the monthly monitoring reports. Where savings were achieved in advance of 2020/2021 these would be transferred to reserves to fund investment in major capital projects which would provide future revenue income. As at the end of December 2017 we had achieved 44% of actual savings against the target for 2017/2018.

The costs of services of the Council had been updated. In terms of containing spending a number of service budgets had been held at 2017/2018 levels and increases had been made only where known price increases had occurred. Growth items had only been included where there was a statutory requirement including minimum pay pledges.

It remained difficult in the current economic climate to estimate levels of income in certain services including planning, car parks and industrial estates and a cautious approach had been taken in projecting forward into 2018/2022.

Fees and charges had been reviewed as part of the estimates process, car parking charges were last increased in April 2016 and it was proposed that these would be increased in April 2018.

The Council had a planned approach to the use of the general fund balance. As in previous years the Council continued to make use of working balances and reserves to protect against volatile changes in the cost of services, receipt of income and more significantly funding levels from business rates growth. At no time did the Plan take working balances below the minimum level as stated in the Policy on Earmarked Reserves and General Fund Working Balance of the Council.

The figures shown in the Financial Plan for 2017/2022 included a £4.50 per annum per Band D dwelling increase in council tax for each year of the plan. The increases were in line with the Council's published efficiency plan. The overall £5 increase permitted under the Council Tax Referendum Principles included increases in special expenses and the Borough precept.

The Financial Plan 2017/2022 showed that the Council could present a funded budget. The current general fund balances would be required to support the budget in the event that income levels were not achieved and/or delayed, whilst further cost reductions were made.

Work had been underway during the current financial year on securing the cost reduction/income generating targets identified as part of the budget setting process in February 2017. The Financial Plan 2017/2022 included all cost reduction savings that had been achieved to date as reported in the monthly monitoring reports to December 2017. The savings required by the end of the Financial Plan were £2.6m and may be even higher depending on the impact of the new 100% Business Rates Retention scheme and the Fair Funding Review.

The funding for the period to 2019/2020 was presented with a degree of certainty in respect of RSG and RSDG funding as the Council had taken up the 4 year offer. However there were still potential further changes to New Homes Bonus and uncertainty that the Business Rates growth included in the Plan not coming to fruition.

The report set out that the significant risk was from 2020/2021. There was no date set for the legislative changes for the implementation of the 100% Business Rates Retention Scheme, and the recent announcement of a 75% scheme had added further uncertainty. The concern was that the re-set of the baseline may mean that the Council would not retain all the growth currently included in the Plan. The Fair Funding Review would determine the starting point under any new Business Rates Retention scheme. The consultation ‘Fair funding review: a review of relative needs and resources’ closed on 12 March 2018. This Council would continue to make strong representations for fair and transparent funding arrangements for local government, which take account of the particular pressures of rural authorities and in the case of west Norfolk the funding arrangements to address the flood and drainage responsibilities met through the internal drainage boards.

Councillor Long thanked the Director and her team for the preparation of the Budget papers.

Under Standing Order 34 Councillor C Joyce addressed the Cabinet, he asked
- What the situation was for the repayment of the NWES loan.
- What the changes in the corporate costs on P56 were.
- What level of street naming there was – p 89
- Why the Council didn’t carry out the grounds maintenance work on the Nar Park Valley Estate.
- He commented on the time for the long term parking and the earlier usage
- He commented on the level of charges for Hunstanton residents compared to King’s Lynn.

The Chairman reminded Members that the Cabinet wasn’t a scrutiny body. Officers explained that the Hunstanton season ticket element went back to before charges were made in Hunstanton.

Under Standing order 34, Councillor D Pope addressed the Cabinet with a number of questions on the budget.

In response to the question on where the interest being paid on loans was featured, it was explained that the revenue budget was presented, but the options available were considered at the time, and to withdraw from the arrangement may mean that the fees would be prohibitive. The Director – Finance Services explained that the NWES detailed featured in the Treasury figures, not the budget.

In response to Councillor Pope’s question on when a return would be seen on the investment made for major projects, it was explained that detailed project plans were prepared and an update on this would come forward in April. It was confirmed that internal borrowing had been undertaken for the projects.

Councillor Beales drew attention to the tough environment the Council was operating in but the budget showed that the Council’s performance over the years had been good, with only a 7% increase since 2005.

Councillor Long commended the budget which he felt was financially sustainable, whilst investing in homes, businesses, roads, etc he also drew attention to the uncertainties around Business Rates going forward which had been drawn out in the report.

The Chief Executive drew attention to the Ministerial statement released during the day that an additional funding was being released for rural services, which it was hoped the Council would be a recipient of some of the funding.

RECOMMENDED:
1) That the revision to the budget for 2017/2018 as set out in the report be approved.
2) That the Policy on Earmarked Reserves and General Fund Working Balance be reaffirmed and the maximum balances set for the reserves as noted in the report.
3) That the budget of £18,256,150 for 2018/2019 be approved and the projections for 2019/2020, 2020/2021 and 2021/2022 be noted.
4) That the level of Special Expenses for the Town/Parish Councils be approved as detailed in the report.
5) That the Fees and Charges 2018/2019 detailed in Appendix 5 in the report be approved, subject to the following amendments:

- Hunstanton Coach park – All Day to be replaced with Over 2 Hours until 18:00
- Hunstanton Season Ticket – 12 months to increase from £200 to £220.

6) That a Band D council tax of £121.37 for 2018/2019 be approved.
7) That a minimum requirement of the General Fund balance for 2018/2019 of £912,808 be approved.
8) That the revision to the Budget for 2017/2018 as set out in the report be approved.

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