

**CABINET**

Wednesday, 15 February 2017

**DRAFT GENERAL FUND BUDGET 2017/18 (REP1342)**

**EXECUTIVE SUMMARY**

1. The Medium Term Financial Strategy (MTFS) considered by the Cabinet on 20 September 2016 and by the Overview and Scrutiny Committee on 1 December 2016 provided a baseline forecast of income and expenditure and looked at the overall financial climate, providing a framework within which the Council's overall spending plans will be developed.
2. The Government has announced proposals for Councils to retain all locally raised business rates by the end of the decade, and to end the distribution of core grant from central Government. These proposals are subject to consultation, and joint working is being carried out between central government and local government to develop key aspects of the new system. These proposals will radically change the Local Government Finance environment and the relationship with Central Government.
3. Overall, this period and the long-term Local Government financial picture is characterised by an increased shift towards locally-generated resources, with an accompanying transfer of both risk and opportunity. The MTFS sets out the assumptions made in identifying resources for this period, and has been developed in advance of the emergence of detail regarding the Government's proposals on business rates.
4. In the Final Local Government Finance Settlement for 2016/17 the opportunity for local authorities to sign up to 4-year settlements covering the period 2016/17 – 2019/20 was announced. Indicative figures for the element covered by this offer - Revenue Support Grant – were published for this period. These figures were used in the 2016/17 Budget and revised MTFS approved by Full Council in February 2016.
5. To take advantage of this offer each authority needed to submit an Efficiency Plan by 14 October 2016. The Cabinet approved an Efficiency Plan for this purpose at its meeting on 20 September 2016. The 4-year settlement figures were confirmed in the Provisional Local Government Finance Settlement announced in December.
6. Alongside the Provisional Local Government Finance Settlement, the Government has announced the allocations for New Homes Bonus (NHB) for 2017/18. These allocations reflect some of the proposals contained in the consultation on NHB that closed in March.
7. During the timescale of the MTFS, the Council is in the process of progressing the potential merger of Waveney and Suffolk Coastal District Councils. If progressed and approved by the Secretary of State, a new "East Suffolk" district council could be implemented with effect from 1 April 2019. At this stage, no financial implications have

been built into the MTFS for this project.

8. The updated position forecast in this report highlights the difference between expenditure and sustainable resources. A balanced position is indicated for 2017/18, but reported budget gaps shown for 2018/19, 2019/20, and 2020/21 are £1.350m, £1.881m, and £2.009m, respectively.
9. Having regard to the financial risks surrounding the budget planning process the Council maintains the level of General Fund balances at around 3%-5% of its budgeted gross expenditure. At 1 April 2016 uncommitted General Fund balances stood at £4.159m.
10. The MTFS appended to this report has been revised for updates including those resulting from the Chancellor's Autumn Statement; further developments in the Business Rates Retention proposals; the outcome of the NHB consultation; budget monitoring forecasts; and the provisional Local Government Finance Settlement.
11. At the end of the 2017/18 budget process, in February 2017, the Council is required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax. This report sets out proposals to achieve that objective and contribute towards a sustainable position going into the medium-term and the major changes to the Local Government finance environment.
12. In this report the Cabinet is asked to consider and make recommendations to Full Council regarding the:
  - proposed Budget for 2017/18, and to note the position with regard to future years;
  - assessment of reserve and balance movements;
  - Council Tax Base for 2017/18 (for noting);
  - interim Business Rates position (for noting); and proposed Band D Council Tax for Waveney District Council of £157.41 for 2017/18, an increase of £4.95 or 3.25%.

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All Wards in the District
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<b>Cabinet Member:</b>	Councillor Mike Barnard Cabinet Member for Resources and Welfare Reforms
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<b>Supporting Officer:</b>	Homira Javadi Chief Finance Officer (01394) 444529 <a href="mailto:Homira.Javadi@eastsoffolk.gov.uk">Homira.Javadi@eastsoffolk.gov.uk</a>
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## 1 INTRODUCTION

1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council and is regularly updated as it evolves and develops throughout the year to form the framework for the Council's financial planning. To ensure Members have a sound basis for planning and decision making, the MTFS is reviewed and updated at key points in the year these are:

- Mid year – as a framework for initial detailed budget discussions for the forthcoming financial year;
- January – an update to include additional information received at a national level and corporate issues identified through service planning, and the detailed budget build; and
- February – with the final Budget for the new financial year.

1.2 The purpose of the MTFS is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Business Plan, over the medium term.

1.3 As outlined in the MTFS, in March the Secretary of State wrote to authorities to formally offer a multi-year finance settlement. The offer is subject to submission of an overall **Efficiency Plan**, of which the MTFS forms a substantial part, by 14 October 2016. An Efficiency Plan was approved by the Cabinet on 20 September 2016 and has been submitted to the Secretary of State.

1.4 This report updates the MTFS considered in October 2016, incorporating the outcome of the Provisional Local Government Finance Settlement and the Council's detailed budget process. The report also presents a number of other items linked to the budget process, including the statutory report of the Chief Finance Officer. The Recommendations at the end of this report represent the Cabinet's proposals to full Council for setting the General Fund Budget and Council Tax for 2017/18.

## 2 EFFICIENCY PLAN, MEDIUM TERM FINANCIAL STRATEGY, AND DRAFT GENERAL FUND BUDGET 2017/18

2.1 The Council's Efficiency Plan is attached as Appendix A. Although the Secretary of State's offer is to local authorities individually, the same basic overarching Efficiency Plan has been produced for both Waveney and Suffolk Coastal, with the MTFS component, which is the cornerstone of the Plan, being separate for each authority. As resolved by the Overview and Scrutiny Committee, the Efficiency Plan attached as Appendix B7 now includes forecast savings for the plans and strategies referred to in paragraph 4.2.

2.2 The updated MTFS is attached as Appendix B. This incorporates the Draft General Fund Budget and Council Tax proposals for 2017/18, reflecting the detailed budget process. At this stage, the MTFS does not reflect the financial implications of the possible merger with Suffolk Coastal and the possible implementation of 100% business rates retention by the Government in either 2019/20 or 2020/21. The MTFS includes a number of Appendices that form part of the Council's Budget, including the Council Tax Base, Summary Budgets by Service, Reserves and Balances, and the Efficiency Strategy.

2.3 The table below outlines the updated MTFS Forecasts for 2016/17 to 2020/21. These forecasts have been updated in respect of external funding issues, ongoing budget monitoring during the

course of 2016/17, and the output of the detailed budget process. From 2018/19 onwards, these forecasts represent a base MTFS position giving the underlying budget gap. The present base MTFS position does not take account of the following major issues in this timeframe:

- The possible merger of the council with Suffolk Coastal District Council with effect from April 2019;
- The implementation of 100% Business Rates Retention in 2019/20 or 2020/21;
- Any other actions or use of balances to address the currently forecast budget gap.

### **MTFS Forecast**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
February 2016	0	2,339	4,071	4,771	
September 2016	40	3,080	4,756	5,566	5,877
January 2016	0	0	1,350	1,881	2,009

2.4 The proposed Capital Programme for 2017/18 to 2020/21 was approved by full Council on 25 January 2017.

### **3 BUSINESS RATES RELIEF – LOCAL NEWSPAPERS**

3.1 The Government have consulted on providing a business rates relief for local newspapers as part of its commitment to supporting a strong and vibrant local press. Responses to the consultation indicated that a relief on business rates bills would generally be welcomed by the industry and help publishers occupy property in their local area.

3.2 As a result a discount was announced in the March 2016 budget on the following terms:-

- A £1500 business rates discount for office space occupied by local newspapers for up to 2 years from 1 April 2017
- A maximum of one discount per local newspaper title and per hereditament
- State Aid limits will apply
- The discount will not apply to local councils that publish a local newspaper
- The discount will not apply to online-only publications and local magazines

3.3 In their response to the consultation, the Government has outlined guidance to local authorities setting out eligibility criteria as to how they may use their discretionary powers under section 47(3) of the Local Government Finance Act 1988 to grant this relief. This guidance is set out in Annex A of the consultation response attached as Appendix C. The cost of these reliefs will be fully funded by the Government through Section 31 Grant.

3.4 It is recommended in this report that the Council approves the granting of business rates relief to local newspapers in accordance with the guidance set out in Appendix C.

### **4 LOCALISED COUNCIL TAX REDUCTION SCHEME AND COUNCIL TAX DISCOUNTS**

4.1 Regarding the Localised Council Tax Reduction Scheme (LCTRS), the existing scheme for 2017/18 has been reconsidered, but it has been determined not to make any changes, and the existing scheme will be retained for 2017/18. Consequently there is no requirement to undertake any public consultation.

- 4.2 In addition to LCTRS, the Council has the discretion to set their own policy on council tax discounts. Current council tax discounts policy is:
- Class A discount (empty unfurnished properties undergoing major repairs or structural alterations) – 25% discounts for 12 months;
  - Class C discount (empty unfurnished properties) – 100% discount for one week and then apply a full charge;
  - Second homes – 100% charge; and
  - Long term empty properties – 100% charge for properties empty for more than six months and then 150% charge for properties empty for more than two years.
- 4.3 The Council has the opportunity to increase council tax income through adjusting the discounts granted on Class A and Class C properties.
- 4.4 The current cost of awarding Class A discounts of 25% for 12 months on uninhabitable properties is approximately £26k of which the District Council's share of the cost is approximately £2.6k. If the discount was reduced by 10% to 15% for 12 months, the additional council tax income would be approximately £10k more during the financial year, of which the District Council's share would be approximately £1k. It is proposed that the current discount of 25% for 12 months is retained as the financial gain for the Council is minimal, while at the same time causing landlords additional cost which does not support bringing homes back into use.
- 4.5 Options available for Class C discounts on empty and unfurnished properties are:
- Retain the current policy of 100% discount for one week and then apply full charge (estimated cost of the discount is £60k of which the District Council's share of the cost is £6k);
  - Remove the period of discount completely and apply full charge (there is no cost associated to this option and results in an estimated £60k of additional council tax income of which the District Council receives £6k).
- 4.6 It is proposed that the current discount of 100% discount for one week then apply full charge is retained as the financial gain for the Council is relatively small, while at the same time causing landlords additional cost which does not support bringing homes back into use.

## **5 RISK ASSESSMENT AND REPORT OF THE CHIEF FINANCIAL OFFICER**

- 5.1 Part of the process of delivering a robust medium term strategy to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. MTFS key principles and a risk analysis together with mitigating actions are provided in Appendix B1 of the MTFS.
- 5.2 Section 25 of the Local Government Act 2003 places a personal duty on an authority's "Chief Financial Officer" to make a report to Council about the robustness of the estimates made for the purposes of the council tax calculations and the adequacy of financial reserves and balances. The Act also requires the Council to have regard to the report before it makes its budget and council tax decisions.
- 5.3 In relation to the statutory duty under the Act, the Chief Financial Officer considers that the estimates are robust, the General Fund Balance is within the guideline levels established as part

of the Medium Term Financial Strategy and the contributions to and use of earmarked reserves will assist the Council to deliver its required changes in this period of uncertainty.

- 5.4 The Chief Finance Officer will provide this statement to Full Council when it considers the budget for 2017/18 on 22 February 2017. The statement will clearly set out the budget assumptions used to arrive at the final recommendations.

## **6 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN**

- 6.1 The Efficiency Plan and MTFS sit beneath the East Suffolk Business Plan in both councils' hierarchy of plans and strategies, and are effectively the mechanism by which the key Business Plan objective of Financial Self-Sufficiency will be delivered over the medium term. The 2017/18 General Fund Budget is a key part of the Council's Budget and policy framework, representing delivery of the MTFS over the coming year.

## **7 CONSULTATION**

- 7.1 The Council consults on its strategy and detailed financial plans for the coming year with staff, residents, partners, and business through a variety of methods including e-consultation and forums. In November, town and parish councils attended a forum entailing presentations and discussion of the financial plans of the Council, Suffolk County Council, and the Police and Crime Commissioner for Suffolk. The Overview and Scrutiny Committee and the Audit and Governance Committee considered the draft MTFS in December.

## **8 OTHER OPTIONS CONSIDERED**

- 8.1 Efficiency Plan – As outlined in the MTFS, the Council could have chosen not to submit an Efficiency Plan in order to take advantage of the Secretary of State's four-year finance settlement offer. However, it is clear from the offer that if the offer was not to be accepted then future levels of Government funding could not be guaranteed, so this option was not considered to be appropriate.
- 8.2 MTFS and General Fund Budget – The MTFS is an essential element in achieving a balanced budget and sustainable medium term position, whilst setting a balanced budget for the coming year is a statutory requirement. Consequently, no other options are appropriate in respect of this.
- 8.3 Business Rate Relief Local Newspapers – In theory the Council could choose not to have a policy towards granting this discretionary relief. However, this option has not been considered as this could be open to challenge; the Government has provided eligibility criteria; and the measure will be fully funded by the Government.

## **9 REASONS FOR RECOMMENDATION**

- 9.1 To bring together all the relevant information to enable Members to review, consider and comment upon the Council's General Fund revenue budgets before making recommendations to Council on 22 February 2017.
- 9.2 To seek wider Member consideration of the forward budgets beyond 2017/18, and Council Tax proposals in this report to balance the budget for 2017/18 and future years.

## RECOMMENDATIONS

To recommend that Full Council:

1. Approve the General Fund Revenue Budget as set out in this report and summarised in Appendix B5, and notes the budget forecast for 2018/19 and beyond;
2. Approve the Reserves and Balances movements as presented in Appendix B6;
3. Approve the Efficiency Strategy attached as Appendix B7;
4. Approve the awarding of business rates relief to local newspapers under the discretionary powers under section 47(3) of the Local Government Finance Act 1988, in accordance with the Government's guidance set out in Annex A of Appendix C;
5. Approve that no changes are made to the Local Council Tax Reduction Scheme and Council Tax Discounts for 2017/18.
6. Note the Council Tax Base of 35,625.72 for 2017/18; and
7. Approve a Band D Council Tax for 2017/18 of £157.41.

## APPENDICES

<b>Appendix A</b>	Efficiency Plan
<b>Appendix B</b>	Medium Term Financial Strategy
<b>Appendix B1</b>	Medium Term Financial Strategy – Key Principles
<b>Appendix B2</b>	Council Tax Base 2017/18
<b>Appendix B3</b>	Medium Term Financial Strategy – Summary
<b>Appendix B4</b>	Medium Term Financial Strategy – Key Movements and Variances
<b>Appendix B5</b>	General Fund Revenue Budget Summary
<b>Appendix B6</b>	General and Earmarked Reserves 2016/17 to 2020/21
<b>Appendix B7</b>	Efficiency Strategy 2016/17 – 2019/20
<b>Appendix C</b>	Business Rates Relief for Local Newspapers

**BACKGROUND PAPERS – None**