

BABERGH DISTRICT COUNCIL CABINET MEMBER UPDATE

From: Councillor Peter Patrick Cabinet Member for Finance	Report Number: CMU5
To: Council	Date of meeting: 24 April 2018

TO PROVIDE AN UPDATE FROM THE CABINET MEMBER FOR FINANCE

1. Overview of Portfolio

- 1.1 Whilst this report is from me as the Cabinet Member for Finance the remit of my portfolio also covers Commissioning and Procurement, HR and Organisational Development and the Shared Revenues Partnership. This report covers the key areas of activity over the last 6 months.

2. Recommendation

- 2.1 This report is for information.

3. Key Activities/Issues Over the Past Six Months

2018/19 Budget and Joint Medium Term Financial Strategy (MTFS)

- 3.1 As you will be aware from the Council meeting in February, we have now approved the General Fund and Housing Revenue Account budgets for 2018/19 and an updated MTFS that takes us up to 2021/22. We agreed a modest increase in council tax for next year at £5 and a decrease in council housing rents of 1%, with the latter being set by the Government.
- 3.2 The Council meeting in February is still fresh in all our minds, so I will not cover any more of the detail of the reports, but it is the culmination of many months work for officers and particularly the Finance Team, so I am sure you would like to join me in thanking them for all their hard work over this period of time.
- 3.3 You may also remember that at the Council meeting in December we agreed to increase the discount on our Council Tax Reduction Scheme from 91.5% to 95%, which means that our residents most in need will only have to pay 5% of the council tax bill from 1st April 2018.

2017/18 Budget Monitoring

- 3.4 The third quarter budget monitoring report that was discussed at Cabinet on 8th March showed a favourable variance of £1.227m on the General Fund. Two key reasons for this variance result from higher than expected planning fee income, including the introduction of pre-application charges, and additional business rates income. Both of these income sources can be volatile and difficult to forecast. The planning income budget has been increased in 2018/19 to reflect the fact that the increased activity around planning applications is likely to continue.

- 3.5 Subject to the final variance at the end of the year, it is proposed that the majority of the variance (£943k) is put into the business rates equalisation reserve. This is because the Business Rates Collection Fund will be in deficit at the end of this year due to the need to make a large provision for an appeal on the Tesco store at Copdock and will impact on the General Fund in 2018/19. As part of the budget setting process we assumed that the reserve would be boosted in 2017/18 to enable it to fund the majority of the deficit in 2018/19, but, as you may remember from the Council papers, a balance of just over £300k had to be funded from the Transformation Fund in order to balance the budget.

Business Rates Revaluation Grant

- 3.6 Councillors may remember that after the business rates revaluation, which took effect from April 2017, the Government made £300m available nationally over a 4-year period, via local authorities, to assist those businesses that had seen a significant increase in their business rates bill.
- 3.7 Cabinet approved a policy in July 2017, by which the money (£182k in 2017/18) would be distributed to affected businesses in the district and further delegation to the Assistant Director for Corporate Resources to agree further changes following consultation with myself and the Leader.
- 3.8 Since the policy was first approved it has proven difficult to allocate all the grant because the Government, in calculating how much money was required, did not allow for the fact that it cannot be awarded to public bodies, so as business rates payers the Council and NHS for example are not eligible for any grant funding.
- 3.9 A couple of subsequent amendments have been made to the policy, so that more of the funds could be allocated. The most recent change is currently being implemented by the Shared Revenues Partnership, but I am pleased to report that this should ensure that all of the grant allocated to Babergh in this financial year will be spent.
- 3.10 The allocation reduces to £89k in 2018/19, £36k in 2019/20 and £5k in 2020/21, so we will need to reduce the assistance provided over the next 3 years, so that businesses are picking up their revised business rates bill by the next revaluation.

Business Rates Pilot 2018/19

- 3.11 As was outlined in the Budget report, Suffolk was successful in its bid to become one of the business rates pilot areas for 2018/19. A further 10 areas were designated and the pilot will test out further features of how 100% retention of business rates could work by enabling Suffolk to retain 100% of the growth in 2018/19.
- 3.12 The first call on the additional money to be retained by the authorities in Suffolk will be to cover the Revenue Support Grant and Rural Services Delivery Grant that the Government will not be paying under the pilot. After this it is anticipated that there will be a further £10m retained in Suffolk to be invested in growth related initiatives. Babergh's share of this will be approximately £1m, which will be placed in a new earmarked reserve.
- 3.13 The governance arrangements covering the pilot are still being finalised, but the expectation is that the Council will put forward proposals as to how the money should be invested and this will be agreed with Suffolk County Council. Officers are currently working on proposals for consideration by councillors.

- 3.14 Business rates is a complicated area to monitor and predict and the introduction of the pilot in 2018/19 adds another degree of complexity. Due to the growing importance of this as a source of income for the council, a Joint Member Briefing will be developed and delivered early in the new financial year on this topic.

4. Future Key Activities

Early Closure of Accounts

- 4.1 The deadline for closing the accounts this year has been further tightened, so that the unaudited accounts have to be prepared and signed off by our Section 151 Officer by the end of May, with the auditors completing their work by the end of July. This is two months earlier for the whole process to be completed compared with last year. One month less to prepare the accounts and one month less for them to be audited.
- 4.2 This is a significant challenge for both the Finance Team and our auditors and closely follows the budget and budget monitoring work, so there is going to be no respite for our hard-working team.
- 4.3 The Team undertook a trial run last year to see what lessons needed to be learnt before they had to do it in earnest this year. They are working closely with our external auditors, EY, to achieve the required timetable.

Medium Term Financial Sustainability

- 4.4 One of our key strategic priorities is to be financially sustainable in the medium term. The updated MTFS gives us an idea of the challenge that we face over the 3 years beyond 2018/19 in light of reductions in Revenue Support Grant and New Homes Bonus funding and the volatility surrounding business rates income.
- 4.5 Whilst we have been able to set a budget for 2018/19 we have had to use some Transformation Fund to achieve that, so we are not resting on our laurels, as the future shows us that we have some challenges over the following 3 years to achieve balanced budgets. In response to this, the Senior Leadership Team will start work in April to look at options as to how we can achieve a balanced position over the medium term rather than just concentrating on the year to come.
- 4.6 We have made some progress with this in terms of projecting forward some of the actions that we have already taken e.g. income from CIFCO and this is shown within the MTFS that we approved last month, but there is much more work to be done.
- 4.7 Due to the importance of the income from our commercial and other property investments on our financial affairs, I also attend the Assets and Investments Cabinet Member briefing, with my Cabinet colleague Councillor Nick Ridley, where we monitor the income-generating activities.

Staff Survey

- 4.8 You may have seen from recent editions of Working Together or on Connect that we launched a staff survey, which closed on Sunday 18th March. Staff views were sought on a range of matters including their job, team and the organisation as a whole, as well as training and development opportunities, agile working and internal communications.

- 4.9 The survey will give us a baseline of information about how staff are feeling at this moment in time and will be used to make some positive changes within the organisation. The base set of questions will be repeated at a point in the future (to be agreed) so that it can be seen what impact the actions have made.
- 4.10 It is part of a suite of initiatives that the Senior Leadership Team is undertaking to develop the organisation and the results and associated actions from the survey will be shared with all staff and councillors.

5. Conclusion

- 5.1 There have been a number of key activities over the past six months as my report has outlined, but with the annual cycle of finance work and the financial challenges that we face in the medium term, there is always much to do. As I have stated a number of times at Cabinet meetings, I would welcome suggestions from members, particularly with regard to increasing the Council's income.

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