

## MID SUFFOLK DISTRICT COUNCIL CABINET MEMBER UPDATE

<b>From: Councillor John Whitehead Cabinet Member for Finance</b>	<b>Report Number: CMU12</b>
<b>To: Council</b>	<b>Date of meeting: 26 April 2018</b>

### TO PROVIDE AN UPDATE FROM THE CABINET MEMBER FOR FINANCE

#### 1. Overview of Portfolio

- 1.1 Whilst I have compiled this report 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 through to 2021/22. We agreed a small increase in council tax for 2018/19 at 0.5% 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.

##### *2017/18 Budget Monitoring*

- 3.3 The third quarter budget monitoring report was discussed at Cabinet on 5<sup>th</sup> March and shows a favourable variance of £1.158m 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 anticipated to continue.
- 3.4 Subject to the final variance at the end of the year, it is proposed that most of the variance (£938k) is put into the business rates equalisation reserve. This is because the Business Rates Collection Fund will be in deficit at the end of 2017/18 due to a large rebate following an appeal on the Wattisham base and this 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 deficit in 2018/19.

### *Business Rates Revaluation Grant*

- 3.5 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.
- 3.6 Cabinet approved a policy in July 2017, by which the money (£217k 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 in consultation with myself and the Leader.
- 3.7 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.
- 3.8 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 the grant allocated to Mid Suffolk in this financial year will be spent.
- 3.9 The allocation reduces to £105k in 2018/19, £43k in 2019/20 and £6k in 2020/21, so we will need to reduce the assistance provided over the next 3 years. When this transition ends, businesses will be picking up their revised business rates bill by the next revaluation.

### *Business Rates Pilot 2018/19*

- 3.10 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. We are one of 10 areas designated and this 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.
- 3.11 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. Mid Suffolk's share of this will be approximately £1m, which will be placed in a new earmarked reserve.
- 3.12 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.
- 3.13 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 on this topic is being developed for delivered early in the new financial year.

## 4. Future Key Activities

### *Early Closure of Accounts*

- 4.1 The deadline for closing the accounts for 2017/18 has been further tightened, so that the unaudited accounts must 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 The Team undertook a trial run for the 2016/17 accounts to see what lessons needed to be learnt before they had to do it in earnest for 2017/18. They are working closely with our external auditors, EY, to achieve the required timetable. It will be a significant challenge for both the Finance Team and our auditors and, as it follows closely on from the budget and budget monitoring work, there is going to be very little if any respite for our hard-working team.

### *Medium Term Financial Sustainability*

- 4.3 One of our key strategic priorities is to be financially sustainable in the medium term. The updated MTFS gives us an insight into the challenges 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.
- 4.4 Whilst we have been able to set a budget for 2018/19 with a surplus position, we cannot rest on our laurels, as the future shows us that the challenges increase over the following 3 years. 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.
- 4.5 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 more work to be done.

### *Staff Survey*

- 4.6 You may have seen from recent editions of Working Together or on Connect that we launched a staff survey, which closed on Sunday 18<sup>th</sup> March. Staff views were being sought on a range of matters including their job, team and the organisation, as well as training and development opportunities, agile working and internal communications.
- 4.7 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 another point in the future, still to be agreed, so that it can be seen what impact the actions have made.
- 4.8 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 My report has outlined both the key activities undertaken over the past six months and the next steps in our annual cycle of finance work. As always there are further challenges ahead, but with our able and experienced team I feel confident we are equipped to meet them.

Authorship: Councillor John Whitehead