

**Classification:** Public

**Key Decision:** No

## **Gravesham Borough Council**

**Report to:** Finance & Audit Committee  
Full Council

**Date:** 13 September 2016  
11 October 2016

**Reporting officer:** Leader of the Executive  
Chief Executive  
Director (Corporate Services)

**Subject:** Government Multi-Year Settlement

### **Purpose and summary of report:**

To enable Full Council to consider the offer from Central Government for a four-year financial settlement for Gravesham Borough Council.

### **Recommendations:**

That:

- the Council accepts the government's four-year financial settlement prior to the deadline of 14 October 2016.
- the approved Medium Term Financial Strategy covering the period 2016-17 to 2019-20 be put forward by the Council to support the acceptance of the government's multi-year financial settlement.

## **1. Background**

- 1.1 On 21 March the Department of Communities and Local Government wrote to all councils setting out their offer of a multi-year finance settlement. The offer covers Revenue Support Grant, Rural Services Delivery Grant and Transitional Grant and is provided for Members information at Appendix 2.
- 1.2 At the Full Council meeting held on 19 April 2016, Members debated the multi-year finance settlement offer. Members unanimously resolved that delegated authority be given to the Leader of the Executive, in consultation with the Chief Executive and Director (Corporate Services), to prepare a report to be brought back to members for consideration through Finance & Audit and then Council meeting before agreeing to accept the government's four-year financial settlement prior to the deadline of 14 October 2016.

- 1.3 In accordance with this resolution, this report will be considered by the Finance & Audit Committee on 13 September 2016 prior to being presented to Full Council on 11 October 2016.

## 2. Multi-Year Settlement Officer

- 2.1 For Gravesham, the settlement offer comprises the following funding for the four year period 2016/17 to 2019/20 (as released by Government on 9 February 2016).

Settlement Funding Assessment	2016/17	Multi-Year Settlement		
		2017/18	2018/19	2019/20
Revenue Support Grant	£1,225,770	£590,150	£196,260	£0
Transitional Funding	£11,250	£11,210	--	--
<b>Total</b>	<b>£1,237,020</b>	<b>£601,360</b>	<b>£196,260</b>	<b>£0</b>

- 2.2 With regard to business rates baseline need (which forms part of the overall settlement funding assessment), Government has pledged that business rates tariffs and top-ups will not be altered for reasons related to the relative needs of local authorities for the years 2017/18 to 2019/20, although in the final year this may be subject to the redesign of the business rates scheme and the introduction of 100% business rates retention. The multi-year settlement indicates that by 2019/20 the Council's Business Rates Baseline Funding level will be at £2.94m. This will however be adjusted downwards by a tariff adjustment which will clawback a further £243,710 of funding from the Council, effectively reducing the Business Rates Baseline Funding level to £2.69m.
- 2.3 Members should note that the multi-year settlement does not directly affect New Homes Bonus payments or any local share of Business Rates generated from the Council opting to be part of the Kent Business Rates Pool. It also does not prescribe any future Council Tax Referendum Limits, used to determine thresholds to be applied to annual council tax charges.

## 3. Financial Planning

- 3.1 The approved General Fund budget set by the Council on 23 February 2016 identified a residual funding gap, after planned savings, of £2.5m by 2019/20, with the first funding gap becoming apparent in 2018/19.
- 3.2 In April 2016 Full Council approved a new Medium Term Financial Strategy covering the period 2016/17 to 2019/20, setting out the framework within which the Council plans and manages its finances whilst ensuring these fit in with and support the achievement of the Council's objectives. The Strategy also set out the intention of the Council to bridge the funding gap on the General Fund by pursuing three primary strategies:
- Optimisation of Income Generation
  - Innovation in Service Delivery
  - Financial Discipline

- 3.3 Since approval of the Medium Term Financial Strategy, the Council has been working in earnest to realise these strategies. In particular the Council has:
- Purchased one commercial property under its £10m Property Acquisition Strategy and secured an ongoing annual rental income stream of £220,000 with other opportunities being investigated and progressed.
  - Invested £10m of its investment balances in Property Funds, to secure a greater return on investment than that currently experienced in deposits with banks and building societies.
  - Finalised options for future service design and delivery coming from reviews of frontline services, with these to be presented to Members from October for consideration.
  - Progressed Shared Service opportunities, with focus currently on developing arrangements within Revenues & Benefits and Legal Services.
- 3.4 The latest Medium Term Financial Plan for the Council, indicating the projected financial position of the Council over a ten-year period, can be viewed at Appendix 3.
- 3.5 The EU referendum result towards the end of June is likely to have significant political and economic impacts which will affect the economic stability of the country, public sector finances and potentially the settlement offer for local government.

#### **4. Efficiency Plan**

- 4.1 Any decision to accept the government's offer will be required to be supported by a published efficiency plan. The Secretary of State has deliberately issued limited guidance on the format and content of efficiency plans, but has expressed that such plans should 'be as simple and straightforward as possible' and 'should be locally owned and locally driven'. The Local Government Association and CIPFA have prepared some 'top tips' providing a synopsis of their opinions on preparing and submitting an efficiency plan.
- 4.2 The Council's approach to delivering initiatives to meet the residual finding gap of £2.5m is well documented in the Medium Term Financial Strategy 2016/17 to 2019/20, as approved by Full Council in February 2016. The Strategy can be viewed at Appendix 4 to this report and it is considered that this could form the basis of the efficiency plan submission should Council accept the settlement offer.

#### **5. Matter for Decision**

- 5.1 The Council is required to formally consider the offer, with any confirmation of acceptance made in writing to the DCLG by 5pm on Friday 14th October.
- 5.2 Essentially there are two options available to the authority, with a summary of the key implications of each option set out below;

Accept the four year settlement offer	Do not accept the four year settlement offer
Certainty of funding for the authority over the forthcoming four year period and ability to plan for Medium Term Financial Plan purposes	The authority will not know on an annual basis what it's overall funding levels will be and will therefore have to plan on the basis of estimates
Ability for the authority to plan ahead for any necessary savings that are required over the period, and taking opportunities where these are presented	There will be a matter of months between receipt of annual settlements and commencement of financial year to which they relate
Local Government has been asking for certainty over funding streams for some time to enable effective planning	There will be no further multi-year settlement offers from Government (as per letter from Secretary of State).
The current Medium Term Financial Plan has been based upon the four-year settlement figures; which in turn has determined the scale of the financial challenge facing the organisation and the actions that are already underway to address the shortfall	Annual funding settlements could be worse; Secretary of States letter states that allocations could be subject to additional reductions. It is considered unlikely that future funding settlements would be better than the four-year offer due to the adverse criticism that would be created from those accepting the offer
Research suggests that all authorities in Kent are likely to accept the offer having considered the settlement in a similar fashion to Gravesham.	Outcomes of New Homes Bonus consultation are not yet known, and will not be released until after central government has heard from each Local Authority with regards to acceptance or not of four-year settlement

5.3 The Secretary of State has stated that acceptance of the settlement offer will provide certainty, stability and confidence around core government funding during the period to 2019-20 and should be a key step towards strengthening the financial management of councils by providing a firm basis from which councils can take decisions and progress innovation in delivery of services.

5.4 In the letter at Appendix 2, the Secretary of State also stated that:

*Those councils that chose not to accept the offer, or do not qualify, will be subject to the existing yearly process for determining the local government finance settlement.*

*Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit.*

*At present we do not expect any further multi-year settlements to be offered over the course of this parliament”*

## **6. Conclusion and Recommendation**

- 6.1 The new Chancellor of the Exchequer has indicated that there will not be an immediate Emergency Budget, with any further announcements will be made as part of the planned Autumn Statement in November. On the basis of this announcement it is considered that the multi-year settlement offer remains in place at this point in time. Should the settlement be withdrawn as part of further changes in public sector funding, the Council will have to respond to this and accept any alternative funding arrangements that are introduced.
- 6.2 At the time of preparing this report, the potential does exist for the offer to be amended or withdrawn before the Full Council decision. Should this be the case, this will be updated to Members through consideration of this report at Finance & Audit and Full Council.
- 6.3 The recommendation being made is on the basis that the offer provides stability in financial planning on which to base future decisions on service delivery and reflects the wider economic environment within which the council operates. It is considered highly likely that non-acceptance of the offer would lead to lower funding; concerns remain that the Council could be risk of further funding reductions in the short-term should the offer not be accepted. This was indicated by government shortly after the settlement offer was made, and is considered to be a more significant risk following the EU referendum result and the immediate reaction from markets and economic commentators.
- 6.4 It is recommended that Full Council accepts the multi-year settlement. Acceptance of the recommendation of this report will provide the authority to officers to accept the multi-year settlement.

**IMPLICATIONS****APPENDIX 1**

<b>Legal</b>	<p>Under section 151 of the 1972 Local Government Act, local authorities are required to make arrangements for the proper administration of their financial affairs.</p> <p>Under the Accounts and Audit Regulations 2015 the authority is responsible for ensuring that the financial management of the body is adequate and effective and that the council has sound arrangements internal control arrangements in place, including for the management of risk.</p>
<b>Finance and Value for Money</b>	The report sets out the proposals for settlement funding from Government for the period to 2019/20.
<b>Risk Assessment</b>	The risks associated with acceptance or non-acceptance of the multi-year settlement offer are outlined in the main body of the report.
<b>Equality Impact Assessment</b>	<b>Screening for Equality Impacts</b>
	<b>Question</b>
	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>No direct implications</p>
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>No direct implications</p>
	<i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i>
<b>Corporate Plan</b>	Corporate Plan Objective 4 – Sound & Self-Sufficient Council
<b>Crime and Disorder</b>	N/A
<b>Digital and website implications</b>	No direct implications.
<b>Safeguarding children and vulnerable adults</b>	N/A