

**TONBRIDGE & MALLING BOROUGH COUNCIL**  
**FINANCE, INNOVATION and PROPERTY ADVISORY BOARD**

**01 June 2016**

**Report of the Director of Finance and Transformation**

**Part 1- Public**

**Matters for Recommendation to Cabinet - Council Decision**

**1 MULTI-YEAR SETTLEMENT AND ASSOCIATED EFFICIENCY PLAN AND FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY**

**This report considers the government offer of a four-year funding settlement to 2019/20 to any council that wishes to take it up and provides a draft submission accepting the offer, if the Council chooses to do so, for endorsement. The submission also includes the Flexible Use of Capital Receipts Strategy for the year 2016/17 for endorsement.**

**1.1 Multi-Year Settlements**

- 1.1.1 In the provisional local government finance settlement 2016/17, the government stated that it would offer any council that wishes to take it up, a four-year funding settlement to 2019/20. At that time, information was limited on what the offer included and how to apply, but that an efficiency plan would need to be submitted when such an offer was requested.
- 1.1.2 The final local government finance settlement 2016/17 confirmed that the deadline for requesting this offer was 14 October 2016. However, the government did not indicate what the approval process for requesting such an offer was and in the absence of the same I have assumed it is a decision for Council.
- 1.1.3 The Secretary of State for Communities and Local Government subsequently issued a letter on 10 March 2016 which, along with an annex to the letter clarified a number of matters.
- 1.1.4 The letter and annex have confirmed the following:
- The deadline for applying for the offer is 5pm on Friday 14 October 2016.
  - To apply, an email or letter, together with a link to an efficiency plan, should be sent to [MultiYearSettlements@communities.gov.uk](mailto:MultiYearSettlements@communities.gov.uk)
  - The offer covers the figures provided in the final local government finance settlement for Revenue Support Grant, Transitional Grant and Rural Services Delivery Grant.

- In addition, tariffs and top-ups in 2017/18 to 2019/20 will not be altered for reasons related to changes in the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.
- Efficiency plans do not need to be a separate document. They can be combined with the Medium Term Financial Strategy and will be expected to show how a four-year settlement will bring about opportunities for further savings.

1.1.5 The Chancellor of the Exchequer made his Budget 2016 announcement to the House of Commons on 16 March 2016 which included a number of changes to business rates and reference to additional savings of £3.5bn from public spending in 2019/20. The Government are to compensate local government for the loss of income as a result of the changes to business rates and, as confirmed by the Secretary of State, should not, therefore, affect the four-year funding offer to councils. What is unknown is how much of the additional savings required will fall on the Department for Communities and Local Government and, in turn, local authorities, and how that might play out in 2019/20 in terms of the multi-year settlement.

1.1.6 Two key questions remain irrespective of the four-year funding offer:

- 1) What will our business rates baseline be on the implementation of 100% business rates retention?
- 2) Where, and to what extent, does New Homes Bonus feature in future government funding?

1.1.7 That said, on balance, I would suggest that taking up the offer is better than not doing so in that it brings a degree of certainty and avoids the potential 'if only you had signed up to the four-year deal' scenario.

## **1.2 Efficiency Plan**

1.2.1 Members will be aware that alongside the Medium Term Financial Strategy now sits a Savings and Transformation Strategy which was initially considered and recommended by Cabinet in November 2015 and subsequently updated and approved by full Council in February 2016 following the local government finance settlement 2016/17. The purpose of the Strategy is to provide structure, focus and direction in addressing the significant financial challenge faced by the Council and, in so doing, recognise there is no one simple solution and as a result we will need to adopt a number of ways to deliver the savings within an agreed timetable.

1.2.2 It is considered that the Savings and Transformation Strategy meets the requirements of an Efficiency Plan and is to form the basis of the submission accepting the offer of a four-year funding settlement to 2019/20. The draft submission is attached at **[Annex1]**.

### **1.3 Flexible Use of Capital Receipts Strategy**

- 1.3.1 In the local government finance settlement for 2016/17, the government confirmed that it would allow councils the flexibility in 2016/17, 2017/18 and 2018/19 to use capital receipts to fund the revenue costs of service reform and transformation that generates ongoing revenue savings in the delivery of public services.
- 1.3.2 Guidance issued by the government recommends that a Flexible Use of Capital Receipts Strategy is prepared each year, but this does not have to be a separate document and could be part of the annual budget papers or it could be part of the Efficiency Plan linked with applying for a four-year settlement.
- 1.3.3 As a result included in the submission accepting the offer of a four-year funding settlement is the following statement: The Council is not currently planning to make use of the flexibility to use capital receipts to fund the revenue costs of service reform and transformation that generates ongoing revenue savings in the delivery of public services in 2016/17, but will continue to bear this flexibility in mind as opportunities to generate savings are explored and progressed, and the Strategy updated accordingly.

### **1.4 Legal Implications**

- 1.4.1 Local authorities are required to have regard to the Guidance on Flexible Use of Capital Receipts issued by the Secretary of State for Communities and Local Government.

### **1.5 Financial and Value for Money Considerations**

- 1.5.1 As set out above.

### **1.6 Risk Assessment**

- 1.6.1 The Medium Term Financial Strategy sets out the high level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool the Strategy needs to be reviewed and updated at least annually and in the current climate regularly reviewed by Management Team. In addition, not identifying and implementing the requisite savings will put at risk the integrity of the Medium Term Financial Strategy.
- 1.6.2 There is so much uncertainty and volatility particularly in some of our major sources of income that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections.
- 1.6.3 The Savings and Transformation Strategy gives a structure and framework to address the significant financial challenge faced by the Council. This framework

has been discussed in outline with our external auditors who are content with the approach adopted.

## **1.7 Equality Impact Assessment**

1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## **1.8 Recommendations**

1.8.1 Members are asked to consider the government offer of a four-year funding settlement to 2019/20 and, if minded to accept the offer, to endorse the draft submission attached at **[Annex 1]** and the accompanying Appendix 1.

1.8.2 Members are asked to endorse the Flexible Use of Capital Receipts Strategy for the year 2016/17 (paragraph 1.3 refers).

Background papers:

Nil

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