Agenda Item No:	6
Report To:	Cabinet
Date of Meeting:	13th October 2016
Report Title:	Corporate Plan Update: The Corporate Delivery Programme & The Medium Term Financial Plan 2017 to 2022 (MTFP)
Report Author & Job Title:	Tracey Kerly, Chief Executive – together with: Kirsty Hogarth, Policy & Performance Manager Charlotte Hammersley, Programme Manager Ben Lockwood, Head of Finance Maria Seddon, Accountancy Manager
Portfolio Holder **Portfolio Holder for:**	Cllr Clarkson, Leader of the Council Cllr Shorter, Finance Budget & Resource Management

Summary:

This report, under the heading of 'Corporate Plan Update: The Corporate Delivery Programme and the MTFP', comprises the Corporate Plan update, incorporating the Delivery Programme, and the Medium Term Financial Plan 2017-2022

Part I of the report – the Corporate Plan update - gives a broad overview of the Council's priorities and takes the opportunity to update Members on other strategic initiatives.

Part II looks at the Delivery Programme, with a specific update report on the current progress of the projects within the Programme. As well as the 'Big 8' projects, it also includes other strategic projects that contribute to the Council's four priorities and its underpinning principles.

And Part III - the Medium Term Financial Plan - is a budget forecast, with underlying assumptions, covering the five-year period from 2017 to 2022 for the General Fund, which the Cabinet is asked to note. (The business plan for the Housing Revenue Account will be covered separately in a report to November's Cabinet).

Additionally, Cabinet is asked to endorse three strategies for:
• Inflation Management;
• Borrowing & Acquisitions;
• Closing-the-Gap, 2020/21

The Cabinet is also asked to note the responses in relation to the consultation on 100% Business Rates Retention; to accept the Government's four-year settlement; and to delegate authority to the Head of Finance, in conjunction with the Leader and Portfolio Holder, to agree the Council's continued participation in the Kent Business Rates pool.

Key Decision:	YES
Significantly Affected Wards:	All
Recommendations:	**The Cabinet is recommended to:-** **<u>Part I</u>** **(i) Note the general direction towards achieving the Council's Corporate Plan priorities;** **<u>Part II</u>** **(ii) Endorse the current Delivery Programme and note the current progress of the projects within the Programme;** **<u>Part III</u>** **(iii) Note the forecast and accept the underlying assumptions of the MTFP 2017-2022;** **(iv) Endorse again the Inflation Management Strategy;** **(v) Endorse again the Borrowing & Acquisitions Strategy;** **(vi) Endorse the Closing-the-Gap Strategy 2019/20;** **(vii) Delegate authority to the Head of Finance, in conjunction with the Leader and Portfolio Holder, to agree the Council's continued participation in the Kent Business Rates pool;** **(viii) Note the consultation responses in relation to 100% Business Rates retention;** **(ix) Accept the Government's four-year settlement and agree to publish this report as the basis of this Council's Efficiency Statement (as required by Government).**
Policy Overview:	In line with the Council's commitment to: (i) progress its corporate priorities, as agreed last year in the Council's Corporate Plan 2015-2020; (ii) agree a budget annually and financial planning for the next five years; (iii) approve the update of the Council's corporate delivery programme, which ensures appropriate resources are available for the delivery of its priority projects and the effective and efficient running of the Council.
Financial Implications:	The Corporate Plan drives resource allocations (in both financial and staffing terms); decisions are, therefore, built in to the MTFP for both finance and staffing. The Delivery Plan programmes those resources and assists with financial allocations.
Legal Implications:	There are no new legal implications raised by this suite of reports; any legal implications have to be assessed at the start of individual projects
[Equalities] Impact Assessment	Not required because these are update reports and any equalities issues have been assessed previously on specific projects
Other Material Implications:	None

Exempt from Publication:	**NO**
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Report Title: Corporate Plan update: The Corporate Delivery Programme & the MTFP

Part I: The Corporate Plan Overview

1. The Council's Corporate Plan (adopted October 2015) is a key strategic document for the Council, providing a link between both national and local policy and ABC's corporate priorities and objectives and ABC's services. This overview and update (via the Delivery Programme) should be considered as part of the Council's monitoring and review processes, ensuring that ABC's direction of travel remains relevant and fit-for-purpose.

2. The set of reports also includes a revised Medium Term Financial Plan (MTFP) for the next five years (2017 to 2022), which Cabinet is asked to endorse and accept, in particular as the framework for drafting the 2017/2018 budget.

3. The last Local Government Settlement government extended the offer of a four-year settlement; whilst this was made with the caveat that government could revise this in the light of exceptional circumstances, this paper forms the basis of the efficiency statement and financial plan that needs to be published to enable the council to accept such an offer.

Introduction and Background

4. Setting a clear direction for the Council's work is the keystone of the Council's governance framework. Periodic reviews are important to ensure that our direction remains relevant and consistent with both local and national contexts.

5. Our corporate plan was agreed last year and this is the first annual review and update process. Priorities in the Corporate Plan were agreed as:

   Enterprising Ashford
   Living Ashford
   Active & Creative Ashford
   Attractive Ashford

   The four priorities were further underpinned by the Council's aspiration, *to remain a well-resourced council, with effective governance, high quality services, good communications, safe surroundings, demonstrating good compliance and high standards (the underlying principles).*

6. Since the Corporate Plan's approval the Council has made important progress on all the priority areas including the underpinning principles. In respect of the latter, ABC has concentrated its focus on three areas of specific management: for performance, programme and risk. Two new systems have been purchased: the first to produce a performance 'dashboard' showing up-to-date information to facilitate monitoring and management of key performance targets, and the second to assist with programme and risk management. The

system to assist with programme and risk management is a result of the appointment (in January 2016) of a Programme Manager, specifically to ensure that all the Council's approved projects were properly resourced, monitored and progressed.

7. This has resulted in Members and Officers starting to have a much clearer picture of project resourcing, project timing (including phasing) and project financing; and the submission of the MTFP at the same time demonstrates the need for specific strategies to assist in this work, the dependencies between various strands of work and the need for appropriate sequencing of parts of that work.

8. One of the key elements of the priorities programme is to ensure that key strategic risks for the council are identified and managed. To this end, a new approach to risk was endorsed by the Audit Committee in September 2015 and seven strategic areas of risk were identified and agreed:

~ Workforce skills & capacity
~ Housing & infrastructure
~ Key project failure
~ Resource limitations
~ Partnerships
~ Community capacity
~ Reputation

These important risk areas are considered regularly by Management Team (quarterly) and by Members (half-yearly), with mitigation proposals only being made if areas are deemed to have a high likelihood of happening and/or a substantial impact.

Current Position

9. Work on 'the Big 8' projects has continued to have a specific emphasis since the approval of the Corporate Plan. The town centre remains a particular focus, with the Council's purchase of Park Mall being the start of a longer-term approach to attract occupiers/retailers to Ashford's town centre, as well as to seek inward investments by using council resources, where necessary, without detracting from the wider needs of the borough.

10. Further, Members will have seen some of the 'physical evidence' of the progress of individual projects on the ground. Ashford College's new buildings are a distinct indicator of this – and will go on to support skills development, as well as encouraging high tech companies to move to Ashford - for example a proposed digital hub within the Commercial Quarter.

11. Progress on town centre development to 'grow' the town centre and Ashford's attractiveness in terms of leisure continues with the work on Elwick Place, while planning permission has been granted for the Designer Outlet extension.

12. The focus of business space delivery in the emerging Local Plan and the availability of incubator units for entrepreneurs are all part of ABC's priority to attract investment and to encourage and enable business.

13. But that's simply on the economic development front; in terms of open space and ABC's cultural offer, as well as creating the Council's new in-house landscaping team (Aspire), (which - at the time of writing - is about to 'go live'), ABC has been focusing on providing or enabling a range of other healthy/lifestyle choice facilities such as community facilities at various locations (including Repton Park, Kestrel Park and Victoria Park).

14. Housing for the borough's elderly population has continued to improve in line with the current Corporate Plan, with initiatives such as Farrow Court and Danemore - just two examples of work in progress. And to continue to ensure that the borough's housing caters for a range of ages, tenures and need, plans are progressing on Chilmington Green and the Community Management Organisation.

15. Other resource-intensive projects have also formed an important part of the Council's work during the period of this Corporate Plan, with a boundary review (proposing to alter ward boundaries and increase the Council's Members to 47); the development and implementation of a new compliance/enforcement strategy; a proposed change in public toilet provision, with the plan for a community toilet scheme; and the development of a 'report-it' app to assist in keeping the borough clean and safe.

16. One final initiative that should be mentioned is the work with the other four East Kent district councils to explore a merger with some associated devolution. Endorsement to a 'Statement of Intent' and the preparation of a feasibility report using co-commissioned consultants was granted by the Cabinet and Council in the summer.

17. Work on the feasibility study is now taking place in each of the authorities to provide information to the two organisations (LGA and Local Partnerships) pulling together a business plan. It involves the retrieval and the analysis of information to be able to compare 'like-for-like' between the authorities to ascertain areas of potential synergy or highlight areas of difference. It is intended that a business plan will have been developed for consideration by each council by the end of this calendar year; progress is monitored regularly by the Chief Executives and Leaders.

18. These initiatives have all contributed to progress against our priorities and the improvement of the borough. However, projects and initiatives all require careful planning, programming, financing and, finally, delivery. Both the Delivery Programme (covered in Part Two) and the Medium Term Financial Plan (covered in Part Three) are essential parts of our governance framework and necessary in understanding and shaping our forward position.

Next Steps in Process

For Cabinet to approve the recommendations:

The Cabinet is recommended to:-

<u>Part I: Corporate Plan</u>

(i) Note the general direction towards achieving the Council's Corporate Plan priorities;

<u>Part II: Delivery Programme</u>

(ii) Endorse the current Delivery Programme and note the current progress of the projects within the Programme;

<u>Part III: Medium Term Financial Plan</u>

(iii) Note the forecast and accept the underlying assumptions of the MTFP 2017-2022;

(iv) Endorse again the Inflation Management Strategy;

(v) Endorse again the Borrowing & Acquisitions Strategy;

(vi) Endorse the Closing-the-Gap Strategy 2019/20;

(vii) Delegate authority to the Head of Finance, in conjunction with the Leader and Portfolio Holder, to agree the Council's continued participation in the Kent Business Rates pool;

(viii) Note the consultation responses in relation to 100% Business Rates retention;

(ix) Accept the Government's four-year settlement and agree to publish this report as the basis of this Council's Efficiency Statement, as required by Government.

Portfolio Holder's Views

19. The Leader, Councillor Clarkson, has commented as follows:

This composite report is the natural development in the next stage of the five year Corporate Plan and articulates the major projects into a programme for delivery. While the programme sets the plan to be followed and creates a useful discipline to do that, it does not exclude other worthwhile opportunities being pursued when they arise.

20. The Portfolio Holder for Finance, Budget & Resource Management, has commented as follows:

This suite of documents presents a very good overview of the Council's forward looking strategic planning processes.

Good control of resources, both financial and staffing, will ensure that the priorities agreed by Council are deliverable, while enabling windfall opportunities to be assessed and decisions to be made in a knowledgeable way, rather than 'biting off more than can be chewed'. The further refining of both the delivery programme and 2017/18 budget is ongoing and will be reported to Cabinet for approval in February 2017.

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Part II: The Delivery Programme

(a) How it works

21. The Corporate Plan states that a 'big issue' for the borough is to keep Ashford and its projects on track. In response, a Delivery Programme (of key projects) has recently been developed to ensure that our important corporate projects identified in the Corporate Plan are appropriately resourced and their progress monitored regularly. The Delivery Programme sets out the projects the council either directly delivers or has a role in delivering to achieve the four Corporate Plan priorities and its underpinning principles.

22. The programme is financed through a combination of external funding (for example partner funding, government grants and developer contributions), our capital and revenue reserves, and prudential borrowing in accordance with the council's Borrowing and Acquisitions Strategy.

23. Around £4.2m of revenue reserves over the plan period have been allocated to funding the Delivery Programme. Around £900,000 is currently unallocated, but committed to future projects that are deemed to meet the criteria for delivering Corporate Plan priorities.

24. New projects coming forward are required to complete a Project Initiation Document (PID). PIDS are reviewed by Management Team and Cabinet to ensure both officer and financial resources are focused on those projects that support the council's aspirations.

(b) Current update

25. Individual services are currently developing their service plans for 2017/18. The service plans will help to inform the budget setting process for 2017/18 and will complement the Delivery Programme to ensure that service delivery and Delivery Programme projects within the programme are appropriately resourced.

26. Set out below (pp 10 – 25) is an update report detailing the current progress of the projects within the Delivery Programme. The projects are presented to show how they contribute to the Corporate Plan priorities. It is proposed that this project monitoring will be developed and reported on a quarterly basis to future Cabinet meetings.

(c) Recommendations: Part II

27. Cabinet is asked to:

    (ii) Endorse the current Delivery Programme and note the current progress of the projects within the Delivery Programme (below – pp 10 – 25)

Delivery Programme (Priority 1)

Enterprising Ashford: Economic Investment and Growth
Report Author: Charlotte Hammersley
Generated on: 04 October 2016

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
01	A28 improvement	A28 dualling/junction upgrades to be completed by Kent Highways and Transportation. ABC input on s106 funding, agreement of s278, consideration of parking restrictions in adjacent streets, input to design and consultation and facilitating land in their ownership.	01-Oct-2019		Initial meetings taking place, steering group in place, public consultation underway by Kent County Council. A contractor to be appointed October 2016. Close working to deliver. Linked to Cobbs Wood parking controls and land transfers.	KCC Highways; James Hann	Councillor G Bradford
02	Commercial Quarter office block and phase 1 parking - Big 8	80,500 square foot development incorporating office space with retail, restaurants, car parking and landscaping providing the catalyst to the Commercial Quarter and delivering numerous regeneration and economic development benefits.	31-Jul-2018		Planning committee has approved the development with legal work due for completion in October 16 with construction to commence thereafter.	Stewart Smith	Councillor G Galpin; Councillor N Shorter

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
03	International station signalling upgrade - Big 8 (Spurs)	Operational route created through Ashford International Station by the end of March 2018 for the Eurostar class 374 Velaro trains to access the Station via the Ashford Spurs.	31-Mar-2018		Feasibility Report to be finalised by Network Rail at the end of September 2016. This shows KVB as a deliverable signalling solution to be overlaid on the Ashford Spurs. Funding for the next detailed design stage (£5.627 m) in place and due to start from the beginning of October. Funding bid for £4.8 million for the delivery stage submitted as part of the South East Local Enterprise Partnership Local Growth Fund Round 3 bid, with an announcement expected as part of the Autumn Statement on the 23rd November 2016. Programme on schedule to deliver the solution by Spring 2018.	Andrew Osborne	Councillor G Clarkson

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
04	Designer Outlet Expansion - Big 8	To agree a scheme for the extension of the Designer Outlet Centre with the developers; to progress the scheme to Planning Committee; to agree and issue a s106 agreement and planning permission; to progress applications to discharge planning conditions; to monitor construction on site and the s106 agreement; to agree and implement projects for the enhancement of the Town Centre using s106 monies.	01-Dec-2018		Planning permission and s106 issued September 2016; awaiting expiry of the Judicial Review period and confirmation from applicants as to whether they will implement.	Lois Jarrett	Councillor M Bennett
05	Junction 10a of the M20 - Big 8	Delivery of a new motorway junction and associated link road to the A2070 and A20 to relieve congestion at Junction 10 and help deliver growth in southern and eastern Ashford.	01-Dec-2019		Highways England has submitted the Development Consent Order for the scheme to the Planning Inspectorate and initial consultation is underway.	Simon Cole	Councillor M Bennett; Councillor G Bradford; Councillor G Clarkson

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
06	Elwick Place leisure retail and car park development - Big 8	The purchase of a mixed use leisure development incorporating cinema, hotel, food, beverage and Car Park and retail use in Elwick Road; and to provide funding for the Development.	31-Mar-2019		The completion of the due diligence process is nearing completion. The commercial agreement with the developer is being finalised. The agreement is expected to be signed mid-October with a view to being on-site by the end of November. The build process is expected to take 18 months to complete.	Paul McKenner	Councillor G Galpin; Councillor N Shorter
07	Ashford International Model Railway Education Centre (AIMREC)	Support AIMREC in purchasing land to build a substantial international visitor attraction on the former Klondyke railway works.	29-Nov-2019		AIMREC is now a charitable trust and the land purchase and Council loan agreement is being agreed alongside the appropriate cover to mitigate any loan risk. The Business Plan including a funding strategy and key milestones for the project has been agreed.	Sarah Barber; Christina Fuller; Ben Moyle	Councillor C Bell

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
08	Ashford College Campus - Big 8	Delivery of a new Ashford College Campus on Elwick Road, with the Phase 1 building housing the general FE and HE provision and Phase 1A housing the Engineering and Construction provision.	30-Sep-2017		Phase 1 building started on site in January 2016, with the Topping Out ceremony taking place on the 23rd September 2016. Phase 1 to be completed and open by September 2017. In July 2016 ABC agreed to extend their bridging loan from £2 million to £3 million subject to conditions for this to be converted to grant on the completion and opening of Phase 1 and 1a. Funding Agreement between ABC and the College currently being finalised. Phase 1a building delayed, with construction due to start on site in Spring 2017, and be completed Spring 2018.	Andrew Osborne	Councillor G Clarkson

Delivery Programme (Priority 2)

Living Ashford: Quality Housing and Homes for All

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
09	Chilmington Green - Big 8	To agree a scheme for the development of the Chilmington site with 5, 750 dwellings and associated community and other infrastructure; to progress to Planning Committee and get Members agreement; to agree and issue a section 106 and Outline Planning Permission; to progress the discharge of planning conditions and RM approvals; to monitor on site.	27-Mar-2036		Section 106 being negotiated and due for completion Autumn 2016. Monitoring team.	Lois Jarrett	Councillor M Bennett
10	Chilmington Green Community Management Organisation (CMO)	A requirement of the Chilmington Area Action Plan and outline planning approval is the creation of an independent and ultimately resident controlled organisation to take responsibility for the long term stewardship of Chilmington community assets endowed by the developer consortium.	31-Mar-2019		ABC has created a CMO project team to support the consortium with the creation of the new organisation. Work with the consortium will fully commence once the Section 106 is complete and signed; preparatory work by ABC's team is being completed however. The new organisation will take approximately a year to create prior to first occupations.	Sally Anne Logan	Councillor M Bennett Councillor N Shorter

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
11	Chilmington Green Quality Monitoring Team	To ensure the overall quality of the Chilmington development.	31-Mar-2019		Interviews for one of the Building Control Officer posts dedicated to the Chilmington development are currently taking place. There will be initial set up work to complete before work commences in the early part of 2017.	Tim Parrett	Councillor M Bennett
12	Farrow Court Sheltered Accommodation Redevelopment	Completion of 104 care ready apartments providing accommodation for older people, recuperative care and adults with learning disabilities; also communal facilities and community centre for older people.	01-Aug-2017		Phase 1 complete November 2015. Phase 2 due for completion August 2017.	Giles Holloway; Daniel Scarsbrook	Councillor P Clokie
13	Danemore Sheltered Accommodation Redevelopment	Delivery of 34 new care ready apartments for rent and 4 for outright sale to help enable delivery. Improved quality of older person accommodation in Tenterden.	31-Jan-2019		Target for tenants to be out of the scheme November 2016. Stage one tender to enable appointment of contractor due back 30/09/16. Work is hoped to commence December 2016.	Giles Holloway; Daniel Scarsbrook	Councillor P Clokie

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
14	Homes and Communities Agency new build affordable homes programme 2015-18	Delivery of circa 38 new build units to various sites throughout borough in partnership with Homes and Communities Agency.	31-Mar-2019		Tenders returned and contractor now selected and within budget. Pre contract meeting week beginning 26th September with a view to handing sites over October/ November 2016.	Giles Holloway	Councillor P Clokie
15	Purchases and sales of properties	Property purchases to support housing delivery programmes using spend one for one monies. 16 properties will be purchased.	31-Mar-2019		One for one property purchase initiated. Purchase of property for Shared Ownership and Affordable Homes Programme land assembly initiated.	Giles Holloway	Councillor P Clokie
16	Conningbrook H1	Development of Conningbrook site to facilitate a country park on the same site.	31-Oct-2016		The due diligence for the sale of land to the developer is nearing completion. It is expected to be completed by mid-October and signed by the end of October.	Steve Parish	Councillor J Blanford; Councillor N Shorter

Delivery Programme (Priority 3)

Active and Creative Ashford: Healthy Choices Through Physical, Cultural and Leisure Engagement

ASHFORD BOROUGH COUNCIL

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
17	Spearpoint Pavilion	Provision of a new changing facility with showers, storage and kitchen area. Also includes refurbishment of the public tennis courts.	31-Aug-2016		The building is open and in use, with an official opening planned for 8th October.	Ben Moyle	Councillor J Blanford
18	Bridgefield Park	To produce a park with a range of exciting and innovative features such as an adventure play space with kick about areas. There could be areas of wildlife and nature conservation areas, community orchards and paths, along with a car park and facilities for local groups and individuals to utilise all year round.	01-Nov-2017		BDP Consultants has been appointed and will commence on the design phase early October. They will then complete the design works for the site and project manage the delivery of the installation of the play area and final groundworks.	Simon Harris	Councillor J Blanford

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
19	Finberry/Cheeseman's Green, community facilities including 3G pitch	Still in the early stages of build. Key community facilities for the development should include sports pitch(s), a community centre, a multi-use games area and green spaces which will sit opposite the new primary school (expected to open in 2017).	31-Mar-2021		Discussions are ongoing with the developer (Crest) and the architects on the proposed site. The triggers for the facilities are not expected to be met for a number of years.	Simon Harris	Councillor J Blanford
20	Repton Connect community facility	A new community centre and associated facilities for the community of Repton Park and surrounding area. The community building and multi-use games area will be used for sport and leisure, meetings, play and social gatherings. It will be managed by a local new Trust.	31-Jan-2018		The contractors (DCB) will commence ground works in late September. Ceremonial "sod turning" took place on 24th September. A Trust (Repton Community Centre Trust) is being set up to manage and oversee the developments of the community facilities.	Simon Harris	Councillor J Blanford
21	Kestrel Park (Brisley)	Provision of a new children's play area and commemorative memorial. Kingsnorth Parish Council is considering managing the site.	31-Mar-2017		Groundworks are two thirds complete. Installation of the play equipment will take place in early Spring 2017.	Michelle Byrne; Ann Davies	Councillor J Blanford

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
22	Victoria Park fountain refurbishment	To maximise use of Victoria Park through timely and beneficial improvements including improving the setting and presentation of the Hubert Fountain. To respond effectively to the pressure of housing growth around the Park and reduce the likely associated environmental impacts in the immediate area. Further projects will aim to create an attractive destination promoting and celebrating lost heritage features, local civic pride and the hosting of high quality events.	31-Mar-2019	▶	In March 2016, Members adopted the Victoria Park Masterplan as a framework to support the future planning of new development, refurbishment and timely partnership working. Members also endorsed an application to the Heritage Lottery Fund for a development stage to scope the park's 'Fountain Zone', which was unsuccessful, but officers are considering a re-application. Member steering group set up.	Chris Dixon	Councillor J Blanford
23	Royal Military Canal cycle & foot path: stage one	Completion of the feasibility stage of the project, with a final report which summarises the options for completing a shared pathway; with clarity on funding options for the delivery phase and future maintenance.	31-Mar-2017	▶	Chris McCreedy Consultancy has been appointed to oversee various sub-contractors and prepare a planning application. Sustrans have been appointed to talk with land owners and prepare a high level funding strategy. An ecological study has been completed.	Sarah Barber; Len Mayatt	Councillor J Blanford

Delivery Programme (Priority 4)

ASHFORD BOROUGH COUNCIL

Attractive Ashford: Countryside and Townscape, Tourism and Heritage

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
24	Bringing the Grounds Maintenance Contract in-house	Procurement of Grounds Maintenance Depot: TUPE transfer of staff; development of new in-house grounds maintenance service; Procurement of vehicles and equipment	31-Oct-2016		Full handover of depot from Gallagher. Official opening took place on 30th September. Staff consultation complete, TUPE transfer of staff midnight 30th September. IT systems procured and being developed, some issues being experienced, but will mitigate with paper schedules if necessary. Vehicles and equipment delivered throughout September. On-boarding training scheduled for week commencing 3rd October, service go-live 10th October.	James Laidlaw	Councillor C Bell

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
25	Enforcement strategy and implementation	A raft of new, linked policies within a corporate policy; a new 'Report It' function on the council's website and App; stronger and more customer focused enforcement services around the Council.	31-Dec-2016		Report it App is now being soft tested and will go live in October. Enforcement policies across the council have been updated and staff from HPC and Housing are working on an agreed anti-social behaviour response policy. Progress report will be submitted to the November Cabinet meeting outlining progress; tangible improvements in many areas. Clearer performance standards should enable better monitoring of success in practice. Resourcing enforcement will be considered at the next Policy and Compliance Board on 31st October.	Richard Alderton	Councillor S Dehnel
26	Street lighting	As per Cabinet Report May 2016, Amenity lighting to be reviewed in line with changes to LED with KCC and structural testing. An invest to save project of 1 million pound to ensure ongoing maintenance and liability is kept to a minimum.	31-May-2018		Delivery options for the change over to LED being considered. Action plan being completed for implementation as of 1 November. Two year programme.	Jo Fox	Councillor G Bradford

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
27	Community Toilet Scheme	Introduction of community toilet scheme, closure of Vicarage Lane Toilets end Dec 2016 and New Rents date to be agreed.	31-Dec-2016	▶	Community Toilet Scheme launched and press statements issued. Signage in Town Centre and on Public Toilets, web pages live. Demolition of Vicarage Lane - planning permission being sought and appropriate notices to be published at appropriate date	Tracey Butler	Councillor C Bell

Delivery Programme (Underpinning Principles)

ASHFORD BOROUGH COUNCIL

For Our Four Priorities
Report Author: Charlotte Hammersley
Generated on: 04 October 2016

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
28	Electoral Review	An Electoral Review is conducted by the Local Government Boundary Commission for England (LGBCE) and considers the number of councillors, the names, number and boundaries of wards and the number of councillors to be elected to each. The council's role is to assist in delivering the review and respond to consultations carried out by the LGBCE to ensure improved electoral equality is delivered within the borough.	22-Feb-2017		The Council agreed a proposed pattern of wards which has been submitted to the LGBCE. The LGBCE will consider the council's proposal along with other submissions it receives from local people and organisations before consulting on a draft pattern of wards between 8 November 2016 and 9 January 2017.	Charlotte Hammersley	
29	CCTV operating system upgrade	Procurement and installation of a single operating platform and the migration of existing monitoring to new system. Procurement and installation of replacement cameras for Ashford and Tenterden public spaces and back office system.	31-March-2017		Currently out to tender for single operating platform. System to be operational by end March 2017. Review of camera locations about to start.	James Hann; Alison Oates	Councillor G Bradford

Code	Title	Desired Outcome	Due Date		Latest Note	Project Lead	Portfolio Holder
30	Report it	To improve the way that members of the public are able to report incidents or issues to the council.	31-Oct-2016		Internal testing of the system is being carried out before the system goes live shortly.	Rob de Mercardo	
31	Devolution	Exploration of viability of merger/sharing services between five East Kent District Councils.	31-Mar-2019		Business case to be explored and produced by end of 2016, with information provided by District Councils and business case production assisted by Local Government Association & Local Partnerships.	Kirsty Hogarth	Councillor G Clarkson

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

Part III: The Medium Term Financial Plan 2017-22

Purpose of the Report

1. The Cabinet approved the new Corporate Plan for the five years 2015-20 in October 2015 which outlines the following priorities:

    a. Enterprising Ashford

    b. Living Ashford

    c. Active and Creative Ashford

    d. Attractive Ashford

2. Underpinning these priorities are the Ashford principles that strive for the council to be well resourced, with effective governance, delivering high quality services with good communication in a safe environment – all of which should demonstrate good compliance and standards.

3. An integral part of that Plan is the resource planning to ensure that resources are available and targeted to priorities. This report presents the Council's Medium Term Financial Plan (MTFP).

4. Members are reminded that this report covers the General Fund budget; the Council also has a Housing Revenue Account (HRA) and this has its own separate 30 year business plan and this will be covered in detail in a report to the November Cabinet.

Recommendations for the Medium Term Financial Plan 2017-22 Report

5. Cabinet is asked to:

    a. Note the forecast and accept the underlying assumptions

    b. Endorse again:

        i. The Inflation Management Strategy as attached in **Appendix MT4**

        ii. The Borrowing and Acquisitions Strategy as attached in **Appendix MT5**

    c. **Note the consultation responses in relation to 100% Business Rate Retention (Appendix MT2)**

    d. Endorse the Closing-the-Gap 2020/21 Strategy as outlined in paragraphs 21 – 33.

    e. Accept the Government's four year settlement and agree to publish this report as the basis of this Council's Efficiency Statement

f. Delegate authority to the Head of Finance in conjunction with the Leader and Portfolio holder to agree the Council's continued participation in the Kent Business Rates pool.

Background & Context

The Economy

6. The Economic outlook is complicated by the outcome of the EU referendum and the uncertainty over the timing and shape of any BREXIT arrangement forming perhaps the biggest risk to the national and European economies. The Chancellor's Autumn Statement (due at the end of November) is expected to address post Brexit which has seen a new Prime Minister and Cabinet. It is now clear that there will not be an emergency budget with spending cuts as was widely expected. A commentary on the economy is attached at **Appendix MT1;** however this suggests that the impact of the referendum vote has been less severe than anticipated and that there is a general strengthening in the global economy.

7. As a result of the Brexit vote, however, the Leader immediately set up a small cross-party monitoring group to ensure that the group remains aware of market variations and any potential effects they may have on the Council's projects.

8. The current assessment is that the global economic outlook is reasonably balanced.

100% Business Rates Retention Consultation

9. In July 2016 the Government launched a consultation process for the 100% retention in Business Rates Retention.[1] The paper seeks views regarding the implementation of 100% Business Rates Retention for local government by the end of the Parliament. A discussion paper on the review of the Baseline Need figure was also published, .

10. The Council has submitted a response to these consultation documents which was agreed with the portfolio holder and thess are attached at **Appendix MT2**. The Government are expected to report the findings this autumn.

11. The main consultation looks at a number of areas around the retention of business rates including:

    b. Devolution of responsibilities

    c. System design

    d. Local tax flexibility

    e. Accountability and accounting

12. The paper does not deal with the issue of rate reliefs and the paper gives the impression that the existing system of reliefs will remain unchanged.

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413070/business_rates_review_final.pdf

13. In addition to this paper government has published a second consultation that seeks views on the process for completing a new needs assessment for councils. This we effectively look at the way funding is allocated to Councils, it should be noted that this will not increase the level of funding available but change the method of distribution. The paper largely centres on the statistical method that should be used to this calculation The Council's response to this paper is attached a **Appendix MT2**

14. Currently these consultation papers deal with general principles for business rates retention and there is no detail on the splits between tiers and the level of funding that Councils are likely to receive. However the key areas of concern for the Council are the frequency of resets for the system and whether Councils will be able to retain any growth achieved after the reset.

15. In addition to this the Council is awaiting the outcome of the revaluation of the rating list which is being undertaken by the valuation office. This will revalue every property subject to business rates in the country and has the potential to effect the yield achieved through business rates for the council which may effect the Councils funding. Government has yet to provide guidance on how the impacts of this revaluation will be managed for 2017 but they have said they should be resource neutral for councils but there is the potential that the growth achieved since the last valuation is redistributed nationally.

The Four Year Provisional Settlement and Efficiency Statement

16. The previous Chancellor presented the four year settlement at the end of 2015 and Councils could choose whether to accept the settlement. Councils will need to produce an efficiency plan by the 14th October in order to be able to accept the settlement. The settlement is detailed in the table below and shows that the Council's Revenue Support Grant will be removed over the period and there is 'Negative RSG' being applied to the Council's tariff to further reduce funding in the final year. Government have suggested that authorities who accept the four year settlement will not have their tariffs amended with 'Negative RSG'.

Table 1: Provisional 4 year settlement

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Settlement Funding Assessment	3.90	3.30	2.98	2.85
of which:				
Revenue Support Grant	1.27	0.62	0.21	
Baseline Funding Level	2.63	2.69	2.76	2.85
Tariff/Top-Up	-15.62	-15.93	-16.40	-16.93
Tariff/Top-Up adjustment				-0.24

17. Whilst the settlement is welcome, Local Government has campaigned for a number of years, and this initiative gives more certainty to financial planning. However it must be remembered that this only covers formula grant (which is due to reduce to £0) and there are major changes to government funding for local authorities including New Homes Bonus, business rates reform, etc. that could reduce the Council's funding in future years.

18. It is unclear how a decision not to accept the four-year settlement would affect authorities; the Chancellor has suggested that authorities that accept the offer will have their funding secured and therefore by default authorities who don't will be exposed should further reductions in departmental expenditure be needed. In reality it is not clear how this would work as ABC will receive no grant by the end of the settlement; how this could be reduced further, therefore, is unclear.

19. The Chancellor's Autumn Statement will update information on how the Government are going to address the current national deficit and a paper will be prepared and circulated to Members if there is an impact on the Council's funding or activities.

20. Given that the principle of a long term settlement is welcome and this authority and the wider sector would like to move towards a system which gives long term funding to allow for better financial planning and management, it is recommended that the Council seeks to accept the offer of a four year settlement

Planning a way forward – Driving efficiency

21. In order to meet government's requirement to qualify for the four year settlement the Council must have an efficiency statement. In a letter to Authorities the secretary of state said that he did *"not intend to provide further guidance on what efficiency plans should contain – they should be locally owned and locally driven. But it is important that they show how this greater certainty can bring about opportunities for further savings. They should cover the full 4-year period and be open and transparent about the benefits this will bring to both your council and your community."*

22. It is intended that this suite of reports including the medium term financial plan becomes this statement, as it outlines the Councils aims and objectives and financial strategy to meet them.

23. It is important to remember that the Council has a busy and ambitious programme as outlined in the Corporate Plan. Therefore it is important to balance the need to resource appropriately to deliver the programme while developing a strategy to manage the budget. Below are some key areas which Management Team considers would form a suitable strategy to manage the budget.

24. The Medium Term Financial Plan does show a deficit for the first 2 years moving into surplus as the Council benefits from income coming from investments made under the Borrowing and Acquisitions strategy and benefiting from business rates growth arising from the developments planned in and around the town. It is important that the Council monitors its cost base to ensure that tax payers continue to get value for money and that resources are targeted on key priority areas.

25. This underpins the importance of the Council's strategy to grow income streams through its commercialisation strategy. The Council will also explore further opportunities to exceed its target for income contained within this MTFP and the Borrowing and Acquisitions Strategy.

26. As a key part of the budget scrutiny process, each portfolio holder is required to review and sign off their budget. This gives Cabinet Members the opportunity to review the budgets for their areas of responsibility and highlight potential areas of inefficiency and bring this to the attention of the wider cabinet and management team. This review process is intended to ensure that costs are monitored and controlled.

27. The Council supports the Stour Centre through payment of utilities, insurance and keeping responsibility for the repair and maintenance of plant and equipment. As the bulk of the subsidy is in the form of the utility costs this also forms a key driver for non pay inflation. Management Team will work with Ashford Leisure Trust to review the existing management arrangements with a view to reducing the level of subsidy paid and seek external investment.

28. Last year the Corporate Plan report included a paper on Succession Planning (Phase 2) within the council; this will look to deliver savings over the next two years.

29. It is expected there will be some growth in Business Rates over the next few years with a number of sites in the borough earmarked for development, These sites provide an opportunity to the council and the opportunity for an increase in Business Rate income, as well as a number of other benefits that come from businesses investing in the borough and contributing to the delivery of the Enterprising Ashford priority.

30. Fees and charges will have a role to play in balancing the budget. There are proposals to review pest control charges which will contribute savings, if agreed, and the LGA is lobbying government to seek for more cost recovery of planning costs from developers. In addition to this there are a number of fee charging areas that have not been reviewed for a number of years and may be able to yield further income.

31. A key element to the strategy is to review the way in which services are delivered, to improve efficiency and to improve the customer experience. Therefore the Council is reviewing ways in which it can deliver services digitally. We are already seeing the benefits of this strategy with benefits and council tax forms on line, linking to the back office system and the development of the Report-It App. The Council has a focus on enforcement and this strategy should develop long term benefits for the council in terms of efficiency through reducing demand for services as a result of the deterrent effect that the enforcement activity delivers. Members are reminded of the review of enforcement policies that have been approved by cabinet in the last 12 months and the counter fraud report that is presented to the Audit Committee annually.

32. There is also scope for further cost management as the government's devolution agenda becomes clearer and the County develops its response to that agenda. Any new ways of working will help to contribute to efficiencies and better ways of working. This work will progress over the next year with the council exploring ways of working with the other East Kent authorities and Kent County Council. However, at this stage, within the MTFP no assumptions have been made on savings arising from this work stream.

33. The Council has the lowest Council tax in Kent and is committed to remain the lowest, so has already achieved many efficiencies. The Council has an ambitious agenda and to deliver this it needs to focus resources on its

priorities; consequently the Cabinet and Management Team are committed to continuing the drive for efficiency. It is felt that the measures outlined above provide adequate scope to review the cost base of the budget whilst supporting the aspirations of the Corporate Plan

Key Assumptions of the MTFP

34. Revenue Support Grant (the 'staple' of local authority funding) has been decreasing since the Comprehensive Spending Review in 2010 and the four year settlement sees the level dropping to zero by 2019

35. Assumptions have been made that key grants supporting the administration of the revenues and benefits team are reduced by 60% over the next 3 Years as a result of the introduction of Universal Credit.

36. Inflation is a factor that needs to be managed carefully within any financial planning regime. The council has benefitted from the low levels of inflation over the last 3 years with lower than anticipated increases in key contracts helping to deliver savings. The forecast for inflation (produced by the Office of Budget Responsibility) has been used for this MTFP.

37. Interest rates have been forecast in line with the OBR forecasts. As a net investor the General Fund is more affected by its ability to generate returns on its cash balances rather than borrowing cheaply. Savings have been made in recent years by not borrowing to fund projects and using cash balances, however as interest rates rise the council will want to lock into low long term rates.

38. Pay – Within the model pay assumptions are linked to inflation with allowances made for incremental progression.

39. New properties – Assumptions for new properties have been based on information from the planning and visiting officer teams, looking at the number of properties under construction and taking a view on the delivery of sites with planning permission and allocated sites. These assumptions drive figures for growth in tax base, and new homes bonus receipts. This forecast is summarised in the table below.

Table 2 : New Properties Forecast (note: New Homes Bonus is measured Oct-Oct)

	2017-18	2018-19	2019-20	2020-21	2021-22
Properties Under Construction	618				
a) Extant Permission - not started	170	368	258	300	273
b) Extant Permission - Resolution to grant	0	74	225	275	275
c) Sites allocated in Local Plans	0	202	140	360	562
Total	**788**	**644**	**623**	**935**	**1,110**

40. Business Rates – Increases in business rates are set by the RPI level in the preceding September. However recently government has capped increases in business rates at 2% where RPI was higher than this figure and the model assumes that this will continue for the life of the plan.

41. Council Tax – Government has so far capped the level that council tax can be increased by without a local referendum at 2% or £5 whichever is the greatest. A 2% increase would result in a £3 increase in Council Tax for a band D property. For planning purposes only the MTFP has assumed a 2% increase for each year. The decision on the level of Council Tax is taken each year by Council in February,

42. A table of assumptions is included in **Appendix MT3**

Reserves

43. The Council's general fund reserves - as at 31 March 2016 - are shown in **Table 3** below, with a forecast for movements within the current financial year. This shows that at the start of the period of the MTFP the Council's reserves are robust and adequate. The Council has a policy of maintaining the general fund balance of at least 15% of net budget requirement which is currently around £2.3m. Reserves have been earmarked to fund a number of Corporate Projects; the corporate project plans are monitored and updated regularly.

44. During this year a single pot approach was adopted to fund the Corporate Plan projects. In effect this means that unless there is a specific need for a reserve to be spent on it will be re-allocated to the new initiatives fund and this will be monitored as part of the monitoring of the Corporate Plan. Although this removes the annual bid for the use New Homes Bonus the element of any receipt of this funding that is allocated for projects will be transferred to the Corporate Plan reserve, this funding will be used on approved Corporate Plan projects (which will be subject to a cabinet approval process) that have been vetted through the production of a Project Initiation Document which will be reviewed by Management Team and Cabinet.

45. The current Project Plan is fully funded with a number of other projects being developed and funding will be approved based on projects meeting criteria set out in the plan.

Table 3 : Summary of Earmarked Reserves

	Balance at 31st March 2016	2016/17 Transfers	Balance at 31st March 2017 *£'000*	2017/18 Transfers *£'000*	Estimated Balance at 31st March 2018 *£'000*
Earmarked reserves					
Corporate Plan	*5,283*	*66*	*5,349*	*(595)*	*4,754*
Fund future expenditure	*2,426*	(320)	*2,106*	(144)	*1,962*
Provision for the maintenance of assets	*1,042*	3	*1,045*	90	*1,135*
Reserves required by statute	*298*	(100)	*198*		*198*
Developer contributions	*7,115*		*7,115*		*7,115*
Total Earmarked Reserves	16,164	(351)	15,813	(649)	15,164
General Fund Balance	1,891	399	2,290	(55)	2,235
Total Reserves	18,055	48	18,103	(704)	17,399

46. There is the prospect of growing reserves in the future CIL receipts, as well as income generated from the delivery of the Conningbrook project. The release of reserves included within the MTFP is therefore considered both prudent and sustainable.

47. Once the final design of the business rates retention scheme is known and the extent of any functions that are to be transferred to lower tier authorities as a result of 100% Business Rates retention reforms, the appropriate level of general fund balance will need to be reviewed to ensure that it is adequate for the risks that the council has to manage.

Inflation Management Strategy

48. ABC Members agreed a counter-inflation strategy in October 2013 but, given the continuing impact of inflation on Council expenditure while income levels are restricted to below-inflation increases, periodic reviews should be undertaken to ensure that the effects of inflation are managed. The MTFP includes seeking to generate new income streams, improved treasury management returns and council tax setting policies. All non-pay budgets have been frozen for the last three years and it is prudent to review the impact of this before extending the freeze.

49. Cabinet has already approved measures to reduce service budgets by £1.6m over three years, with 2017/18 being the third year of that programme, ensuring that costs are controlled and services are required to develop efficient ways of working. The efficiency element of the MTFP requires Management Team to maintain its focus on cost management to ensure that resources are targeted at priorities and costs are controlled.

50. The Inflation Management Strategy is attached at **Appendix MT4,** and Cabinet is asked to support the principles of the strategy.

New Homes Bonus

51. The Council receives a New Homes Bonus payment for four years (previously six years) for each new property that is built within the borough. This non ring-fenced grant can be used for both revenue and capital purposes at the Council's discretion.

52. New Homes Bonus has been the subject of a government review and we are awaiting announcements of any changes proposed as a result of the review, but with Government signalling its intention to divert resources from New Homes Bonus to Adult Social Care we can expect a significant reduction in this funding.

53. Assumptions on future levels of New Homes Bonus received are based upon the forecast numbers of new properties; currently 50% of New Homes Bonus is deployed to support base budget with the remainder allocated to reserves to support the Corporate Plan.

54. New Homes Bonus has become an important element of the Council's funding, providing some core funding but also providing a flexible funding source to support the Council's project delivery. It is therefore proposed to maintain the existing policy that New Homes Bonus is allocated to meet the following strategic allocations - with 50% supporting the base budget, 50% on supporting the Corporate Plan.

Business Rates Growth

55. Since the introduction of the new system for funding local government, business rates has become a major part of this council's funding, retaining 40% of business rates collected (although this is subject to a tariff of £15.6m leaving baseline funding of £2.63m). The scheme also allows for the retention of 50% of any growth over a set baseline position. Given that the current general fund budget assumes an income of £3.4m this suggests that the Council has already achieved £0.8m of growth.

56. Essentially there are four issues:

    a. Was our opening forecast of business rate yield for 2015/16 reasonably accurate?
    b. Are the appeals provisions prudent?
    c. Performance of the pool
    d. How should we look on future business rate growth as funding for the budget?

a) The 2016/17 yield forecast

57. The first quarter's data has been analysed, it is expected that the annual yield projection will be around £415,000 higher than the billed liability; this increase in income is as a result of a reduction in the bad debts provision and not an increase in yield.

58. In the event of a <u>sudden and large drop</u> in business rate yield a 'risk provision reserve' has been set aside. This reserve currently stands at £1.8m, which is considered sufficient to manage a transitional period should rates income fall.

b) The business rate appeals provision

59. Since the start of the local retention of business rates the biggest uncertainty is the possibility the Valuation Office agrees some large Rateable Value (RV) reductions from the outstanding appeals it is currently dealing with. These are appeals to the 2010 valuation list, this has a Rateable Value of £115m and currently there are 551 appeals outstanding with a ratable value of £52m or 45% of RV currently under appeal.

60. In 2014-15 government changed the rules permitting people to backdate appeals to the start of the 2010 list; this led to a large number of appeals being lodged in the last quarter of that year and it is expected that a large proportion of these appeals are speculative and will not be successful.

61. In the last year there was a nationwide appeal submitted by NHS Trusts to claim charitable rate relief. After seeking legal advice from the LGA this has been widely rejected and as yet we await a decision from the Trusts as to whether they will appeal.

62. To support the Council in calculating this provision the Council uses the services of 'Analyse Local' - a company whose software is able to analyse the appeals list and estimate the likely losses and the Council analyses trends within its own data to assess the likelihood of a successful appeal. Broadly 28% of appeals are successful and result in some movement in RV, on average this is an 11% reduction in RV.

63. The Council had an appeals provision of £3.5m at the start of the year and with the amendments currently forecast this year the balance is likely to increase to £3.75m.

c) Performance of the Pool

64. From 1 April 2015 the Council joined the Kent Business Rates Pool, which contains most of the Kent Authorities and provides a mechanism to reduce the levy payable by local authorities on growth and to promote economic development. The pool will continue unless there is an application to change the membership of the pool; if this occurs and DCLG approves the application the old pool would be dissolved and a new one formed.

65. Membership of the pool will result in a reduction in the levy payable on growth, from 50% to 1.6%. The Council's share of this saving was expected to be £200,000, with a further £200,000 allocated to Economic Development whose use will be determined jointly between KCC and ABC. For 2015-16 the pool performed in line with expectations with the council achieving a gain of £198,000 from pool membership with the same level of funding allocated for economic development. KCC are currently finalising the process for agreeing the release of this money, it is anticipated that a designated officer will be delegated authority to agree proposals from District Councils. As the expenditure would not be in the budget framework, any scheme would need to be approved by Cabinet and Council.

66. For the current year there were some changes in membership of the pool with Dover DC leaving the pool and Dartford BC joining. Currently no changes in pool membership are expected for 2017/18 however one pool member is in a

safety net position and may chose to leave the pool to benefit from the national safety net scheme. Overall, members of the pool are reporting in-year performance in line with expectations; however one member has experienced some difficulties with the closure of a major employer within their Borough and is in a safety net position. The pool did foresee this eventually and had provided funds to manage these circumstances. This suggests that the pool will deliver the expected benefits of membership.

67. It is therefore recommended that authority be delegated to the Head of Finance in conjunction with the Leader and Portfolio Holder to agree any amendments to the membership of the pool. The usual DCLG deadline for pool applications is the end of October.

d) Future year's business rate growth

68. The strategy of investing in future business rate growth will be good for the local economy and employment levels, as well as the Council's future financial sustainability.

69. There are several prospective large commercial developments in the pipeline, with added focus from the Council, we may be able to secure these developments over the next five years, and this should be a primary focus too as the additional rates yield is an important plank of the MTFP.

Developing Income Streams

70. Last year Members re-approved the Borrowing and Acquisitions Strategy: this policy sought to use the strength of the Council's financial standing and ability to access relatively cheap funding sources to acquire assets that would generate a return and help develop a sustainable alternative to government formula grant. The policy set a target to generate an additional £750,000 of income per annum with this assumption being built into the MTFP.

71. Over the last year the Council has worked towards the delivery of this task, most notably with member approval for the Elwick Rd scheme and the continued active management of the Council's property portfolio.

72. **The Borrowing and Acquisitions Strategy** (which is also supported by a separate document - the Property Acquisition, Investment & Disposal Strategy) is attached at **Appendix MT5** and members are asked to confirm their continued support for this initiative **(Recommendation v)**

The MTFP forecast

73. The forecast detailed in the table below takes into account the items discussed above. The forecast, which is not cumulative, shows that the budget gap is manageable for the first two years of the plan and then there is a surplus generated by the income derived from the Elwick road scheme. The increasing gap in the latter years that will need to be managed is primarily driven by a return of inflation.

Table 4 : Updated MTFP 2017-2022 (excluding HRA)

	2017/18 £'000's	***2018/19 £'000's***	**2019/20 £'000's**	**2020/21 £'000's**	**2021/22 £'000's**
Revenue Support Grant	*(615)*	*(213)*	*0*	*0*	*0*
S31 Grant NNDR reliefs	*(826)*	*(829)*	*(838)*	*(837)*	*(837)*
Retained Business Rates	*(3,744)*	*(4,407)*	*(5,189)*	*(6,029)*	*(6,121)*
New Homes Bonus (50% allocated to support base budget)	*(3,176)*	*(2,187)*	*(2,390)*	*(2,618)*	*(2,866)*
Government Funding	(8,361)	(7,636)	(8,417)	(9,484)	(9,824)
Council Tax	(6,801)	(7,036)	(7,267)	(7,524)	(7,825)
Total Income Receipts (Including Specific Grants)	(48,278)	(48,222)	(48,189)	(47,786)	(47,594)
Base Budget Gross Expenditure	63,637	63,495	63,091	62,198	63,304
Budget Increases	(126)	(104)	(893)	1,106	1,581
Budget Reduction Strategy	(41)	0	0	0	0
BUDGET GAP	**30**	**497**	**(1,675)**	**(1,490)**	**(358)**
Quantified savings proposals					
Elwick Interest	(100)	(300)			
Grounds Maintenance	125				
Allocation to/from reserves			750	750	750
Revised budget Gap	**55**	**197**	**(925)**	**(740)**	**392**

74. Managing the gap will need to be handled carefully. The Corporate Plan is focused on the delivery of business and housing growth and these items are important planks to the delivery of the financial strategy. Therefore whilst cost management is going to be an important focus, this must not be at the cost of delivery of these priorities.

Council Tax Support Scheme

75. In 2013 the government, as part of its Welfare Reform programme, localised Council Tax Benefit - converting it from a benefit to a discount whilst achieving a 10% saving in costs and protecting the elderly. This Council adopted a localised version of the standard Kent scheme, however the major preceptors have requested a review of the scheme and this Council has consulted over changes to the scheme over the summer. The consultation is now closed and recommendations for the scheme are to be submitted to cabinet later in the Autumn.

76. The major preceptors also agreed to help support the administration of the scheme with the payment of a grant to billing authorities to help meet their costs and maintain collection rates at a high level. It is expected that this will continue at a reduced level. We are also working to develop a scheme that incentivises councils for growing their tax bases.

Handling

77. The MTFP will be used as the basis for the detailed budget build process that will be reported to Cabinet in December.

78. Management Team will continue to develop further savings proposals to contribute towards the remaining budget gap.

Contact for MTFP: Maria Seddon or Ben Lockwood

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Appendix MT1 – Local and National Economy

National Economy

The result of the EU referendum has created a great deal of uncertainty in the economic outlook. During the campaign there were a great number of reports suggesting that the UK economy would slide into an immediate recession with a Leave vote. However the BREXIT victory, which initially saw immediate falls in the stock market and currency, does not seem to have resulted in an immediate recession with recent data suggesting a more optimistic outlook for the economy. However much will depend on the way the process of exiting the EU is conducted and the actual timing of the process.

In measures to reassure the markets and stimulate the economy the Bank of England reduced the Official Bank Rate from 0.5% to 0.25% and increased the level of Quantitative Easing. The Council's treasury advisors, Arlingclose are expecting this rate to remain unchanged for a few years before gradually increasing.

There has been a weakening of the pound which has not recovered greatly and could form the level at which it could stay. This has helped to strengthen a number of companies which trading on Dollars or Euros. However it remains to be seen whether the fall in the pound will result in a strengthening of the Manufacturing sector.

Growth assumptions have been slowed; this could possibly signal a recession however recent forecasts by the IMF and other economic forecasters have actually taken a more bullish view on growth. However it is being argued by some that this sanguine assessment of Brexit's impact will prove to be misleading because price inflation is set to rise substantially as a result of the weaker pound, and this will erode real incomes and thereby weaken consumption.

The BREXIT vote has brought about a change in the Government with a new Prime Minister and cabinet. This has resulted in a softening of the Governments view on Austerity with statements being made over a willingness to borrow to invest in infrastructure projects to support the economy. The Autumn Statement and how the Chancellor responds to the challenge of the BREXIT vote is very much a key for the Financial Plan. Given that the Autumn Statement is not scheduled to be made until later in the Autumn the assumptions of this plan are largely based upon the policies and spending plans of the previous chancellor. However it is being forecast that the impact of BREXIT could create a £15bn hole in government finances as a result of falling revenues and increased welfare costs, the chancellors response to this will be key to understanding the resources available for local government going forward.

Global Economy

In the wider economy there are positive signs of a strengthening of the global economy. Worries about the fragility of the US economy have not been vindicated. It will probably grow by about 2pc this year, and employment is still increasing at a decent, although unspectacular, pace. US interest rates are likely to rise soon, perhaps even later this month, although more probably in December with the pace of increases over the next two years likely to be moderate.

Previously low oil prices were thought to be a good thing for the economy, and for a number of countries they have indeed been good this time round. But the markets were worried about the adverse effects of low oil prices on oil producers, including in the United States and, of course, on a large number of countries whose prosperity is heavily dependent upon oil. In recent months, however, these worries have been, to some extent, allayed. The oil price is off the bottom and seems to have stabilised at about $50 a barrel. Meanwhile, there are signs of stabilisation, if not quite improvement, in some of the countries that the markets have been worried about, particularly Russia.

The Eurozone's recent economic performance in the zone has not been bad. Over the past year, the Eurozone as a whole has grown by about 1.5pc however it is not without its inherent problems that continue to act as a drag to its economy. The eurozone economy has benefited greatly from the effects of low oil prices, which have increased consumer real incomes and thereby underpinned consumption. As the effects of last year's falls in oil prices drop out of the inflation rate, the rate of increase of consumer real incomes is set to fall back. Meanwhile, the Italian banking system continues to be fragile, and across Europe there is considerable anxiety about the EU's future post-Brexit.

With the concerns over the Chinese stock market that cast doubt over the global economy at the start of the year, has largely been overcome, with China growing at 7% and an improving picture in Japan and Asia.

Local Economy

The level of Job Seeker Allowance Claimants remains below 1,000. Whilst this figure may be slightly distorted by a small number of claimants on Universal Credit, this is showing that unemployment is below pre-recession levels and virtually full employment.

The Council is seeing a number of companies willing to invest in the borough with some town centre sites attracting strong interest. Many of these sites have previously been stalled and it is encouraging to see a genuine prospect of development.

The Council has been able to maintain good collection rates for both Council Tax and NNDR with in year collection rates of 98.34% and 99.49% respectively. In addition to this services have seen strong performance of income levels with both parking and planning seeing improved income levels suggesting increased numbers of visitors to the town and increases in construction activity.

These indicators suggest a strong and prosperous local economy.

Appendix MT2 – 100% Business Rate Retention Consultation

SELF-SUFFICIENT LOCAL GOVERNMENT: 100% BUSINESS RATES RETENTION CONSULTATION

CONSULTATION RESPONSE – ASHFORD BOROUGH COUNCIL

Ashford Borough Council broadly welcomes the government's initiative to move to a system of 100% business Rates retention. The previous rates retention has increased the councils focus on business rates and the role that the council plays in growing these receipts through planning decisions, investment, marketing the borough and other economic development initiatives. The Council looks forward to the new system with greater incentives for Councils that seek to grow and develop businesses in their area.

Ashford Borough Council has a long stated ambition to be self-sufficient and not rely on Government Grant, consequently this authority has viewed the growth in business rates resulting from new developments as a key part of that strategy, having granted permission for a new town centre cinema, office block, brewery, extension of the Designer outlet and also a large warehouse development. Not only do these developments bring prosperity and jobs to the local area but the additional rates income maintains services for local people.

It is disappointing that the consultation does not include seeking view on the management and setting of the various reliefs for Business Rates. This Authority believes that you cannot have true local business rates retention without extending local discretion to reliefs.

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

This council supports the view of the Technical Group, which suggests that more due diligence is needed to understand the demand profiles and predictions and the ability authorities will have to control costs before a judgement can be made on this.

It is important that consideration is given to what action authorities will be able to take to manage the cost of these new responsibilities at a time of falling business rates tax yield. Many of the proposed responsibilities to transfer are counter cyclical and therefore cause a cost pressure at a time when business rates income is falling.

As a general principle, we believe that the grants and responsibilities funded from retained business rates should be those where there is a good fit with existing local authority areas of experience and competence. So, for example Council Tax and Housing Benefit Administration Subsidies relate to functions carried out by local authorities and legitimately could be funded from retained business rates. Whereas Attendance Allowance expenditure is demand led. It is not linked in any way to business rates income and should not come to local authorities.

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

This Council believes that the funding grants/responsibilities do not necessarily need to be linked to business rates as this should be viewed as a way of funding local services and not necessarily have to relate to Businesses

Consideration could be given to the transfer of Skills training from the DWP; Local Authorities would be better placed to provide tailored support to this group of claimants. This Council has started to run a Job Club on behalf of the DWP and seen some success in targeting long term unemployed residents and helping them return to work.

The funding for Discretionary Housing Payments could be included within the system.

Government could consider including PFI Subsidy's into the system as these are long term, predictable funding needs.

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

There should be a bespoke approach to this according to local needs and circumstances. Generally, we are content with the choice of budgets that have already been devolved in other areas, such as Transport, Capital, Local Growth funds.

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

The impact of this would need to be modelled and understood before this can be commented on fully. Devolution deals are negotiated with clear deliverables outlined at the time, this process is not mandatory and therefore should not divert funds from other geographical areas that have not decided to follow this route.

As a general principle it is suggested that the most important aspect of funding devolution deals is to ensure that there is adequate funding for the functions that are devolved to deliver the desired outcomes. The source of this funding is less relevant and may mean topping up business rates from elsewhere.

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?

We agree with this.

Question 6: Do you agree that we should fix reset periods for the system?

There may be pressure from some local authorities for a flexible system, driven by changes in spending pressures they may be experiencing. However, we believe that it is more appropriate to have resets only infrequently, as this increases the incentive value for local authorities of being able to retain business rates.

It would be sensible to align the resets with business rates revaluations in order to minimise turbulence. For example, if business rates revaluations took place every three years, perhaps resets could take place every twelve years, to coincide with a triennial revaluation.

It is important to remember that one of the key purposes of Business Rates Retention is that it is to act as an incentive to Authorities to deliver growth. The reset of the system removes the benefit of the growth received from an authority. This Authority has embraced the system and pushed to achieve business rates growth to become self-funding. The regular resets will remove the incentive and jeopardies the sustainability of local services. We would therefore request government to consider whether there is a way that some or all of the growth achieved between resets retained and build into the baseline need of an authority after the rest.

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

We are strongly in favour of rewarding growth.

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

We do not believe that partial resets are appropriate. The cost of administration and the time spent on them would outweigh any benefits. However we can see that for authorities in areas which are stagnating and may potentially move into the zone of safety net would want a more frequent resetting of the system. So we can see that a partial reset system may be the most pragmatic and fairer for all but this <u>must not</u> remove the <u>long term</u> incentive for growth.

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

It is accepted that there will need to be some form of top-up for those authorities with lower business rates income. This may be achieved on a regional basis. For example, the current Kent-wide pooling arrangement works well.

However the current system is too inflexible. We would argue for maximum flexibility. There are benefits in having a system with an element of certainty but having a high tariff means local authorities don’t see much from the business rates for example this Authority’s share of business rates is £18.26m but have a tariff of £15.62m leaving £2.6m for local services, which defeats the point of business rates retention.

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

No - revaluations will reflect the success of initiatives to deliver economic growth. If growth initiatives have been successful there will be an overall increase in the rateable value of the area and authorities should see a reward for this.

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

We would support the principle of combined authorities having additional powers and incentives, but we do not think this should be linked to those with elected Mayors this governance structure is not suited to every area and so there should be some flexibility to allow areas to develop structures that suit their communities.

Any additional responsibilities would need to be adequately funded.

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

Headline tier splits do not represent the true situation which exists. For example, Ashford Borough Council notionally receives 40% of business rates versus Kent County Council's 9% share, but in practice it only receives around 6% of business rates income owing to the working of the tariff system and the levy on business rates growth. Nevertheless the Council still suffers 40% of the losses from bad debts and appeals.

In extending the scope of business rates retention:

- it is important that tier splits should be more transparent (for example, 40% should mean 40%)
- the 80:20 weighting in favour of lower tier authorities should be maintained because this provides a real incentive for business rates growth.
- Transferring more risk to the authorities that share the income. How will these risks be managed and understood? What will the impact be on the level of reserves necessary?

If risk and reward were shared more evenly upper tier authorities will be exposed to funding risk and volatility.

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

Fire funding should be removed. Linking fire authority funding to other local authority funding adds unnecessary complexity to the system. It is understood that fire authorities would also prefer this approach.

Care would need to be taken to ensure that business rates income for local authorities was not unfairly top-sliced to maintain fire authorities' income.

Question 14: What are your views on how we could further incentivise growth under a - 100% retention scheme? Are there additional incentives for growth that we should consider?

It is important that the system allows Authorities to retain some or all of business rates growth on a permanent basis through the re-set. Otherwise this could lead to authorities timing their Economic development activities to get the greatest gain from rate retention and this would not necessarily have the best outcome for the community.

The incentives for renewable energy are quite powerful and it would be an interesting development if this approach could be extended to other targeted sectors.

Authorities could be asked to nominate areas for this relief that that are targeting there economic development initiatives at.

Recycling local business rates within an Enterprise Zone makes sense and is something which we are in very much in favour of.

Question 15: Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?

Whilst most local authorities would be able to manage their own risks there are some areas that should be considered, there are a number of power stations that are due to be decommissioned which will cause some authorities difficulty when these are finally closed which may place them in a safety net position.

The desire to protect against risk must be balanced by the incentive to deliver growth, where an incentive to develop and grow these riskier sites may be necessary to overcome local resistance.

Question 16: Would you support the idea of introducing area-level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

This is something which does not affect Ashford Borough Council but there is merit to considering this although the same outcome could be achieved if a combined Authority were to operate a business rates pool which would allow the authorities to pool to manage risks in the same way.

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area level (including Combined Authority), or across all local authorities as set out in the options above?

Risk is something which should be managed locally, as local authorities have the power to influence outcomes. The main issue with appeals has been a lack of understanding of the process to allow authorities to correctly provide for the risk and an appeals process that is slow and encourages speculative appeals. Appeals tend to sit in the system for years with nothing being done – there must be prompter resolution of appeals and we support the government in its desire to improve the system.

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

The process of resolving appeals is currently very opaque. More transparency and better local liaison with Valuation Office is needed. Currently Valuation Officers can make material rating decisions to resolve appeals privately and have no requirement to publish any justification of the finding. The VOA have an incentive to clear the appeal and the Agent wants to secure a reduction in rates bill whilst the authority charges with collecting these taxes has no voice at the table.

Local Authorities should have a role in the process with a right to make representations and appeal decisions, There are too many frivolous/speculative appeals and a better filter system to deter these is needed.

The length of time an appeal can be backdated has been reduced and this will help manage these risks, with appeals coving nearly 10 years the risk to an authority was increased significantly.

The length of time to resolve appeals has also been allowed to get too long with the backlog of appeals building up in the system. This again creates uncertainty and makes it harder to quantify the risk.

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

Kent councils already operate a pooling system that provides a safety net for member authorities that lose business rates income. To the extent that the pool area forms a logical political and geographical unit, we would support pooling of risk however this should be a decision taken by individual authorities rather than imposed upon them.

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

The current level at which the safety net is triggered is a reasonable compromise to encourage authorities to grow rates but maintain services in the event of a significant fall in revenues.

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

This should be the responsibility of billing authorities, which in Ashford is the Borough Council.

Borough/District councils are collection authorities and are closest to the businesses affected by this.

We would propose that all Authorities that stand to benefit from this action are made statutory consultees for the change, in a similar way that precepting authorities have to be consulted on for changes to Local Council Tax Support schemes.

Question 22: What are your views on how decisions are taken to reduce the multiplier and the local discount powers?

Local authorities should be given both powers and should be constrained as little as possible. The decision should be taken by full Council.

In the spirit of Localism, Authorities should have the power to increase the multiplier provided that it consults with all affected parties. This could replace the exisiting BIDS system

Question 23: What are your views on increasing the multiplier after a reduction?

There should be no constraint on increasing the multiplier after a reduction.

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

Whilst we support the principle we accept that there may need to be some constraint built into the system to ensure that there is not an unhealthy level of competition between authorities. It is suggested that there is a band of flexibility applied to the national multiplier that would allow authorities to vary their local multiplier both above and below the national benchmark.

Question 25: What are your views on the flexibility levying authorities should have to set a rateable value threshold for the levy?

Ashford Borough Council is not currently a levying authority. Levying authorities should be given the flexibility to protect small businesses. Where there is not a Levying Authority consideration should be given as to how this freedom could be applied as there is still a need for infrastructure in those areas.

By the same token, we ourselves would like to have the power to set a rateable value threshold, by consulting with and not seeking approval from the LEP or the levying authority.

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

Ashford Borough Council does not charge any supplements. It is important to keep the system simple, protect business ratepayers <u>and not impose unnecessary burdens on businesses</u>.

However consideration needs to be given to the way in which the levy would function within a system reset. The payback period for infrastructure is often over a longer period and this would be affected by a reset and needs to be managed.

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

This is something which we are strongly against. It is preferable for this power to remain with democratically accountable authorities, not with LEPs. The LEP that is responsible for Kent covers two very populous counties so is not particularly close to local businesses and their concerns. We would however support them being a statutory consultee for this purpose.

Question 28: What are your views on arrangements for the duration and review of levies?

This is something which should not be rigid. It is important that maximum flexibility is built into the arrangements.

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

It is important that the definition of infrastructure should be as wide as possible.

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

This council would favour a system of multiple levies, this would mean that the duration of each levy could be matched to the life of the infrastructure it supports. Each levy could them be transparently reported and accounted for to ensure that the rate payer can see that it has been spent on its intended purpose.

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

It is important to protect the interests of local business ratepayers and to have a system that all parties perceive as a transparent, accountable and democratic process.

Given the potential scale and longevity of infrastructure levy payments, business ratepayers will rightly expect tight controls over the power to raise a levy, and will expect to see the benefits demonstrated clearly.

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

We recognise that there are already strong controls in place that have functioned effectively under a period of strain for local authorities. In general we would argue for a process that is transparent and simple. We would also like to see the funding arrangements fixed over the period of our Medium Term Financial Strategy, ie five years.

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

We are strongly in favour of devolution and local accountability.
We feel that we are best placed to understand the needs of our local community and with flexibility of funding we can spend where the need is. We regularly consult with our Borough to ensure we are taking correct decisions for the communities impacted upon.

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

It is important that the new system continues to maintain the requirement for a Collection Fund Account.

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

The current balanced budget calculation can be somewhat misleading in relation to business rates. It should be amended so that it can be demonstrated that both Council Tax and Business Rates are used by local authorities to balance their budgets.

Government may wish to consider the effect of the risk transfer to Local Authorities (through Business Rates Retention, and new functions) and the effect that this will have on the required level of reserves to manage the risk, should the balanced budget requirement remain in its current form. Authorities are being encouraged to use reserves, at a time when the risks those reserves have to manage are increasing.

Question 36: Do you have views on how the business rates data collection activities could be altered to collect and record information in a more timely, efficient and transparent manner?

It is important that the data collection documents (NNDR1 and NNDR3) are retained but consistency is important and they need to be published in a timely manner.

Ashford Borough Council

23/09/2016

Business Rates Reform Fair Funding Review:

Call for evidence on Needs and Redistribution

Consultation Response from Ashford Borough Council

This Council has not been one of those calling for a change in the assessment of need, rather than amending formulas and moving funding between authorities it is more important to have a known quantity of funding to enable councils to plan effectively for the medium term. The more the system is changed the greater the impact will be on Councils at a time when they are trying to manage other issues, such as responding to the austerity measures that have been put in place, coping with the changing pattern of demand, and reforming service delivery and identifying new ways of working. This review will focus on how to redistribute the finite resource in another way moving funds between councils, this is an unnecessary distraction.

In addition to this the Business Rates Revaluation and the move towards 100% Rates Retention creates a great deal of funding uncertainty for local authorities and this fair funding review will only add to that uncertainty, this may have the unwanted consequence of having authorities grow reserves balances to manage this risk rather than focus on improving services and driving efficiency.

This Council has been working to become self-sufficient for a number of years looking at ways to develop income streams and growing business rates. A stable business rates platform, as we have had since the system was introduced, is important to allow the council to continue to work to deliver self sufficiency rather than focusing on how to redistribute a finite resource.

Question 1: What is your view on the balance between simple and complex funding formulae?

> If the Government is to review the funding formula a simple and transparent system is preferable.

Question 2: Are there particular services for which a more detailed formula approach is needed, and – if so – what are these services?

> The weighting between the various funding blocks is the key. We would like to remind government of the need to ensure that there is adequate funding for the provision of essential services, according there will need to be sufficient weighting the EPCS block to ensure that lower tier authorities get adequate funding.

Question 3: Should expenditure based regression continue to be used to assess councils' funding needs?

> This Council does not support the need for the review, however the use of regression is not preferable as there are arguments that this methodology compounds previous spending patterns and does not reward authorities that have a track record of delivering services efficiently.

Question 4: What other measures besides councils' spending on services should we consider as a measure of their need to spend?

Sparsity is a key driver for costs, it is less efficient to deliver services to a sparse rural population and this should be reflected within the formula

Flooding risk has been another area that needs to be reflected in the formula.

Question 5: What other statistical techniques besides those mentioned above should be considered for arriving at the formulae for distributing funding?

No response.

Question 6: What other considerations should we keep in mind when measuring the relative need of authorities?

Government should be transparent about the assumptions it makes on Council tax funding, the system should reward low tax authorities and not penalise them.

We would urge the government publishes any notional level of council tax that is used when calculating the level of resources. Then perhaps within the capping regime councils below that level could have more freedom to increase their tax to that figure whilst those above have less freedom.

Question 7: What is your view on how we should take into account the growth in local taxes since 2013-14?

If government were to include this then it would also have to reflect the level of reduction in funding the authority has received as a result of the spending reviews and the changes in demand for services as these are often factors for the growth in local taxes.

We are unsure as to how government will incorporate changes in NNDR growth as the system will be reset through the 2017 revaluation, we are awaiting guidance from government as to how this reset is to be managed.

Question 8: Should we allow step-changes in local authorities' funding following the new needs assessment?

No – Local authorities have seen significant cuts in recent years and are still working to manage the most recent reductions in funding. With caps on Tax increases their ability to respond to step changes in funding has been impaired.

Question 9: If not, what are your views on how we should transition to the new distribution of funding?

As stated above this authority is not in favour or a new distribution formula however there will need to be a phased change in funding to allow Councils to respond. This will need to be on an extended basis as they already have to respond to the last round of cuts in funding announced in the spending review.

Question 10: What are your views on a local government finance system that assessed need and distributed funding at a larger geographical area than the current system – for example, at the Combined Authority level?

This is one reason that this Council argues that the existing formula should remain as we are just moving resources from one council to the other rather than focusing on reforming service delivery, driving efficiency and commercialisation.

Any formula must recognise that areas can have vastly different characteristics and needs even if they are only a few miles apart. It is only right that this difference is reflected in funding.

If we were to introduce funding at larger geographical areas we would suggest that this would create a sluggish system and make it difficult for planning purposes, Authorities would need to first wait for the area settlement then decide amongst themselves how to divide up this funding. Authorities are not equipped to do this quickly or efficiently and it would cause more uncertainty in the financial planning process.

For Combined Authorities there is some merit to this suggestion but this should be negotiated on an individual basis for each combined authority when they are established.

Question 11: How should we decide the composition of these areas if we were to introduce such a system?

We would not support this change.

Question 12: What other considerations would we need to keep in mind if we were to introduce such a system?

We would not support this change.

Question 13: What behaviours should the reformed local government finance system incentivise?

On the face of it the suggestion to reward efficiency is sound, however building these into a system would undermine the purpose of creating a needs based system as funding would no longer reflect need but also performance.

We would remind government that there are already powerful incentives in the funding system, delivering business growth is a key driver for this authority seeking to capture growth in business rates to secure its funding. This incentive should not be harmed through the reset process.

In addition to Business rates growth there is the new homes bonus. Whilst we await government's findings of the review of this, we feel that the record growth achieved on the Council Tax Stock for 2015/16 is a sign of the strength of this incentive and we would urge government to view these figures as a sign of the strength of New Homes Bonus as an incentive and consider this before implementing the proposed measures that in our view would lessen rather than sharpen the incentive.

If this review were to progress then it should be done on a needs based objective formula and not include rewards.

Question 14: How can we build these incentives in to the assessment of councils' funding needs?

We would not support this change.

Ashford Borough Council

23/09/2016

Appendix MT3 – Key Assumptions

	2017/18	2018/19	2019/20	2020/21	2021/22
Pay inflation & Increments	1.300%	1.700%	2.800%	2.700%	2.700%
Contractual Inflation	2.40%	3.20%	3.20%	3.20%	3.20%
Income Inflation	1.10%	1.50%	2.60%	2.50%	2.50%
General Inflation	0.6%	1.0%	2.1%	2.0%	2.0%
Utilities Inflation	2.6%	3.0%	4.1%	4.0%	4.0%
Business Rates Growth	2.0%	2.0%	2.0%	2.0%	2.0%
Benefits Inflation	0.0%	0.0%	1.0%	1.0%	1.0%
Pension	5.0%	5.0%	5.0%	5.0%	5.0%
Interest Rates	0.25%	0.25%	0.50%	0.75%	1.00%
20 year Gilt Rate	1.55%	1.55%	1.60%	1.70%	2.00%
New Properties	788.00	644.00	623.00	935.00	1,110.00
Council Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%

Appendix MT4 - Developing a clear counter-inflation strategy and choices as counter-inflation measures

The role of council tax and council tax increases.

1. All the while council tax increases are capped, they are effectively doing no more than combating inflation. It is recognised that it is not achievable or desirable in the current and medium term to seek a step change in council tax level. For planning purposes, for each year, an increase of 2% pa has been assumed.

Managing inflation cost pressures

a) Pay

2. The largest single inflationary impact is £372k. Action to control the pay bill will contribute towards the effective management of inflationary pressures. This has been negotiated and agreed and is reflected within the MTFP.

b) Non-pay budgets

3. Exercising constraint requiring services to consume inflationary impacts by reducing the budget uplifts places more onus on budget managers to manage demands through greater efficiency, stronger procurement or negotiations with contractors. It would be unwise to adopt this practice for a number of years without periodic review. In line with this policy, for 2017/18 an increase of 1.6% has been assumed for non-pay (service) budgets. This is in line with the OBR forecasts

4. Those services linked to contracts are uplifted by the index used in deciding the annual contract review price.

c) Efficiency and new sources of income

5. We should use efficiency and a new income sources programme as clear counter-inflation measures. Services were tasked with developing savings proposals of 15% for the period 2015-18. Without this emphasis, there would be little choice but to cut back year-on-year. This report also outlines further areas which could be pursued to deliver further cost reductions.

6. Our **'invest to save' initiatives** have had this objective in mind, but not all investments have led to direct budget reductions as some initiatives are about improving quality of service, while improving staff productivity to mitigate the stretch on capacity.

d) The role of service fees and charges

7. The MTFP forecast assumes fees and charges will increase by 0.5% above the rate of the Consumer Prices Index (taken at the November preceding the financial year). This assumption relates only to charges where the council has the discretion to decide increases. Car park charges, however, are more sensitive and so need more judgment and therefore fee levels are considered separately.

The MTFP – over its lifetime - does not make any assumptions about car park charges changing.

8. As a counter inflation measure fees and charges must keep pace with rising costs of service provision, particularly for services where fees and charges do not cover full costs.

e) The treasury management role and interest on investments

9. Day-to-day treasury management plays an important role in contributing an income source to the council. Core cash for treasury management purposes varies between £20m and £30m. Interest rates and investment yields are, among other things, a reflection of financial markets' view of the path of inflation over the longer term. For this reason treasury management returns should be viewed as part of the council's counter inflation strategy

Appendix MT5 – Borrowing and Acquisitions Strategy

Purpose: To develop and maintain a set of prudent and sensible principles for making investments and undertaking borrowing, giving sufficient flexibility to this Authority to take advantage of financial and other external markets for the benefit of the borough of Ashford.

This Strategy is designed to operate in conjunction with the Council's Property Acquisition, Investment & Disposal Strategy which was approved and adopted in January 2014.

Aim: The ultimate aim is to achieve self-sufficiency, from government grant, as an Authority – particularly in the face of ever-decreasing central funding sources.

This policy aims to maintain flexibility and responsiveness: when markets – and governments – change, the ability of this authority to respond to these changes must be maintained. This policy is a way of maintaining this flexibility.

Funding:

a) How it works

- The Council can access funding for capital expenditure through the Public Works Loans Board and money markets.
- In the event that the council borrows money it must make a revenue provision for the repayment of the debt as well as financing the interest cost of the loan.
- The Council sets its own limits for the total amount it can borrow which is agreed through the Council's adopted prudential indicators (set annually in the budget report). This report seeks to establish the criteria that will be applied to a ring-fenced amount within the prudential indicators. This should aim to be at around the £100m level.
-The HRA has a statutory debt cap and therefore any further investment in HRA assets must be accommodated within the cap.

b) Mechanism

- It is proposed to allocate a proportion of the Council's reserves to form a 'cash backed' element of the total resources available for investment.
-The balance of funding will come through borrowing.
- A key consideration of this policy will be the loan-to-value of these investments; this benchmark will be met through the use of either the council's own resources or by seeking other funding to reduce the percentage of funding that will be secured through debt.
- The Economic Regeneration & Investment Committee will provide the authority to enter into land transactions (including at an undervalue) and contractual obligations (including the lending of money and the making of grants) up to the value of £2 million.
- Decisions on capital expenditure above £2m will be recommended to Full Council for approval.

The Strategy: detail

1. The Council will borrow to fund investment in four threads:
    - Delivery of strategic priorities
    - For property and commercial investments
    - Development of cultural and community facilities
    - For investment in the Housing Revenue Account*
      *[*Note: HRA must operate within its statutory debt cap]*

2. Any investment must be accommodated within the Council's Medium Term Financial Plan.
3. A project list will be maintained and prioritised (*specific methodology and criteria to be agreed*) to enable decisions to be taken in the round. See template below
4. A minimum of 10% of any net return on an investment will be allocated to an investment reserve (debt and cash backed) which will be used to support further investments.

Each project must have a business case (including Net Present Value and Internal Rate of Return calculations) which demonstrates it delivers an acceptable 'worth' for the Council and must have a full risk assessment.

Worth is, of course, linked to the Public Services (Social Value) Act 2012, and focuses upon community benefit and how it might improve the economic, social and/or environmental wellbeing of an area.

'Worth' for each project, then, will be established by Cabinet but should reflect the priorities established in paragraphs 1 to 3 above. The 'worth' of project investment should take into account the three Rs:

- Recovering the borrowing within a reasonable time frame
- Replacing income lost from grants, so that we work towards self-sufficiency
- Reputational enhancement for the Borough and the Council

Project impacts must be taken into account when appraisal takes place. These impacts are indirect positive results from projects which do not necessarily provide a direct return. The projects may actually contribute with a combination of Borough enhancements and wealth creation. These may be demonstrated through, for example, increased NNDR and Council Tax receipts and enhanced opportunities or attractiveness for inward investors or visitors.
These returns will indirectly result from an enhanced reputation for the Borough.

5. All investments will be appraised using the 25 year PWLB interest rate (or rate applicable to the life of the asset if this is lower) to allow for a long term view on financing costs.

6. Normally Loan-to-Value (see definition below) on any investment must not exceed 90%. This can be varied by Cabinet decision.
7. The Loan-to-Value on the total borrowing and investment activity must not exceed 90%. For HRA the statutory debt cap is to be applied.
8. Capital receipts from the sale of any assets must:
    i. Be used to repay any debt secured upon it.
    ii. Be recycled for further investment