Corporate Director (Law and Governance) and Monitoring Officer –T W Mortimer LLB Solicitor

Overview and Scrutiny Committee

ASHFORD
BOROUGH COUNCIL

Notice of a Meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Tuesday 26th April 2016 at 7.00pm.

The Members of this Committee are:-

Cllr Chilton (Chairman)
Cllr Michael (Vice-Chairman)
Cllrs. Burgess, Feacey, Hicks, A. Howard, W. Howard, Knowles, Krause, Link, Sims, Wedgbury.

Agenda

Page Nos.

1. **Apologies/Substitutes –** To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)

2. **Declarations of Interest:-** To declare any interests which fall under the following categories, as explained on the attached document: (i)

   a) Disclosable Pecuniary Interests (DPI)
   b) Other Significant Interests (OSI)
   c) Voluntary Announcements of Other Interests

   See Agenda Item 2 for further details

3. **Minutes** – to approve the Minutes of the Meeting of this Committee held on the 23rd February 2016.

Part I – Matters Referred to the Committee in Relation to Call-In of a Decision made by the Cabinet

None for this meeting

Part II – Responses of the Cabinet to Reports of the Overview and Scrutiny Committee

None for this Meeting

Part III – Ordinary Decision Items

Part IV – Information/Monitoring Items

CR
26/04/2016

Queries concerning this agenda? Please contact Clare Ricketts:
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Declarations of Interest (see also "Advice to Members" below)

(a) **Disclosable Pecuniary Interests (DPI)** under the Localism Act 2011, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (unless a relevant Dispensation has been granted).

(b) **Other Significant Interests (OSI)** under the Kent Code of Conduct as adopted by the Council on 19 July 2012, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the meeting before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

(c) **Voluntary Announcements of Other Interests** not required to be disclosed under (a) and (b), i.e. announcements made for transparency reasons alone, such as:

- Membership of outside bodies that have made representations on agenda items, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position.

[Note: an effect on the financial position of a Member, relative, close associate, employer, etc; OR an application made by a Member, relative, close associate, employer, etc, would both probably constitute either an OSI or in some cases a DPI].

Advice to Members on Declarations of Interest:

(a) Government Guidance on DPI is available in DCLG's Guide for Councillors, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/240134/Openness_and_transparency_on_personal_interests.pdf

(b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, with revisions adopted on 17.10.13, and a copy can be found in the Constitution at http://www.ashford.gov.uk/part-5---codes-and-protocols

(c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Corporate Director (Law and Governance) and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

Overview and Scrutiny Committee

Minutes of a Meeting of the Overview and Scrutiny Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **23rd February 2016.**

Present:

Cllr. Chilton (Chairman)

Cllr. Michael (Vice-Chairman)

Cllrs. Burgess, Hicks, A. Howard, Knowles, Krause, Link, Wedgbury.

Apologies:

Cllr. Feacey, Sims.

Also Present:

Cllrs. Bradford, Shorter.

Deputy Chief Executive, Head of Health, Parking & Community Safety, Health, Parking & Community Safety Manager, Community Safety Operations Manager, Member Services & Scrutiny Manager, Member Services & Scrutiny Support Officer.

Chief Inspector Mitchell Fox – Kent Police.

340 Declarations of Interest

Councillor	Interest	Minute No.
Bradford	Made a "Voluntary Announcement" as a former member of the Emergency Services	342
Wedgbury	Made a "Voluntary Announcement" as a former member of the Emergency Services	342

341 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 26th January 2016 be approved and confirmed as a correct record.

342 Ashford Community Safety Partnership – Annual Update

Chief Inspector Mitchell Fox from Kent Police introduced the item and commended

the Ashford Community Safety Partnership (ACSP) for the fantastic work that had been done and thanked the Health, Parking & Community Safety Manager and Community Safety Operations Manager for their valued involvement.

The Chairman and Vice-Chairman had submitted questions in advance of the meeting and invited the team to respond. The following responses were given to questions/comments: -

- In response to a question asking for further information in terms of what initiatives were planned for the new Prevent Duty and combatting Child Sexual Exploitation, the Health, Parking & Community Safety Manager talked firstly about Prevent. A working group had been formed and its primary aim was to explore ways of diverting people away from extremism. Various agencies including Kent Police, Kent Probation Service, Kent Fire and Rescue, local schools, local mosques as well as Ashford Borough Council were involved with co-ordinating training sessions to raise awareness of the subject. Another group to combat Child Sexual Exploitation had been formed, but was in the very early stages. A training session would be taking place in April and an Action Plan was being formulated.

- A request was made for an explanation on how the Kent Community Safety Team (KCST) worked with ACSP, and was the co-location of staff in the Unit at Maidstone delivering results. The Health, Parking & Community Safety Manager advised that it was early days for the KCST. A representative from KCST attending meetings with ACSP and provided feedback on county based activities. The relationship was two ways therefore ACSP members were able to report on issues that would be more appropriately tackled on a county basis. Positive feedback had been received regarding the Unit at Maidstone, but again, it was still in the early stages.

- In response to a request made for figures that showed the level of crimes (resulting from substance abuse) that were solved, Chief Inspector Fox explained that following an inspection by HMIC, a recommendation was made that statistics of this nature no longer be recorded. Substance abuse encompassed both legal and illegal substances and there were difficulties associated with identifying crimes that fell within these areas. From a general perspective, crime in Ashford was lower than 12 months previous and Chief Inspector Fox advised that people were also increasingly reporting historical crimes. Members discussed the impact of this on police resources and what could be done to change public perception that some crimes were not worth reporting. Chief Inspector Fox said that a change in approach was being undertaken and Officers were now investigating and probing further beyond the initial crime reported.

- A question was asked as to why the incidents of anti-social behaviour had continued to decrease. The Health, Parking & Community Safety Manager advised that this was the result of ACSP working together with the Police and the Joint Family Management Programme (JFMP) dealing with the perpetrators of anti-social behaviour. Where appropriate, referrals were made to Early Help, through which the troubled families programme could be assessed. Members asked if there was any liaison between KCST and social

landlords regarding anti-social behaviour by tenants. The Health, Parking & Community Safety Manager confirmed that many social landlords had designated Officers that worked with ACSP and in some cases a visit would be arranged and the tenancy agreement would be examined to see if terms had been broken. Chief Inspector Fox added that the police would get involved where illegal substance abuse was suspected.

- Fly tipping and dog fouling were considered a high priority for Ashford residents. A question asking how many cautions had been issued had been put forward. The Health, Parking & Community Safety Manager explained that there had not been any official cautions. Dog fouling would be dealt with by issuing a Fixed Penalty Notice under the dog fouling order. A fly tipping case was going to prosecution – a charge had been laid regarding a case by Tonbridge and Malling Borough Council. A few others were being investigated, but no formal cautions had been issued. New ways of working were also under review and would be relayed to members in due course.

- Members asked if there were any plans for Cleansweep events to be held and what steps were being taken to change attitudes from an early age i.e. visits to schools. The Health, Parking & Community Safety Manager confirmed one event was planned and it would be taking place in the town centre. The team did not normally plan for more than one event in advance and tended to set them up as a response to what was happening on the ground. Partners would make requests to the Community Safety Unit who then organised the events. Examples of work within schools included Safety in Action, work on anti-social behaviour & road safety and on-going contact via a Head Teacher who was a member of ACSP. This was linked to the ongoing work with Prevent and on combatting Child Sexual Exploitation.

- At the O&S meeting last year the issue of keeping victims of crime informed of progress was raised. Members asked what steps had been introduced to improve this issue. Chief Inspector Fox advised the Committee that the case officer assigned had a duty to keep the victim informed, and then post charge, responsibility fell to the Witness Care Unit or Victim Support Unit. Work had been undertaken to modernise court attendance and Chief Inspector Fox anticipated that physical presence within court could become obsolete in the future.

- ACSP had a number of initiatives covering a wide variety of areas – Members asked whether all of these were achievable given the budget the Partnership had access to. The Head of Health, Parking & Community Safety explained that the majority of ACSP work was undertaken using the individual partner's core budget. The role of the ACSP was to find common priorities and work collectively so that resources were not wasted. A specific grant came from the Police Crime Commissioner, and this was year 2 of a 3 year funding commitment. However, even this had been threatened for this year due to funding pressures on the police.

- Members noted that there was an increase in instances of shoplifting and the report inferred that this was possibly due to variables in sentencing. Chief Inspector Fox explained that sentencing for shoplifting generally remained

less than sentencing for similar crimes e.g. burglary and many perpetrators were aware of this.

- It was reported last year that the level of under 16's being killed or seriously injured (KSI's) in road accidents in Ashford was amongst the highest in the county. The question asked what measures were being taken to reduce this figure and had consideration been given to establishing a young driver school (similar to the one at Bluewater). The Head of Health, Parking & Community Safety confirmed that a lot of work had been undertaken on this subject focusing on accident cluster sites within the borough. This led to a route study on the A28, since this route was found to have the highest number of KSI's. A new focused approach involving all major stakeholders was being developed and a number of actions would be implemented over the next year in connection with the A28. Councillor Bradford would be working with officers to identify causes and look at possible sources of funding. The Health, Parking & Community Safety Manager reported that a two wheeler event had been scheduled to raise awareness for users of motorbikes, mopeds and scooters and Kent Fire and Rescue Service were building the first and only purpose built road safety centre in the UK. This would be dedicated to improving the driving experience of all road users. The aim was to encourage young people to look at the potential consequences of a road accident from all perspectives – for themselves, their passengers, other drivers and their families.

- Members asked for an explanation, regarding domestic abuse, on how the initiatives supported by the Council were contributing to the work of ACSP. The Head of Health, Parking & Community Safety advised that a report on domestic abuse had been presented to Cabinet and illustrated all of the positive work that was taking place. A Member asked what was being done to tackle the stigma attached to men experiencing domestic abuse. The Health, Parking & Community Safety Manager stated the domestic abuse services were also available to men. It was emphasised that the Council had committed to spend up to £50k per year over the next three years on domestic abuse and a Domestic Abuse Co-Ordinator had been appointed and priorities agreed.

- Members asked what action could be taken to prevent cars parking on pavements. Chief Inspector Fox explained that parking enforcement was dealt with as a civil offence, not a criminal offence; therefore the police had restricted powers and would only get involved when danger was presented. The Head of Health, Parking and Community Safety indicated that while the Council had power to deal with illegally parked vehicles this did not extend to obstruction of a footpath. The Council did not have the necessary authorisation from KCC to deal with this.

- The Chairman and Members agreed the ACSP was very pro-active and dynamic in its approach and had contributed greatly to reducing the amount of crime occurring in Ashford. The Health, Parking & Community Safety Manager relayed his thanks to both Community Safety Operations Managers for their work in compiling the report.

Resolved:

That the report be received and noted.

343 ABC Business Plan Performance Report

The Deputy Chief Executive introduced the report advising that it showed a continual steady progress of economic growth within Ashford. The free parking initiative in Edinburgh Road Car Park had contributed positively with regard to visitors to the town and approval had been given for significant development along Elwick Road. There had been a continued fall in un-employment figures and Service Performance remained steady.

The Chairman and Vice-Chairman had submitted questions in advance of the meeting and invited the Deputy Chief Executive to respond. The following responses were given to questions/comments: -

- In response to a question asking how many affordable homes had been built and sold over the last year, the Deputy Chief Executive explained that 300 affordable homes had been completed in a 12 month period, and 214 of those were exclusively for the affordable rental market. The 86 remaining properties were for shared ownership schemes and of those, 29 had been provided for first time buyers. A Member said that rents remained high and unaffordable to some people. The Deputy Chief Executive agreed that national statistics highlighted the problem of affordability. Therefore the more that ABC could do to increase the supply of affordable housing, the better the overall picture would be in the longer term. The Portfolio Holder suggested a report written by the Deputy Chief Executive for the Council Tax and Welfare Reform Task Group which assessed the risks of the Council's exposure to greater financial and service pressure, from a combination of future welfare reform impacts, the local housing market, the local economy and macro-economic factors, be re-circulated to Members.

- The Deputy Chief Executive advised the Committee of the missing figures from the Technical Annex for Homelessness:
  Number of homeless applications received – 59
  Number of homeless applications approved – 39
  A member asked what happened to those people presenting themselves as homeless but their applications were not accepted. The Deputy Chief Executive confirmed that there were various reasons for non-qualification as homeless. If a non-UK and non-EU citizen (though some special conditions apply) were not eligible because they were subject to immigration control, then they would be referred to the Home Office. If they qualified as homeless, but did not have a local connection to Ashford then they would be given housing advice; in all cases the Council had a duty to provide housing advice.

- A Member raised a concern about the increase in the number of families in B&B accommodation. The Deputy Chief Executive concurred that this remained a pressure despite the Council's positive actions and something Members and officers needed to be aware of, particularly as the number of younger people presenting had risen. The Portfolio Holder added that although it was a normal trend for peaks and troughs to occur, it remained a serious issue and one that would impact financially on the Council.

- Members asked for more information with reference to the move of the Customer Services team from the Gateway to the Civic Centre. The Deputy Chief Executive advised that he would need to seek clarification from the Head of Environmental and Customer Service about the communications plans for users, but advised the building works to the Civic Centre reception area would commence very soon. The number of general enquiries had increased when the function moved to the Gateway in 2013, possibly because of the location being closer to the Town Centre. A fully appointment-only service now operated 5 days per week which worked very well and had resulted in the number of face to face appointments reducing, whilst the number of people using the 'fast-track' service had increased. The Deputy Chief Executive said that Officers would evaluate after the move to establish any detrimental effects.

- The Deputy Chief Executive pointed out that the figure for % sundry debtor income on the Technical Annex page had been updated since a payment for £900k had been received in late December. The figure on the Technical Annex would now show as 95%.

- Members asked if food premises were required to close when they were served with Enforcement Notices and the Deputy Chief Executive and Head of Health, Parking & Community Safety confirmed that would be correct for serious cases, subject to a prohibition closure notice being served.

- A Member asked if the terminology used in the report could be changed from 'footfall' to 'pedestrian traffic' to avoid any confusion. The Portfolio Holder agreed this point should be noted, but the priority was to examine the trends occurring.

The Chairman thanked the Deputy Chief Executive for his attendance.

Resolved:

That the report be received and noted.

344 Future Reviews and Report Tracker

The Chairman explained that Cllr. Mrs. Martin had asked the committee to review the local Hospital Trust. The Committee agreed with the Chairman that this request should be referred to the Health and Wellbeing Board.

Cllr. Mrs. Martin had also requested the committee review flooding to assess if the

Council were doing enough. Members asked the Chairman to respond to Cllr. Mrs. Martin for more specific information about what to review, and considered that the Emergency Preparedness Team would also need to be included.

The Chairman asked the Committee how they wished to proceed following the presentations made to the January meeting by Southern and South East Water. Some Members reported that they were still awaiting answers to questions raised at the meeting and asked the Member Services & Scrutiny Manager to check progress on responses to the questions raised.

It was agreed that it would be useful for the Internal Drainage Board to be invited to the meeting in April. A Member suggested also inviting the Project Delivery Manager to the meeting for his contribution.

Resolved

That (i) the Chairman seek more information about the request to review flooding

(ii) The River Stour Internal Drainage Board be invited to the O&S meeting in April 2016.

(iii) The Committee meeting scheduled for 22nd March 2016 be cancelled.

Agenda Item No:	4
Report To:	Overview & Scrutiny Committee
Date:	26 April 2016
Report Title:	Medium Term Financial Plan
Portfolio Holder	Cllr Shorter Portfolio Holder for Finance & Budget, Resource Management and Procurement
Report Author:	Ben Lockwood – Head of Finance Maria Seddon – Accountancy Manager

Summary: As part of the budget scrutiny process the committee requested the opportunity to review the assumptions made within the Council's Medium Term Financial Plan and this report presents these assumptions and the impact of these on the future financial planning of the Council.

In addition to this report the member training on the MTFP that was given to members in the autumn of 2015 will be run at the meeting.

Key Decision:	No
Affected Wards:	All
Recommendations:	**The Committee are asked to note the report**
Policy Overview:	The Overview and Scrutiny Committee are responsible for scrutinising the annual budget.
Financial Implications:	The MTFP shapes the annual budget process and once updated later this year will inform the 2017/18 annual budget that will be scrutinised by the Overview and Scrutiny Budget Task group.
Risk Assessment	Not applicable
Contacts:	Ben.lockwood@ashford.gov.uk – Tel (01233) 330540 Maria.seddon@ashford.gov.uk – Tel: (01233) 330547

Report Title: Medium Term Financial Plan

Purpose of the Report

1. As part of the budget scrutiny process the committee requested the opportunity to review the assumptions made within the Council's Medium Term Financial Plan

2. This report contains extracts of the advice given to members with the medium term financial plan as reported to members in the budget report (Cabinet Feb 2016) and the detailed report supporting the corporate plan (October 2015).

3. In addition to this report the member training on the MTFP that was given to members in the autumn of 2015 will be run at the meeting.

Issue to be Decided

4. The Committee are asked to give their advice on the medium term financial plan assumptions that will be used to develop the MTFP for 2017-22.

Background

5. The Council has a 5 year medium term financial plan that is reported to members on a regular basis. The report contains updated policy context and financial forecasts and where necessary guidance on the strategy to manage pressures that are developing within the budget.

6. The budget report also contains MTFP information updating the previous reports and informing the budget setting process.

7. There are a number of government consultation processes that are ongoing at the moment that create uncertainty within the MTFP, the more significant are on Business rates, New Homes Bonus, and Planning Fees.

8. Since this report the chancellor has announced the budget which included a number of measures that affect the councils MTFP.

Economic Forecasts

9. The budget contained the latest forecasts on global growth and world economy is now "materially weaker" (OBR) effecting the forecasts for UK Growth -

    - 2016: 2.0%, down from 2.4% in November's autumn statement
    - 2017: 2.2%, down from 2.5%
    - 2018: 2.1%, down from 2.4%
    - 2019: 2.1%, down from 2.3%
    - 2020: 2.1%, down from 2.3%

10. The OBR now forecast that Inflation will be 0.6% in 2016, and is forecast to remain under the 2% Bank of England target at c.1.6%

Overall Public Spending

11. Public spending will fall from 40% to 36.9% of GDP during this Parliament with Debt forecast to be -

    - 82.6% of GDP next year
    - 81.3% in 2017/18
    - 79.9% in 2018/19
    - 77.2% in 2019/20

- 74.7% in 2020/21.

Devolution and Public Sector Reform

12. The chancellor confirmed that 100% of local government resources will be raised locally by the end of the Parliament.

13. The government will consult on new rules requiring local authorities to be transparent about the cost of the in-house services they provide, and whether there could be savings from using competitive external providers

14. New £115m fund to tackle homelessness, providing low cost 'second-stage' accommodation to help people move on from emergency hostels and refuges

15. The chancellor confirmed that the Apprenticeship Levy (detailed in the Autumn Statement 2015) will be introduced in April 2017

Housing and Infrastructure

16. The Government will deliver 13,000 affordable homes two years early by bringing forward £250million of capital spending to 2017-18 and 2018-19. The Homes and Communities Agency will work in partnership with Network Rail and local authorities to provide land around stations for housing, commercial development and regeneration. The government will set out shortly which sites will take part in the scheme

17. The government intends to move to a more zonal and 'red line' planning approach, where local authorities use their local plans to signal their development strategy from the outset and make maximum use of permission in principle, to give early certainty and reduce the number of stages developers must go through to get planning permission

18. There is the intention to introduce measures to speed up the planning system, including minimising the delays caused by planning conditions, and ensuring the delivery of local plans by 2017

19. There will be a consultation on options for increasing transparency in the property market, including by increasing the visibility of information relating to options to purchase or lease land

20. The budget included provisions to provide greater freedoms and flexibilities for the deployment of mobile infrastructure, including reducing planning restrictions for existing telecoms infrastructure and allowing taller new ground based masts to be built

21. the government will provide technical and financial support to areas that want to establish garden villages and market towns of between 1,500 to 10,000 homes

Business Rates

22. The Chancellor announced that he will permanently double Small Business Rate Relief from 50% to 100% and increase the thresholds. From April 2017, small businesses that occupy property with a rateable value of £12,000 or less will pay no business rates. There will be a tapered rate of relief on properties worth up to £15,000 with an increase in the higher standard business rates multiplier threshold to £51,000.

23. From 2020 business rates indexing will switch from the higher RPI to the lower CPI rate

24. The government will launch a discussion paper this month on introducing more frequent business rate revaluations (at least every three years)

25. By 2022 local authority business rate systems will be linked to the HMRC's digital tax accounts, and ensure that ratepayers can receive and pay bills online by April 2017

26. Consultation on 100% business rate retention to launch in summer 2016

Initial impact on the MTFP

27. The reduction in forecasts in growth have a number of potential impacts on the council's MTFP, firstly there is the potential threat to the councils income levels generated through service activity, during the last recession these were hit hard and took a long period to recover. Where services are not able to generate income this places a greater call on the council's central resources to fund activity.

28. The threat of a recession also creates a risk to the Council's income streams through business rates and council tax. There would be consequential losses of income in business rates if businesses close or restructure their operations. In addition to this there is the threat that house building would slow effecting assumptions on growth of tax base and new homes bonus receipts.

29. The lower inflation figure is welcome as inflation is a net cost to the council and having a lower inflation figure could reduce this cost within the financial model.

30. The business rates changes are perhaps the most significant, the Council currently is compensated for the loss of income for the extension of Small Business Rates Relief and it is unclear how this permanent doubling of the scheme will work through the system. The switch to CPI will in all probability reduce the future receipts from business rates and is a longer term pressure that will need to be managed. Finally the more regular revaluation will create a greater level of risk and uncertainty in the system, the government is currently considering how to manage the impact of the revaluation due in 2017 in the rates retention system and this has the potential to effect the growth that the Council has achieved over the governments baseline which is fundamental to the delivery of the councils financial strategy. In addition the more frequent revaluations will lead to more appeals to the figure and this process will again create uncertainty.

Portfolio Holder's Views

31. To be given at the meeting

Contact: Ben Lockwood – ben.lockwood@ashford.gov.uk

Maria Seddon – maria.seddoon@ashford.gov.uk

Assumptions include within MTFP

	2016/17	2017/18	2018/19	2019/20	2020/21	Source
Pay inflation & Increments	4.400%	1.900%	2.500%	2.700%	2.700%	CPI Target plus 0.7% to allow for increments 1% = £120k
Contractual Inflation	0.90%	2.20%	3.20%	3.10%	3.00%	RPI forecast based upon the OBR forecast (July 2015)
Income Inflation	0.70%	1.70%	2.30%	2.50%	2.50%	CPI Inflation plus 0.5% need to consider whether there is scope for this to be increased further.
General Inflation	0.2%	1.2%	1.8%	2.0%	2.0%	CPI Forecast from the OBR (July 2015)
Utilities Inflation	3.2%	4.2%	4.8%	5.0%	5.0%	Increases Above inflation
Business Rates Growth	2.0%	2.0%	2.0%	2.0%	2.0%	
Benefits Inflation	0.0%	0.0%	1.0%	2.0%	2.0%	
Pension	5.0%	5.0%	5.0%	5.0%	5.0%	
Short Term Interest Rates	0.50%	0.75%	1.00%	1.50%	2.00%	based upon the OBR forecast (July 2015)
Long term Interest rates	3.50%	3.75%	3.95%	3.95%	3.95%	Arlingclose interest rate forecast
New Properties	301.00	1,022.00	644.00	623.00	935.00	As per Planning Forecasts
Council Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	

Supporting Paper 1
Extract from the budget report – February 2016 Cabinet

PART ONE – CONTEXT and GOVERNMENT GRANT

The Five-Year Corporate Plan 2015-20

10. The council adopted the principles laid out in the Corporate Plan in October. The Plan identified the key themes for the council to focus upon over the next five years, which are:

    a) Enterprising Ashford
    b) Living Ashford
    c) Active and Creative Ashford
    d) Attractive Ashford

11. The council has a Medium Term Financial Plan which is a rolling five yearly budget that seeks to put the Corporate Plan into financial terms. This is reviewed regularly with any changes in priorities of new projects being incorporated. The most recent review of this reported to members was included in the report to the October Cabinet "the next five years." This report discussed the emerging budget gap and introduced 4 main measures to address this:

    i. Closing the budget gap 2019/20 strategy
    ii. an investment and borrowing policy
    iii. proposed allocations of New Homes Bonus
    iv. Inflation management Strategy

12. The budget included in this report has been built in accordance with the strategy adopted.

Provisional Settlement

13. Overall it is a positive picture for next year when taking into account the settlement figures and the provisional estimate for business rates income there is a variance of £37,000 less funding than assumed in the draft budget.

14. The main issue is the consultation on the future of New Homes Bonus that will have some significant impacts for the Council. Formula grant will go completely over the period and government will increase the tariff on business rate retention to cut our funding further.

15. The settlement assumes no changes in business rates; therefore more detail is expected over the full retention of business rates over the next few months however there is an expectation that the 4 year period of the settlement a change to full local retention will happen.

16. The Government has announced a provisional 4 year settlement for Local Government, the minister has announced that for authorities that sign up to it, a four year settlement can be agreed. This will require authorities to sign up to an efficiency plan, the format of which is yet to be agreed, but will mean that authorities can have certainty over their settlements. This offer has been caveated by a need to retain the ability to adjust the tariff levels for business rates for inflation. Given that the council will lose formula grant in its entirety

and will rely on Business Rates, which is heavily influenced by the level of tariff, and NHB for its funding. Financially there may be little to gain for the council from this offer, however the underlying policy is very much in line with this Council's financial strategy of the last few years, seeking to become independent of government funding and in its financial planning has sought to identify efficiencies to make the savings needed to achieve that aim.

17. The Government was consulting on the settlement which closed on 15th January; the response is in Error! Reference source not found..

Formula Grant

18. The Secretary of State has outlined a provisional 4 year settlement and the table below demonstrates the annual difference of the grant from the draft budget, overall the Council will received £121,000 less than budgeted next year and £127,000 less over the 4 year period:

Table 1 – Formula Grant Comparison

	2016/17 £'000's	2017/18 £'000's	2018/19 £'000's	2019/20 £'000's
Base Budget General Government Grant	(2,107)	(1,391)	(834)	0
(Increase)/Decrease in Government Grant	716	557	834	0
MTFP/draft budget	(1,391)	(834)	0	0
Settlement	1,270	615	213	0
Difference	(121)	(219)	213	0

19. The Formula Grant will be cut to £0 in 2019/20 and the MTFP had assumed this a year earlier.

20. The data on the settlement assumes that the NNDR baseline continues at the current level, indeed in the final year government increases the tariff to cut our funding further. Therefore it is clear that treasury view that this level of funding is appropriate for the current services that are provided and if full retention of business rates is going to increase district councils funding significantly then there will be additional burdens transferred as well.

Business Rates

21. This area is more complicated as it needs to take into account a number of factors (tariff, yield and Small Business Rate Relief) affecting the budget, one of which is set by the settlement, the tariff.

Table 2 Business Rates Comparison

	2016/17 £'000's	2017/18 £'000's	2018/19 £'000's	2019/20 £'000's
MTFP/Draft Budget	(19,304)	(19,676)	(20,748)	(21,120)
Draft NNDR1	(19,270)			
Difference	(34)	NA	NA	NA
Tariff	15,779	15,810	15,842	15,873
Settlement	15,624	15,931	16,401	16,925
Difference	155	(121)	(559)	(1,052)
Base Budget S31 NNDR grants for reliefs	(575)	(596)	(617)	(638)
Draft NNDR1	(538)			
Difference	(37)	NA	NA	NA

Tariff

22. The level of Tariff is a fixed amount that we pay to government; this is heavily influenced by our inflation assumptions. Government are expecting the pace of inflation to increase at a much faster rate than the MTFP, it is expected that to some extent the impact of this will be offset by assumptions on income. **However** to ensure that the level of cut to shire districts is uniform across the country government have increased the level of tariff to authorities which have no formula grant left to cut. This applies to Ashford BC with an increase of £237,000 in the final year of the settlement; this was not forecast in the MTFP presented in October to Cabinet but has been updated in this report.

23. For 2016/17 we have budgeted for a Tariff of £15,779,000 which is £155,000 higher than the Settlement figure generating a saving to the draft budget offsetting the loss of formula grant detailed above.

Yield

24. The draft NNDR1 has been completed and shows that the Council's share is likely to be £19,270,040 (this includes £54,000 income for solar farms) this is £34,000 less than the level assumed in the draft budget. The total rateable value of non domestic properties in the borough has remained fairly constant at £115m. In view of the level of appeals against the rateable value that have been processed by the Valuation Office this is a positive position. The growth in rates yield has primarily been driven by the increase in the multiplier applied to this figure.

25. An appeal from the NHS Trust has been received seeking mandatory charitable rate relief on all its properties; first indications are that it is unlikely to be successful; the council has received advice to reject this application as the legal grounds not appear to be certain. The Trust currently pays around £750,000 per annum in business rates and nationally this would represent a cost of £1.5bn. We have allowed for an increase in the level of mandatory relief within the forecast fir business rates but not at the full value as we feel there is a strong probability that this application will be rejected.

Small Business Rate Relief

26. Government has for some time doubled the level of Small Business Rate relief offered, because this is outside the business rate retention scheme a compensatory grant is paid to the council in the form of a S31 Grant. The budget assumes that S31 grants for Small Business Rate Relief will continue and the draft budget has been prepared with an estimate of £575,000 being paid to compensate for this loss. The draft NNDR1 estimate for 2016/17 suggests that this will be £37,000 lower than the draft budget.

Summary

27. Overall the picture for business rates for 2016/17 is reasonably positive with the 3 elements having a total variance of £84,000 more funding than assumed in the draft budget. This offsets the negative variance for formula grant leaving a total difference of £37,000 less funding than was assumed in the draft budget, this has been updated in this report which presents the final draft budget.

New Homes Bonus

28. The provisional settlement for New Homes Bonus is £3,782,000, the statement reads:

> "*The New Homes Bonus provides valuable funding, and, as importantly, encourages house building.*
>
> *So I can announce today that I will extend the Bonus indefinitely, but with some changes, on which I am consulting."*

29. The Budget assumed a New Homes Bonus receipt of £3,471,000 and following initial announcements from Government there was an expectation that there could be a 2 year top slice of £1,437,000 in the current year. This has not transpired, however a consultation document has been issued outlining the government's proposed method to top-slice the grant reducing it from 6 to 4 years with the possibility of a further reduction. The government is offering 2 approaches to do this, a straight cut to 4 years or an interim step to allow more time for adjustment.

30. The consultation document also looks at ways in sharpening the incentive through:

- stopping payments for years when local plans are not in place,
- reducing the bonus paid by houses built on appeal,
- setting a baseline which councils must achieve before they become eligible for bonus payments.

31. There does not seem to be any suggestion on whether the 80:20 split between upper and lower tier authorities should be changed but the savings achieved in the proposed changes will be re-allocated to areas of priority spend for local government such as Adult Social Care.

32. The Consultation closes on 10th March 2016 and the draft response is presented in Error! Reference source not found. of this report for approval. It is recommended to the Cabinet to delegate approval of the final response to Cllr Shorter (Portfolio Holder for Finance & Budget, Resource) and Cllr Bennett (Portfolio Holder for Planning and Development.

Council Tax

33. In his statement the Minister made it clear that there would be no freeze funding offered to Councils who freeze council tax. He has also confirmed that the 2% cap will remain but there will be scope for low taxing authorities to increase their council tax by up to £5.

> *"So while this settlement maintains the core referendum threshold at 2%, the threshold for the lowest cost district councils will be £5 a year, so they aren't punished for being economical while those who have spent more in the past are allowed to spend more now."*

34. The draft budget assumed a 1.99% increase in Council Tax being in the band D payment to £148.34 (£145.45 in 2015/16), this Council does not qualify for the £5 increase as Ashford Borough Council ranks 54 from 201 districts, the lower quartile being a maximum of £144.59, based on the 2015/16 stats.

35. As part of the Council's response to the provisional settlement consultation, the Council has, along with many other authorities, asked the Government to consider changing the cap, allowing authorities to increase Council Tax by £5 or 2% per annum.

36. At an increase of 1.99% Ashford will remain the lowest council tax in Kent, with Tonbridge Wells being the next lowest with a council tax of £158.63 at 2015/16 levels as it is unlikely Kent authorities will lower Council Tax following the Governments announcements.

Council Tax Support

37. As part of the welfare reform agenda Government abolished council tax benefit in 2013 and replaced this with the requirement for councils (the billing authorities) to introduce locally agreed schemes offering council tax discounts to residents. At that time the Government transferred 90% funding to local authorities.

38. This year it is proposed that the current scheme, slightly modified to keep in line with the Housing Benefit Scheme, will be retained by all Kent districts and public consultation for the Ashford scheme was in open until 11th January 2016, no responses were received.

39. The current proposed scheme includes the following:

    a. Full protection to pensioner claimants

    b. 95% protection to eligible disabled claimants

    c. a 10% contribution to council tax from working-age claimants (those that had previously received full council tax benefit).

40. A fundamental review of the scheme is needed as a result of the impact of welfare reform changes. Whilst a one year extension has been agreed, there is a commitment across Kent districts that a review of all local schemes will take place over the next six months, in readiness for an entirely new scheme from April 2017.

41. Our local council tax scheme has the agreement of the major precepting authorities who will also work in partnership with the council on measures to increase council tax yield.

Medium Term Financial Plan

Business plan and grant assumptions

42. The Medium Term Financial Plan was updated and reported to members in the October report. The forecast has been updated to reflect the details of the settlement, Business Rates forecast and other movements in the draft budget. The update has reduced the surplus for 2016/17 from £175,000 to £81,000 and

the details of this movement can be found in the next section of this report, in table 5.

43. Overall the forecast shows an a fairly balanced position over the following 3 years, however in 2019/20 there is an increasing budget gap as grants reduce and costs increase at assumed levels of inflation. Plans for these future pressures will need to be developed and could include savings though efficiencies, Business Rate growth, and income targets set from the borrowing and acquisitions policy.

Table 3 – Medium Term Financial Plan 2016-2021

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000's	£'000's	£'000's	£'000's	£'000's
Revenue Support Grant	(1,270)	(615)	*(213)*	*0*	*0*
S31 Grant NNDR reliefs	(538)	(549)	*(560)*	*(571)*	*(582)*
Retained Business Rates	(3,410)	(3,478)	*(5,248)*	*(5,316)*	*(5,422)*
New Homes Bonus (50% allocated to support base budget)	(3,782)	(2,947)	*(2,380)*	*(2,760)*	*(2,439)*
Total Government Funding	**(9,000)**	**(7,589)**	**(8,400)**	**(8,647)**	**(8,443)**
Council Tax	(6,490)	(6,708)	(6,969)	(7,212)	(7,482)
Total Income Receipts (Including Specific Grants)	(48,037)	(48,080)	(48,137)	(48,283)	(48,430)
Base Budget Gross Expenditure	63,135	63,135	63,916	64,450	65,558
Contribution to/from NHB reserve	311	(992)	(1,428)	(719)	(604)
Budget Increases		822	534	1,108	1,529
Budget Reduction Strategy		(41)	0	0	0
BUDGET GAP	**(81)**	**547**	**(484)**	**697**	**2,128**

44. The plan does place reliance on the Council's ability to generate new income streams through its borrowing and acquisitions policy and this does represent a risk to the forecast should suitable investments not be found or that they deliver lower returns. It is important that the risks within the total programme are monitored due to the impact they could have on the budget going forward.

45. Work will commence in the new financial year reviewing the Medium Term Financial Plan.

Recommendations (Part One)

46. The Cabinet is asked to:

    i) Note the budget context and MTFP position (**Table 3**) and the Provisional Settlement Consultation response in **Error! Reference source not found.**

    ii) Note the final business rate yield forecast (NNDR1) in Error! Reference source not found.

    iii) Note the proposed New Homes Bonus Consultation response in Error! Reference source not found. and Delegate authority to Cllr Shorter and Bennett to approve the final New Homes Bonus consultation response

    iv) Note that the Council Tax Support Scheme adopted is as reported to Cabinet in December **paragraphs 37-41**

Supporting Paper 2 – Cabinet October 2015

Report Title: The Medium Term Financial Plan 2016-21

Purpose of the Report

1. The Cabinet is considering the new Corporate Plan for the next five years 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 2016-21 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 MT6**
    c. Endorse the Closing-the-Gap 2019/20 strategy as outlined in paragraphs 50 to 57
    d. Delegate authority to the Deputy Chief Executive in conjunction with the Leader and Portfolio holder to agree the Council's continued participation in the Kent Business Rates pool.
    e. To agree the proposed strategy for reviewing the Council Tax Support Scheme for April 2017 and Delegate authority to the Deputy Chief Executive in conjunction with the Portfolio Holder to agree the terms of reference for the review.

Background & Context

The Economy

6. The Chancellor's Summer Budget contained revised forecasts from the Office of Budget Responsibility. These forecasts and other economic data that have been released over the summer suggest that, while globally the recovery is still weak, the UK economy is performing well. This is supported by local data suggesting a strong local economy. A more detailed review of the economic outlook is contained in **Appendix** .**MT1**

Business Rates Review

7. In March 2015 the Government launched a consultation process for a Business Rates Review[1] with a view to reform the tax and make it fit for the 21st Century. This is in response to the changing way that business operates with a shift for more online retail and home working, which calls into question the validity of a property based form of business taxation. Although there is agreement across business sectors that the business rates system is in need of reform, there is no clear consensus on how best to achieve this. Government has introduced local retention of business rates where 50% of business rates is retained locally (40% is retained by the billing authority and 10% is split between the County Council and Fire Authority) so there is the potential for this to have a significant impact on this Council's funding. The Council submitted a response to the consultation document and this is attached at **Appendix** MT2. The review is to report its findings by the Budget 2016.

8. In addition to the review the Valuation Office has commissioned the revaluation of all business premises on the valuation list. This has the potential to impact upon the total rateable value of Ashford's list and consequently this could impact upon our funding. Under the current system when the list is revalued there is a national target on how much income needs to be raised through business rates. If rateable values rise overall then the national business rate multiplier (the poundage rate) would be adjusted downwards to achieve the target, the reverse happening if overall values fall. If this borough's total rateable value matches or exceeds national growth trends then, in theory, the revaluation will benefit the Council; however if it is behind national trends income could be lost.

New Homes Bonus Review

9. The "New Homes Bonus" (NHB) is a Government scheme which is aimed at encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. This is paid in the form of a non-ring-fenced grant and consequently local authorities are not obliged to use the Bonus funding for housing development. The payment is the equivalent of the national average of the council tax band for the following six years, split 80% to the district council and 20% to the county council. The scheme has mainly been funded from reductions in the amount of money available for formula grant and costs in total circa £1.2bn. Ashford has benefited from this scheme

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

receiving new homes bonus for 2015/16 of £3.15m with this being forecast to increase to £3.4m for 2016/17.

10. The Department for Communities and Local Government published its review of the scheme in December 2014[2]. The review showed that NHB worked as a clear incentive for authorities but its impact varied significantly for authorities with shire districts tending to benefit, and some negative impacts in the north of England. It was found that NHB had resulted in authorities being more supportive of house building. Many authorities are using NHB as grant funding, to support base budget and deliver core services. It is unclear how government intends to use the findings of the review to modify the scheme.

The Summer Budget and Spending Review 2015

11. The Chancellor presented his Summer Budget to Parliament on 8th July 2015. The government plans to run a surplus in 2019-20 with the deficit being reduced by around 1% of GDP (the value of the economy as a whole) on average in each year, which is the same pace as over the last 5 years. This means a surplus (where more tax is raised than is spent) will be achieved in 2019-20, and debt will fall in every year. Included in this is:

    a. £12 billion by 2019-20 through welfare reforms

    b. £5 billion by 2019-20 from measures to tackle tax avoidance, planning, evasion, compliance, and imbalances in the tax system

12. **Government plans for the remaining £20bn of savings will be set out in the autumn following the spending review and it is against this that the Medium Term Financial Plan must be caveated. Assumptions have been made based on the advice of our funding advisors, LG Futures, on the level of funding that we can expect; however until the findings of the spending review are announced in November 2015 there will remain a level of uncertainty over the forecast. As an unprotected department it is likely that the departmental budget for Communities and Local Government (DCLG) will again see significant reductions with HM Treasury having instructed non-protected departments to prepare proposals for 25 and 40% reductions for the period to 2019-20.**

13. The July budget contained details of some of the welfare cuts that were proposed to meet the manifesto commitment to reduce the benefits bill by £12bn.

14. A paper on the impact of these changes was reported to the Council Tax and Welfare Reform task Group meeting on 27th July; the key measures directly affecting Housing Benefit and indirectly affecting Council Tax Support schemes include:

    a) Freezing uplifting of working age benefits

    b) Reduce the “benefit cap” from £26,000 to £20,000

    c) Restrictions for housing benefit backdating

    d) “Family premium” changes, and work allowances reduced.

    e) Child tax credit limitations to families with more than two children

    f) Greater funding to councils for Discretionary Housing Payments (DHPs) over the next 5 years.

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/387152/NHB_Evaluation_FINAL_report.pdf

g) No automatic entitlement to help with housing costs for new claims from 18-21 year olds who are out of work.

h) Social rent level changes including requirement to levy market rents for higher income households

The Medium Term Financial Plan

Key Assumptions

15. Revenue Support Grant (the 'staple' of local authority funding) has been decreasing since the Comprehensive Spending Review in 2010 and the Summer Budget and Documents supporting the launch of the Spending Review made it clear that RSG is expected to fall to a *de minimus* level by 2018

16. 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.

17. 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 2 years with lower than anticipated increases in key contracts helping to deliver savings. The forecast for inflation (produced by the Office of Budget Responsibility) that was included in the Summer Budget has been used for this MTFP.

18. 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.

19. Pay – Within the model pay assumptions are linked to inflation with allowances made for incremental progression. For 2016/17 there are a number of changes in National Insurance which will increase the employers' contribution rate which will cost the council approximately £250,000 as 'contracting out' rules end. Employees NI contributions will also rise.

20. 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 1 : New Properties Forecast (note: New Homes Bonus is measured Oct-Oct)

	2016-17	2017-18	2018-19	2019-20	2020-21
Properties Under Construction	301	762	-	-	-
a) Extant Permission - not started	-	260	368	258	300
b) Extant Permission - Resolution to grant	-	-	74	225	275
c) Sites allocated in Local Plans	-	-	202	140	360
Total	**301**	**1,022**	**644**	**623**	**935**

21. Business Rates – Increases in business rates are set by the RPI level in the preceding September. However government has capped increases in business rates for the last 2 years at 2% and the model assumes that this will continue for the life of the plan.

22. Council Tax – Government has so far capped the level that council tax can be increased by without a local referendum at 2%. Whilst government has been silent on its intention on this policy for planning purposes it is assumed that this cap will continue for the life of the plan.

Reserves

23. The Council's general fund reserves - as at 31 March 2015 - are shown in **Table 2** 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 7% of net budget requirement which is currently just under £1m. In October 2013 the Council committed to the release of £1m from reserves to fund business plan delivery and earmarked £3.5m within balances to support the borrowing and acquisitions policy. These movements are factored into the forecast below.

Table 2 : Summary of Earmarked Reserves

	Balance at 31st March 2015 *£'000*	**Budgeted 2015/16 Transfers** *£'000*	**Estimated Balance at 31st March 2016** *£'000*
Earmarked reserves			
Fund future expenditure	5,931	-3,231	2,700
Provision for the maintenance of assets	3,950	-2,901	1,049
Reserves required by statute	223	10	233
Developer contributions	5,500	-	5,500
Total Earmarked Reserves	15,604	-6,122	9,482
General Fund Balance	1,549	698	2,247
Total Reserves	17,153	-5,424	11,729

24. There is the prospect of growing reserves in the future with New Homes Bonus and 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.

Inflation Management Strategy

25. 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 minimised. 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 2 years and it is prudent to review the impact of this before extending the freeze. Cabinet has already approved measures to reduce service budgets by £1.6m over 3 years, with 2016/17 being the

second year of that programme, ensuring that costs are controlled and services are required to develop efficient ways of working.

26. The inflation management strategy is attached at **Appendix MT4,** and Cabinet is asked to support the principles of the strategy.

New Homes Bonus

27. The Council receives a New Homes Bonus payment for 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. As discussed earlier 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.

28. 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 other allocations made to support key initiatives. The current allocation is reported regularly to Members as part of the budget monitoring report and is attached at **Appendix MT5**

29. 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. A key plank in the Council's corporate and financial plans is the need to support the development of new businesses and income sources. It is therefore proposed that New Homes Bonus is allocated to meet the following strategic allocations - with 50% supporting the base budget, 25% income generation and 25% on projects supporting the corporate plan.

30. At this stage it is not proposed to seek approval for any detailed proposals for the allocation of New Homes Bonus; services will be asked to come forward with proposals for consideration as part of the December Cabinet report for the draft budget.

Business Rates Growth

31. 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 £15,5m leaving baseline funding of £2.6m). The scheme also allows for the retention of 50% of any growth over a set baseline position.

32. Essentially there are four issues:

    a. Was our opening forecast of business rate yield for 2015-2016 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 2015-2016 yield forecast

33. The first quarter's data has been analysed, it is expected that the annual yield projection will be around £900,000 lower than the billed liability; this reduction in income is as a result of successful appeals to the Valuation Office and will impact on future income levels and MTFP assumptions. This shortfall will be charged to the provision set aside for appeals losses which will bring the forecast back in line with expectations.

34. In the event of a sudden and large drop in business rate yield a 'risk provision reserve' has been set aside. This reserve currently stands at £1.5m, which is considered sufficient to manage a transitional period should rates income fall.

b) The business rate appeals provision

35. 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, where 20% of the rating list locally is under appeal – that is about £25m of RV.

36. It has been reported to Members (Cabinet 8 October 2015) that a national tribunal appeal decision about the RV for purpose-built Doctors' Surgeries was successful, resulting in a loss of income in current and future years, though a substantial saving to the NHS.

37. 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 based on national trends.

38. The Council had an appeals provision of £3.8m at the start of the year and with the amendments currently forecast this year the balance is likely to increase to £4m.

c) Performance of the Pool

39. 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.

40. 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 is expected to be £200,000, with a further £200,000 allocated to Economic Development whose use will be determined jointly between KCC and ABC.

41. 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. 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. One Kent Borough Council has resolved the issues that prevented it from applying for membership last year and is seeking permission to join the pool. A special meeting of Chief Finance Officers has been scheduled to discuss pool membership and to recommend the future membership of the pool.

42. It is therefore recommended that authority be delegated to the Deputy Chief Executive 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

43. 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.

44. 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

45. Last year Members 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.

46. Since the approval of this policy the Council has acquired the Wilco store in Park Mall that generates £180,000 after funding costs have been provided for. With the expected increase in commercial development within the town it is anticipated that this will provide a number of opportunities for the Council to deliver this target.

47. The Borrowing and Acquisitions policy is attached at **Appendix MT6** and members are asked to confirm their continued support for this initiative.

The MTFP forecast

48. The forecast detailed in the table below takes into account the items discussed above and also allows for additional expenditure arising from the changes agreed in Grounds Maintenance service. The forecast, which is not cumulative, shows that the budget gap is manageable for the first 3 years of the plan and then there is an increasing gap in the latter years that will need to be managed.

Table 3 : Updated MTFP 2016-2021 (excluding HRA)

	2016/17 **£'000's**	***2017/18*** **£'000's**	**2018/19 £'000's**	**2019/20 £'000's**	**2020/21 £'000's**
Revenue Support Grant	*(1,391)*	*(834)*	*0*	*0*	*0*
S31 Grant NNDR reliefs	*(575)*	*(596)*	*(617)*	*(638)*	*(659)*
Retained Business Rates	*(3,289)*	*(3,630)*	*(4,671)*	*(5,011)*	*(5,352)*
New Homes Bonus (50% allocated to support base budget)	*(3,471)*	*(3,939)*	*(3,808)*	*(3,479)*	*(3,043)*
Government Funding	(8,726)	(8,999)	(9,096)	(9,128)	(9,054)
Council Tax	(6,313)	(6,528)	(6,787)	(7,026)	(7,294)
Total Income Receipts (Including Specific Grants)	(46,859)	(46,902)	(46,959)	(47,105)	(47,252)
Base Budget Gross Expenditure	60,931	61,648	62,714	63,672	64,780
Budget Increases	1,152	1,082	1,158	1,379	1,529
Budget Reduction Strategy	(360)	(41)	0	0	0
BUDGET GAP	**(175)**	**260**	**1,030**	**1,792**	**2,709**
Quantified savings proposals					
Income from Acquisitions Policy (Wilko receipt allowed in base)	0	(100)	(200)	(271)	
Pooling Business Rates	(200)				
Grounds Maintenance	125	125			
Allocation to/from reserves	250	(285)	(424)		
Revised budget Gap	**0**	**0**	**406**	**1,521**	**2,709**

49. Managing the emerging gap will need to be handled carefully. The draft 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.

Planning a way forward 2019/20

50. The Plan does show that by 2019/20 further action will be needed to manage the developing budget gap. It is important to remember that in the intervening period 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 gap. Below are some key areas which Management Team consider would form a suitable strategy to manage the emerging gap.

51. 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. With the project to refurbish the centre and create a dance academy stalled it would be sensible to review the offer and the way this is to be taken forward over the medium term. In addition to this market research is suggesting that the leisure market has changed, with operators now willing to pay utilities (although there is also a degree of cost sharing for inflationary increases) and invest in the centres themselves. It is therefore recommended that Management Team seek to 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.

52. In tandem with this report and the Corporate Plan is a paper on Succession Planning (Phase 2) within the council; this will look to deliver savings over the next two years.

53. 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, but not yet included in the MTFP. These sites provide an 'upside risk' to the MTFP 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. These sites include but are not limited to the following:

    a. Elwick Place cinema, hotel and restaurants
    b. The Panorama is expected to include some offices, retail and leisure space
    c. Chilmington high street, which is expected to be the third largest high street in the borough
    d. Development opportunities at Victoria Road
    e. Increase in floor space at Eureka Park
    f. A number of other commercial sites that are dependent on other key infrastructure projects

54. In addition these developments may provide the Council with other opportunities to exceed its target for the Borrowing and Acquisitions policy.

55. 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.

56. There is also scope for further cost cutting as the government's devolution agenda becomes clearer and the County develops its response to that agenda. Any new ways of working will need to contribute cost savings and efficiencies.

57. It is felt that the measures outlined above provide adequate scope to view the widening budget gap in 2019/20 as a challenge that can be overcome, whilst supporting the aspirations of the Corporate Plan.

Council Tax Support Scheme

58. 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, limiting working-age claimants' contributions to a minimum of 10% (note a substantial of working age claimants under the previous council tax benefit scheme received 100% support), and limiting the contribution (to 5%) paid by the disabled and carers but reducing council tax exemptions on empty properties and totally removing the second homes council tax discount. 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. The scheme so far has met its objectives.

59. All Kent districts have been in discussions with the major preceptors to extend the scheme for a further year as the practicalities to agree a new scheme are very difficult in the timescales. However there have been concerns over the impact of the government's welfare reforms that were announced in the Summer Budget that potentially could increase the pressure on council tax collection performance as well as the cost of the scheme. But these pressures are not well understood as legislation and regulations are not fully in place. Furthermore, the phased roll-out of Universal Credit will create more additional administration work due to the flexible nature of the new benefit. Next year impacts arising can be managed across Kent through reviewing tax base and scheme payment forecasting and budgeting, particularly as benefits arise from continued improvement in the local economy.- County and the other preceptors have agreed to support the extension of the existing scheme for a further year (this may need to be formally readopted by the council and will be the subject of a report in December) Whilst this is positive news, the welfare reforms that have been made by government have created a need for a thorough review of the existing scheme. All Kent Districts and the major preceptors have agreed to support a review of the existing scheme with a view to developing a new scheme that is fair, allows for some local flexibility but will function effectively in an environment where Universal Credit is fully rolled out. The review will examine the costs and administration of the scheme and its compatibility with our systems. The review will commence in October and seek to develop a draft scheme for consultation in the spring, with adoption of a new scheme in December 2016 and commencement for April 2017.

60. It is recommended that authority be delegated to the Deputy Chief Executive and the Portfolio Holder to agree the terms of reference for the review. Once a

review is underway updates of progress could be made to the Council Tax and Welfare Reform Task Group with recommendations made to Cabinet next year.

Handling

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

62. The O&S Budget Task Group is invited to review savings proposals before detailed work on budget commences in the autumn.

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

Contact: Ben Lockwood

Email: **Ben.Lockwood@ashford.gov.uk**

Appendix MT1 – Local and National Economy

National Economy

Inflation is currently very low and, with the further fall in commodity prices, will remain so in the near-term. The CPI rate is likely to rise towards the end of 2015. The MPC is likely to look through what, in its view, is a temporary period of very low inflation, and focus on its longer term goal of maintaining inflation at its 2% target and stimulating growth.

The annual average earnings growth rate, which was 2.8% in the three months to June, is picking up. Real earnings and income growth is running at strong levels and could feed directly into unit labour costs and households' disposable income. The development of wage growth is one of the factors being most closely monitored by the MPC due to its potential to spark consumer spending and inflation.

China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation. This has led some economists to push back their forecasts for UK interest rate rises. However, others said highlighted that the domestic recovery remained robust. The first rate rise in the UK is now forecast in the middle of 2016 with any future rate rises expected to be modest.

Surging exports and strong business investment pushed up UK growth in the second quarter, as official data confirmed the economy grew by 0.7pc in the three months to June. The second quarter expansion follows growth of 0.4pc in the first quarter and was in line with economists' expectations. Consumer spending rose by 0.7pc compared with the previous quarter, representing the 16th consecutive quarter of growth, while business investment grew by 2.9pc, which was much stronger than the 1.5pc expansion expected by analysts. Exports, which dragged down growth in the first quarter, rose by 3.9pc in the period, according to the Office for National Statistics (ONS), while imports grew by 0.6pc. Net trade alone added one percentage point to growth in the second quarter, the ONS said. Detailed data showed stronger construction output was offset by weaker manufacturing activity. Britain's services sector expanded by 0.7pc in the three months to June, unchanged from an initial estimate.

Economists described the more balanced composition of growth as "positive and very welcome".

Local Economy

The most recent statistics have seen the level of Job Seeker Allowance Claimants fall 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.

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.

There is encouraging data for properties under construction with over 1,000 properties under construction. This growth will not only support the town’s

construction industry but also bring in new residents and their spending power into the borough.

The Council has been able to maintain good collection rates for both Council Tax and NNDR with in year collection rates of 98.27 and 99.32% 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 – Business Rates Consultation Response

This is the response from Ashford Borough Council for the Business Rates Consultation

General Comments

The questions are highly technical; however in considering our response to this the Council has generated some general points that we would like to give as part of our response.

1. Business Rates Retention – The system has only been established for a short period of time and therefore we won't know whether it has been successful for a few years as big schemes take time to deliver.

2. Local Authorities want certainty and predictability over a large proportion of funding to allow them to plan; the current system gives them that with the opportunity for some gain through growth. This balance could be amended within the existing system, but the principles of the current system seem to be good.

3. The retention system currently does not help or enable the delivery of infrastructure projects which are often needed to deliver business growth, so some consideration needs to be given to how some certainty can be provided for the long term to support these projects.

4. The current system has the potential to be responsive to economic circumstances. Has the sector understood the levers it had to pull during the last recession and that it was slow to use them?

5. Property valuations can keep up with the changing environment if you let them, so we need to brief valuers both to consider these factors and not to have significant delays between valuations so that emerging trends can be identified and factored into the valuation.

6. By changing the basis of the tax to, say, a turnover or sales based tax you duplicate existing taxes. NNDR is relatively simple and transparent and efficient to collect.

7. There is a benefit to thinking about economic development on a broader geographical basis; councils should work together to deliver a balanced growth and not compete for the same growth; allowing local setting of the multiplier could be counterproductive.

Summary of questions and requests for evidence

1. *What evidence and data can you provide to inform the government's assessment of the trends in use and occupation of non-domestic property?*

The information on usage on property contained within the rating list is held by the Valuation Office; this data would be more comprehensive than any date held locally by this authority.

2. *Is there evidence to suggest that changing patterns in property usage are affecting some sectors more than others?*

The main debate has been the impact of the move to more online retail over traditional high street businesses but Valuers need to factor that into the valuation of high street and warehouse property. Companies are also able to encourage more remote and flexible working, allowing them to effectively downsize their office space and lower their tax bill.

There is therefore a threat of companies' intensification of the use of their property and premises to ensure they do not increase their overall costs, greater use of online, virtual offices etc, but with businesses requiring more local services providing a greater pressure on Local Authorities and public services.

3. *What, in your view, does this evidence suggest about the fairness and sustainability of business rates as a tax based on property values?*

The current system is relatively simple and transparent for both businesses and the collection authorities. Our collection rates are over 99% and costs to collect this are 0.4% of the amount due. This is very efficient.

4. *What evidence is there in favour of the government considering a move away from a property based business tax towards alternative tax bases? What are the potential drawbacks of such a move?*

A tax just solely on property does not reflect the changing business environment and could see a wider gap between funding and requirements unless this is resolved.

Ultimately these changes in use will be reflected in the rental values of property and be reflected in the tax bills to authorities. If high street properties are less profitable rents will fall and so will rates bills; conversely if warehouses enable companies to drive web sales their turnovers will increase and this will be reflected in the rental levels for this type of property.

The key weakness is the delay in reflecting these changes within the business rates system due to the long gaps between revaluing property.

We also need to remember that Local Government funding is underpinned by the local retention of business rates. The impact of any changes to business rates to local government funding need to be considered. Local Government needs a sustainable and predictable core funding stream to enable it to plan for the medium to longer term. Whilst growth in business rates can act as an incentive a predictable core of funding needs to be in place to support essential service delivery.

5. *What examples from other jurisdictions and tax systems should the government consider as part of this review? What do you think are the main lessons for the business rates system in England?*

Other models would be:

- Local Sales Tax
- Local Income/Corporation Tax

The main lessons that can be taken from Business Rates based on property values is that it is an efficient form of taxing businesses: this authority has collected over 99% of the Business rates due which points towards the success of this model so £46m of Business rates are collected at a cost of £180,000.

A move away from the current type of model would need to be to a similarly efficient model.

6. *How can government use business rates to improve the incentive for local authorities to drive local growth?*

We need to remember that the current system is still in its infancy and Local authorities are still trying to understand the system and its risks as well as how to maximise the incentive. In addition this was introduced when the economy was in a recession and investment levels were low. The process of attracting and developing business partners and getting plans approved and infrastructure built will take time to deliver and the true merits of this incentive may not be seen for a few years. However it is this authority's view that the localisation of business rates is a powerful incentive and our corporate plan and financial strategy are predicated upon delivering business growth.

The issue of business rates appeals has been a key area of uncertainty for local authorities - which has transferred a significant liability to their balance sheet that they need to manage. This has led to a focusing on how to manage the appeals issue rather than how to deliver growth.

From a Local Authority perspective this has not been helped by the capping of the multiplier and additional reliefs offered, resulting in S31 grants having to be paid to compensate Authorities through lost income.

From a risk management perspective it is difficult for Authorities to take risks supporting growth if they cannot be confident of the revenues that will be generated.

The scheme has not introduced Tax Increment Financing in a sustainable way. Larger infrastructure schemes will have longer payback periods than the 10-year life of the current system. Once the planning and delivery period is taken into account this further reduces the term that the growth can be confidently budgeted for and thus inhibits the use of Local TIF schemes.

To encourage this incentive

- Give Authorities a stable system upon which plans can be based.
- Reduce the levy rate from 50% and let Authorities keep all the growth that they deliver.
- Allow for more stability in local TIF schemes; the threat of a reset in the scheme every 10 years will make it impossible to fund infrastructure developments as the payback period is likely to be longer than 10 years.

7. *What impact would increase local retention of business rate revenue have on business growth? What would the impacts be on local authorities?*

This Authority already feels that the current scheme offers a considerable incentive to grow business rates. Given the short life of the current scheme and the time it takes to deliver schemes it is still early to assess whether the scheme is a successful incentive.

If increased levels of retention were offered we would need to understand the impact that this would have on the system of Tariffs and Top-ups that is built into the scheme.

One key issue for Local Authority funding is its predictability and sustainability of its funding and this needs to be built into any reforms or replacement of the current business rates system. Without this Local Government will not be able to plan to effectively exploit any incentives built into the model.

Local Authorities will need to balance the incentive offered against local planning concerns for developments and the incentive scheme cannot be seen to be driving the planning process.

Local Authorities will need to be mindful if competition between authorities for economic development activity arises. Areas should develop co-ordinated, and not competing, strategies for economic development. This can be achieved through promotion of LEPs and business rates pooling.

8. *What other local incentives should the government consider to further incentivise business growth?*

Consider funding rate-free discounts for new businesses to provide new businesses an opportunity to become established.

9. *Should business rates be reformed to make them more closely reflective of wider economic conditions and if so, how?*

Action has been taken in light of the economic down turn with the doubling of SBRR, introduction of new discounts and capping the changes to the multiplier. When reviewing the effectiveness of business rates we should question whether these measures were introduced in a timely fashion and whether they could have been strengthened further to support businesses. The levers are in the system to support businesses in recessions.

The system has not been responsive to changing town centres, exacerbating the amount of vacant property - particularly within medium sized towns such as Ashford. Out-of-town property has lower rents and therefore lower business rates, providing a competitive advantage per sq ft of retail or leisure space compared with town centres. Business Rates are only part of the issue, but one cited by town centre businesses on a regular basis when closures occur.

In looking to retain a vibrant town centre, a call for a more equal playing field between town centre and out-of-town retail and leisure should be sought, to enable the retention of vibrancy within town centres during their continuing transition in the face of online and out-of-town competition. This should include properties across the board, as the retention of the larger multiple operators provides footfall and vibrancy in which the smaller businesses thrive, so both need to be supported if vibrant town centres are to be retained.

10. *If business rates remain a property tax, how do you suggest business rates could take into account the individual circumstances of businesses such as their size or ability to pay rates?*

Government could take a view on the current doubling of Small Business Rate Relief; this is exempting a large number of businesses from business rates and it would seem sensible to extend this indefinitely.

Government could increase the threshold below which Business Rates are not paid.

One way of simplifying the system would be to make the landlord responsible for rates, not the tenant. This would make the tax simpler to administer as the liability would pass with changes of ownership and the Landlord would then negotiate with the tenant as to whether the charge should be passed on

11. *How does the proportion of total operating costs accounted for by business rates vary by the sector and size of a business?*

No response

12. *What is the impact of the business rates system on the competitiveness of UK businesses? Are there any particular impacts on SMEs?*

No response

13. *How could the government better target support for SMEs given that the size of a company may not be reflected in the rateable value of a property it uses?*

Business rates is not a tool to achieve this. As suggested earlier, discounts could be offered to new companies or SMEs; however careful consideration would need to be given to the criteria for these discounts to ensure that they do not become a disincentive.

Government could also look at other areas in the tax spectrum to support SMEs such as within corporation tax, and Employers NI contribution rates which could provide more powerful incentives.

14. *Should investment in plant and machinery, energy efficiency improvements or other similar property improvements, be treated differently by the business rates system? If so what changes could be made?*

At the moment investments in plant and equipment are reflected in corporation tax allowances so don't need to be reflected in NNDR.

Improvements to energy efficiency of a property can be counterproductive, increasing RV and consequently costs. There is, however, still a real incentive to having a more efficient building. To drive delivery of climate change agenda a relief could be granted to new installations of energy efficiency measures to encourage businesses to improve their property.

15. *What evidence and analysis should the government take into account when evaluating the impact of and any changes to the range of reliefs and exemptions present in the business rates system?*

No response

Appendix MT3 - Reserves Forecast

	Balance at 31st March 2015 *£'000*	Expenditure on Focus Projects	Purchase of Wilko	Purchase of Park Mall	Purchase of Elwick Road	Borrowing and acquisitions policy	NHB approved expenditure	Chilmington Support	Repairs and Renewals	Other	Revised Balance
Singleton Environment Centre	(6)										(6)
Netball Centre Reserve	(43)										(43)
Elections	(209)									80	(129)
Repairs & Renewals	(369)								369		0
New Initiatives Reserve	(3,505)		1782	750							(973)
Insurance Reserve	(215)										(215)
Business Rate Income Res	(1,497)				350						(1,147)
Focus Reserve	(786)	786									0
Interest Rate Reserve	(117)										(117)
Stour Centre	(1,218)					1200				-70	(88)
Planning Delivery Grant	(500)							100			(400)
Transport Initiatives	(110)									-10	(120)
Green Transport Initiatives	(45)										(45)
Members' IT	(29)										(29)
Service Pressure Reserve	(143)									30	(113)
Section 106 Monitoring Fee	(84)										(84)
Land Searches Reserve	(113)										(113)
Footway Maintenance	(6)									-36	(42)
New Homes Bonus	(1,077)						786				(291)
Hopewell Twinning Reserve	(5)									5	0
St Mary's Church Ruin	(5)										(5)
Waterside Reserve	(22)										(22)
S106 Unapplied Grants	(3,924)										(3,924)
Commuted Sums Unapplied Grants	(823)										(823)
Spg6 Unapplied Grants	(753)										(753)
	(15,604)										(9,482)

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 2016/17 an increase of 0.2% 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 - New Homes Bonus Allocation 2015/2016

Total new homes bonus receipt for 2015/16 – £3,150,387

Current Allocation:-

£	Project
1,647,000	Base budget support
110,000	Support for town centre
120,000	Town Centre Action Team
22,000	Direct Ward Benefit
100,000	Community Support (for Single Grants Gateway)
20,000	Create Festival
15,000	St Mary's Arts Trust
100,000	Hothfield Regeneration (Café)
40,000	Parking
150,000	Environmental Enhancements (Town/Gateways)
10,000	Tourism Projects
250,000	Town Centre Projects
250,000	Park Mall
100,000	Town Centre Regeneration Board
13,500	Marketing
2,947,500	**Total 2015/16 NHB allocated**
202,887	Unallocated
3,150,387	**Total NHB receipt for 2015/16**

Appendix MT6 – Borrowing and Acquisitions Policy

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 Policy is designed to operate in conjunction with the Council's Strategic Acquisitions policy 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 £40m 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.
- Decisions on capital expenditure will be recommended to Full Council for approval.

The Strategy

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 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%, (Assuming a total investment of £40m and a cash injection of £5m this could be set at 90%, with funding sources such as Cash, S106, Grants and CIL being used to meet this benchmark). For HRA the statutory debt cap 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

Definition of Loan-to-Value

The Loan-to-Value of an investment will be determined by:

$$\frac{\text{Capital expenditure – less other funding}}{\text{Asset Value}} \times 100$$

The Loan-to-Value of the entire programme will be calculated by:

$$\frac{\text{Debt relating to purchases – less cash held within the notional fund}}{\text{Asset Value}} \times 100$$

Borrowing and Investment Programme – PROPOSED TEMPLATE

Priority	Project	Policy Thread	Estimated cost	Worth to Borough	Deliverable Time scale
1					
2					
3					
4					
Finance Resource Threshold					
5					
6					
7					

Agenda Item No:	5
Report To:	Overview and Scrutiny
Date:	26 April 2016
Report Title:	Ditch & Waterway Maintenance
Report Author:	Len Mayatt, Cultural Projects Manager
Portfolio Holders:	Cllr Jessamy Blanford & Cllr Clair Bell

Summary:	An update on the review of the condition and maintenance regimes associated with the Borough Council's ditches and waterways.

Key Decision:	No
Affected Wards:	Borough wide
Recommendations:	**The Committee is asked to consider:-** Note the contents of the report for information.
Policy Overview:	
Financial Implications:	There are potential budget implications for; **a**) an initial clearance exercise and; **b**) future maintenance inspections.
Risk Assessment	A risk assessment for each site has been completed
Equalities Impact Assessment	No
Other Material Implications:	
Exemption Clauses:	None
Background Papers:	None
Contacts:	Len.mayatt@ashford.gov.uk – Tel: (01233 330490)

Agenda Item No. 5

Report Title:
Ditch & Waterway Maintenance

Purpose of the Report

1. To update Members on the project to review and revise as necessary, the maintenance of ditches & waterways on Ashford Borough Council Owned land.

2. To inform members on how the ongoing maintenance of ABC owned ditches will be managed in the future and refer to ABC's involvement with the Ashford Waterways Group.

Background

3. In December 2014 Cabinet approved the Land Management Plan. One of the actions in the Plan was to review current maintenance operations of ABC owned waterways to ensure they are fit for purpose and cost effective.

4. In February 2016 EPS Design were commissioned to inspect 18 sites identified as being in ABC ownership and to: 1) complete a **condition survey** for each site: 2) produce a **risk assessment** for each site; 3) submit an appropriate **maintenance regime** for each site and: 4) produce a **photographic record** of each site.

5. As part of their work, EPS were asked to liaise with Ward Cllrs from three key areas to better understand the local issues within those Wards (Kennington, South Willesborough and Norman Ward). They also met with the Borough Council's Green Team member who undertakes the current maintenance visits.

6. EPS completed their work on 8th April 2016.

Findings

7. A summary of the main issues identified in the Report is attached at **Appendix One.**

8. The current weekly (in some cases twice weekly) inspections of all of the sites was found to be inappropriate and should be revised to weekly or monthly inspections, to be supplemented by a more detailed annual inspection. This will provide an appropriate level of inspection and maintenance to ensure the free-flow of water and highlight any potential issues at an early stage.

9. Most of the sites were found to have issues with partial silting up of the waterways. A follow up project will need to be commissioned to resolve this issue once a budget has been identified. It may be possible to work with organisations such as TCV (The Conservation Volunteers) to keep the costs down and encourage community involvement.

10. Some of the existing features would also benefit from improvements to the actual grills and access points to improve their operation and ensure safe access and egress for the operatives undertaking the inspections.

11. The site visits with the Ward Members identified a further five structures on ABC land, which should now be subject to the same inspection and condition survey. It is anticipated this work could be completed by the end of June this year.

12. Estimates for the work will be sought during May/June 2016, so that a procurement exercise can be undertaken during July/September 2016. It is anticipated that once a budget for the remedial works has been identified, the most urgent works could be completed by late autumn 2016.

Other Partners

13. It should be noted that Ashford Borough Council does not maintain it's waterways in isolation, as officers of the Borough Council attend quarterly partnership meetings of the Ashford Waterways Group (AWG) which consists of officers from ABC, Kent County Council, the Environment Agency, South Eastern Waterway and Southern Waterway Services.

14. This group considers a variety of issues relating to waterways across the Borough; ranging from Local Plan/Planning issues to site specific management plans and any potential localised flooding issues.

15. The group remains in regular contact throughout the year and addresses any matters which may have arisen during the year in more detail, and offers an ideal networking opportunity to share information and address local issues.

16. In addition to the work undertaken by the AWG and the review work undertaken by EPS Design, the Council's Emergency Planning & Resilience Team maintain and administer the Local Multi-Agency Flood Plan, which covers at risk areas within the Borough. If there is an area at higher risk then the team can plan with other agencies (Police, Fire, Environment Agency, National Health Service) about how the Council and it's partners will respond collectively to an incident in a specific area.

17. If a specific community is identified as being an area at risk of flooding, even when we had mitigated the risk as far as possible, then we could work with the affected community/parish on compiling a Community Emergency Plan. There is a template for communities to use which includes an appendix on Flooding which the EA will also help to populate if required. This will provide

them with some predetermined roles, locations, resources and actions to help them in the initial response in an emergency situation.

Conclusion

18. The most important improvements suggested by EPS Design (this will include the five extra features identified in their initial study) will need to be actioned over the next 12 months. It should be noted though that some of the lower priority works could be spread over the next 12-24 months.

19. The ongoing cleaning and maintenance visits to the structures will become the responsibility of the Council's new in-house grounds maintenance team when they become operational from September 2016.

20. Representation on the Ashford Water Group will be maintained by representatives of the Cultural Services and Project Teams.

21. Communication channels will be maintained with the Resilience Team to ensure they are aware of features owned and maintained by ABC and can in turn share knowledge of structures in the ownership of third parties where that information is available.

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Appendix One

Ditch & Waterway Maintenance

Survey Findings

1. Future maintenance of one site (Penlee Point, Kennington) should be reviewed as it is believed to be in the ownership of the Environment Agency.

2. Virtually all of the sites were found to have issues with a build-up of silt and/or vegetation. Work should be undertaken over the coming months once a budget has been identified to ensure there is a clear flow of water.

3. Some of the sites need adaptations to the grills/access points to improve their performance and to reduce the risk of personal injury to the operatives carrying out inspections, as well as members of the public who visit them.

4. All sites should receive a thorough inspection annually (late autumn) to remove any build-up of silt and undertake any remedial works which may be required to the main structures.

5. All sites should be inspected either weekly or monthly based on the initial risk assessment and their likelihood to have an impact on flooding issues. It should be noted that all sites are currently inspected weekly.

6. Undertake a review in 12 months' time to ensure the revised maintenance regime is operating effectively.

7. During the course of the work, EPS identified further sites which are believed to be in the ownership of ABC but are not currently inspected. The ownership of these sites needs to be confirmed and an appropriate maintenance regime put into place if they are in ABC ownership.

Overview and Scrutiny Committee Agenda Item No. 6

26 April 2016

Future Reviews and Report Tracker

1. The current Year Plan for 2015/16 and the report tracker is attached to this report. This has been amended to reflect the additional topics suggested for Scrutiny by the Committee at its meetings in November and January. At the last meeting the Committee had a presentation on the Community Safety Partnership

2. Reports on the MTFP and Gulleys on ABC land are on the agenda for this meeting. The Committee is asked to consider which of the topics listed in the attached tracker it would like take forward for its next review.

3. In general apart from items such as scrutinising the Council's draft budget, which the Constitution requires the O&S Committee to do every year; the O&S Committee sets its own work programme for the year. Some items recur on a regular basis e.g. the yearly update from the Community Safety Partnership and the Quarterly Business Plan Performance Report; others are of a 'one-off' nature.

4. With the agreement of the Chairman, items can be put on the O&S agenda following a request from Cabinet or another Committee (e.g. Audit). Members of the O&S Committee are also able to suggest items that the Chairman may wish to put on the Committee's agenda (**by putting their proposal in writing to him)** – such items must represent a Borough wide perspective and provide the opportunity to influence, to improve services or contribute to policy development.

5. The Chairman will then decide if the item is appropriate for O&S to consider and, if so, is there room on the work programme. Any such item will be put to the Committee for Members to decide if they wish to add it to the work programme.

6. The Committee will need to agree any items put forward for review. The Committee may be in a position to determine which other reviews to progress when it has decided how to take forward the water supply/disposal issue which will have been covered earlier in the meeting.

Recommendation

The Committee has asked to consider:-

- **Which items from the tracker it would next like to take forward for review.**

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Year Plan 2015/16

Month	items	Task Group
June	O&S Annual Report 2015/15 Sickness and Absenteeism Annual Report	
July	Formation of Budget Scrutiny Task Group Annual Report on the Housing Framework Quality Bus Partnership Implementing the Social Value Act 2012	
August	**No Meeting**	
September	ABC Business Plan Performance Report International House – report on full years trading Emergency Planning	
October	3 Year Review of Mayoralty Disabled Adaptions The Chief Executive – A more strategic approach to scrutiny.	
November	Emergency Planning – report back on outcome of debrief report ABC Business Plan Performance Report	**Introduction to Budget Scrutiny and MTFP Assumptions – Task Group – 10 November 2015**
December	No items currently on the agenda.	**Council's draft 2016/17 budget - Budget Scrutiny TG meetings:- 14, 15, and 22 December 2015. All at 10.00am. An additional meeting will be held on Thursday 17 December at 12.00 noon to consider the Housing and Community budget originally scheduled to be held on**

		14 December.
January	Budget Scrutiny Report Waste Water Disposal and Future water Supply	**Budget Scrutiny TG meetings:- 5 and 12 January 2016.**
February	ABC Business Plan Performance Report Community Safety Partnership – Annual Update	
March	**No Meeting**	
April	MTFP ABC Gulleys and flood prevention	
May	O&S Annual Report	
June	ABC Business Plan and Performance report	

O**&S Committee – Report Tracker – Current position**

Minute No.	**Report Title**	**Officer**	**Date due**	**Current position**	**Recommended action**
405/04/14	Overview and Scrutiny Annual Report	Member Services and Scrutiny Manager	May/June 2015	On the agenda for June 2015	Timetable for May/June each year
431/04/12	ABC Business Plan performance reports – 2013/14	Policy & Performance Officer	Sept/Nov/ Feb/ May	The report comes before the O&S Committee following consideration by the Cabinet.	
398/03/13	Refurbishment of the Stour Centre	TBA	TBA	Final Report from Task Group to be presented to O&S	
367/02/15	Community Safety Partnership – annual update	Health, Parking & Community Safety Manager	February 2016	Annual update for the Committee in fulfilling its Crime and Disorder responsibilities	
216/11/13	Council play parks	TBA	TBA	Awaiting confirmation of date of	

				report	
102/07/14	Annual report on Housing Framework	Housing Strategy Manager/Head of Housing	July 2016	Report will be on the agenda for the July 2016 meeting.	
413/3/15	Report of Budget Scrutiny Task Group on HRA Business Plan – Universal Credit	Head of Communities and Housing	September 2016	The O&S Committee wishes to have an update report on the roll out of Universal Credit.	
44/06/15	Sickness and Absenteeism Annual Report	Head of Personnel and Development	June 2016	Further annual progress report	
87/07/15	Quality Bus Partnership	Head of Health, Parking and Community Safety	July 2016	Update report one year on from report considered in July 2015	
88/07/15	Public Services(Social Value Act) 2012	Head of Communities and Housing	July 2016	Update report one year on from report considered in July 2015	
216/11/15 and 293/1/16	Future Reviews and Report Tracker	Member Services and Scrutiny Manager	Ongoing	At the meeting the following subjects were raised for potential review:- Education and how free schools sat within the education plans for the Borough; Local Council's and Public health; HMO's, HS1 and Eurostar Services; update on the Syrian Vulnerable Persons relocation Scheme. Water Supply and Waste Water disposal to be reviewed first.	

				Power Supply and IT Disaster Recovery at the Civic Centre and the robustness of Council policies in respect of flooding were suggested at the January 2016 meeting.	