

GENERAL ASSEMBLY OF THE COUNCIL – 27 FEBRUARY 2017

REVENUE AND CAPITAL BUDGETS 2017/18

REPORT OF THE MANAGING DIRECTOR

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**REVENUE AND CAPITAL BUDGETS 2017/18**

1. Details of Exempt Information Category

Not Appropriate.

2. Purpose of the Report and Summary

To set the overall level of General Fund and Housing Revenue Account revenue and capital expenditure for Dartford Borough Council for 2017/18, to agree the level of Council Tax for Dartford Borough in its parished and unparished areas for 2017/18, to approve the Pay Policy Statement for 2017/18 and to determine sundry related matters.

3. RECOMMENDATIONS

- 3.1 That the probable outturn and overall financial position for 2016/17, as set out in Section 6 of this report, be noted.
- 3.2 That, in the light of the probable outturn of the General Fund for 2016/17, the estimated General Fund balance of £3m at 31 March 2017 be noted, as set out in paragraph 7.6.1 of this report.
- 3.3 That the main changes to the General Fund Budget, as set out in Appendix A (ii), be noted.
- 3.4 That the Council Tax requirement of £5,930,960 for 2017/18, as set out in Appendix B (i) to this report, be approved.
- 3.5 That the Pay Policy Statement 2017/18, at Appendix P, be approved.
- 3.6 That an increase of 1.5% be applied to all salary levels excluding protected pay.
- 3.7 That a 1.5% increase be applied to Members' and Mayoral allowances and other relevant allowances for 2017/2018.
- 3.8 That the level of Mayoral allowances be based on a standard rate income tax payer, and this be adjusted to reflect individual tax circumstances, as required.
- 3.9 That it be noted that the Managing Director is given delegated authority to agree fees payable for elections as outlined in the Pay Policy Statement at Appendix P.
- 3.10 That the fees and charges as set out in Appendix B (ii), be noted with effect from 1 April 2017.
- 3.11 That it be noted that the Managing Director has delegated authority to determine individual sums to be met from the Identified Initiative Reserve in accordance with the agreed general purpose for which it was established.
- 3.12 That it be noted that the Managing Director has delegated authority, in consultation with the Leader, to determine any expenditure funded from the New Homes Bonus.

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- 3.13 That the Community Grants budget, as set out in Appendix B (iii), be noted.
- 3.14 That the overall Housing Revenue Account Budget, at Appendix C (ii), be approved.
- 3.15 That it be noted that the rent charges relating to Housing Revenue Account properties will be reduced by 1% in line with government regulations.
- 3.16 That the fees and charges relating to Housing Revenue Account properties, as set out in Appendix C (iii) be noted
- 3.17 That the 2.5 % increase in rent chargeable for pitches at Claywood Lane Caravan Site, Bean be noted.
- 3.18 That the Corporate Property Maintenance and Improvement Programme be noted, as set out in Appendix E.
- 3.19 That the overall Capital Programme and budget for 2017/18 to 2019/20 be agreed and the detail noted as set out in Appendices D (i) and D (ii).
- 3.20 That the Medium Term Financial Plan shown at Appendix B (iv) be noted.
- 3.21 That the Treasury Management Strategy Statement shown at Appendix D (iv), and the Prudential Indicators shown at Appendix D(iii), be approved, and that the Managing Director be given delegated authority to borrow for capital investment purposes, in accordance with the Treasury Management Strategy, should it be in the interest of the Council to do so.
- 3.22 That it be noted that the Managing Director is authorised to charge such sums which are currently anticipated to be met from revenue, balances or reserves, or capital accounts, to other accounts, as is deemed to be in the interest of the authority.
- 3.23 That the budget amendment rules for 2017/18, as set out in Appendix G, be agreed.
- 3.24 That the special expense General Fund budget (parish precepts) as set out in Appendix J(i), totalling £1,180,182, be noted.
- 3.25 That the requirement of major preceptors, as detailed in Appendix J(i) to this report, be noted.
- 3.26 That the CIPFA statement on the role of the Chief Financial Officer, reproduced as Appendix N, be noted.
- 3.27 That the financial threshold for the definition of a key decision, in accordance with Article 13.03(b) of the Constitution, be set at £500,000.

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3.28 That it be noted that, at its meeting on 12 December 2016, the General Assembly of the Council calculated the following amounts as its Council Tax Base for the year 2017/18 in accordance with regulations made under Section 31 B(3) of the Local Government Finance Act 1992 as amended (the Act):

- (a) 35,334.88, being the Council Tax Base for 2017/2018, for the whole Council area.
- and
- (b) the aggregate of the amounts for dwellings in those parts of its area to which a Parish precept relates, as follows:

Bean Parish	557.80
Darenth Parish	1,521.49
Longfield and New Barn Parish	2,504.78
Southfleet Parish	610.06
Stone Parish	3,954.21
Sutton-at-Hone and Hawley Parish	1,453.53
Swanscombe and Greenhithe Town	4,844.48
Wilmington Parish	2,974.82

3.29 That the following amounts now be calculated by the Council for the year 2017/18 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended:-

- (a) £51,027,407 being the aggregate of the amounts which the Council estimates for the amounts set out in Section 31 A (2) of the Act, taking into account all precepts issued to it by Parish Councils.
- (b) £43,916,265 being the aggregate of the amounts which the Council estimates for the items set out in section 31 A (3) of the Act.
- (c) £7,111,142 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council in accordance with sections 31 A (4) of the Act as its Council Tax requirement for the year.
- (d) £201.25 being the amount at (c) above, divided by 3.28 (a) above, calculated by the Council in accordance with section 31 B (1) of the Act, as the basic amount of its Council Tax for the year (including parish precepts)
- (e) £1,180,182 being the aggregate amount of all special items, i.e. the total of the parish and town council precepts, referred to in Section 34(1) of the Local Government Finance Act 1992
- (f) £167.85 being the amount at (d) above, less the result given by dividing the amount at (e) above by the amount at

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3.27 (a) above, calculated by the Council, in accordance with Section 34(2) of the Local Government Finance Act 1992, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates

(g) Part of the Borough's area:

£200.74	Bean Parish
£214.59	Darenth Parish
£195.65	Longfield and New Barn Parish
£181.84	Southfleet Parish
£251.88	Stone Parish
£235.97	Sutton-at-Hone and Hawley Parish
£269.92	Swanscombe and Greenhithe Town
£197.02	Wilmington Parish

being the amounts given by adding to the amount at 3.29 (f) above to the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above, divided in each case by the amount at 3.28 (b) above, calculated by the Council, in accordance with Section 34(3) of the Local Government Finance Act 1992, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) That the following amounts, given by multiplying the amounts at 3.29 (f) and 3.29 (g) above by the number which, in the proportion set out in Section 5(1) of the Local Government Finance Act 1992, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Local Government Finance Act 1992, be the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands:

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Bean Parish

A	B	C	D	E	F	G	H
133.83	156.13	178.44	200.74	245.35	289.96	334.57	401.48

Darenth Parish

A	B	C	D	E	F	G	H
143.06	166.90	190.75	214.59	262.28	309.96	357.65	429.18

Longfield and New Barn Parish

A	B	C	D	E	F	G	H
130.43	152.17	173.91	195.65	239.13	282.61	326.08	391.30

Southfleet Parish

A	B	C	D	E	F	G	H
121.23	141.43	161.64	181.84	222.25	262.66	303.07	363.68

Stone Parish

A	B	C	D	E	F	G	H
167.92	195.91	223.89	251.88	307.85	363.83	419.80	503.76

Sutton-at-Hone and Hawley Parish

A	B	C	D	E	F	G	H
157.31	183.53	209.75	235.97	288.41	340.85	393.28	471.94

Swanscombe and Greenhithe Town

A	B	C	D	E	F	G	H
179.95	209.94	239.93	269.92	329.90	389.88	449.87	539.84

Wilmington Parish

A	B	C	D	E	F	G	H
131.35	153.24	175.13	197.02	240.80	284.58	328.37	394.04

Unparished Parts of the Borough

A	B	C	D	E	F	G	H
111.90	130.55	149.20	167.85	205.15	242.45	279.75	335.70

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- 3.30 That it be noted that, for the year 2017/18, the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Authorities

Kent County Council – including social care precept

A	B	C	D	E	F	G	H
785.88	916.86	1047.84	1178.82	1440.78	1702.74	1964.70	2357.64

Kent Police and Crime Commissioner

A	B	C	D	E	F	G	H
104.77	122.23	139.69	157.15	192.07	226.99	261.92	314.30

Kent Fire and Rescue

A	B	C	D	E	F	G	H
48.90	57.05	65.20	73.35	89.65	105.95	122.25	146.70

- 3.31 That, having calculated the aggregate in each case of the amounts at 3.29(h) and 3.30 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts of Council Tax for the year 2017/18 for each of the categories of dwellings shown on the following page.

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Bean Parish

A	B	C	D	E	F	G	H
1073.38	1252.27	1431.17	1610.06	1967.85	2325.64	2683.44	3220.12

Darenth Parish

A	B	C	D	E	F	G	H
1082.61	1263.04	1443.48	1623.91	1984.78	2345.64	2706.52	3247.82

Longfield and New Barn Parish

A	B	C	D	E	F	G	H
1069.98	1248.31	1426.64	1604.97	1961.63	2318.29	2674.95	3209.94

Southfleet Parish

A	B	C	D	E	F	G	H
1060.78	1237.57	1414.37	1591.16	1944.75	2298.34	2651.94	3182.32

Stone Parish

A	B	C	D	E	F	G	H
1107.47	1292.05	1476.62	1661.20	2030.35	2399.51	2768.67	3322.40

Sutton-at-Hone and Hawley Parish

A	B	C	D	E	F	G	H
1096.86	1279.67	1462.48	1645.29	2010.91	2376.53	2742.15	3290.58

Swanscombe and Greenhithe Town

A	B	C	D	E	F	G	H
1119.50	1306.08	1492.66	1679.24	2052.40	2425.56	2798.74	3358.48

Wilmington Parish

A	B	C	D	E	F	G	H
1070.90	1249.38	1427.86	1606.34	1963.30	2320.26	2677.24	3212.68

Unparished Parts of the Borough

A	B	C	D	E	F	G	H
1051.45	1226.69	1401.93	1577.17	1927.65	2278.13	2628.62	3154.34

#### 4. INTRODUCTION

- 4.1 The adoption of a budget and determination of the local level of taxation are crucial decisions to be taken by Members every year. These decisions are central to the operations of the Authority, since they relate directly to the Council's continued viability for service delivery, the exercise of local democratic discretion, and choice.
- 4.2 The Managing Director, in consultation with the Strategic Director (Internal Services), is required to report to Members on issues relevant to the budget and the setting of the Council Tax for 2017/18, the impact on future years, and the prospects for future resources.
- 4.3 Dartford Borough Council has the opportunity to improve the quality of life for local residents and businesses, and has a strong track record of doing so but it nevertheless faces challenges and financial pressures which require careful management.
- 4.4 Significant growth has already occurred in the area and more is proposed. This places additional strains on resources as the demand for services increases whilst additional resources do not necessarily accrue at the same rate. The Council must meet the challenges for the future of the area, retaining its focus on key services and customer satisfaction, but with greater innovation and less cost. Resources will be targeted to meet these challenges, to harness the redevelopment of the area for the benefit of the whole community, and ensure that the improvements in key services already made are consolidated and built upon. Joint working with other authorities has provided greater resilience at lower cost. Joint working is not appropriate for all services and is unlikely, in itself, to produce sufficient savings to ensure a sustainable budget and it will be necessary to explore new ways of working, continuing to strive for ever-increasing levels of efficiency and value for money.

The challenge for Members and Officers is to spend resources wisely and effectively, with each budget area being carefully considered before resources are committed. The Council must take a long term view of its policy objectives and prioritise them.

Such a strategy requires all Members to have a clear focus on what is to be achieved. They must continue to resist pressures on spending which does not aid the achievement of the Council's main objectives. They should continue to focus on quality, but always combine that with consideration of cost effectiveness, and maintain and develop effective partnerships so that resources and/or outcomes can be enhanced for the benefit of the whole community. Because the Council has a strong vision with firm financial foundations laid over several years, it is well placed to avoid damaging impacts to vital services.

- 4.5 The budget is the financial expression of the Council's policies. Here in Dartford the Council's leadership has set out a clear and consistent determination that it is those who receive services from the Council - the residents, businesses and taxpayers of Dartford - who should be the focus of everything we do.

It has also demanded that whilst other authorities may respond to a financial pressure with a cut or withdrawal of services, Dartford wishes to place further

pressure on finding 'back-office' savings, efficiencies, improved income streams or better working practices within the Council to protect the services the Council offers. This approach sets the Council apart from many other authorities and requires the Council to constantly challenge the way it spends money. Over the years, the strategy has been successful in protecting services to residents.

The Leadership continues to demand that services to residents must be more than merely a continuation of existing service levels. They must continue to support the Council's aspirations for the community and the good track record of delivery. Reviewing the budget each year does not involve simply looking at one year. Indeed, to do so may result in a 'stop-start' policy for the provision of basic services and initiatives. This is particularly true given the uncertainty over total resources and takes even greater significance in the consideration of service levels in future years. To reduce services before knowing with greater certainty the likely level of resources in future years could be damaging to those services and the public they serve but also be an expensive option if services were required to be subsequently reinstated. The priorities and strategic themes of the Council have been set out in the Corporate Plan and it is against those priorities that the budget has been formulated. A review of all services and budgets has been undertaken by Officers to identify ways of improving efficiency, reducing costs and maximising income generation. That work has been reflected in these proposals.

- 4.6 The budget is a balance of ensuring a reasonable assessment of the likely demands on the Council and the income it is likely to receive. The budget must therefore be regarded as a package where the prudence of each assumption is weighed against others to ensure a balance overall, not simply within the year but also in the medium term. Some of the assumptions are more problematic and complex than others and can have a disproportionate effect on the actual expenditure or income proposed in the budget.
- 4.7 The risks and complexities associated with the current Local Government Funding arrangements make it difficult to accurately assess total resources. Whilst an indication of Revenue Support Grant over the next three years has been provided within the draft local government finance settlement, Business Rate income is dependent on several factors outside the authority's control such as continued economic growth, the results of appeals, business rates reforms and revaluations. The continuation of New Homes Bonus has been confirmed but the level of the bonus in future years has been reduced and may continue to be reduced by proposals to be consulted on and by an adjustable new homes baseline which has been introduced. Additionally, it is not possible to guarantee the numbers or phasing of new build properties in the area.
- 4.8 Dartford has strong financial controls and recognises that operational efficiency is vital to ensure that maximum resources are directed at front-line services. This report includes proposals that will reduce budgets by approximately £284,000. A prudent estimate of income from business rates and reduced income from Revenue Support Grant means that budgeted income is approximately £1.21m less than estimated expenditure. In order to avoid unnecessary damaging reductions to services whilst sustainable levels of income are assessed, it is proposed to use reserves to support net expenditure.
- 4.9 This report is designed to assist Members in reaching their decisions on the budget and the level of council tax, by presenting a strategy for funding key policy

initiatives. It seeks to build on quality services, identifying efficiencies and/or savings, to enable redistribution and the focusing of resources where need is greatest. The budget, as presented, builds on the corporate plan, performance targets, decisions by Cabinet, policy direction from lead Members and the work of the Policy Overview and Scrutiny committees.

- 4.10 New Homes Bonus earned will be transferred to reserves to support future budgets, specific initiatives and, as appropriate, the capital programme.
- 4.11 This report carries the overall endorsement of the Management Team.

## **5. BUDGET MAKING PROCESS**

### **5.1 Objectives**

The Council prepares budget estimates each year. The approval of estimated expenditure and income achieves five main objectives:

- (a) to assist policy-making for prioritisation and resource allocation;
- (b) to authorise future expenditure;
- (c) to provide a 'yardstick' for measuring achievement and performance;
- (d) to provide a base for the control of expenditure and income; and
- (e) to enable the level of Council Tax to be set.

### **5.2 General Fund**

- 5.2.1 The budget for 2017/18 is based on mandatory services and Council priorities as outlined in the Corporate Plan. The detailed budget is shown in Appendix B (i).
- 5.2.2 The Council must match expenditure with available resources, and is constrained to spending at levels which reflect estimated total resources. The Council is committed to ensuring that all of its services offer efficient and effective delivery to all customers.
- 5.2.3 The budget for 2017/18 includes an estimate of income from business rates and also includes an amount of Revenue Support Grant (RSG). The provisional local government finance settlement, including business rates and Revenue Support Grant, was announced on 15 December 2016. The final settlement is expected to confirm the figures but had not been published in time for print deadlines. Any significant changes will be updated to Members in an addendum. Relevant provisional figures for Dartford are shown in Appendix F. The Council will receive Revenue Support Grant of £684,482 in 2017/18. This is a reduction from 2016/17 of £598,727 or 47%. The government has confirmed that RSG will reduce to zero by 2019/20.

5.2.4 The Council collects business rates on behalf of the Treasury and has done so for many years. The Council is able to keep a proportion of income from business rates. The 2017/18 baseline business rates funding level for Dartford is £2,536,300. The calculation of this is shown in Appendix F. The Council will benefit if income from business rates is higher than the baseline, receiving 20-40% of any net increase depending upon the level of growth and pooling gains. However, the Council has to consider the risk of all appeals outstanding. There are currently over 420 appeals outstanding. It is difficult to estimate accurately what any reduction to the business rate income might be from these appeals and when they might be determined. Officers receive regular information from officials from the Valuation Office to ensure best estimates are used. A provision has been made for the outstanding appeals based on these estimates, but there is a risk that this provision may prove not to be sufficient.

The Council will be partly liable for any reduction in income from business rates, due to appeals or from businesses closing, but this reduction is limited by the operation of a 'safety net'. The safety net means that Dartford's income from business rates cannot go below £2,346,080 for 2017/18.

In 2016/17 a revaluation exercise was carried out by the Valuation office. Overall this resulted in an increase in Rateable Values in the area. Adjustments have been made to the total "tariff" the Council has to pay in order to try to equalise the gains and losses from revaluation.

Although it is difficult to predict income from business rates before the appeals are determined, the business rate base has been continuing to grow. In 2015/16, business rates income was above the safety net level and the position has improved further for 2016/17. Therefore, even after making an estimate of a prudent level of successful appeals, it has been assumed in the budget and the Medium Term Financial Plan that the retained income for 2017/18 and 2018/19 will continue to be above the safety net level. After this, there will be a potential reset in 2019/20 or 2020/21 to take account of growth and needs based changes.

A reset means that individual councils will retain the growth in business rates income that they have achieved during the previous five years. The reset may result in all growth being returned to the national resource pot to be redistributed or may be partial where only a percentage of growth is redistributed. Business Rates future figures have been adjusted to take the Council back to the baseline figures in 2019/20 and 2020/21, however the actual outcome is far from certain as the reset may be partial or not be implemented at all.

5.2.5 Members and Officers have undertaken annual budget reviews and these have enabled the Council to realise considerable efficiency savings. These have been achieved by reducing "back office" costs, generating income from non-statutory services and streamlining staffing structures, whilst protecting front-line services for Dartford residents. The Council has revised its investment strategy on cash balances using a multi layered investment strategy to enhance return while managing risk and the current and expected levels of cash balances. More details regarding changes to the budget are given in Appendix A (ii).

5.2.6 The budget for 2017/18 represents the priorities of the Council and these are set out frequently and publicly by the Council and its leadership. Priorities of respondents identified during the year included keeping Dartford safe and town

centre regeneration, fly tipping, the efficiency of waste collections and street cleaning. These and other service priorities will form the basis of Council service delivery going forward.

- 5.2.7 In order to support Local Government through the reductions in funding, the referendum limit on Council Tax has been set at an increase in Council Tax of £5.00 for the average Band D property. This increase is assumed in the funding analysis provided by the Department for Communities and Local Government.

The Council's Leadership has maintained a level of Council Tax unchanged for several years, despite seeing significant increases levied in some neighbouring authorities. This policy of protecting the Council Tax rate has been no whim, but has successfully reinforced two clear and firm beliefs held by its Leaders. First, that money is often easier *spent* by a Council than it is *earned* by the taxpayer and secondly, that budget concerns should be felt and absorbed first by the Council rather than casually passed to residents.

However, there is a third key principle which underpins the Council's approach to its finances. That is that the Council should recognise not only the demands it currently faces but accept new demands where taxpayers clearly wish to see them delivered. Dartford taxpayers have enjoyed many years of unchanging Council Tax rates from this authority but the Leadership recognise that residents have rising, and entirely justifiable, aspirations in some areas of Council services.

In service areas like, but not limited to, neighbourhood cleanliness or community safety beyond the Town Centre, it seems clear that residents wish to see enhanced delivery. Deploying residents' aspirations to justify annual or frequent rises in Council Tax is unlikely to become a habit for a Council that has delivered an unchanging rate for so long, but nor should the habit become an obstacle to taking such a step when it is responsible to do so.

The Council's leadership therefore accepted the rationale to increase Tax for the Average Band D property by £4.95 but accompanies it with an undertaking to continue to maintain and protect services as it has been doing whilst targeting areas of particular public concern.

The Council will therefore protect and extend those services that are important to the public whilst continuing to identify efficiencies and other income opportunities.

### **5.3 Medium Term Financial Plan**

- 5.3.1 This report includes a detailed revenue budget for 2017/18. Summary details for four further years (to 2021/22) are shown in the Medium Term Financial Plan at Appendix B (iv).
- 5.3.2 The potential budget gap in 2018/19 is approximately £1.27m, rising to approximately £3.75m by 2021/22. The Council will explore all options in managing the gap. It will continue to examine ways of reducing costs through more efficient working, joint working, opportunities for income generation, enhancing use of technology and other opportunities that may arise.

#### **5.4 Housing Revenue Account**

Following the significant changes and efficiencies made in the last few years, the Housing Revenue Account (HRA) has an estimated balance at 31 March 2017 of approximately £11.2m. This has enabled the Council to continue with its New Build Programme while implementing 1% reductions in rent for general needs properties for the next three years, in line with government policy.

The Council continues to review the operation of the housing service and further changes will be made if they are to the overall benefit of the service, tenants, and other customers.

The Council will also continue to review the scheduling of debt repayments.

#### **5.5 Capital and Treasury Management**

5.5.1 The Council has to approve annually a Treasury Management Strategy and certain "Prudential Indicators". The Prudential Indicators Statement is attached as Appendix D (iii) and the annual Treasury Management Strategy Statement is attached as Appendix D (iv).

#### **5.6 Staffing Budget**

5.6.1 The Managing Director is responsible for approving staffing resources and structures that will deliver the policy and service objectives of the Council within the budget available. The Managing Director, in consultation with other Directors, is continually reviewing staffing resources.

### **6. PROBABLE OUTTURN 2016/17**

#### **6.1 General Fund**

The probable outturn on the General Fund for 2016/17 indicates a net underspend on directorate budgets of £939,000 compared to the current budget. Details of significant variances are shown in Appendix B (i), while a narrative on the main service variances is set out in Appendix A (i).

The budget provided for estimated business rates income of £3,100,000. Without factoring in pooling (see below), retained income accounted for in year is currently anticipated to be £3,600,000. This level of income is supported by current in year monitoring. This income will be received in the General Fund this year but any drop in the in-year position will result in a deficit to be paid back to the fund in future years.

The Council will need to pay a significant deficit contribution to the collection fund in relation to past years, however this can be funded by contributions set aside in the Business Rate Reserve for this purpose.

Local authorities are able to come together on a voluntary basis to pool their business rates, giving them scope to retain additional growth through collaborative effort, and to smooth the impact of volatility in rates income across a wider economic area. Councils within a pool are treated as a single entity, with tariffs

and top-ups being netted off and a single levy rate applied. In two tier areas, this creates the potential for the levy paid by the districts being reduced, thus retaining more resources in the local area.

For 2016/17, Kent County Council, Kent Fire and Rescue Authority and most of the Kent districts, including this Council, have combined to form a Kent Business Rate Pool and this arrangement will continue for 2017/18. The Kent Business Rates Pool should provide additional gains in income as rather than paying a levy of around £1m as would have been the case in previous years, the Council's levy will reduce to around £0.2m. The pool enables the Council to retain 30% of this difference as well as having 30% for specific economic growth fund proposals. The size of the additional retained income depends upon the performance of the pool overall and at this point in the year, it is too early to predict a figure for this.

The 2016/17 budget included a contribution from reserves of £2.064m. It is expected that only £334,000 will be required.

## 6.2 Housing Revenue Account (HRA)

The probable outturn shows an estimated deficit for the year of £88,920 compared to the budgeted annual deficit of £1,370,088. Details of the main variances are set out in Appendix C (i). The balance carried forward into 2017/18 is estimated at an approximate surplus of £11.2m.

## 6.3 Capital Programme

The capital budget for 2016/17 was approved at a total of £12.506m. The probable outturn for 2016/17 is £7.360m. Regular reports are submitted to Cabinet on progress against projects.

## 7 BUDGET 2017/18

### 7.1 Summary of General Fund Budget

The detailed budget estimates are shown in Appendix B (i).

The summary budget for 2017/18 is:

	£
Service budgets	12,482,420
Plus allowance for inflation	105,000
	-----
	12,587,420
Less: employee vacancy factor	(25,000)
support to other funds	(850,000)
	-----
Total Expenditure	11,612,420

## **7.2 Basis of Budgeting**

- 7.2.1 The budget has been compiled on the basis of mandatory service levels, contractual commitments, and the priorities of key stakeholders; it also incorporates savings identified from the budget review.
- 7.2.2 The Council will continue to review the resources allocated to each service to ensure that all spending meets the objectives from the corporate plan. The Council will continue to look for ways to provide services more efficiently, and will consider further joint working with neighbouring authorities, and other operating models, to increase resilience and reduce costs. It will also explore new income streams.
- 7.2.3 Compiling the budget for 2017/18 and the Medium Term Financial Plan necessarily means making judgements on the level of inflation and interest rates, as well as estimating the effect of deficit reduction measures on the demand for council services and residents' ability to pay for them. The Council needs to ensure that reserves and balances are maintained at a sufficient level to allow for unbudgeted, unavoidable expenditure and for potential problems in maintaining net expenditure within budget, as well as further losses in grant.
- 7.2.4 In accordance with the Local Government Act 2003, the Chief Finance Officer is required to comment on the robustness of the budget and adequacy of reserves. The Council holds specific reserves for particular purposes and a general unallocated balance for cash flow requirements and contingencies. These must be sufficient to ensure sustainable budgets through the period of long term grant reduction if levels of basic services are to be maintained. The statement by the Chief Finance Officer is shown as Appendix H. Further details on budgets and reserves are given later in this report.
- 7.2.5 The Council established the Identified Initiatives Reserve to fund specific, short-term initiatives which are not included in base budgets. The balance on the reserve at 31 March 2016 was just under £2.3m. Resources have been reviewed within this reserve, to ensure that it is consistent with key priorities and residents' aspirations. The Managing Director has been given delegated authority to agree individual sums to be met from the reserve in accordance with the general purpose for which it was established and this is proposed to continue.
- 7.2.6 The Council has limited scope to increase fees and charges, but recognises the importance of maximising income where it can, providing that charges are reasonable and any increase justified. As part of the budget review, fees and charges were examined and proposals for changes are included in this budget. Details of proposed fees and charges are given in Appendix B (ii). For reasons of service need and flexibility, the Managing Director, in consultation with the leader and/or the relevant member of Cabinet, continues to have delegated authority to amend or create new fees and charges.
- 7.2.7 Details of Community Grants are shown in Appendix B (iii). The General Fund budget includes a sum of £22,120 for community grants. The Identified Initiative Reserve has in the past also funded community grants and this will continue in 2017/18.

7.2.8 New Homes Bonus is paid for any increase in properties subject to council tax, plus a sum for all new affordable homes. The amount paid is based on the average national council tax which is approximately £1,529. The Council receives a sum each year based on the net increase in properties in the year (Oct to Oct). From 2017/18 the number of years each sum is received for will be reduced so that the Council will receive four years of payments from calculations 2014/15 onwards with five years for the 2013/14 amount. A growth baseline has also been introduced so that only growth over 0.4% will be eligible for future payments.

In 2017/18 the Council will receive a total of £3,670,283 which is the cumulative payment.

If the two changes outlined above had not been made the Council would have received another £808,000.

7.2.9 Monitoring of performance against budget will be robust to ensure the integrity of the budget during the year.

7.2.10 The Strategic Director (Internal Services) has a statutory responsibility for the financial affairs of the Council. This is recognised in the CIPFA "Role of the Chief Financial Officer" and this is reported as Appendix N for Members' information.

### **7.3 Housing Revenue Account**

7.3.1 The Housing service, and with it the Housing Revenue Account (HRA), has undergone substantial modernisation in recent years. With the aid of tenants, service levels have been revised and a sustainable budget set. The Council submitted its stock options appraisal and 30 year HRA business plan to the Government in 2005. The business plan demonstrated that the Council could make a substantial revenue contribution to providing the much needed "decent homes" improvements for the Council's tenants.

7.3.2 A new self-financing regime was introduced in 2012/13. The budget for 2017/18 is based on the assumptions in the business plan approved in 2012/13, updated for known changes as described below.

7.3.3 Rents continue to be reduced in 2017/18 due to legislation which requires all social landlords to reduce rents by 1% for four years.

7.3.4 Appendix C (iii) details proposals for increased fees and charges in the Housing Revenue Account.

7.3.5 There is a budgeted deficit for the next three years, mainly due to revenue contributions to New Build Housing capital programme as described in the capital section below.

7.3.6 Detail of the government plans for the mandatory sale of high value council housing is awaited and the business plan will need to be re-assessed once this becomes available.

## **7.4 Capital Programme**

7.4.1 Appendix D (i) sets out the resources available and the proposed programme of works for Housing properties for 2017/18 to 2019/20. The programme is based on the stock condition survey and the improvements made in recent years. The Housing Business Plan allows for an annual spend on capital improvements of £6.6m. The budgets for 2016/17 to 2019/20 also include £15.2m to build new homes. This is funded in part (30%) from the “one-for-one” capital receipt initiative and 70% from the Housing Revenue Account. “One-for-one” receipts have to be used within a prescribed timescale otherwise they are repayable with compound interest.

Appendix D (ii) sets out the resources and proposed programme for the General Fund Capital Programme. The programme is based on known requirements and contractual commitments. At present the required expenditure outstrips the predicted level of known capital receipts by around £3.5m over the three year budget, but this position could change over the next year as there is a likelihood of additional capital receipts. If the shortfall is not covered by additional receipts, options at the Council’s disposal are to fund from revenue, reserves or to borrow. The Council will not commit expenditure in any year unless resources have first been fully identified and the sustainability of any proposal established.

Appendix D (ii) also includes a schedule for Community Infrastructure Levy (CIL) expenditure. CIL is a charge on development that allows the Council to raise and pool contributions from developers to fund a wide range of infrastructure, such as schools, health facilities, and transport and community improvements - all of which are necessary to support new development.

At this stage funding has not been allocated to individual projects but an envelope for granting or spending contributions needs to be agreed. Future projects will be agreed by Cabinet. Projections of future amounts received are estimates and no commitments will be made in excess of resources received.

7.4.2 The preparation and approval of the Capital Programme is integrated with revenue budgets to reflect any ongoing financial implications of capital schemes and the resources they consume in running costs and the interest generated on unused capital receipts.

7.4.3 Under the Prudential Code, the Council is able to borrow to fund capital expenditure. The Treasury Management Strategy allows the Council to borrow long-term in support of capital expenditure where it is in the Council’s interest to do so. This is irrespective of the availability of capital receipts. The relationship of the strategy to the revenue budget is key and any strategy would seek to minimise both the short and long-term revenue impact.

7.4.4 The Council is required to determine various indicators and limits as part of the Prudential Code and these are shown in Appendix D (iii).

## **7.5 The Collection of Council Tax and the Collection Fund**

7.5.1 Details of the operation and legal requirements of Council Tax are set out in Appendix L. The percentage of Council Tax collected for 2016/17 was 84.6% at the end of December and it is estimated that it will be 97.0% by the year end. The

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Council continues to collect arrears for previous years. It continues to be challenging to maintain high collection rates as many residents' real incomes reduce, but officers will continually review collection practices to ensure best practice is applied.

7.5.2 The Collection Fund is a statutory account that receives all the money collected from Council Tax and Business Rates. Separate accounting arrangements exist for the Collection Fund. The Collection Fund pays Council Tax and Business Rates to the major precepting authorities. Any estimated surplus or deficit from the fund has to be shared by major precepting authorities and taken into account when setting the following year's Council Tax.

7.5.3 In accordance with regulations, the surplus on the Collection Fund was estimated on 15 January 2017 at £2,252,232. This is shared between authorities as follows:

	£
Dartford Borough Council	284,374
Kent County Council	1,642,974
Kent Police and Crime Commissioner	220,527
Kent Fire and Rescue Authority	<u>104,357</u>
	2,252,232

## 7.6 General Fund Balance and Earmarked Reserves

7.6.1 In setting the Council Tax for the financial year, each charging authority must allow for:

their own estimated revenue expenditure;

(i) an appropriate contingency allowance;

(ii) an appropriate level of financial reserves;

(iii) any revenue account deficit in respect of a previous year which has not been provided for.

The General Fund balance for Dartford is estimated to be £3m both at the end of 2016/17 and during 2017/18.

7.6.2 As noted in the Statement on the Robustness of the Budget (Appendix H), the minimum prudent level of resources is a matter of judgement and is the Council's safety net for unforeseen expenditure or other circumstances. The minimum balance has been set at £2.5m.

7.6.3 The Medium Term Financial Plan, at Appendix B (iv), shows the summary General Fund budget for 2018/19 to 2021/22. Various assumptions have been made, including significant further loss of grant in all years as per the indicative settlement. The assumption for business rate income is the most difficult as there are still many appeals outstanding, which will have a direct impact on how much income the Council will receive. However the current estimate is that the Council should receive income above the 'baseline level' until a possible reset of growth in 2019/20 or 2020/21.

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7.6.4 The potential budget gap, before any use of balances or reserves, is estimated at £2.10m for 2017/18, rising to £3.7m in 2021/22. The Council has sufficient balances and reserves to enable a planned and considered approach to budget reductions to be implemented.

7.6.5 The Council holds earmarked reserves for specific purposes. At 1 April 2017, it is estimated that the balance on the earmarked reserves will be approximately £19m. Of this, £2m is held in the pension reserve to fund any future increase in employer pension contributions and to meet the pension deficit for ex-Orchard staff transferred to HQ Theatres. There is also £1m held to support items of exceptional cost and another £1m held against investment volatility; £500,000 is set aside for the replacement and renewal of major items of plant and equipment, and a further £500,000 for the maintenance of corporate property. There are also other, smaller, earmarked reserves. New Homes Bonus income is also put to reserve.

## 7.7 Revenue Support Grant and Business Rate Retention

7.7.1 Revenue Support Grant and Business Rate figures for Dartford are shown in detail at Appendix F.

## 7.8 General Fund Budget and the level of Council Tax

7.8.1 The Government has set the 2017/18 limit on the increase in council tax, before it is necessary to call a local referendum, at £5 for authorities like Dartford. This level of increase is assumed within the DCLG's funding calculations.

If the Council does not increase council tax by £5, it will lose a total of approximately £0.856m (from council tax, less grant) over the next five years.

Given the continued reductions in funding into the future, the Council is reluctantly proposing an increase in council tax at band D of £4.95 for 2017/18. This will be the first increase in the rate for 7 years.

The resources available to the Council in 2017/18 compared with spending plans are shown below, and determine the level of Band D council tax for 2017/18.

	£
Total General Fund Budget	12,462,120
Less charged to other accounts	(850,000)
	-----
Net General Fund requirement	11,612,420
Plus transfer to reserves	3,670,283
Less contribution from balances/reserves	(1,212,604)
	-----
	14,070,099
Less:	
Revenue Support Grant	(684,482)
Business Rates	(3,500,000)

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New Homes Bonus	(3,670,283)
Collection Fund Surplus	(284,374)
	-----
Council tax requirement	5,930,960
Council Tax Base	35,334.88
Dartford Borough Council Band D Tax	£167.85

The tax required of the precepting authorities is set out in Appendices J(i) and J(ii). In summary, the Band D tax levels for non-parished parts of the Borough are:

	2016/17	2017/18	% change
	£		
Kent County Council	1,133.55	1,178.82	3.99
Kent Fire and Rescue Authority	72.00	73.35	1.88
Kent Police and Crime Commissioner	152.15	157.15	3.29
Dartford Borough Council	162.90	167.85	3.04
	-----	-----	-----
	1,520.60	1,577.17	3.72

## 8. BUSINESS RATES

- 8.1 Business rates were introduced on 1 April 1990, at which time all business premises were valued and their rateable values entered into a local rating list. There is normally a five year revaluation cycle, with the most recent valuation list being that of 1 April 2017.
- 8.2 The rate poundage is set annually by Central Government and each rateable value is multiplied by this to calculate the potential rates payable. The change in the rate poundage is linked to the change in the Retail Price Index.
- 8.3 Plans to change the business rates retention system so that, over the system as a whole, 100% of rates are retained by local government, are still being worked up with some pilot areas operating in 2017/18. It is expected that a system of tariffs and top-ups will continue to operate but incentives for growth are likely to strengthen.

## 9. FINANCIAL IMPLICATIONS

As set out within the body of the report and appendices.

## 10. LEGAL IMPLICATIONS

Legal implications are as set out in Appendices L and N.

The budget does not have a direct impact on any particular group.

## 11. STAFFING AND ADMINISTRATIVE IMPLICATIONS

Vacant posts will not be filled unless the relevant manager and Director can make a business case that can be supported. Opportunities to revise working arrangements will be taken where alternative options exist.

Currently the Council has several joint working arrangements in place with Sevenoaks, including Revenues and Benefits, Audit and Anti-Fraud, and Environmental Health.

The Council continues to look for joint working opportunities in both the public and private sectors.

A 1.5% increase on all salary levels is proposed. This recognises the difficulty in balancing a budget with reduced resources in the current and future years, but also the commitment of all staff to work more flexibly, strive to improve efficiency and improve the quality of services to the residents of Dartford.

The Council's pay policy is attached at Appendix P.

There are no changes to the proposed level of service provided to Dartford residents and therefore only a customer access review initial screening has been carried out.

## 12. CONCLUSIONS

- 12.1 As in previous years, Members have been advised of the range of challenges facing them and the financial consequences of these over the short and medium terms as they seek to address policy objectives. The current pressures of rising expectations, reducing resources and the need to maintain a balanced, thriving and safe community constantly require the most fundamental reviews of service and policies, the manner of their provision and the options for addressing strategic needs including the creation of jobs and housing opportunities.
- 12.2 The Council has, in constructing its proposals for 2017/18 and future years, considered the needs of front-line services, the views of key stakeholders on the Corporate Plan, staffing levels and the skills of staff necessary in delivering a demanding agenda in times of change, and the significant increased risks to its income base. The needs of residents continue to grow, as do the pressures for further development and change. Each year, the challenges the Council faces seem greater than ever before. The problems and pressures require the Council to be flexible, yet to have a clear vision of the future.
- 12.3 We must adhere to, and implement the intentions of, the budget proposals, particularly the underlying approach of prioritisation. Members must take decisions, difficult though they will be, as to priorities and accept the inevitable implication that other desirable services and functions may not be provided. The Council Leadership has set its course to protect front line services by finding efficiencies and savings from within and maximising income generation. The whole Council is invited to support that direction. Policy and resource reviews, and public

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consultation on policy and resources, are part of the cycle of ensuring the aspirations of Members and the public are achieved.

- 12.4 If the integrity of the budget is not maintained, the implications for the Authority are serious in the context of the provisions of Section 114 of the Local Government Finance Act 1988 (Appendix N refers).
- 12.5 Members are requested to give full and proper consideration to the issues raised in this report, having regard to the legal responsibilities in relation to taking decisions on these issues (Appendix M refers).
- 12.6 If Members wish to pursue other options, the Managing Director is able to give advice as to the implications and viability of these. Any proposals, however, must be achievable, produce a legally balanced budget, and be within the powers of the General Assembly of the Council to approve the budget envelope.

13. **BACKGROUND PAPERS**

See Appendix Q