TWBC Financial Outlook

Revenue Budget Summary

On 24 February 2016 Full Council approved the budget for 2016/17; the headlines are as follows:

- A reduction in government funding of £781,000 (-49% on 2015/16);
- No new increase in car parking charges or residents’ permits;
- No major reductions to services;
- No use of general reserves; and
- Council Tax will increase by an average of £4.98 a year for a Band D property.

Government Funding

Comprehensive Spending Review (SR2015)

In November 2015 the Government published its spending plans for the life of this Parliament. This confirmed that many more government departments would be protected from funding reductions unlike local government which will continue to shoulder the greatest cuts. The Departmental Expenditure Limits for the Department of Communities and Local Government (DCLG) showed a reduction of 16.5 per cent for 2016/17 which was in line with the Council’s budget modelling.

It was confirmed that Revenue Support Grant (£1.6 million) would disappear by 2020; whilst not ideal at least with 4 years’ notice a sensible approach could be developed to manage the loss of central government funding.

The Government also said there would be a review of the New Homes Bonus Scheme (£1.8 million) despite this being launched as a ‘permanent incentive to deliver housing growth’. This is disappointing but with TWBC receiving the lowest allocation in Kent the challenge will not be as devastating as elsewhere.

Financial Settlement 2016/17

In December 2015 the DCLG published the provisional settlement. However, rather than the 16.5% reduction expected, this Council was notified that Revenue Support Grant (RSG) would be cut by 49%. This is because the DCLG decided to change the methodology for distributing cuts to individual councils (without the usual technical consultation). This surprised everyone and took into account the following:

- Distributing more funding to those tiers of authorities who provide adult social care.
- Greater cuts to those areas that collect the most income from Council Tax.

The Council was hoping to be financially self-sufficient by 2020 but the above changes in distribution brought this forward by 2 years and also results in negative RSG (i.e. this Council will need to fund other parts of the country).

This is illustrated in the following graph:
Greater flexibility

Whilst the above is quite shocking and creates a question mark surrounding the issue of trust, the Government did listen to some of the concerns put forward as part of the consultation and agreed the following:

- The most economical councils can increase Council Tax by £5 per year and the Government now assumes that this Council will do so for the next four years in their analysis. Parish and town councils still have no upper limit.
- A review of planning and licensing fees will be undertaken to help close the gap between cost and income.
- The option to accept a four-year settlement

Conclusion

Back in 2010 this Council received £6 million in government grant towards the funding of local services. The level of cuts cannot be sustained especially given the lean and efficient base from which this Council operates.

The financial settlement now creates a precedent that funding can go negative.

The public overwhelmingly have said that this Borough is an attractive place to live, work and visit. Fundamental to this attractiveness are facilities such as: award winning parks, a quality shopping centre, theatres, museum, leisure facilities, low crime (CCTV), tourism and even an ice rink. All of these are provided by the Borough Council. However, without the funding or flexibilities these services could start to deteriorate against the wishes of residents.

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