

TITLE OF REPORT: ADDENDUM REPORT TO REPORT ON DRAFT BUDGET 2017/18

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE
PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

1. SUMMARY

- 1.1 To provide an update following the provisional Local Government settlement announcement from the Department for Communities and Local Government (DCLG). Whilst the announcement will be subject to consultation, it gives a very strong indication of funding levels and policy.
- 1.2 The main proposed change arising from the provisional settlement relates to New Homes Bonus. A baseline of 0.4% has now been introduced. This means that 0.4% growth in dwelling stock is assumed, and New Homes Bonus will only be paid on growth above this level. This is estimated to be a reduction in funding for the Council of around **£190k** in 2017/18, increasing to around **£735k** by 2020/21. This increases the need to identify and deliver savings above the previous target, to at least **£3.5 million**. It means that the effective funding shortfall over the 4 years to 2020/21 is likely to be around **£7 million**.
- 1.3 The provisional settlement includes the option to increase Council Tax by £5 in 2017/18.

2. RECOMMENDATIONS

- 2.1 **That Cabinet notes the expected impact of the provisional settlement on New Homes Bonus funding, and the need to identify further savings.**

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that all relevant factors are taken into consideration when arriving at the proposed Council Tax precept for 2017/18.
- 3.2 To ensure that the Cabinet recommends a balanced budget to Council on 9 February 2017.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 A response to the consultation will be made. However it is highly unlikely to change the outcome, given that the DCLG are seeking ways to increase the funding available to social care.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD COUNCILLORS

5.1 This is detailed in the main report.

6. FORWARD PLAN

6.1 This is detailed in the main report.

7. BACKGROUND

7.1 The DCLG make a provisional announcement on Local Government funding (known as the finance settlement) following the Autumn Statement. The timing of this announcement varies each year and does not tend to be detailed much in advance. This year the announcement was made on Thursday 16 December.

8. ISSUES

8.1 New Homes Bonus

8.1.1 The provisional settlement introduced a baseline growth in New Homes of 0.4%. This means that 0.4% growth in dwelling stock is assumed, and New Homes Bonus will only be paid on growth above this level. For NHDC, the 0.4% baseline is equivalent to around 230 new homes per year. The previous forecast had assumed some reduction in relation to a baseline or dead-weight, but not to this extent.

8.1.2 As expected the period over which New Homes Bonus is paid has also been reduced. When it was introduced it was intended that the Bonus would be paid for 6 years for each new home. This period has now been reduced to 5 years for 2017/18 and 4 years from 2018/19 onwards. This change had already been reflected in forecasts. Table 1 below demonstrates how New Homes Bonus is paid over time.

Table 1: Phasing of New Homes Bonus Payments

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Year 1									
Year 2									
Year 3									
Year 4									
Year 5									
Year 6									
Year 7									
Year 8									
Year 9									

- 8.1.3 The expected impact of the introduction of a baseline is detailed in table 2 below. The actual amounts in future years will depend on future housing growth so are liable to change. The introduction of a baseline means that any variations in new home numbers will have a greater proportionate effect on the level of funding.

Table 2: Comparison for Central Government funding forecasts (£000)

2016/17	Central Government Funding (including New Homes Bonus)	2017/18	2018/19	2019/20	2020/21
6,179	Previous forecast	4,857	4,245	3,209	3,478
6,179	Revised forecast	4,671	4,011	2,787	2,743
0	Change in forecast	(186)	(236)	(421)	(735)

8.2 Council Tax

- 8.2.1 The provisional settlement includes the option to increase Council Tax by £5 in 2017/18.

8.3 Overall Summary

- 8.3.1 Although the savings options included in the main report were less than the overall target, they were phased so that in the first two years they were ahead of the target. If all the options were taken forward, this would mean that a 'balanced' budget could be set for 2017/18. For future years there is a need to increase the savings target, so that by 2020/21 at least **£3.5 million** of savings will need to be identified and delivered. It is also likely that **at least £3.4 million** of reserves will need to be used over the same period. This means that the effective funding shortfall over the 4 years to 2020/21 is likely to be around **£7 million**.

9. LEGAL IMPLICATIONS

- 9.1 These are detailed in the main report.

10. FINANCIAL IMPLICATIONS

- 10.1 As outlined in the body of the report.

11. RISK IMPLICATIONS

- 11.1 These are detailed in the main report.

12. EQUALITIES IMPLICATIONS

- 12.1 These are detailed in the main report.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 These are detailed in the main report.

14. HUMAN RESOURCE IMPLICATIONS

14.1 These are detailed in the main report.

15. APPENDICES

15.1 None

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