

Committee: Scrutiny

Agenda Item

Date: 21 November 2017

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Title: Budget overview and Consultation Outcomes
2018/19

Portfolio Holder: Councillor Simon Howell

Key decision: No

Summary

1. At its meeting on 6 February 2018, the Scrutiny Committee will be invited to comment on detailed proposals for the 2018/19 budget, ahead of consideration by the Cabinet on 15 February and determination by the Full Council on 22 February.
2. This report provides an overview of the budget setting process, including any funding implications and the documentation that will be coming forward for review.
3. The Scrutiny Committee's role is to provide an independent review of the budget process and consultation outcomes for consideration by Cabinet. This is ordinarily an apolitical process; alternative budget proposals from Opposition Members should be formulated away from the Scrutiny process and presented to Cabinet and Full Council at the appropriate time.
4. The report includes the results of the recent budget consultation.

Recommendation

5. No recommendations; this report is for information only and for members to note.

Financial Implications

6. None.

Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Background

Budget Setting Process and Timetable

7. The 2018/19 budget relates to the financial year that will run from 1 April 2018 to 31 March 2019. The Full Council meeting on 22 February will set the budget, taking into account recommendations from the Cabinet. The Scrutiny Committee will have an opportunity to review the budget proposals before the Cabinet determines its recommendations.
8. This report will cover the following key areas as we have them at the moment:
 - Budget timetable
 - Budget papers for consideration by Members
 - 4 year settlement
 - New Homes Bonus
 - Business Rates Retention
 - Budget consultation outcomes
9. The following are the key activities carried out in order to set the budget:

September 2017	Budget consultation with Public and Local Businesses carried out
November 2017	Briefing for Scrutiny Committee (this report)
Late November 2017	Financial forecasts updated Financial Outlook and Budget Consultation outcomes presented to the Cabinet taking into consideration any guidance from this Scrutiny meeting
December 2017	Provisional Local Government Finance Settlement released by DCLG
January 2018	Confirmation of Local Government Finance Settlement Finalisation of budget proposals
February 2018	Formal consideration of budget proposals by Members; Scrutiny Committee, Cabinet and Full Council
March 2018	Council Tax bills issued
1 April 2018	Financial year commences

Budget papers for consideration by Members

10. Below is a summary of the separate components of the budget papers and the key factors and considerations within each.

11. Robustness of Estimates and Adequacy of Reserves

- By law, the Council must set its General Fund budget and Council Tax having given due regard to advice from its Section 151, Chief Financial Officer (CFO) on the robustness of estimates and adequacy of reserves.
- The report will summarise the key risks in the Council budget, and the assumptions that are most volatile. This will be translated into advice about the minimum safe level of contingency reserves that should be maintained, and whether other reserves are needed to meet expected pressures in the coming years.
- The Secretary of State has powers to intervene if the CFO's advice is disregarded by Members, in the event of inappropriately low levels of reserves being maintained.

12. Medium Term Financial Strategy (MTFS)

- The MTFS relates to the General Fund (all services except Council Housing) and sets out forecasts for the next five years.
- It includes estimates of income and expenditure, and quantifies the extent of any surpluses or deficits anticipated during the five year period.
- The MTFS sets out in outline the Council's strategy for addressing deficits, or using surpluses, in order to ensure that Corporate Plan priorities are underpinned by sound finances.
- The key reason for having an MTFS is to anticipate potential difficulties in the medium term before they arise and ensure that robust plans are in place to address them. This is of particular importance because of expected future changes in Government funding of local government.

Key factors to budget setting:

- Future year's income, expenditure and central funding are estimates based on latest and most accurate information or predictions.

13. General Fund Budget and Council Tax

- The General Fund covers budgeted expenditure and income for all Council services except council housing.
- General Fund expenditure is funded in the main from fees & charges, Business Rates income and government grant(s). The balance is funded by Council Tax. By law the Council must set a balanced budget.
- The report will set out in detail proposed budgets for all General Fund services, proposed fees & charges, and a Council Tax resolution.

Key factors for budget setting:

- To ensure that the budget is consistent with the Medium Term Financial Strategy and the CFO's advice on the level of reserves within the Robustness of Estimates and Adequacy of Reserves report.

- To ensure that the budget supports the Corporate Priorities and the consultation responses have been taken into account.

14. Housing Revenue Account (HRA)

- Income and expenditure budget for council housing only, which by law are kept in a ring-fenced account, separate from other council services.
- Expenditure on council housing is funded by rents and service charges payable by council tenants.
- HRA finances underwent substantial reform on 1 April 2012. Negative housing subsidy was abolished, replaced by the Council having to take on a share of the national housing debt.
- The first five years of the loan were on an interest only basis; this was to allow for investment and development of the housing stock. 2018/19 will be the second year of the principal loan repayment.
- The HRA has a 30-year business plan which sets out plans to maintain and improve housing stock and provide services to tenants, and plans for funding new council houses. The business plan allocates the revenue headroom and ensures that the debt is repaid within the 30-year period.
- HRA budgets are discussed by the Tenants Forum and Housing Board prior to consideration by Cabinet.

Key factor for budget setting:

- A review of the business plan and the options for refinancing of the current loan portfolio of £88.407m which is being repaid over a 30 year period is being carried out by our treasury management consultants, Arlingclose Ltd.

15. Capital Programme

- Capital expenditure is the spending on schemes or assets that have long term value to the Council and the community. Examples include council housing, vehicles, IT systems, building improvements, or grants to outside bodies and individuals such as disabled adaptations.
- Capital expenditure is financed by contributions from the HRA or General Fund, capital receipts (sale of Council assets), external funding such as S106 contributions or government grant, or by borrowing.
- The Capital Programme sets out capital expenditure plans for the next 5 years, together with details of how this is to be financed.

Key factors of budget setting

- The capital programme is in line with the corporate priorities and the service delivery requirements.
- Identifying the most cost effective funding of the capital programme, whether internal borrowing, revenue contributions, grant funding or external borrowing.

16. Treasury Management Strategy

- Significant cash flows in and out of the council's bank accounts, including monies collected for other organisations. Inevitably, the council holds large cash balances throughout the year.
- In addition, the Council holds financial reserves, including its own balances, and S106 funds.
- Treasury management is the process by which these cash flows and balances are managed.
- The Council is required to approve a Treasury Management strategy that ensures appropriate risk management including a safe approach to investing surplus funds and borrowing to cover in year shortfalls.
- Treasury management strategy also governs how long term borrowing is used to fund capital expenditure.
- The strategy is accompanied by mandatory "prudential indicators" which are technical measures of the affordability and sustainability of the Council's borrowings and investments.
- The Council is advised in its treasury management activity by leading independent experts, Arlingclose Ltd.

Key factors of budget setting

- To ensure security of funds, sufficient liquidity to enable commitments to be met, and capacity to earn income on the balances held and minimise interest on balances borrowed.

17. Scrutiny Committee Members are invited to familiarise themselves with the Council's existing Budget Book that can be found on the Council's website at: www.uttlesford.gov.uk/finance

18. Mr Adrian Webb, the Chief Finance Officer shall be pleased to meet with Members individually or in groups to discuss any aspect of the Council's finances.

Finance Update

19. The Council's budget is supported by the following income/funding streams;

- Business Rates Income
- New Homes Bonus
- Council Tax
- Rural Services Delivery Grant
- Service Generated Income through our schedule of 'fees and charges'

Four Year Settlement

20. The 2016/17 settlement gave councils the opportunity to enter into a four year funding agreement, which would give greater certainty on future funding by giving settlement figures up to and including the financial year 2019/20.

21. It was proposed that unless there are any exceptional circumstances these funding commitments would not be altered.

22. Uttlesford took this opportunity along with 97% of other councils to sign up for the four year agreement and it included Revenue Support Grant, Rural Services Delivery Grant and the Business Rates baseline and top up/tariffs

Business Rates Income

23. The Business Rates Retention Scheme is currently administered on 50% being retained within the local area, on a 40:10 split with Essex County Council (9%) and Essex Fire Authority (1%).
24. The current scheme allows for Local Authorities to retain 50% of all growth within the district. The growth is calculated as total income collected above our baseline need and we are then required to pay a levy charge on the growth of 50% to central government.
25. Uttlesford are currently a member of the Essex Business Rates Pool, members of a pool combine their funding under the business rate scheme, effectively adding their numbers together for all elements of the funding calculation, such as the tariff and top-ups. The benefit to be gained is that collectively, it produces a lower percentage levy charge and this allows us to benefit further from the growth income.
26. In September 2017 central government announced that they were inviting further applications for authorities to become pilot areas for 100% business rates retention. The preferred criteria for applications are;
- Two tier Areas
 - Functional Economic Areas
 - Promote Financial Stability
 - Evidence of how the growth will be reinvested
27. An application was submitted on 27 October 2017 which included all Essex Authorities, plus County and Fire but excluded Thurrock. A full report was submitted to Cabinet in October and can be viewed via the following link;
[100% Business Rates Pilot Cabinet October 17](#)
28. If the Essex wide bid is successful this would enable 100% of growth income to be retained within the local area.
29. If the bid is unsuccessful the authorities participating in the pilot bid we will form a new pool, which still allows for a benefit in our levy payment albeit at a lower value.
30. The announcement of which areas have been successful in becoming a pilot will be announced as part of the provisional settlement in early December.

New Homes Bonus

31. In 2017/18 government amended the New Homes Bonus scheme, by introducing a 'deadweight factor' of 0.4% (this is deemed as natural growth) and change of scheme from 6 years to 4 years, with 2017/18 being a transitional year of a 5 year scheme.
32. Further consultation is being carried out for 2018/19 funding allocations and this includes the continuation of the deadweight factor at 0.4%. Plus a proposal to

withhold or reduce payments for properties where planning permission is granted on appeal.

Budget Consultation

33. The council carried out two consultations one for Residents and one for Local Businesses on their views for the budget priorities for the 2018/19 financial year.
34. The full budget consultation reports are attached as follows
Residents – Appendix A
Local Business – Appendix B
35. The resident's consultation generated 1,779 (an increase of 164% compared to last year) responses and 21 (a decrease of 74% compared to last year) Local Businesses responded.
36. The following consultative methods were employed for the residents survey;
 - Telephone survey (503 responses) undertaken by a professional market research company, NWA Social and Market Research Ltd on behalf of Uttlesford District Council
 - Open public consultation. (1,145 responses)
 - The survey was distributed to every household in the district as an insert into the Council's magazine *Uttlesford Life*. A small number of additional copies of *Uttlesford Life* were distributed to libraries and the council's CIC points across the district
 - The survey was also promoted on the council's website from 4 to 25 September via an interactive form
 - The budget questions were also included as part of Uttlesford Voices 15 (151 responses), the half yearly consultation questionnaire sent out to 500 members of the Uttlesford Citizens Panel.
37. The following consultative methods were employed for the local Businesses survey;
 - Open public consultation. The survey was promoted by email to all enterprises registered on the Uttlesford Business Directory and was available from the Uttlesford District Council website
 - The survey was also publicised to all businesses registered to receive the council's dedicated business e-newsletter
 - The budget questions were also made available as a printed survey if requested. However, no paper questionnaires were requested.

38. The tables below represent the priorities of each of the consultations; this shows that both residents and businesses are aligned in what they feel the council should focus on.

Key Services Priorities		
	Residents	Businesses
Emptying your bins and running the recycling service	1 st Priority (94.44%)	1 st Priority (90.48%)
Emptying bins for some businesses (paid for service)	N/A	2 nd Priority (84.62%)
Sweeping the streets, litter picking, clearing up fly-tipping and emptying public litter and dog bins (it was indicated that Town/Parishes are responsible for public litter bins)	2 nd Priority (87.67%)	= 3 rd Priority (83.33%)
Planning how the district will develop in the coming decades, including where new housing and businesses will be located	3 rd Priority (86.30%)	
Deciding planning applications and making sure new buildings and extensions are built according to approved plans and following building regulations	N/A	
Giving advice on work to listed buildings and work to protected trees	Lowest Priority (63.09%)	Lowest Priority (57.14%)
Other Services Priorities		
	Residents	Businesses
Working with the police and other organisations to keep Uttlesford safe	1 st Priority (90.31%)	1 st Priority (88.10%)
Enforcement work including prosecuting people for not paying Council Tax or council house rent, benefit fraud, fly-tipping	2 nd Priority (86.94%)	N/A
Promoting and supporting businesses in the area	N/A	= 2 nd Priority (83.33%)
Collecting Council Tax for Essex County Council, Uttlesford District Council, the police, the fire service, town or parish councils and collecting business rates	3 rd Priority (83.07%)	= 2 nd Priority (83.33%)
Collecting stray animals, microchipping dogs and cats and dealing with complaints from the public about pet and animal-related issues	Lowest Priority (60.45%)	Lowest Priority (56.41%)

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
None – this is a report for members to note			