

Committee: Cabinet

Agenda Item

Date: 15 September 2016

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Title: Finance Update

Portfolio Holder: Cllr Simon Howell

Item for decision

Summary

- 1) This report provides information on the current position relating to
 - (a) Multi-year settlements
 - (b) Business Rates Retention
 - (c) Fair Funding Review
 - (d) New Homes Bonus

Recommendations

- 2) The Cabinet is recommended to approve that:
 - a) The Council agrees in principal to opt for the multi-year settlement offer and;
 - b) The S151 Officer in consultation with the Finance Portfolio Holder are asked to prepare the efficiency statement for approval at the October meeting of Cabinet.
 - c) The S151 Officer in consultation with the Finance Portfolio Holder respond to the Business Rates Retention consultation and Fair Funding Review consultation
 - (i) emphasising that the Council does not agree with removing national airports from the local list.
 - (ii) requiring government to ensure that no council receives less money under the retention scheme than they do under the current scheme.
 - (iii) Emphasising that if additional responsibilities are given to councils there should be additional payment to cover the cost.

Financial Implications

- 3) There are no implications for the council's budget in 2016/17 however the implications for future years are significant

Background Papers

4) New Homes Bonus consultation

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487095/151217 - nhb draft condoc published version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487095/151217_-_nhb_draft_condoc_published_version.pdf)

Business Rates Retention consultation

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535022/Business Rates Retention Consultation 5 July 2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535022/Business_Rates_Retention_Consultation_5_July_2016.pdf)

Fair Funding Review consultation

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/534956/Discussion document - Needs and Redistribution.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/534956/Discussion_document_-_Needs_and_Redistribution.pdf)

Impact

Communication/Consultation	The Council is/as responded to all of the consultations either individually or as part of the Essex wide authority response
Community Safety	No specific implications
Equalities	No specific implications
Health and Safety	No specific implications
Human Rights/Legal Implications	No specific implications
Sustainability	Possible changes contained within the various consultations could have an adverse impact on Council budgets
Ward-specific impacts	No specific implications
Workforce/Workplace	Possible changes contained within the various consultations could have an adverse impact on Council budgets

Multi-Year Settlement

- 5) In the provisional local government finance settlement 2016/17, the government stated that it would offer any council that wishes to take it up, a four-year funding settlement to 2019/20. At that time, information was limited on what the offer included and how to apply, but that an efficiency plan would need to be submitted when such an offer was requested.
- 6) The final local government finance settlement 2016/17 confirmed that the deadline for requesting this offer was 14 October 2016.

- 7) The Secretary of State for Communities and Local Government subsequently issued a letter on 10 March 2016 which clarified that the offer covers Revenue Support Grant, Transitional Grant and Rural Services Delivery Grant.
- 8) For Uttlesford 2017/18 is the final year of Revenue Support Grant so the advantages of the four year settlement are limited. However it would provide greater certainty for planning purposes which is key as we move forward to times when our financial position is likely to get more challenging
- 9) The letter was however accompanied by an annex which said the Government would “need to take account of future events” and that the offer would be honoured “barring exceptional circumstances”. It is possible that recent events may be seen as exceptional and may inhibit the ability of the Government to honour this offer, but we are unlikely to know this before the deadline for acceptance in mid-October.
- 10) The letter also contains a note of caution for authorities that do not take up the option, “It is open to any council to continue to work on a year-by-year basis, but I cannot guarantee future levels of funding to those who prefer not to have a four year settlement”. This implies that if further reductions are needed in local government funding they would be likely to fall most heavily on the authorities that choose to keep their funding on a year-by-year basis.
- 11) On balance it would appear prudent to opt for the multi-year settlement offer.
- 12) To take up the offer, as mentioned above, the Council will need to produce an efficiency statement. There is no prescribed format for such a statement however CIPFA working with the Local Government Association and DCLG have put together a document setting out some key thoughts about the document.
- 13) They start off by setting out that every council in the country is different. Each will have its own vision, policies, opportunities and challenges and each will be at a different stage in its journey to financial sustainability. So no two efficiency plans are likely to focus on the same things; have common aims or include the same reports. Each council should therefore be judged on its own merits when reviewing their plans. How clear are their targets? What role partnership working is expected to take? Aspirations around any transformation programmes? How are councils planning to achieve their efficiencies? Is there clear ownership and accountability? And is there robustness around the management, monitoring and measurement of outcomes?
- 14) The way a council chooses to put this story together in their efficiency plan remains for them to decide, as is the supporting documents that they would choose to include. Thoughts around the content of the plan are:
 - The cornerstone of the efficiency plan is probably the Medium Term Financial Plan (MTFP) or Strategy (MTFS) for the four years of the offer. Not just the numbers in a table but a short narrative that sets out what a council intends to do to address the challenge of financial sustainability and where it hopes to be at the end of the period. An efficiency plan needs to be about more than just money.
 - Most practitioners favour a short 2 – 4 page narrative, with typical documents to support this narrative to include its latest budget,

corporate plan, transformation plan, asset-management plan and baseline organisational structure.

- It follows that an efficiency plan needs to have clear links to the Council's corporate plan and where the authority is involved in key partnerships, such as shared management arrangements or progress towards a combined authority. It should acknowledge any links with partner organisations and plans that this entails.
- It also needs to reference ongoing and planned transformation projects and programmes where these are significant in ensuring the council reduces its costs or generates additional income locally.
- However, an efficiency plan need not be any more than an 'abridged version' of key/ existing public documents already put together by a council. Most councils should not find themselves doing a major piece of extra work to deliver an efficiency plan.
- Councils could consider presenting the efficiency plan by theme, for example, what it is doing to grow its local economy, to bear down on costs, to manage current and future demand or to re-forge its 'contract' with local residents.

15) If Members agree to the principal of a multi-year settlement an efficiency statement will be prepared along the above lines for approval at the October Cabinet meeting.

Business Rates Retention

- 16) The first of a number of consultations on Business Rates Retention was launched in July and runs until 26 September 2016.
- 17) Most of the consultation is of a technical nature and it has therefore been agreed to work with colleagues across Essex to submit a single response, with authorities then submitting individual responses to specific areas as they see fit.
- 18) The final response is being approved by the Essex Chief Executives' Association at its meeting on 22 September.
- 19) For Uttlesford the key question in the consultation is number 15
- Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?**
- 20) Currently, business ratepayers appear on either a central rating list (administered by DCLG) or one of 320 local rating lists (administered by lower tier and unitary authorities). Only business rates income from local lists is taken into account in determining: top-ups and tariffs; the business rates income receivable by different tiers of authority; and eligibility for the safety net. Under the current system, local authorities therefore only benefit from any growth in income from ratepayers on local lists.
- 21) According to the consultation; some local authorities tell us (government) that the highest risk hereditaments should be removed from local lists. These might

include power stations, oil refineries and national airports, which could be moved onto a refreshed national level list (i.e. the current central list).

- 22) According to the consultation: alternatively, some authorities have told us that they would welcome the opportunity to manage some of the riskier properties at a broader 'area level' – sharing the risk that these properties bring, but also receiving an element of reward from any growth. The Government would expect any changes to ratings lists to remain fiscally neutral. Some authorities have suggested a system along the following lines:

Central list	The central list includes national network properties. The list would continue to be administered centrally.
Local list	Local lists would broadly comprise the same rateable properties as now, but we might remove 'riskier' classes of property and perhaps classes that were more in the nature of 'national infrastructure'. Local list income would continue to be collected and retained at the local authority level.
Area list	We could create new area lists for Combined Authorities which, could take risky or significant property from local lists, Area list income could be made available to the Combined Authority.

- 23) Clearly the Council would be concerned about the implications of removing 'national airports' from the local list as this could have a significant impact on the future level of Business Rate income.
- 24) There also needs to be further clarification around the term 'national airports'. For example does it just mean the terminal and runway or does it include all airport related businesses as well?
- 25) It is therefore recommended that, in addition to the county wide response, this Council submits a response to question 15 setting out the wish to retain national airports at a local level.

Fair Funding Review

- 26) A consultation on Fair Funding is running alongside the Business Rates consultation.
- 27) As part of the 2016/17 Local Government Finance Settlement, the Government announced a Fair Funding Review of councils' relative needs and resources.
- 28) A needs assessment was last carried out in 2013/14. However, this was largely focussed on updating the data used in the assessment. The needs formulae have not been thoroughly reviewed for over a decade, which many councils feel is far too long. There is good reason to believe that the

demographic pressures affecting particular areas, such as the growth in the elderly population, have affected different areas in different ways, as has the cost of providing services. It is therefore only right that the way we assess relative need is reviewed. The Fair Funding Review will also establish what the needs assessment formula should be in a world where all local government spending is financed from locally raised resources.

29) The Fair Funding Review will address the following issues;

- what do we mean by relative 'need' and how should we measure it?
- what are the key factors that drive relative need?
- what should the approach be for doing needs assessments for different services?
- at what geographical level should we do a needs assessment?
- how should 'resets' of the needs assessment be done?
- how, and what, local government behaviours should be incentivised through the assessment of councils' relative needs?

30) For the services currently supported by the local government finance system, the outcomes of the Fair Funding Review will establish the funding baselines for the introduction of 100% business rates retention.

31) The Fair Funding Review will consider the distribution of funding for new responsibilities on a case by case basis once these responsibilities are confirmed; they are likely to have bespoke distributions.

32) Most of the consultation is of a technical nature and it has therefore been agreed to work with colleagues across Essex to submit a single response.

33) The final response is being approved by the Essex Chief Executives' Association at its meeting on 22 September.

34) It has always been apparent that this Council would not be able to retain all the Business Rates it collects. The Fair Funding Review is a way of distributing the total sum collected in the local list, across all of local government in an equitable way.

New Homes Bonus

35) The announcement of the outcome of the consultation was due in June 2016. To date no announcement has been made.

36) Within the consultation there is the proposal to severely penalise councils who have developments approved on appeal. At the time of the consultation this Council had two large appeals awaiting determination and this placed a considerable risk on the finances of the Council.

37) The announcement of the refusal of both these appeals removes one significant immediate risk. However depending on the outcome of the consultation other significant risks remain.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The culmination of changes outlined result in a significant reduction in Council funding	3 It is almost inevitable that funding will be cut. The unknown at the moment is the scale of the cuts and the timing	3 There will be an impact and it is likely to be significant	The Council continues to lobby government both directly and via the MP. The MTFS sets out a prudent view of what the Council finances may look like over the next five years. Officers are working to address any funding shortfalls that may arise

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.