

<b>Committee:</b>	Cabinet	<b>Date:</b>	29 November 2018
<b>Title:</b>	Budget Update and Consultation Outcomes 2019/20		
<b>Portfolio Holder:</b>	Councillor Simon Howell, Portfolio Holder for Finance and Administration		
<b>Report Author:</b>	Angela Knight, Assistant Director – Resources aknight@uttlesford.gov.uk	<b>Key decision:</b>	No

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## Summary

1. The Autumn Budget was announced on 29 October and will be followed by the announcement of our provisional finance settlement on the 6th December 2018.
2. This is the final year of the multi-year settlement (a four year deal giving certainty of the levels of grant to be received).
3. The Council has entered into an agreement with all the Essex Authorities (with the exception of Thurrock) to apply to become a pilot area for 75% Business Rates Retention in 2019/20.
4. The Scrutiny Committee received a financial update and reviewed the consultation responses at their meeting on the 20 November 2018.

## Budget Consultation

5. During the summer the Council consulted with residents, businesses and preceptors (including Town and Parish Councils) on the priorities for the 2019/20 budget.
6. The consultation for 2019/20 generated the highest level of responses the Council has received for this type of consultation, with a total of 2,448 received, plus 4 from preceptors.
7. The priorities identified by respondees in the consultation were consistent with previous years where the top priority was emptying bins and keeping the district clean and tidy.

## Recommendation

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

## Financial Implications

9. 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

## The current Financial Picture

10. The Government is currently carrying out a full review of the way Local Authority (LA) funding is allocated ready for the 2020/21 financial year. There are four main areas of change that could have significant impact on the amount of money the Council receives from Government.

- **The Fair Funding Review** will affect how funding is allocated and redistributed between local authorities from 2020 onwards. It is expected to use three main 'cost drivers': population, deprivation and sparsity, together with additional cost drivers related to specific local authority services.
- The review will inform the setting of new baseline funding allocations through the **Business Rates Retention (BRR) scheme** and this coincides with the increase of income retention from 50% to 75%. This is intended to encourage councils to try to increase their business rate revenues instead of being dependent on the Government for grants.
- The Government has announced that 2019/20 will be the last year of **New Homes Bonus (NHB)**. Consultation on any replacement scheme will be conducted during 2019.
- The **Rural Services Delivery Grant** is ceasing to be paid as a separate income stream from 2020/21 and will be included in the BRR scheme. Previous experience of this type of merging has been that the amount included in the merged scheme is lower than that previously paid.

11. The 2016/17 settlement gave councils the opportunity to enter into a four year funding agreement, which provided greater certainty on future funding by giving settlement figures up to and including the financial year 2019/20. It was proposed that unless there were any exceptional circumstances these funding commitments would not be altered.
12. 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. It is likely that a new offer of a four year funding agreement will be made as part of the 2020/21 settlement.

### **Business Rates Income**

13. The Business Rates Retention Scheme is currently administered on 50% being retained within the local area, split between UDC (40%), Essex County Council (9%) and Essex Fire Authority (1%).
14. In addition 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 to Government on the growth at 50%.
15. 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.
16. Central government announced that they were inviting further applications for authorities to become pilot areas for increased Business rates retention, for 2019/20 the retention of income has been reduced from 100% to 75%. The preferred criteria remains consistent with last years and applications should include;
  - Two tier Areas
  - Functional Economic Areas
  - Promote Financial Stability
  - Evidence of how the growth will be reinvested
17. An Essex wide (all Essex Authorities, plus County and Fire but excluding Thurrock) application was unsuccessful in 2018/19; the pilot group have submitted a new application for 2019/20
18. If the Essex wide bid is successful this would enable 75% of growth income to be retained within Essex.

19. If the bid is unsuccessful the authorities participating in the pilot bid will continue with the pool, which still allows for an increased benefit in our levy payment albeit at a lower value.
20. The announcements of which areas have been successful in becoming a pilot are expected to be announced as part of the provisional settlement on 6<sup>th</sup> December.

### **New Homes Bonus**

21. 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 a change of scheme from 6 years to 4 years, with 2017/18 being a transitional year of a 5 year scheme. There were no further changes in 2018/19.
22. Consultation is being carried out for 2019/20 funding allocations. The consultation contains a specific question relating to an increase in the deadweight factor, this has the potential to adversely affect the level of grant we receive. We currently have no indication on the level of increase being considered for the dead weight factor or whether there will be any further revisions to the overall allocation of the grant.

### **Budget assumptions – 2019/20**

23. Detailed in the table below is an extract of the latest MTFs, which provides a summary of the 5 year position based on the latest information available. The MTFs will be updated following the Finance settlement due to be announced on the 6 December.
24. The Council's current budget is supported by a mix of internal and external income/funding streams and this will continue in 2019/20. The current funding streams the council receives are:
  - Business Rates Income
  - New Homes Bonus
  - Council Tax
  - Rural Services Delivery Grant
  - Service Generated Income through our schedule of 'fees and charges'
  - Investment Income
25. The budgets for 2019/20 have been based on the following assumptions and are subject to amendment following the Finance Settlement announcement in early December.
  - Council Tax increase – 2.99%, (Government have given LA's the option to increase up to 2.99% or £5, to increase by £5 would generate approx. £21,000 additional revenue)

- Income and expenditure has been inflated using September 18 inflation indices and salaries have been increased in line with incremental increases and the cost of living pay award
- Business Rates Retained Income – consistent with previous years collection/retention and will be updated should we be successful in becoming a Pilot area
- New Homes Bonus (NHB)
  - i. assumes dead weight factor will rise to 0.8%, (each increase/decrease of 0.1% in the deadweight factor equates to approx. £55,000 loss/gain of funding to the council)
  - ii. NHB has been based on a 4 year scheme

26. The MTFS presented for 2018/19 budget setting included a forecast saving requirement of £150,000 for both 2019/20 and 2020/21, over the year a programme of work has been actioned to support these saving targets. Corporate Management Team have been working closely with service managers and this is reflected in the budget monitoring reports which now incorporates a specific reporting item on savings achieved both one off and ongoing.

27. Budgets are currently being collated for 2019/20, this includes the evaluation of growth bids and saving options, the outcome of these will be reported in the final budgets presented to members in January 2019 and will potential impact on the figures provided in the table below.

	2018/19 £ '000	2019/20 £ '000	2020/21 £ '000	2021/22 £ '000	2022/23 £ '000	2023/24 £ '000
Gross Service Expenditure	37,573	37,053	36,357	35,409	33,285	29,692
Gross Service Income	(24,591)	(24,119)	(23,434)	(22,059)	(19,518)	(15,401)
Demand Growth		50	100	150	200	350
<b>Service Expenditure</b>	<b>12,982</b>	<b>12,984</b>	<b>13,023</b>	<b>13,500</b>	<b>13,967</b>	<b>14,641</b>
Capital Financing Costs	3,572	1,786	1,827	1,885	1,874	1,155
Pension Fund	85	85	535	535	535	535
Recharge to HRA/Corporate Core	(2,073)	(2,207)	(2,214)	(2,295)	(2,374)	(2,489)
Investment Income	(2,100)	(2,000)	(2,100)	(2,200)	(2,300)	(2,300)
Investment Cost	456	616	897	1,243	1,525	1,525
<b>Corporate Costs</b>	<b>(60)</b>	<b>(1,720)</b>	<b>(1,055)</b>	<b>(832)</b>	<b>(740)</b>	<b>(1,574)</b>
<b>Total Net Expenditure</b>	<b>12,921</b>	<b>11,263</b>	<b>11,969</b>	<b>12,669</b>	<b>13,227</b>	<b>13,067</b>
Business Rates Retention	(2,576)	(2,200)	(2,400)	(2,400)	(2,400)	(2,400)
Business Rates prior year Balance	534					
New Homes Bonus	(2,864)	(2,837)	(2,889)	(2,842)	(2,608)	(2,278)
Rural Services Grant	(225)	(225)				
Council Tax prior year Balance	(14)					
<b>Funding</b>	<b>(5,145)</b>	<b>(5,262)</b>	<b>(5,289)</b>	<b>(5,242)</b>	<b>(5,008)</b>	<b>(4,678)</b>
<b>Total Net Operating Costs</b>	<b>7,776</b>	<b>6,001</b>	<b>6,680</b>	<b>7,426</b>	<b>8,219</b>	<b>8,388</b>
Movement in Reserves	(1,995)	(475)	(250)	(100)	(100)	(200)
MTFS Reserve	(450)	450				
<b>Council Tax Requirement</b>	<b>5,331</b>	<b>5,976</b>	<b>6,430</b>	<b>7,326</b>	<b>8,119</b>	<b>8,188</b>
Council Tax Income	(5,331)	(5,597)	(5,827)	(6,071)	(6,309)	(6,531)
<b>(Surplus) / Deficit</b>		<b>380</b>	<b>603</b>	<b>1,255</b>	<b>1,810</b>	<b>1,657</b>

**Budget Consultation 2019/20**

28. The council carried out two consultations, one for Residents and one for Local Businesses on their views for the budget priorities for the 2019/20 financial year.

29. The full budget consultation reports are attached as follows:

- Residents – Appendix A
- Local Business – Appendix B

30. A multi directional approach was taken using the following methods:

- Paper questionnaire in Uttlesford Life
- Online via the Council website
- Telephone Survey
- A survey was included in the summer Citizens Panel questionnaire
- A link to the online survey was sent to all Businesses registered on the Uttlesford Business Directory
- A dedicated survey was sent to the Key Preceptors, Town and Parish Councils with an extended deadline to allow time to present the survey at their committees

31. A total of 2,448 responses were received from Residents and Businesses on Budget Priorities. The table below shows how this compares to responses received in 2017.

	<b>2018</b>	<b>2017</b>
Residents	2,422	1,779
Businesses	26	21

32. The responses showed a similar trend to the previous year’s priorities with the focus on emptying bins and keeping our district clean and tidy. Working with the Police and keeping Uttlesford safe has gone up in residents’ priorities and is now ranked as the second highest priority and this has also received a high number of literal comments.

33. The table below details the priorities in order of importance with comparative data for 2017.

	<b>Residents</b>		<b>Businesses</b>	
<b>Priority</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Highest	Emptying bins/running recycling service	Emptying your bins and running the recycling service	Planning district development, new housing and business locations	Emptying your bins and running the recycling service
Second	Working with the Police and other organisations to keep Uttlesford safe	Sweeping the streets, Litter picking, fly tipping and dog bins	Emptying bins/running recycling service	Emptying bins for some businesses (paid for service)
Third	Sweeping the streets, Litter picking, fly tipping and dog bins	Planning district development, new housing and business locations	Planning applications built to approved plans and follow building regs.	3 priorities received equal ranking.  1. Planning district development, new housing and business locations  2. Sweeping the streets, Litter picking, fly tipping and dog bins  3. Planning applications built to approved plans and follow building regs.
Lowest	Stray animals, microchipping pets and animal related complaints	Giving advice on work to listed buildings and work to protected trees	Exploring external commercial opportunities	Giving advice on work to listed buildings and work to protected trees

34. In addition to the Resident and Local Businesses, we also received 4 responses from Key Preceptors, this included Town and Parish Councils, their priorities are listed below in order of highest to lowest:

- I. Providing Council houses and sheltered housing for the elderly
- II. Emptying bins and recycling service
- III. Educating young people on the dangers of drugs and alcohol
- IV. Stray animals, microchipping pets and animal related complaints was the lowest priority

### Council Tax 2019/20

35. Residents were also asked whether the Uttlesford element of the council tax should be increased and the outcomes of these responses are detailed below and again a comparison to last year's responses has been included.

UDC Council Tax	2018	2017*
Increase	21.65%	N/A
Keep the same	62.42%	59.66%
Decrease	15.93%	N/A

*\*in 2017 this question was presented differently, 'Thinking about how you answered the previous questions (budget priorities), for next year (April 2018 to March 2019), do you think Uttlesford District Council should keep the Council Tax the same (consultees were then invited to select one option only)'*

36. The responses from the key preceptors, 3 said that the Uttlesford element of Council tax should be increased and 1 to keep it the same.

### Risk Analysis

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