

JOINT OVERVIEW & SCRUTINY COMMITTEE AND AUDIT & GOVERNANCE COMMITTEE

Thursday 8 February 2018

DRAFT GENERAL FUND BUDGET 2018/19 (REP1605)**EXECUTIVE SUMMARY**

1. The draft Medium Term Financial Strategy (MTFS) considered by Cabinet on 6 December 2017 and by the Joint Overview & Scrutiny and Audit & Governance Committee on 7 December 2017, provided a baseline forecast of income and expenditure and looked at the overall financial climate. It provides a framework within which the Council's overall spending plans will be developed.
2. The Government has announced proposals for Councils to retain all locally raised business rates by the end of the decade, and to end the distribution of core grant from central Government. These proposals have been subject to delay as a result of the General Election and the Local Government Finance Bill not being included in the legislative programme for this Parliament. However, the government continues to be committed to this change, and is continuing to develop key aspects of the new system. An example of this is outlined in the following paragraph.
3. The Government issued an invitation to local authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models. In total, 23 pilot bids were submitted, and in the provisional Settlement issued on 19 December 2017, ten new successful pilots were announced, including Suffolk, which will be launched in April 2018. Benefits of the pilot are yet to be finalised and the implication for Suffolk is currently under review and will be finalised shortly. However, the Suffolk bid is likely to be fully allocated to inclusive growth initiatives. Implications of the pilot have not been included in the MTFS presented in this report.
4. Overall, this period and the long-term Local Government financial picture continues to be characterised by an increased shift towards locally-generated resources, with an accompanying transfer of both risk and opportunity. This report sets out the assumptions made in identifying resources for the MTFS period.
5. The Council has signed up to a four year Local Government Finance Settlements for the period 2016/17 – 2019/20, covering the elements of Revenue Support Grant (RSG), Transitional Grant, and Rural Services Delivery Grant. To take advantage of this offer each authority needed to submit an Efficiency Plan. Although an updated Efficiency Plan does not need to be submitted to DCLG in respect of the four year LG Finance Settlement, it is an overarching document sitting between the East Suffolk Business Plan and the MTFS, and this report seeks approval of an updated Efficiency Plan.

6. Alongside the Provisional Local Government Finance Settlement received on 19 December 2017, the Government announced the allocations for New Homes Bonus (NHB) for 2018/19, £635k. The provisional settlement is based on the current methodology.
7. During the timescale of the updated MTFS presented in this report, the Council is progressing the potential creation of a new single council for East Suffolk. If progressed and approved by the Secretary of State, a new East Suffolk district council could be implemented with effect from 1 April 2019. At this stage the MTFS has been prepared on the basis that Waveney will continue to be a separate council over the medium term period, and no savings associated directly with the establishment of a single council have been included.
8. The updated MTFS forecast in this report highlights the difference between expenditure and sustainable resources. A balanced position for 2018/19 makes some use of the In-Year Savings Reserve which was set up in prior years to help fund future years' budget gaps. Reported budget gaps shown for 2019/20, 2020/21, and 2021/22 are £2.275m, £2.665m, and £2.589m, respectively.
9. Having regard to the financial risks surrounding the budget planning process the Council maintains the level of General Fund balances at around 3%-5% of its budgeted gross expenditure. At 1 April 2017 the uncommitted General Fund balance stood at £4.160m.
10. The MTFS appended to this report has been revised for updates including those resulting from the Chancellor's Autumn Statement; further developments in the Business Rates Retention proposals; the outcome of the NHB consultation; budget monitoring forecasts; and the provisional Local Government Finance Settlement.
11. At the end of the 2018/19 budget process, in February 2018, the Council is required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax. This report sets out proposals to achieve that objective and contribute towards a sustainable position going into the medium-term and the major changes to the Local Government finance environment.
12. This report gives an opportunity for the Overview & Scrutiny Committee and the Audit & Governance Committee to submit any comments to the Cabinet on the proposed 2018/19 Budget. The Committees are asked to consider and make recommendations to Full Council regarding the:
 - proposed Budget for 2018/19, and to note the position with regard to future years;
 - assessment of reserve and balance movements;
 - proposed Class C discount of 100% on empty and unfurnished properties is increased from the current policy of one week to two weeks and then apply full charge;
 - Council Tax Base for 2018/19 (for noting);
 - proposed Band D Council Tax for Waveney District Council of £162.27 for 2018/19, an increase of £4.86 or 3.09%.

Is the report Open or Exempt?	Open
Wards Affected:	All wards within the district
Cabinet Member:	Councillor Bruce Provan Cabinet Member for Resources
Supporting Officer:	Homira Javadi Chief Finance Officer (01394) 444529 Homira.Javadi@eastsoffolk.gov.uk

1 INTRODUCTION

- 1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council and is regularly updated as it evolves and develops throughout the year to form the framework for the Council's financial planning. To ensure Members have a sound basis for planning and decision making, the MTFS is reviewed and updated at key points in the year these are:
- Midyear – as a framework for initial detailed budget discussions for the forthcoming financial year;
 - January – an update to include additional information received at a national level and corporate issues identified through service planning, and the detailed budget build; and
 - February – with the final Budget for the new financial year.
- 1.2 The purpose of the MTFS is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Business Plan, over the medium term.
- 1.3 The Efficiency Plan is an overarching document sitting between the East Suffolk Business Plan and the MTFS. This report seeks approval of an updated Efficiency Plan, and approval of the draft MTFS, which will be subsequently updated during the course of the 2018/19 budget process.
- 1.4 This report updates the MTFS considered in November 2017, incorporating the outcome of the Provisional Local Government Finance Settlement in December 2017 and the Council's detailed budget process. The report also presents a number of other items linked to the budget process, including the statutory report of the Chief Finance Officer. The recommendations at the end of this report represent the Cabinet's proposals to full Council for setting the General Fund Budget and Council Tax for 2018/19.

2 EFFICIENCY PLAN AND MEDIUM TERM FINANCIAL STRATEGY

- 2.1 The Council's Efficiency Plan was originally approved in October 2016 for submission to the Secretary of State in respect of the four year settlement offer. An updated Efficiency Plan for the period 2018/19 to 2021/22 is attached as Appendix A, including some additional information on key projects. The same basic overarching Efficiency Plan has been produced for both Waveney and Suffolk Coastal, with the MTFS component being separate.
- 2.2 The updated MTFS is attached as Appendix B. This incorporates the Draft General Fund Budget and Council Tax proposals for 2018/19, reflecting the detailed budget process. At this stage, the MTFS does not reflect the financial implications of the creation of a new East Suffolk council, the pilot of 100% Business Rates Retention in 2018/19 and the possible implementation of 100% business rates retention by the Government in either 2019/20 or 2020/21. The MTFS includes a number of Appendices that form part of the Council's Budget, including the Council Tax Base, Summary Budgets by Portfolio, Reserves and Balances, and the Efficiency Strategy.
- 2.3 The table below outlines the updated MTFS Forecasts for 2017/18 to 2021/22. These forecasts have been updated in respect of the provision settlement, ongoing budget monitoring during the course of 2017/18, and the output of the detailed budget process.

From 2019/20 onwards, these forecasts represent a base MTFS position giving the underlying budget gap - the reported budget gaps below do not include incentivised external income due to the high degree of uncertainty.

MTFS Forecasts	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
February 2017	0	1,344	1,875	2003	
November 2017	387	369	2,384	2,545	2,433
January 2018	0	0	2,275	2,665	2,589

- 2.4 The proposed Capital Programme for 2018/19 to 2021/22 was considered by the Cabinet at its meeting on 17 January 2018, and by full Council on 24 January 2018.

3 BUSINESS RATES PILOT 2018/19

- 3.1 The Government issued an invitation to local authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models. These new pilots will run alongside the five current 100% pilots which have been in operation since 1 April 2017, and will help explore options, with local government, for the design of future local government finance reforms. The 2018/19 pilots are regarded as an opportunity by the DCLG to test more technical aspects of the 100% business rates retention system, such as tier-splits, providing the opportunity to evaluate how collaboration between local authorities works in practice. In total, 23 pilot bids were submitted.

- 3.2 In the provisional Finance Settlement, ten new successful pilots were announced which will be launched in April 2018, including Suffolk. The selection criteria for the pilots were essentially concerned with dynamics of the participating authorities and the ability to test aspects of the system.

- 3.3 Benefits of the pilot are yet to be finalised and the implication for Suffolk is currently under review and will be finalised shortly. However, the Suffolk bid is likely to be fully allocated to inclusive growth initiatives. Implications of the pilot have not been included in the MTFS presented in this report.

4 LOCALISED COUNCIL TAX REDUCTION SCHEME (LCTRS) AND COUNCIL TAX DISCOUNTS

- 4.1 The consideration of an annual review and potential proposed changes to the LCTRS scheme is a statutory requirement under the Local Government Finance Act 2012 which brought in the provisions for localisation of council tax support in April 2013. Where it is determined to retain the existing scheme this must be decided by 28 February of the preceding year – the budget setting process provides for such a determination.

- 4.2 Where Councils seek to amend their scheme it will be necessary to consult Preceptors and stakeholders prior to a public consultation in order to inform final scheme design by 31 January of the preceding year.

- 4.3 Since 2013/14 the Council has retained the same scheme, determining annually not to change the scheme. The Council went out to consultation with all stakeholders, followed by a public consultation which closed on 28 November 2017.

- 4.4 The respond to the consultation was considered by Cabinet at its meeting on 17 January 2018, and by Full Council on 24 January 2018. The recommendations to Council on 24 January were as follows;
- the Local Council Tax Reduction Scheme remain paying maximum benefit of 91.5% for working age claimants, leaving 8.5% to be paid by the individual(s);
 - benefit rates, known as applicable amounts, be updated to 2015 rates; and
 - the Local Council Tax Reduction Scheme be harmonised with the DWP Welfare Reforms introduced in the Prescribed Scheme for Pensioners and Housing Benefit, and
 - that links to the award of Universal Credit are introduced for entitlement to the Council's Local Council Tax Reduction Scheme, removing the requirement for a separate application to be made.
- 4.5 In addition to LCTRS, the Council has the discretion to set their own policy on Council Tax Discounts. The current Council Tax Discounts policy is as follows:
- Class A discount (empty unfurnished properties undergoing major repairs or structural alterations) – 25% discounts for 12 months;
 - Class C discount (empty unfurnished properties) – 100% discount for one week and then apply a full charge;
 - Second homes – 100% charge; and
 - Long term empty properties – 100% charge for properties empty for more than six months and then 150% charge for properties empty for more than two years.
- 4.6 The Council has the opportunity to increase council tax income through adjusting the discounts granted on Class A and Class C properties.
- 4.7 The current cost of awarding Class A discounts of 25% for 12 months on uninhabitable properties is approximately £26k of which the District Council's share of the cost is approximately £2.6k. If the discount was reduced by 10% to 15% for 12 months, the additional council tax income would be approximately £10k more during the financial year, of which the District Council's share would be approximately £1k. It is proposed that the current discount of 25% for 12 months is retained as the financial gain for the Council is minimal, while at the same time causing landlords additional cost which does not support bringing homes back into use.
- 4.8 Options available for Class C discounts on empty and unfurnished properties are:
- Retain the current policy of 100% discount for one week and then apply full charge (estimated cost of the discount is £65k of which the District Council's share of the cost is £6.5k);
 - Increase the period of discount from one week to two weeks and then apply full charge (estimated cost of the discount is £117k of which the District Council's share of the cost is £11.7k, resulting in an estimated additional £52k of lost council tax income of which the District Council share is £5.2k); or
 - Remove the period of discount completely and apply full charge (there is no cost associated to this option and results in an estimated £65k of additional council tax income of which the District Council receives £6.5k).

- 4.9 It is proposed that the current discount of 100% discount for one week is increased to two weeks and then apply full charge. The reasoning for this is to:
- reduce the workload on ARP staff and free up capacity which will mitigate the small loss of council tax income and this has been seen at Suffolk Coastal District Council who have operate a two week 100% discount for the last two years;
 - align both Suffolk Coastal and Waveney District Council’s policy on discounts in advance of the new Council being created; and
 - avoid causing landlords additional cost which does not support bringing homes back into use.

5 RISK ASSESSMENT AND REPORT OF THE CHIEF FINANCIAL OFFICER

- 5.1 Part of the process of delivering a robust medium term strategy to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. MTFS key principles and a risk analysis together with mitigating actions are provided in Appendix B1 of the MTFS.
- 5.2 Section 25 of the Local Government Act 2003 places a personal duty on an authority’s “Chief Financial Officer” to make a report to Council about the robustness of the estimates made for the purposes of the council tax calculations and the adequacy of financial reserves and balances. The Act also requires the Council to have regard to the report before it makes its budget and council tax decisions.
- 5.3 In relation to the statutory duty under the Act, the Chief Financial Officer considers that the estimates are robust, the General Fund Balance is within the guideline levels established as part of the Medium Term Financial Strategy and the contributions to and use of earmarked reserves will assist the Council to deliver its required changes in this period of uncertainty.
- 5.4 The Chief Finance Officer will make this statement to Full Council when it considers the budget for 2018/19 on 21 February 2018. The statement will clearly set out the budget assumptions used to arrive at the final recommendations.

6 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN

- 6.1 The Efficiency Plan and MTFS sit beneath the East Suffolk Business Plan in both councils’ hierarchy of plans and strategies, and are effectively the mechanism by which the key Business Plan objective of Financial Self-Sufficiency will be delivered over the medium term. The 2018/19 General Fund Budget is a key part of the Council’s Budget and policy framework, representing delivery of the MTFS over the coming year.

7 FINANCE AND GOVERNANCE IMPLICATIONS

- 7.1 All Finance and Governance implications are contained within the Efficiency Plan and MTFS documents themselves.

8 OTHER KEY ISSUES

- 8.1 This report has been prepared having taken into account the results of an Equality Impact Assessment.

9 CONSULTATION

- 9.1 The Council will consult on its strategy and detailed financial plans for the coming year with staff, residents, partners, and business through a variety of methods including e-consultation and forums. The Joint Overview & Scrutiny and Audit & Governance Committee considered the draft MTFS at its meeting on 7 December 2017.

10 OTHER OPTIONS CONSIDERED

- 10.1 MTFS and General Fund Budget – The MTFS is an essential element in achieving a balanced budget and sustainable medium term position, whilst setting a balanced budget for the coming year is a statutory requirement. Consequently, no other options are appropriate in respect of this.
- 10.2 Efficiency Plan – The Council could have chosen not to submit an Efficiency Plan in order to take advantage of the Secretary of State’s four-year finance settlement offer. However, it was clear from the offer that if the offer was not to be accepted then future levels of Government funding could not be guaranteed, so this option was not considered to be appropriate.

11 REASONS FOR RECOMMENDATION

- 11.1 To bring together all the relevant information to enable Members to review, consider and comment upon the Council’s General Fund revenue budgets before making recommendations to Council on 21 February 2018.
- 11.2 To seek wider Member consideration of the forward budgets beyond 2018/19, and Council Tax proposals in this report to balance the budget for 2018/19 and future years.

RECOMMENDATIONS

To recommend that Cabinet and Full Council:

1. Approves the General Fund Revenue Budget as set out in this report and summarised in Appendix B6, and notes the budget forecast for 2019/20 and beyond;
2. Approves the Reserves and Balances movements as presented in Appendix B7;
3. Approves the Efficiency Strategy attached as Appendix B8;
4. Approves that the current Class C discount of 100% on empty and unfurnished properties is increased from one week to two weeks and then apply full charge;
5. Notes the Council Tax Base of 36,193.92 for 2018/19; and
6. Approves a Band D Council Tax for 2018/19 of £162.27.

APPENDICES	
Appendix A	Efficiency Plan 2017/18 - 2021/22
Appendix B	Medium Term Financial Strategy 2017/18 – 2021/22
Appendix B1	Medium Term Financial Strategy – Key Principles

Appendix B2	Council Tax Base 2018/19
Appendix B3	Medium Term Financial Strategy – Key Budget Movements
Appendix B4	Key Budget Movements – 2017/18 Original Budget to the 2017/18 Revised Budget
Appendix B5	Key Budget Movements – 2017/18 Original Budget to the 2018/19 Budget
Appendix B6	General Fund Revenue Budget Summary by Portfolio
Appendix B7	General and Earmarked Reserves 2017/18 to 2021/22
Appendix B8	Efficiency Strategy 2016/17 to 2021/22

BACKGROUND PAPERS

Please note that copies of background papers have not been published on the Council's website but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.

Date	Type	Available From
January 2018	Equality Impact Assessment	Chief Finance Officer