

18 October 2017

CABINET – 30 OCTOBER 2017

A meeting of Cabinet will be held at 5.30pm on Monday 30 October 2017 in the Council Chamber, Town Hall, Rugby.

Adam Norburn
Executive Director

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meeting held on 4 October 2017.

2. Apologies.

To receive apologies for absence from the meeting.

3. Declarations of Interest.

To receive declarations of –

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors;
and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

Note: Members are reminded that they should declare the existence and nature of their interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a prejudicial interest, the Member must withdraw from the room unless one of the exceptions applies.

Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.

4. Question Time.

Notice of questions from the public should be delivered in writing, by fax or e-mail to the Executive Director at least three clear working days prior to the meeting (no later than Tuesday 24 October 2017).

Growth and Investment Portfolio

Nothing to report to this meeting.

Corporate Resources Portfolio

5. Draft General Fund Revenue and Capital Budgets 2018/19 and Medium Term Financial Plan 2018/21.
6. Discretionary Revaluation Support for Ratepayers.
7. Invitation to Local Authorities in England to Pilot 100% Business rates Retention in 2018/19.

Communities and Homes Portfolio

8. One-off Community grants 2018/19.

Environment and Public Realm Portfolio

Nothing to report to this meeting.

The following item contains reports which are to be considered en bloc subject to any Portfolio Holder requesting discussion of an individual report

Nothing to report to this meeting.

PART 2 – EXEMPT INFORMATION

There is no business involving exempt information to be transacted.

Any additional papers for this meeting can be accessed via the website.

The Reports of Officers (Ref. CAB 2017/18 – 5) are attached.

Membership of Cabinet:

Councillors Stokes (Chairman), Mrs Crane, Mrs Parker, Ms Robbins and Mrs Timms.

CALL- IN PROCEDURES

Publication of the decisions made at this meeting will normally be within three working days of the decision. Each decision will come into force at the expiry of five working days after its publication. This does not apply to decisions made to take immediate effect. Call-in procedures are set out in detail in Standing Order 15 of Part 3c of the Constitution.

If you have any general queries with regard to this agenda please contact Claire Waleczek, Senior Democratic Services Officer (01788 533524 or e-mail claire.waleczek@rugby.gov.uk). Any specific queries concerning reports should be directed to the listed contact officer.

If you wish to attend the meeting and have any special requirements for access please contact the Democratic Services Officer named above.

Agenda No 5

AGENDA MANAGEMENT SHEET

Report Title:	Draft General Fund Revenue & Capital Budget 2018/19 and Medium Term Financial Plan 2018-22
Name of Committee:	Cabinet
Date:	30 th October 2017
Report Director:	Head of Corporate Resources & Chief Financial Officer
Portfolio	All Portfolios
Ward Relevance	All Wards
Prior Consultation	None
Contact Officer	Mannie Ketley - Head of Corporate Resources & Chief Financial Officer
Report Subject to Call-in	Yes
Report En-Bloc	No
Forward Plan	Yes
Corporate Priorities	This report relates to the following priority(ies): All Council Priorities
Risk Management Implications	The Council has a statutory duty to set an annual General Fund Revenue budget that will enable it to determine the level of council tax.
Financial Implications	As detailed in the main report.
Environmental Implications	There are no environmental implications arising from this report.
Legal Implications	There are no legal implications arising from this report.

Equality and Diversity

There are no Equality and Diversity implications arising from this report. It may be necessary later on in the budget process to carry out Equality Impact Assessments of the implications of any service changes.

Recommendation

- (1) The initial draft General Fund Revenue and Capital Budget position for 2018/19 be considered alongside the Council's 2018-22 Medium Term Financial Plan;
- (2) Cabinet considers the key decisions identified to date and identifies other policy or service changes required for consideration to deliver a balanced budget for 2018/19;
- (3) A detailed scheme by scheme review be carried out of the items in the Capital Programme in order to rationalise the overall programme in terms of affordability and sustainability; and
- (4) The response to The 2018-19 Local Government Finance Settlement Technical Consultation Paper be noted.

Reasons for Recommendation

This initial overview of the Council's General Fund revenue and capital budgets needs to be considered by Cabinet as part of the budget setting process and to ensure its affordability and contribution to the Council's ambition to achieve self-sufficiency by 2020.

The report includes proposals for savings and income generation which require consideration for inclusion in the 2018/19 draft budgets and also the medium term.

Cabinet – 30th October 2017

Draft General Fund Revenue & Capital Budget 2018/19 and Medium Term Financial Plan 2018-21

Report of the Head of Corporate Resources & Chief Financial Officer

Recommendation

- (1) The initial draft General Fund Revenue and Capital Budget position for 2018/19 be considered alongside the Council's 2018-21 Medium Term Financial Plan;
- (2) Cabinet considers the key decisions identified to date and identifies other policy or service changes required for consideration to deliver a balanced budget for 2018/19;
- (3) a detailed scheme by scheme review be carried out of the items in the Capital Programme in order to rationalise the overall programme in terms of affordability and sustainability; and
- (4) the response to The 2018-19 Local Government Finance Settlement Technical Consultation Paper be noted.

1. Introduction

This is the first 2018/19 General Fund budget setting report from the Head of Corporate Resources in her capacity as the Council's Chief Financial Officer.

The primary purpose of this report is to present a summary draft General Fund revenue position (see section 3) and a capital position (see section 5) for 2018/19 based on these initial budget submissions, plus a Medium Term Financial Plan (MTFP) (see section 6). The report also provides an update on the progress to date in addressing the budget gap that was identified in February 2017 (see section 2) and also update on changes to the local government finance system (see section 4).

Cabinet will further consider more detailed updates on the draft revenue and capital General Fund budgets right through to final budget setting and council tax determination at Full Council on 27th February 2018.

The process to set Housing Revenue Account (HRA) budgets, Council House Rents and the Housing Capital Programme is subject to a different timetable. An updated HRA Medium Term Financial Plan will be presented to Cabinet in December 2017 when details of government policy affecting rents in 2018/19 have been established. A special meeting of Council on the 6th February 2018 will approve HRA budgets and Council House Rents for 2018/19.

This report includes eight appendices;

- **Appendix 1** is a summary position for 2018/19 detailing the various changes made to the 2017/18 original budget.
- **Appendix 2** identifies by service the proposed growth items for 2018/19. This appendix also shows whether corresponding income or savings (Appendices 3 or 4) have been identified to offset the growth.
- **Appendix 3** identifies by service the proposed income increases (-) or shortfalls (+) for 2018/19.
- **Appendix 4** identifies by service the proposed savings items for 2018/19. The appendix also shows where savings have been used to offset proposed growth (Appendix 2) and details are provided.
- **Appendix 5** identifies the draft capital programme for 2018/19 onwards based on scheme proposals from budget officers, along with proposed funding splits, revenue implications, and a projection for capital receipts usage.
- **Appendix 6** shows an initial Medium Term Financial Plan for 2018-22.
- **Appendix 7** shows a risk assessment of General Fund balances.
- **Appendix 8** The 2018-19 Local Government Finance Settlement Technical Consultation Paper.
- **Appendix 9** is the Council's response to the Technical Consultation Paper at Appendix 8.

2. Progress Since 2017/18 Budget Setting

2.1. Overview and Context

The Council is committed to achieving financial self-sufficiency and recognises that whilst the Council has responded successfully to the challenge so far, the Council will have to continue to adapt and alter its operations over the medium term in order to meet its objective of becoming financially self-sufficient by 2020. To ensure the achievement of this objective the Council has taken a pro-active approach and has already begun to take decisive action.

The table below sets out the key initiatives that have already been delivered and the on-going savings or additional income that has already been recognised.

Item	Savings / Additional Income £'000
Senior Management restructure	200
Savings from nine voluntary redundancies	220
Disestablishment of vacant posts in 2017/18	100
Additional income generated from the introduction of a chargeable garden waste service.	400
Estimated income from charging for entry to the Hall of Fame	160
Additional council tax raised by levying a £5 increase in the Band D compared to a 2% increase in 2017/18	50
Total	1,130

Further to this, the following items are also already incorporated into the Council's budgets in future years.

Item	Savings / Additional Income £'000
Digitalisation – anticipated savings	200
Commercialisation – income generation and alternative delivery models	200
Additional voluntary redundancies	100
Anticipated further income from garden waste	400
Total	900

As can be seen from the tables above, as a result of the recent transformation programmes, savings and additional income in the region of **£2.1 million** have already been recognised in the Council's existing and future budgets.

At the end of the 2017/18 budget setting cycle a 2017-20 Medium Term Financial Plan was presented to Council at its meeting in February 2017. The table below presents a summary of this MTFP, from which it can be seen that whilst a balanced budget was delivered for 2017/18 significant budget gaps remained within the later years of the MTFP.

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Budget Variance	0	473	601

Since February some of the key budget assumptions and circumstances underpinning the budget have changed. The table below sets out these changes and the resulting movement in the draft 2018/19 budget variance.

	£'000	£'000
Opening 2018/19 Budget Variance		473
SAVINGS AND INCOME		
Additional Green Waste Income – the initial estimate for 2018/19 was £700k, however income of £875k is now forecast due to higher take-up	-175	
Waste Service Configuration - It is proposed that following the deployment of the route optimiser project the Garden Waste Service be reconfigured, with a reduction from five to three rounds.	-168	
WSU Salary Savings – savings realised due to a service restructure	-262	
Sub-total		-605
ADDITIONAL GROWTH		
Anticipated 2% pay-award – following other recent pay settlements agreed across the public sector, a 2% award for local government is now considered a possibility. The previous MTFP had assumed a 1% increase.	+138	
Remodelling of pay scales – national consultation is currently underway on the options to incorporate the Foundation Living Wage into the pay-scales alongside a harmonisation of the differentials on the scale-points. Additional costs would be borne by the Council should the preferred option be adopted.	+130	
Hall of Fame income adjustment – current forecasts for 2017/18 project a £100k short-fall in ticketing income for the Hall of Fame. 2018/19 draft budgets have been adjusted to reflect this position.	+100	
Collection Fund – the actual surplus on the 2016/17 Collection Fund was less favourable than anticipated in January 2017. This shortfall forms the starting position for the 2018/19 Collection Fund estimate.	+172	
Other items	+17	
Sub-total		+557
Draft 2018/19 Budget Variance		425

The table shows that whilst the Council has benefited from better take-up of the Garden Waste Service and positive progress has been made in transforming the refuse service, that these gains had largely been offset by a short-fall in income from the Hall of Fame, a higher than previously anticipated pay-award and a proposed remodelling of the pay-scales. Therefore, the draft budget position for 2018/19 remains in a broadly similar position to that projected within the February MTFP.

Despite this positive progress in transforming the organisation and its finances, from a funding perspective the landscape for the local government sector remains challenging. Although some of the uncertainty surrounding the future of NHB has been resolved, crucially there continues to be substantial uncertainty surrounding the shape of the 100% retained business rates.

Prior to the announcement of the General Election, the Government had set out to implement 100% Business Rates scheme by 2020/21, however it is unclear if this timetable may shift under a newly formed government. However, the main risk the Council faces in relation to business rates is the potential for a full reset of the system, resulting in a redistribution of the growth generated since 2013/14 across authorities nationally. This approach could mean that Rugby Borough Council would not be able to retain the £2m growth generated since 2013/14. The loss of £2m in our base budget would be extremely challenging for the Council.

The Council has responded to the Technical Consultation Paper for The 2018-19 Local Government Finance Settlement (Appendix 8 & 9) and will continue to argue in further consultations that authorities that have taken a proactive approach to generate growth in their local economies should be sufficiently rewarded by the system.

As part of the Final 2017/18 Local Government Finance Settlement district councils were, again, permitted to increase the average Band D council tax by £5. This was the second year that Rugby applied the £5 increase, following a 6-year tax freeze for residents. The consultation paper has indicated that the £5 increase will, again, be permitted to be applied and should Members agree to this increase, an additional £51,000 income would be achieved, in comparison to a 2% increase. This amount is included as part of the key decisions in section 3.2.

Further details on the development of specific aspects of the local government finance system are presented later in the report.

3. 2018/19 Draft Portfolio and Corporate Revenue Budgets

3.1. Overview

The table below shows an overview of the draft revenue budget for 2018/19. Further details are provided in Appendix 1.

Draft General Fund Revenue Summary 2018/19	2017/18 Revised Budget £	Budget Adjustments £	Salaries and Inflation £	2018/19 Draft Budget £
EXPENDITURE:				
Committed Expenditure:				
Growth and Investment	3,283,030	-41,290	+93,350	3,335,090
Corporate Resources	1,523,900	+227,030	+169,380	1,920,310
Environment and Public Realm	7,624,040	-1,056,560	+255,420	6,822,900
Communities and Homes	1,070,670	+67,900	+122,210	1,260,780
Executive Director	1,897,250	+95,450	+11,390	2,004,090
Key Decisions		-186,000		-186,000
Digitalisation Savings		-160,000	0	-160,000
Internal Recharges		-21,000		-21,000
Total Portfolio & Corporate Budgets	15,398,890	-1,074,470	651,750	14,976,170
Less Capital Charge Adjustment	-2,391,670	0	0	-2,391,670
Less Corporate Savings Target	-200,000	0	0	-200,000
Less Pension (IAS 19) Adjustment	-309,330	+15,040	0	-294,290
Net Portfolio & Corporate Budgets	12,497,890	-1,059,430	651,750	12,090,210
Net Cost of Borrowing	627,610	-44,000	0	583,610
Revenue Contribution to Capital Outlay	87,500	0	0	87,500
Contribution to Balances	0	0	0	
Contribution to Reserves	264,160	-264,160	0	0
Minimum Revenue Provision (MRP)	1,475,550	+130,000	0	1,605,550
Parish Council Precepts	731,090	+20,000	0	751,090
TOTAL EXPENDITURE	15,683,800	-1,217,590	651,750	15,117,960
INCOME:				
Revenue Support Grant	-510,930	+358,250	0	-152,680
Retained Business Rates (Net of Tariff)	-4,495,690	-474,310	0	-4,970,000
New Homes Bonus Funding	-2,671,540	+559,190	0	-2,112,350
Government Grants	-375,350	+78,350	0	-297,000
Council Tax	-7,062,870	-271,130	0	-7,334,000
Collection Fund Surplus(-)/Deficit	-355,900	+528,790	0	172,890
Contribution from Reserves	-120,000	+120,000	0	0
TOTAL INCOME	-15,592,280	899,140	0	-14,693,140
VARIANCE ON 2017/18 BUDGET (see Appendix 1)	91,520	-318,450	651,750	424,820

The current draft general fund revenue budget shows a deficit of £424,820 2018/19.

3.2. Key Decisions

As shown above the 2018/19 draft budget currently presents a shortfall of £424,820, however this position includes estimated financial implications that relate to a number of key financial decisions that Members will need to consider in order to work towards a balanced budget.

The table below shows that the aggregate of these estimates total **£186,000** and should these policy changes not be approved then alternative savings will need to be identified in their place.

Key Decision / Policy Change	£'000
Savings from voluntary redundancies	-100
Additional council tax raised by levying a £5 increase in the Band D compared to a 2% increase	-51
Increase in council tax from changes in policy on empty properties	-35
Total	-186

Further options to address the overall shortfall will be presented to Members for their consideration throughout the budget setting process.

The following section sets out some of the other significant items that are reflected in the 2018/19 draft budget.

3.3. Other Significant Items

- Continuation of the **£150,000** budget on annual basis for the re-assignment of the out of town retail business rates for the benefit of the town centre.
- The removal of the **£200,000** in the 2017/18 allocation for the development of the Local Plan.
- A **£100,000** decrease in ticket income for the Hall of Fame
- An approximate **£608,000** increase resulting from the anticipated 2% pay award, remodelling of pay scales, staff progression through pay scales and an increase in employer pension contributions.
- An increase of **£475,000** income from the Garden Waste Services
- A saving of **£168,000** from a reconfiguration of the collection rounds for the Garden Waste Service.
- An **£80,000** reduction in the management fee received from the leisure centre operator as a result of the planned five-yearly equipment replacement programme.
- Government has enabled local councils to apply a 20% increase in Planning Fees, with the stipulation that this income is reinvested in the service. As such, any increased income that would be generated from the revised fees would actually see a net nil effect.

Following the disestablishment of the client/contractor split with the Work Services Unit, the related WSU budgets have been incorporated into the main client budgets. As such, the salary growth figures in Appendix 1 and the MTFP now also includes the WSU operatives and officers.

3.4. Fees and Charges Review

During 2018/19, a review of fees and charges is being conducted alongside the annual budget process. The process is designed such that at stage one service managers identify the charging approach that is most appropriate for the service and this is subsequently followed by critical challenge of the proposed charge by Financial Services at the second stage of the review. All services are now subject to this review, regardless of whether they currently impose a fee or charge, to ensure that the correct classification of each service is correctly reported.

The purpose of these reviews is to ensure a continuous rigorous and critical approach to the setting of fees and charges and to achieve optimisation of service income. The outputs of the reviews should deliver:

- Making changes to existing fees and charges, where appropriate;
- Introducing new fees/charges, where appropriate; and
- Better understanding the value of the services currently provided.

This process is now underway and the outcomes will be reported in subsequent budget setting reports to Cabinet.

4. Update on Local Government Finance System

4.1. Overview

This section expands on some of the current issues, which were out-lined earlier in the report, that affect the on-going development of the local government finance system.

4.2. Business Rates

Following the General Election in June, the uncertainty on the future of the business rate retention scheme increased in further. Officials said that the plans for 100% rate retention were being placed on hold, but that options for proceeding without primary legislation were being reviewed. Ministers may propose options that fall short of the full implementation of 100% retention whilst continuing with the same direction of travel. One example might be to increase retention rates to somewhere between 50% and 100% to fund the transfer of specific funding streams (e.g. Public Health Grant). Another might be that retention rates are increased to 100% in some areas but not others.

However, the main financial risk the Council faces is not when or whether 100% business rates system is implemented, but an impending reset of the current system. Resetting the system would broadly return councils' business rates income to the 2013/14 levels, the point at which the retained rates system was introduced.

Rugby Borough Council is a pro-growth authority and has taken a proactive approach to generate growth in the local economy. Therefore, being significantly above our business rates baseline level, the likelihood of a baseline reset in 2020/2021 remains the factor with the potential to have the largest financial impact on the Council. Earlier this year, the Government consulted on a partial reset but we have since been advised that the Government are actively considering a full 100% baseline reset in 2020/21.

Officers have taken advice from the CIPFA Funding Advisory Service in order to model what a partial or full reset would look like in 2020/21.

The table below shows the indicative findings of the potential scenarios.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
1. No change, continuing 50% retention & no reset	4.970	5.100	5.790	5.900
2. Continuing 50% retention with partial 50% reset	4.970	5.100	4.230	4.300
3. Continuing 50% retention with full 100% reset	4.970	5.100	2.660	2.700
4. Introduction of 100% retention with partial 50% reset	4.970	5.100	4.230	4.370
5. Introduction of 100% retention with full 100% reset	4.970	5.100	2.660	2.760

The table shows that under the existing system, as shown under scenario 1, the Council's business rates income would reach almost £6million by 2021/21.

However, in 2020/21 at the point of reset, business rates baselines will be recalculated. Scenarios 3 and 5 show the impact of a full reset, with all the growth generated since 2013/14 being lost resulting in a **£2.3m** reduction in the Council's business rates income.

Under a partial reset, as shown under scenarios 2 and 4, only a proportion of the growth generated since 2013/14 would be lost and therefore the loss of income at **£750k** is less severe. It can be seen therefore that the level of reset, either full or partial, has a more significant impact on the Council's finances that whether the 100% business rates system is implemented.

Due to the high level of uncertainty around the timing of 100% retention and a potential baseline reset, dual MTFP forecasts have been produced for 2020/21 and 2021/22 based both on scenarios 2 and 3, with rates income continuing with a 50% retention scheme but varied on either a partial or full baseline reset in 2020/21.

The driving factor behind the proposed 100% baseline reset is to provide sufficient resources to fund the Government's 'Fair Funding Review'. The Government's Fair Funding Review Consultation Paper dated July 2016 sets out that the Government will conduct a thorough review of what the needs assessment formula should be in a world in which local government spending is funded by local resources not central grant. We will not know the design of this system until the outcome of the review, but it is anticipated the review indicate the need to shift resources towards authorities with adult social care responsibilities. The implementation of a full baseline reset would present the opportunity to re-allocate sufficient resources on national scale to meet the expected outcomes of the Fair Funding Review.

The Council has responded firmly on our view that growth should be retained by the authority for longer than the reset period. If 100% of growth was reset at the end of each reset period, there would be no incentive to invest in growth for an authority because the maximum benefit would be for 5 years, and in practice would be for less than this (e.g. if a new building only came onto the rating list at the end of the reset period). Therefore, by only allowing authorities to retain growth for a restricted period limits the incentive and potentially the resources required to allow authorities to finance material sums locally to promote growth.

Whatever method is used to arrive at new formulae, it is hoped that Councils are given time to adjust to changes in their level of funding, through the use of damping mechanisms to ensure no local authority would see their funding increase or fall by more than a set amount each year. **Until this is confirmed we have presented the financial outcome of a reset without any such protection.**

Further to this, the Government issued a consultation paper in September 2017 on the proposals for the 2018-19 Local Government Finance Settlement. The consultation paper and response is attached as Appendix 8 & 9. Once the settlement is announced, our forecasts will be updated, in addition to changes that will continue to be made throughout the budget setting process as estimates for growth in the business rates base are refined.

The Government has also launched a prospectus that invites local authorities to submit proposals to pilot 100% business rates retention in 2018-2019. 100% pilots will retain all locally-collected business rates and will receive additional responsibilities in return. The DCLG is looking for a wide spread of different types of pilot. There will be particular focus on applications from rural areas and from two-tier areas. This is likely to be a competitive process, with applications measured against a set of criteria. Officers are working closely alongside other Warwickshire councils to model what a 100% Business Rates Pool Pilot may look like. This will be fed into future budget setting reports over the coming months. There is a separate report on the Agenda on our participation in the Warwickshire Pool submission to pilot 100% retention of business rates.

4.3. New Homes Bonus

In 2015-16 the Government consulted on a number of possible reforms to the Bonus to sharpen the incentive for housebuilding and provide £800m for Adult Social Care. The outcome of the consultation was announced alongside the provisional local government finance settlement 2017-18. The Government decided to:

- Reduce the number of years for which legacy payments are made from 6 years to 5 years in 2017-18 and then to 4 years from 2018-19 and
- Set a national baseline for housing growth to sharpen the incentive for councils to deliver more new homes.

As a result of these changes the Council's anticipated NHB allocation for 2018/19 is £2.1m, which is **£1.1m lower** than the £3.2m that would have been received under the previous scheme design.

As New Homes Bonus calculations are based on additional housing stock reported through the council tax base, decisions on the baseline for 2018-19 will be made following a review of the data when it is published in November. Confirmation of the baseline to be used for 2018-19 allocations will be made at the time of the provisional settlement. Any funding intended for New Homes Bonus payments that is not used for this purpose will be returned to local government.

The New Homes Bonus forecasts in the draft 2018-22 MTFP included within this report are based on the estimated housing supply per the Housing Trajectory in our Local Plan. Once council tax base figures are available then further updates will be fed into future budget setting reports over the coming months.

4.4. Revenue Support Grant and other Core Grants

As reported throughout the 2017/18 budget setting process the Council is still expecting significant reductions in Revenue Support Grant (RSG) and other core grants.

The 2016-17 settlement announced the opportunity for councils to accept a multi-year settlement offer covering the period 2016-2020, which covers the forthcoming 2018/19 year. However, for Rugby, the allocated guaranteed funding only includes Revenue Support Grant of £153,000, a reduction of £358,000 from 2016/17. 2018/19 also sees the removal of the Transition Grant for all authorities, effectively a reduction of £47,000 for Rugby Borough Council.

Furthermore, from 2019/20 the Council will have to be paying central government 'negative RSG', with payments totalling £250,000 in 2019/20 and £100,000 in 2020/21.

5. Draft Portfolio Capital Budgets

Appendix 5 shows the draft position for the 2018/19 capital programme and onwards. As can be seen, the total capital programme proposed for 2018/19 (including proposed carry-forward budgets from previous years) is **£1.9m**. Excluding grants and other contributions, this leaves a net **£1.3m** of expenditure to be financed in 2018/19.

Forecast General Fund capital receipts are £3.134m at the beginning of financial year 2018/19. As noted in previous years it is not considered prudent to allow overall General Fund capital receipts to be depleted, as this will subject the Council to interest rate risks in future years and in emergency situations. In other words, it maintains the stability currently provided by retaining a reasonable level of capital receipts as any future borrowing would have to be undertaken at the interest rates available in the market at the time. A revised Asset Management Strategy, incorporating future plans for the Council's General Fund asset portfolio, will be presented to members for adoption in 2017/18.

The additional revenue financing implications of this first draft programme for 2018/19 to 2020/21 upon future years are as follows:

	2019/20 £'000	2020/21 £'000
Additional Minimum Revenue Provision (MRP)	135	121
Additional Interest Costs	31	31
Total	166	152
Cumulative Effect		318

In light of these revenue financing implications, it is important to give consideration to the scale of the Council's capital programme for future years and also to the re-introduction of General Fund revenue contributions towards the financing of capital schemes. **Therefore, it is recommended that a more detailed examination of the capital schemes is undertaken in order to arrive at a capital programme which is affordable and sustainable.** The results of that review and amendments to capital cost estimates will be included within future budget preparation reports to Cabinet.

For the 2018/19 draft General Fund revenue budget there is an approximate £130,000 increase in MRP resulting from the additional borrowing undertaken to finance the 2017/18 capital programme as approved by Council in February this year.

6. Medium Term Financial Plan 2018-2022

Appendix 6 shows a forecast position for the next 4 financial years. This shows a budget deficit of **£425k** for 2018/19, a deficit of **£1.115m** in 2019/20. There are two scenarios presented representing scenario 2 and 3 of the different Business Rates models as shown in section 4.

Scenario 2 shows the possible financial implications if a partial reset of business rates system is implemented, resulting in deficits of **£1.8m** and **£879k** in 2020/21 and 2021/22 respectively. Scenario 3 shows the potential impact of a full reset of the business system, which could result in substantial deficits of **£3.4m** and **£2.5m** in 2020/21 and 2021/22 respectively.

As with the draft 2018/19 budget the MTFP 2018-22 is also includes a number of key decisions that members will need to consider. The impacts of these key decisions in the MTFP are;

- Increase in Council Tax from changes in policy on empty properties generating an additional **£35,000**
- £5 increases in average band D council tax, generating additional income of **£51,000** in 2018/19 and generating an additional £205,000 by 2021/22 compared to three years of increases at 2%
- Anticipated financial savings from voluntary redundancies in 2017/18 of **£100,000**.
- Increasing the garden waste charge by £10 from 2020/21, providing an additional **£225,000** per annum.

Other major assumptions within the MTFP:

- NHB and Business Rates growth based on planned growth as informed by Economic Development officers.
- On-going reductions in core funding (Revenue Support Grant) from Central Government from **£153,000** in 2018/19 to nil by 2019/20 as set out in the four-year funding settlement.
- 'Negative RSG' payments being required to be made by the Council to government from 2019/20 onwards
- Assumed Digitalisation efficiencies of **£160,000** in 2018/19, in addition to the £40,000 already achieved in 2017/18.
- Prudent estimates of **£200,000** from commercialisation in 2019/20.

- Salary budgets amended to reflect 2% pay awards across the MTFP.
- An on-going annual corporate savings target of £200,000, this is deemed to be a prudent allocation because the target has been met or exceeded in previous years.
- A significant increase in the recycling gate fee in 2019/20.

7. General Fund Balances

It is considered prudent to hold sufficient reserves and balances to give the Council the ability to smooth out peaks in expenditure and troughs in income over the medium term, by making short term contributions towards balancing the budget and give the Council time to plan service changes and further efficiencies.

Appendix 7 gives a detailed assessment of balances, undertaken for the General Fund. Various risks that may affect the Council's finances over the short-medium term have been considered in order to arrive at a prudent level of balances. For the General Fund this is considered to be approximately £1.950m. For some of the larger risks, such as significant reductions in business rates income, cover has only been recommended for a single year as beyond this time period base budgets would have to be adjusted to address any items with a fundamental impact on the Council's financial position.

The Council currently holds £1.850m in General Fund general balances and it is currently anticipated that a further £461,000 will be added to this balance at year-end, providing a forecast for General Fund balances of £2.3 million at 31st March 2018. Therefore, the Council is currently holding General Fund reserves broadly in-line with its risk assessment, however it is recommended that contributions are considered to General Fund balances across the medium term to ensure that full reserve cover is provided.

Moreover, additional reserve cover is provided by the Business Equalisation Reserve and the Budget Stability Reserve, which provide risk mitigation against volatility in business rates income and other budgets that are subject to more annual variation. Therefore, Appendix 7 shows that a number of risks identified in the assessment do not require cover from General Fund balances, as they are mitigated by these specific reserves

8. Conclusion

The Council has been pro-active in addressing the on-going financial pressures and challenges it faces. However, due to the current challenging financial environment further savings still need to be identified in order to deliver a balanced budget both for 2018/19 and across the medium term.

In particular, the high level of uncertainty around retained Business Rates and the potential for a reset of the system presents a considerable risk to the Councils finances from 2020/21 onwards.

Furthermore, the risk assessment of General Fund balances identifies the necessity to maintain a prudent level of balances across the MTFP in order to mitigate the fiscal threats to the Council's ambition of becoming financially self-sufficient.

Name of Meeting: Cabinet
Date of Meeting: 30th October 2017
Subject Matter: Draft General Fund Revenue and Capital Budget 2018/19
Originating Department: Resources

LIST OF BACKGROUND PAPERS

There are no background papers relating to this item.

Draft General Fund Revenue Summary 2018/19	2017/18 Original Budget £	In Year Adjustments £	2017/18 Revised Budget £	Corporate Adjustments £	Total Inflation £	Salary Adjustments £	Proposed Growth Items (Appendix 2) £	Proposed Income Adjustments (Appendix 3) £	Savings (Appendix 4) £	2018/19 Draft Budget £
EXPENDITURE:										
Growth & Investment	3,205,800	+77,230	3,283,030	-82,810	+5,510	+93,350	+0	+341,110	-305,100	3,335,090
Corporate Resources	1,580,800	-56,900	1,523,900	+79,920	+0	+169,380	+154,600	+2,740	-10,230	1,920,310
Environment & Public Realm	7,633,450	-9,410	7,624,040	+50,940	+0	+255,420	+23,730	-485,000	-646,230	6,822,900
Communities & Homes	1,027,280	+43,390	1,070,670	-230	+1,330	+122,210	+247,630	-165,830	-15,000	1,260,780
Executive Director's Office	1,860,040	+37,210	1,897,250	-31,970	+0	+11,390	+127,420	+0	+0	2,004,090
Key Decisions				-186,000						-186,000
Digitalisation Savings				-160,000						-160,000
Internal Recharges				-21,000						-21,000
PORTFOLIO EXPENDITURE	15,307,370	+91,520	15,398,890	-170,150	6,840	651,750	553,380	-306,980	-976,560	14,976,170
Less Capital Charge Adjustment	-2,391,670	0	-2,391,670	+0	0	0	0	0	0	-2,391,670
Less Corporate Savings Target (including salary voids)	-200,000	0	-200,000	0	0	0	0	0	0	-200,000
Less Pension Adjustment	-309,330	0	-309,330	+15,040	0		0	0	0	-294,290
NET PORTFOLIO EXPENDITURE	12,406,370	+91,520	12,497,890	-155,110	+6,840	+651,750	+553,380	-306,980	-976,560	12,090,210
Net Cost of Borrowing	627,610	0	627,610	-44,000	0	0	0	0	0	583,610
Minimum Revenue Provision (MRP)	1,475,550	0	1,475,550	+130,000	0	0	0	0	0	1,605,550
Revenue Contribution to Capital Outlay	87,500	0	87,500	0	0	0	0	0	0	87,500
Contribution to Budget Stability Reserve	264,160	0	264,160	-264,160	0	0	0	0	0	0
TOTAL EXPENDITURE (before Parish Precepts)	14,861,190	+91,520	14,952,710	-333,270	+6,840	+651,750	+553,380	-306,980	-976,560	14,366,870
Parish Council Precepts and Council Tax Support	731,090	0	731,090	+20,000	0	0	0	0	0	751,090
TOTAL EXPENDITURE	15,592,280	+91,520	15,683,800	-313,270	+6,840	+651,750	+553,380	-306,980	-976,560	15,117,960
INCOME:										
Revenue Support Grant	-510,930	0	-510,930	+358,250	0	0	0	0	0	-152,680
Retained Business Rates (Net of Tariff)	-4,495,690	0	-4,495,690	-474,310	0	0	0	0	0	-4,970,000
New Homes Bonus Funding	-2,671,540	0	-2,671,540	+559,190	0	0	0	0	0	-2,112,350
Government Grants	-375,350	0	-375,350	+78,350	0	0	0	0	0	-297,000
Council Tax	-7,062,870	0	-7,062,870	-271,130	0	0	0	0	0	-7,334,000
Collection Fund Surplus(-)/Deficit	-355,900	0	-355,900	+528,790	0	0	0	0	0	172,890
Contribution from Reserves & Balances	-120,000	0	-120,000	+120,000	0	0	0	0	0	0
TOTAL INCOME	-15,592,280	0	-15,592,280	+899,140	0	0	0	0	0	-14,693,140
OVERALL VARIANCE ON 2018/19 BUDGET	0	+91,520	91,520	+585,870	+6,840	+651,750	+553,380	-306,980	-976,560	424,820

Proposed Growth Items 2018/19

Portfolio/Service	Amount (£)	Justification:	Corresponding savings? Y / N / Partial (Y = Total growth offset)
Corporate Resources (CR)			
Public Offices			
Corporate Cleaning	13,220	Net additional cost to the General Fund of the new cleaning contract.	
Housing Benefit Payments			
Housing Benefit Payments	72,100	Increase in net cost of Housing Benefit payments following revised forecasts for anticipated expenditure and subsidy for 2018/19	N
Legal Services			
Training	2,500	Increase required for on-going training commitments within this service. This is fully off-set by savings found within the service, as shown in Appendix 4.	Y
Retired Employees			
Employers Pension contribution	66,780	Increase reflects the expected rise in the Council's contribution for pensions	N
Sub Total (CR)	154,600		
Environment & Public Realm (E&PR)			
Parks, Recreation Grounds & Open Spaces			
Salaries	23,730	Additional Grounds Maintenance operative to carry out work previously provided by an external contractor, this is fully off-set by savings in payments to external contractors as shown in Appendix 4	Y
Sub Total (E&PR)	23,730		
Communities & Homes (C&H)			
Customer and Information Services			
Software Maintenance	9,050	Increased Software Maintenance costs resulting from the recent Agresso Financial Management System Upgrade of £7,850 and purchasing a further Room Booking System add on module for £1,200. The costs related to the Agresso upgrade were fully offset by salary savings recognised within Financial Services in previous years.	Y
Housing Options Team - HRA Temporary Accommodation			
Rental of HRA Properties for Temporary Homelessness Accommodation	236,420	An increase in budget is required to account for the increased use of HRA Void Properties being used for temporary accommodation, this increase is mostly offset by income from Housing Benefit and Universal credit, see Appendix 3.	P
Room Hire, Conference & Seminar Fees and Housing Law reference books	600	Increased budgets required for Landlords Forum Meetings for the Private Sector Leasing Scheme, Conferences and Housing Law reference books as per the new administration of the expanded Private Sector Leasing Scheme	Y
Housing Strategy & Enabling			
External Contractor Payments	1,560	The Act on Energy contract of £8,390 to adapt Rugby Borough residents homes to make them more energy efficient has ceased and has been replaced by the Rugby Warm and Well Contract which is £9,950 per year causing an increase of £1,560. This increase is fully offset by savings shown in appendix 4.	Y
Sub Total (C&H)	247,630		
Executive Director's Officer (EDO)			
Electoral Services			
Borough Elections	127,420	Re-establishment of budget for Borough Elections in 2018/19. There was no budget in 2017/18 as this was a fallow election year.	N
Sub Total (EDO)	127,420		
OVERALL TOTALS	553,380		

6

Proposed Income Adjustments 2018/19

Portfolio/Service	Amount (£) + = Reduction - = Increase	Justification:
Growth & Investment (G&I)		
Building Control Services		
Reimbursements - Warwick District Council	+17,700	Building Control Services are provided under a shared service arrangement, which is led by Warwick District Council. Building Control officers no longer have a physical base at the Town Hall in Rugby and therefore this budget has been adjusted as related premises expenditure can no-longer be recharged to the partnership.
Queen's Diamond Jubilee Centre		
Management Fee	+108,470	Annually the Council receives an income in the region of £340,000 from the leisure centre operator in the form of a management fee. 2018/19 will be the fifth year of operation and in accordance with the terms of the contract there will be a one-off reduction to facilitate the five-yearly equipment replacement programme. It should be noted this reduction had been included in previous Medium Term Financial Plans and income will return to normal contracted levels in 2019/20.
Sports and Recreation		
Family Weight Management	+108,130	For the last three years Rugby Borough Council has administered a county-wide Family Weight Management contract, with a further year extension recently being awarded. The current contract is due to end in June 2018 and it is currently uncertain whether the contract will be extended beyond this period. The project was wholly backed by Public Health funding provided by Warwickshire County Council and should the contract not be extended there will be a reduction in income. This will be largely offset by a corresponding reduction in salary and other related costs, see Appendix 4.
Tool Shed Café		
Sales	+8,810	Following the change in management of the café, moving to an external provider, there will be no income received by Rugby Borough Council.
Hall of Fame		
Ticketing Income	+100,000	Current year projections are showing a shortfall of £100,000. Budgets for 2018/19 have been revised to reflect this reduction.
Venue Hire Income	-2,000	As per a previous cabinet report an additional £2,000 income is expected to be generated from Venue Hire
Sub Total (G&I)	341,110	

Corporate Resources (CR)		
General Financial Expenses		
Card Payments	+8,000	Due to the introduction of the Second Payment Directive within EU legislation, which came into force in January 2016, all member states have had to implement these rules as national law by 13th January 2018. Within this legislation, credit card charges cannot be made after this date. Other options within this service are being explored to make savings.
Legal Services		
Reimbursement of Court Costs	-5,260	Increased income based upon previous years recovered court costs.
Sub Total (CR)	2,740	

Environment & Public Realm (E&PR)		
Car Parks and Parking		
Car Park season Tickets	-10,000	Additional income expected due to new business moving into the Town Centre and requesting a block of Season Tickets
Parks, Recreation Grounds & Open Spaces		
Football Pitches (Training Sessions)	-1,000	From 1st April a pitch hire charge will be introduced to allow football clubs to use the pitches for training sessions.
Regulatory Services		
Dog Control Order	-1,000	Introduction of an income budget for Dog Control Orders, to reflect the level of fixed penalty notices being issued.
Prescribe Process Application Fees	+2,000	Application fees are set annually by Government. Anticipated decrease in income for Prescribe Process Application Fees as businesses with improved processes attract lower fees.
Waste Collection and Recycling		
Garden Waste Income	-475,000	Increased income following a higher than anticipated take up of the service in 2017/18. An increase of £200,000 had been expected in 2018/19, but due to the success of the scheme, this has now been increased to £475,000.
Sub Total (E&PR)	-485,000	

Proposed Income Adjustments 2018/19

Portfolio/Service	Amount (£) + = Reduction - = Increase	Justification:
Communities & Homes (C&H)		
Customer and Information Services		
FLARE Shared Service	-2,900	The charge to Nuneaton and Bedworth Borough Council for the Shared FLARE IT Systems Officer has been reviewed and increased in line with rises in salary expenditure. This increased income is partially offset by a small budget for the sale of refurbished obsolete IT Equipment.
Counter Fraud Initiative	25,000	The income received from Warwickshire County Council utilising our Agresso Specialist ITC Officer will cease in 2018/19 as this was a temporary agreement to implement new systems.
Housing Options Team - HRA Temporary Properties		
HRA Properties - Income from Rents	-234,700	Anticipated Housing Benefit and Universal Credit income offsetting the cost of the increased use of HRA properties for Temporary Accommodation
Housing Options Team - Private Sector Leasing Scheme		
Income from Rents	-18,160	Additional surplus generated from the expansion of the Private Sector Lease Scheme to house the homeless. This medium of housing is more cost effective than using bed and Breakfast.
Housing Options Team - Bed and Breakfast		
Income from Benefits	72,930	The Council will see a decrease in Benefit Subsidy received relating to Bed and Breakfast temporary accommodation as it reduces its reliance for this type of accommodation for Homelessness placement and increases the use of the Private Sector Leasing Scheme. However, fundamentally the Council will see a significant reduction in the level of Benefit subsidy received due to the change from Housing Benefit to Universal credit. In particular, the reduced central government Local Housing Allowance (LHA) rate means a smaller fixed amount of income is received per week in comparison to higher rates available from Housing Benefits. Overall there will be a reduction of £127,000 of income to the council, however, this is offset by a £54,000 reduction in income from the use of Bed and Breakfast accommodation providing a net income reduction of approximately £73,000.
Housing Options Team - Other		
Non SLA Recharges	-5,000	A new income budget resulting from grant being transferred from the Housing Benefits Team across to the Housing Options Team for extra assistance with customer universal credit claims.
Syrian Resettlement Program Contribution	2,000	A reduction of the Administration contribution from Warwickshire County Council as Rugby Borough Council now provide accommodation for just one family.
Income Fees & Charges	-5,000	New agreements in place with Housing Associations allowing them to access our Housing Waiting List.
Sub Total (C&H)	-165,830	
OVERALL TOTALS	-306,980	
Summary Proposed Income Adjustment 2018/19		
Total reduction in income	+453,040	
Total increase in income	-760,020	
Net Change To Income	-306,980	

N

Proposed Savings 2018/19			
Portfolio/Service	Amount (£)	How can these be achieved?	Adverse impact on service delivery? Y/N
Growth & Investment (G&I)			
Economic Development			
Community Infrastructure	-200,000	The removal of the £200,000 in the 2017/18 allocation for the development of the Local Plan.	N
Sports and Recreation			
Salaries	-105,100	Net salary savings from the cessation of the Family Weight Management funded scheme. See Appendix 3.	Y
Sub Total (G&I)	- 305,100		
Corporate Resources (CR)			
Corporate Property Administration			
Gas	-2,540	Small savings are expected compared to the 2017/18 budget	N
Legal Services			
Reference books	-7,690	Saving identified for the use of electronic subscriptions for reference books. This saving will be partially used to fund on-going training needs within the service, see Appendix 2.	N
Sub Total (CR)	- 10,230		
Environment & Public Realm (E&PR)			
Crematorium			
Service costs	-27,130	Net savings following reviews to expenditure budgets and fees and charges.	N
Miscellaneous Highways Services			
Salary savings	-25,600	Reduction of one Highway Operative post following a review of the service.	
Tree Surgery	-35,100	net savings realised by transferring the tree maintenance from Rugby Borough Council to Warwickshire County Council	N
Parks, Recreation Grounds & Open Spaces			
Tree Inspections	-14,640	Net salary savings realised following the appointment of Birmingham City Council to deliver the service.	N
External Contractor	-24,000	Reduction in costs by providing the service in house, offset by increased salary expenditure relating to an additional Grounds Maintenance operative as shown in Appendix 3, and therefore a marginal net £270 saving will be realised.	N
Salary savings	-54,780	Savings achieved through: * disestablishment of apprentice gardener post (£16,000) * temporary gardener post (£21,000) * the appointment of an apprentice horticulturist following the retirement of a gardener (£3,000) * reduction in hours for some grounds maintenance operatives and other minor changes to the establishment £14,000)	N
Street Cleansing			
Salary savings	-12,170	Net salary savings following a review of the Street Cleansing service.	N
Waste Collection and Recycling			
Disestablishment of surplus refuse/recycling rounds	-167,860	It is proposed that following the deployment of Route Optimiser project the Garden Waste Service be reconfigured, with a reduction from five to three rounds. It is anticipated savings can be realised from the reduced use of agency staff and related vehicle running costs.	N
Salary savings	-262,360	net reduction in salary costs following restructure of WSU service	
Garage			
Reduction in establishment and overtime	-22,590	Disestablishment of an apprentice mechanic post and reduced overtime costs following a review of the service	N
Sub Total (E&PR)	- 646,230		

Proposed Savings 2018/19			
Portfolio/Service	Amount (£)	How can these be achieved?	Adverse impact on service delivery? Y/N
Communities & Homes (C&H)			
Customer Support Services			
Stationery	-3,000	Stationary spend is reducing in line with the paperless and digitalisation culture, so the budget has been reduced. Further reductions are expected in future years.	N
Housing Strategy and Enabling			
Care & Repair Contribution Grant - Payments to Other Agencies	-12,000	The contribution to the Care & Repair scheme for home adaptations will no longer occur as this responsibility is now part of the HEART Shared Service and administered centrally as part of the Scheme	N
Sub Total (C&H)	- 15,000		
OVERALL TOTALS	- 976,560		
Savings from Digitalisation - Corporate Adjustment	- 160,000		

Summary Proposed Savings Adjustment 2018/19		
Total savings with no adverse impact on service delivery	-	583,500
Total savings with an adverse impact on Service delivery	-	393,060
Overall Total	-	976,560

General Fund Capital Programme 2018/19 and Onwards

Head of Service	Score	Portfolio / Scheme Name	Capital						Revenue Implications						
			Gross Expenditure			External Contributions / Earmarked Reserves		Internal Resources		Running Costs		Estimated Interest costs		Minimum Revenue Provision	
			2018/19	2019/20	2020/21	2018/19	Future Years	2018/19	Future Years	2018/19*	Full Year	2018/19*	Full Year	2019/20	
			1	2	3	4	5	6	7	8	9	10	11	12	
			£	£	£	£	£	£	£	£	£	£			
		Growth & Investment													
		Communities & Homes													
		RC	ICT Refresh Programme - Desktop	121,900	72,100	72,100	0	0	121,900	144,200	0	0	1,520	3,050	24,380
		RC	ICT Refresh Programme - Infrastructure	62,000	115,000	130,000	0	0	62,000	245,000	0	0	780	1,550	12,400
		RC	ICT Refresh Programme - AV Equipment	4,000	20,000	0	0	0	20,000	0	0	0	50	100	800
		RC	ICT Mobile Device Management Solution	35,000	0	0	0	0	35,000	0	0	0	440	880	7,000
		RC	CSW Superfast Broadband	0	0	0	0	0	0	0	0	0	0	0	0
		RC	Disabled Facilities Grants ²	539,360	539,360	539,360	539,360	1,078,720	0	0	0	0	0	0	0
				762,260	746,460	741,460	539,360	1,078,720	222,900	409,200	0	0	2,790	5,580	44,580
			Environment & Public Realm												
		DG	Vehicle Replacement ³	434,000	434,000	434,000	0	0	434,000	868,000	0	0	5,430	10,850	62,000
		DG	Open Spaces Refurbishments - Rokeby Play Area	179,050	0	0	50,000	0	129,050	0	0	0	1,610	3,230	8,600
		DG	Open Spaces Refurbishments - Safety Improvements	50,000	50,000	50,000	0	0	50,000	100,000	0	0	630	1,250	3,330
		DG	Open Spaces Refurbishments - Street Furniture	49,380	49,380	49,380	0	0	49,380	98,760	0	0	620	1,230	3,290
		DG	Cemetery Infrastructure Work	11,420	11,420	11,420	0	0	11,420	22,840	0	0	140	290	570
		DG	Great Central Way Bridge Repairs	165,000	165,000	165,000	0	0	165,000	330,000	0	0	2,060	4,130	3,300
		DG	Purchase of Waste Bins ¹	87,500	87,500	87,500	87,500	175,000	0	0	0	0	0	0	0
				976,350	797,300	797,300	137,500	175,000	838,850	1,419,600	0	0	10,490	20,980	81,090
			Corporate Resources												
		MK	Corporate Property Enhancement	100,000	100,000	100,000	0	0	100,000	200,000	0	0	1,250	2,500	5,000
				100,000	100,000	100,000	0	0	100,000	200,000	0	0	1,250	2,500	5,000
			Total Draft GF Capital Programme	1,838,610	1,643,760	1,638,760	676,860	1,253,720	1,161,750	2,028,800	0	0	14,530	29,060	130,670

¹ To be financed via S106 developer contributions / direct revenue contributions.

² From 2015/16, Disabled Facilities Grant allocation was amalgamated into the Better Care Fund (BCF) to be provided by the Department of Health. Plans for the use of the fund must be developed by Clinical Commissioning Groups (CCGs) and local authorities and signed off by the local Health and Wellbeing Board. The indicative grant levels for 2018/19 onwards are based on the 2017/18 award and may be subject to revision. From October 2016, the management of the Council's DFG assessments and allocations will be undertaken by the HEART shared services organisation.

³ Vehicle replacement programme under review

* Half year is included

Carry Forward from Previous Years

Head of Service	Note	Portfolio / Scheme Name	Capital						Revenue Implications					
			Gross Expenditure			External Contributions		Internal Resources		Running Costs		Estimated Interest costs		Minimum
			2018/19	2019/20	2020/21	2018/19	Future Years	2018/19	Future Years	2018/19*	Full Year	2018/19*	Full Year	2019/20
1	2	3	4	5	6	7	8	9	10	11	12			
			£	£	£	£	£	£	£	£	£	£		
RB		Growth & Investment												
			0	0	0	0	0	0	0	0	0	0		
RC		Communities & Homes												
			0	0	0	0	0	0	0	0	0	0		
		Environment & Public Realm												
DG		Rainsbrook Cemetery Preparation	100,000	0	0	0	0	100,000	0	0	1,250	2,500	5,000	
			100,000	0	0	0	0	100,000	0	0	1,250	2,500	5,000	
		Corporate Resources												
MK				0	0	0	0	0	0	0	0	0		
			0	0	0	0	0	0	0	0	0	0		
		Total Carry Forward Proposals	100,000	0	0	0	0	100,000	0	0	1,250	2,500	5,000	

			Capital				Revenue Implications							
			Gross Expenditure		External Contributions		Internal Resources		Running Costs		Estimated Interest costs		Minimum Revenue Provision	
			2018/19	2019/20	2018/19	Future Years	2018/19	Future Years	2018/19*	Full Year	2018/19*	Full Year	2019/20	
Overall Total			1,938,610	1,643,760	1,638,760	676,860	1,253,720	1,261,750	2,028,800	0	0	15,780	31,560	135,670

General Fund capital receipts projection to end of 2019/20 (utilising capital receipts for short-life assets)

	2017/18	2018/19 ³	2019/20	2020/21
	£	£	£	£
Balance brought forward	2,146,360	3,134,490	3,134,490	3,134,490
Add assumed in year receipts	1,000,000			
Less financing of capital expenditure	-11,870			
Less financing short-life assets				
Balance carried forward	3,134,490	3,134,490	3,134,490	3,134,490

³ The Council's indemnity contribution of £1m to underwrite the Local Authority Mortgage Scheme (LAMS) is scheduled to be returned in September 2017 .

MEDIUM TERM FINANCIAL PLAN: GENERAL FUND 2018-22

	2018/19 £ 000's	2019/20 £ 000's	SCENARIO 2 Partial Reset		SCENARIO 3 Full Reset	
			2020/21 £ 000's	2021/22 £ 000's	2020/21 £ 000's	2021/22 £ 000's
BASE BUDGET	15,592	15,304	16,417	17,121	16,417	17,111
PORTFOLIO EXPENDITURE						
progression, pension and NI increases and other minor changes to the establishment	419	403	371	316	371	316
Anticipated 2% pay award (additional 1% on amounts shown above)	138	141	145	149	145	149
Remodelling of pay scales	130	140	150	150	140	150
Garden waste income	-475	-25	0	0	0	0
Waste service configuration	-168	170	0	0	0	0
Income from Hall of Fame entry	100	0	0	0	0	0
Other anticipated service budget adjustments	-281	-60	-17	-142	-17	-142
Inflation Provision	7	10	10	10	10	10
Sub total	15,462	16,083	17,076	17,604	17,066	17,594
CORPORATE ITEMS						
Change in net cost of borrowing	-44	-64	-37	75	-37	75
Change in contribution to Balances and Reserves			0	0	0	0
Contribution to Budget Stability Reserve	-264	0	0	0	0	0
Contribution to Business Rates Equalisation Reserve	0	0	0	0	0	0
Change in Minimum Revenue Provision (MRP)	130	130	-45	-267	-45	-267
Change in Parish Council Precepts	20	20	20	20	20	20
Potential revenue implications from Capital Programme	0	0	0	0	0	0
Negative Revenue Support Grant	0	248	107	49	107	49
Total	15,304	16,417	17,121	17,481	17,111	17,471
INCOME						
Retained Business Rates (50% local share)	-4,970	-5,100	-4,230	-4,300	-2,660	-2,700
Revenue Support Grant	-153	0	0	0	0	0
Government Grants	-297	-267	-240	-216	-240	-216
Council Tax - from a 2% increase	-7,334	-7,661	-8,010	-8,406	-8,010	-8,406
Collection Fund Surplus(-)/Deficit	173	0	0	0	0	0
Contribution from Reserves to fund one-off expenditure	0	0	0	0	0	0
New Homes Bonus Funding	-2,112	-2,037	-2,300	-3,115	-2,300	-3,115
TOTAL	-14,693	-15,065	-14,780	-16,037	-13,210	-14,437
BUDGET VARIANCE	611	1,352	2,341	1,444	3,901	3,034
KEY DECISIONS						
Voluntary Redundancy Savings	-100	-100	-100	-100	-100	-100
Additional Council Tax from a £5 increase in the Band D	-51	-102	-153	-205	-153	-205
£10 increase in garden waste subscription charge	0	0	-225	-225	-225	-225
Increase in Council Tax from changes in policy on empty properties	-35	-35	-35	-35	-35	-35
TOTAL	-186	-237	-513	-565	-513	-565
BUDGET VARIANCE	425	1,115	1,828	879	3,388	2,469

Risk Factors influencing the Calculation of a Prudent Level of <u>General Fund</u> Balances			
Key Budget Assumptions	Local Risk Factors	Comments/Assessment	Reserve Cover £000
EXPENDITURE			
Borrowing Costs	<p>Level of borrowing required or debt held by the Council</p> <p>Level and timing of capital receipts</p> <p>Monitoring progress of capital spending plans</p>	<p>The Council's estimated non-housing Capital Financing Requirement (CFR) over the medium term is approximately £25m. If the Council's borrowing requirement was to increase there would be an increased cost to the General Fund.</p> <p>Taken into account within cash flow management - tendency for slippage.</p>	50
Growth in Service Demand leading to an increased work force	<p>Service demand fuelled by local demographic growth</p> <p>New statutory requirements</p> <p>Service improvement initiatives</p>	<p>Demand for many services may be driven by overall levels of population, however in these circumstances any growth in service expenditure is only partially offset by a corresponding growth in the Council Tax base. For example, in recent years, the Council has seen a £200,000 cost pressure from the introduction on an additional household waste collection round.</p> <p>New statutory requirements imposed by Central Government are in most cases accompanied by matching new burdens funding.</p> <p>Service improvements will considered as part the annual budget setting process in the context of overall budgetary affordability.</p>	100
Budget robustness	<p>How well tested is the MTFP model?</p> <p>Accuracy of financial forecasting</p>	<p>The in year budget monitoring and budget preparation process is significantly detailed and therefore it is unlikely that there could be significant omissions from draft budgets. Based on analysis of in year supplementary adjustments a provision of £0.100m is deemed adequate</p>	100
Pay Structure and the Employment Market	Single Status Review - Appeals & Market Forces	<p>The modelling for Single Status took account of a provision for these items, however as the economic climate changes more supplements could become due to some employees.</p> <p>At present market supplements totalling £60,000 are paid to General Fund officers.</p>	100
Amount c/f to next page			350

Risk Factors influencing the Calculation of a Prudent Level of <u>General Fund Balances</u>			
Key Budget Assumptions	Local Risk Factors	Comments	Reserve Cover £000
		Amount b/f from previous page	350
Breach of statutory national requirements	Employment Tribunals Legal challenge to planning decisions Breach of grant/funding conditions	Should the Council be found breach such requirements it may be subject to: - Fines/damages - Government action - Litigation <u>- Funding withheld</u>	150
Planning Income	Local and national economy and house building market	Annual planning income has varied between £0.4m and £1.0m over the last five years, illustrating the scope for volatility in this income stream. In prior years surplus planning income compared to budget has been transferred to the Budget Stability Reserve, which at the end of 2015/16 had a balance of £142,000. It is anticipated that at least a further £100,000 will be transferred to this reserve at the end of 2016/17 and therefore there should be sufficient coverage in this reserve to meet shortfalls in future years.	-
Hall of Fame Sponsorship	Under-achievement of sponsorship	The draft MTFP assumes that a significant proportion of the cost of the Hall of Fame will be supported by the receipt of sponsorship income. However, the receipt of such income is subject to uncertainty and therefore it is prudent to provide cover to mitigate the risk of any shortfall.	200
Organisational transformation	Non-achievement of savings from digitalisation or income from commercialisation.	Within the MTFP it is assumed that £0.4m will be achieved from these programmes per annum. The Council is confident these initiatives will be delivered and exceeded but it is considered prudent to provide cover for a <u>half of this amount</u>	150
Medium Term Income not achieved	Non-achievement of income from the Benn Hall, Sport and Recreation, Trade Waste or Crematorium facility	Approximately £2.0m of income is expected to be achieved per annum from these services. In recent years there have been aggregate adverse variances on some of these services <u>in the region of £150,000</u>	150
Garden Waste	Reduction in subscriptions	Despite extremely positive income from this <u>subscription service and increase</u>	25
Car Park Income	Local competition and free car parking offers	Car parking income is subject to variance from budget depending on the level of competition in the local market and any free car parking offers that are provided by the Council.	50
		Amount c/f to next page	1,075

Risk Factors influencing the Calculation of a Prudent Level of General Fund Balances			
Key Budget Assumptions	Local Risk Factors	Comments	Reserve Cover £000
		Amount b/f from previous page	1,075
INCOME			
Retained Business Rates Income	Decline in local economy resulting in a lower than expected growth or decline in local business rates and a reduction in income for the authority.	The Council is budgeting to retain £4.5m business rates in 2017/18. Should overall collection of business rates fall by 1% the Council would stand to lose approximately £0.100m.	100
	Appeals being higher than anticipated	The Council experienced a loss in the region of £50,000 as result of the national claim on GP surgeries. It is considered prudent to provide cover of this scale for a similar national scale claim.	50
	A major business ceasing trading or leaving the borough	On average the Council retains approximately £0.250m in business rates from each of its top ten highest payers. Cover for half this amount is considered prudent.	125
	Loss of income from reset of Retained Business Rates.	<p>The business rate baselines will effectively be reset at the point of the introduction of 100% retention, at present it uncertain how much of the growth generated under the 50% retention scheme will be allowed to be carried forward. Should all the growth generated since the scheme started be redistributed elsewhere, the Council would lose £2.7m . A reserve provision for a half of this potential loss is currently considered to be prudent.</p> <p>This potential loss can be offset by further growth expected after the reset, for example should the sites in the local plan be adopted South West Rugby and Coton East should provide additional business rate income. Therefore it is reasonable to assume income in the region of £300,000 from these sites.</p> <p>In addition at the end of 2017/18 there was approximately £450,000 in the Business Rates Equalisation Reserve which could be use to fund the loss of growth.</p>	600
		Recommended Amount of General Fund Balances	1,950



Department for
Communities and
Local Government

The 2018-19 Local Government Finance Settlement

Technical Consultation Paper



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Scope of the consultation

Topic of this consultation:	This consultation covers proposals for the local government finance settlement for 2018-19.
Scope of this consultation:	This consultation seeks views on proposals for the local government finance settlement for 2018-19, in particular from representatives of local government.
Geographical scope:	These proposals relate to England only.
Impact Assessment:	Since the Government does not envisage that the proposals within this consultation document will have an impact on business, no impact assessment has been produced.

Basic Information

To:	The consultation will be of particular interest to local authorities, and representative bodies for local authorities.
Body/bodies responsible for the consultation:	Local Government Finance Directorate within the Department for Communities and Local Government.
Duration:	This consultation will last for 6 weeks from 14 September 2017 to 26 October 2017.
Enquiries:	For any enquiries about the consultation please contact Roger Palmer Roger.Palmer@communities.gsi.gov.uk or 0303 444 3130
How to respond:	<p>You may respond by completing an online survey at: https://www.surveymonkey.co.uk/r/lqsettlement1819</p> <p>In addition, you can respond to the questions in this consultation by email to: LGFConsultation@communities.gsi.gov.uk</p> <p>If you are responding in writing, please make it clear which questions you are responding to.</p> <p>Written responses should be sent to:</p> <p>Roger Palmer Department for Communities and Local Government 2nd floor, Fry Building</p>

	<p>2 Marsham Street London SW1P 4DF</p> <p>When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:</p> <ul style="list-style-type: none">- your name,- your position (if applicable),- the name of organisation (if applicable),- an address (including postcode),- an email address, and- a contact telephone number.
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About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Communities and Local Government will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact DCLG Consultation coordinator.

Department for Communities and Local Government
2 Marsham Street
London
SW1P 4DF

Or by e-mail to: consultationcoordinator@communities.gsi.gov.uk

1 Summary of proposals

1.1 Background

- 1.1.1 The proposed 2018-19 settlement is framed in the context of the overall Spending Review package, announced in 2015, which addressed the particular pressures experienced by councils which provide adult social care.
- 1.1.2 In addition, in the Spring Budget 2017, a total of £2.021 billion was announced, as supplementary funding to the improved Better Care Fund (iBCF) (£1.01 billion in 2017-18, £674 million in 2018-19 and £337 million in 2019-20).
- 1.1.3 The 2016-17 settlement offered local authorities an historic four year deal, giving greater certainty over their funding. This was accepted by 97% of local authorities. The proposed 2018-19 settlement funding is therefore allocated in accordance with the agreed methodology announced by the Secretary of State at that time. This ensures that local councils delivering the same set of services receive the same percentage change in settlement core funding for those services.
- 1.1.4 This consultation paper describes the Government's intended approach for the third year of the multi-year settlement. In broad terms, this offers the certainty to councils which will allow them to plan ahead and implement reform with greater confidence.

1.2 Summary of proposals

- 1.2.1 The remaining sections of this document set out our proposed approach to the 2018-19 settlement. It:
- outlines the third year of the multi-year settlement offer for those councils that accepted the offer, and arrangements for those that did not
 - outlines the method for distributing New Homes Bonus funding following implementation of reforms announced at the time of the 2017-18 provisional settlement and a proposal for further incentives to support the delivery of housing growth
 - outlines the Government's proposals for the council tax referendum principles for 2018-19
 - confirms the approach being taken for adjusting business rates tariff and top-ups to cancel out, as far as is practicable, the impact of the 2017 business rates revaluation on local authorities' income

- outlines the approach to Mayoral Combined Authorities precepts in 2018-19
- outlines the approach for allocating settlement funding where a fire authority transfers from a county council in accordance with the provisions of the Fire and Rescue Services Act 2004, as amended by the Policing and Crime Act 2017 and the implications for the Adult Social Care council tax precept.

2 The multi-year settlement offer

2.1 Certainty of funding

2.1.1 The 2016-17 settlement announced the opportunity for councils to accept a multi-year settlement offer, which would give greater certainty of funding until the end of the spending period. The offer included:

- Revenue Support Grant
- business rates tariff and top-up payments, which will not change for reasons relating to the relative needs of local authorities
- Rural Services Delivery Grant and
- Transition Grant.

2.1.2 We have also published individual local authority allocations for the improved Better Care Fund until 2019-20, which total £1.5 billion in 2018-19 and £1.8 billion in 2019-20.¹

2.1.3 97% of councils accepted the multi-year offer, giving councils the confidence to implement reforms.

2.1.4 Government will need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement,² the Government intends to present these figures to parliament as part of the 2018-19 provisional local government finance settlement in due course.

2.1.5 Those councils who did not accept the original offer made in 2016-17 will be subject to the existing annual process for determining the level of central funding that they will receive.

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

¹ The Secretary of State for Health, in his written statement to parliament on Monday 3rd July, set out a package of measures for reducing delays in transfer of care. This included considering a review, in November, of 2018/19 allocations of the social care funding provided at Spring Budget 2017 for areas that are poorly performing. This funding will all remain with local government, to be used for adult social care.
<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statements/commons/>

² As prescribed in sections 78 and 78A of the Local Government Finance Act 1988.

2.2 100% business rates retention pilots

- 2.2.1 The Government is committed to working with local government to consider how best to implement its manifesto commitments to continue to give local government greater control over the money they raise and address concerns about the fairness of current funding distributions. We have recently launched a prospectus that invites local authorities to submit proposals to pilot 100% business rates retention in 2018 to 2019. This can be found at:
<https://www.gov.uk/government/publications/100-business-rates-retention-pilots-2018-to-2019-prospectus>
- 2.2.2 We intend that the impact on the settlement calculations of existing and any new pilots will be approached in broadly the same way as for the first wave of pilots in 2017-18. Further details will be provided at the time of the provisional settlement.

3 New Homes Bonus

3.1 Background

- 3.1.1 Since its introduction in 2011 the New Homes Bonus has been successful in encouraging authorities to promote housing growth. Over £6 billion has been allocated to local authorities through the scheme to reward housing supply. Since the New Homes Bonus was introduced over 1,200,000 homes have been delivered. This includes new homes, conversions and long term empty properties being brought back into use.
- 3.1.2 In 2015-16 the Government consulted on a number of possible reforms to the Bonus to sharpen the incentive for housebuilding and provide £800m for Adult Social Care. The outcome of the consultation was announced alongside the provisional local government finance settlement 2017-18. The Government decided to:
- reduce the number of years for which legacy payments are made from 6 years to 5 years in 2017-18 and then to 4 years from 2018-19 and
 - set a national baseline for housing growth to sharpen the incentive for councils to deliver more new homes.
- 3.1.3 The Government chose to set the initial baseline in 2017-18 at 0.4% below which the Bonus will not be paid. This level is significantly below the average growth rate in the 10 years before the introduction of the New Homes Bonus scheme. The Government also retained the option of making adjustments to the baseline in 2018-19 and future years in the event of significant and unexpected housing growth.

3.2 Baseline 2018-19

- 3.2.1 As New Homes Bonus calculations are based on additional housing stock reported through the council tax base, decisions on the baseline for 2018-19 will be made following a review of the data when it is published in November. Confirmation of the baseline to be used for 2018-19 allocations will be made at the time of the provisional settlement. Any funding intended for New Homes Bonus payments that is not used for this purpose will be returned to local government.

3.3 New Homes Bonus and Planning Effectively

- 3.3.1 The Government decided not to take forward proposals linking the New Homes Bonus to planning reforms in 2017-18 but confirmed that it would consider withholding the part of the Bonus from authorities not planning effectively for new homes from 2018-19. Government has considered the position and has decided to consult on revised proposals. We also intend to go further in 2019-20. This could include linking payment of the bonus to the housing delivery test or the standard approach to local housing need. We would consult on any further changes to the Bonus before implementation in 2019-20.
- 3.3.2 As noted in the 2015 consultation, under the current scheme, councils receive the same reward for homes granted permission by the authority as they do for development granted on appeal by the Planning Inspectorate (PINS). We consulted on a 'by unit' methodology in 2015. This method, in which we would reduce the New Homes Bonus payment in line with the number of homes allowed on appeal, is still under consideration. We would now like to gather views on further proposals to ensure the Bonus is focussed on recognising those homes the authority has approved.
- 3.3.3 An alternative approach, instead of linking a reduction in the Bonus to the number of homes granted on appeal or tracking specific appeals, looks at the quality of decision making by planning authorities, as set out in the Planning Live tables P152 and P154³.
- 3.3.4 This approach would link Bonus allocations to the ratio of successful appeals to residential planning decisions⁴ (major and minor) over an annual period using data collected by PINS. At the time the allocations are made, the number of successful appeals/appeals allowed by PINS divided by the number of decisions made, in the last financial year, would result in a percentage reduction to be applied to the New Homes Bonus allocation for the following financial year, so:

$$\frac{\text{Residential appeals allowed by PINS}}{\text{Residential decisions made by the LPA}} \times 100 = \% \text{ reduction in NHB allocation}$$

³ Live tables on planning application statistics: Table P152 and P154
<https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics>

⁴ Live tables on planning application statistics: Table P135
<https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics>

3.3.5 The number of units involved in the decisions is not considered in this methodology, nor is there a link drawn with specific appeal outcomes on specific developments, rather it is a more general approach to link the quality of decision making within the authority over a period of time. A hypothetical worked example is set out at annex A.

3.3.6 Under the proposal, PINS would produce a new dataset each year drawing on the data contained within the published Planning Live tables P152 and P154 to which the formula would be applied. Authorities would then be given an opportunity to comment on this dataset through the same process currently used to make representations on New Homes Bonus allocations. There is usually one calendar month between the announcement of provisional allocations and confirmation of final allocations.

Question 2: Do you agree with the New Homes Bonus allocation mechanism set out above?

Question 3: Do you agree that the approach should be based on data collected by the Planning Inspectorate? If you disagree, what other data could be used?

Question 4: Do you agree with the proposed appeal/challenge procedure for the dataset collated by Planning Inspectorate? If you disagree, what alternative procedure should be put in place?

Question 5: Are there alternative mechanisms that could be employed to reflect the quality of decision making on planning applications which should be put in place?

Question 6: Which of the two mechanisms referenced above do you think would be more effective at ensuring the Bonus was focussed on those developments that the local authority has approved?

3.4 National parks, development corporations and county councils

3.4.1 National Park Authorities (and the Broads Authority) are responsible for decisions on planning applications in their areas; whereas New Homes Bonus payments for the homes built are made to the relevant district and county councils. This reflects the fact that local authorities are responsible for many of the services that would be affected by increased population in their areas.

3.4.2 The original scheme design for the New Homes Bonus made clear that billing authorities were expected to discuss with National Park Authorities and the Broads Authority the use of Bonus receipts in their areas. They could, for example, conclude an agreement to split New

Homes Bonus funding between them at a locally determined rate, or reach an agreement on funding a specific community project.

- 3.4.3 Government is seeking views on whether, in such areas, the Bonus paid to local authorities should be removed or reduced in line with the proposals set out above, that is, whether the decision making by the National Park Authority or Broads Authority should be reflected in Bonus allocations.
- 3.4.4 The same considerations apply where development corporations are established – whether Urban Development Corporations, or Mayoral Development Corporations in London. These bodies are again the local planning authority for decisions on planning applications but not the recipients of the New Homes Bonus.
- 3.4.5 Government has also considered the position of county councils in two tier areas, who receive 20% of Bonus payments, but are not the planning authority for decisions involving residential development. The Government is again seeking views on whether county councils should be included in the calculation of any adjustments.

Question 7: Do you think that that the same adjustments as elsewhere should apply in areas covered by National Park Authorities, the Broads Authority and development corporations?

Question 8: Do you think that county councils should be included in the calculation of any adjustments to the New Homes Bonus allocations?

4 Council tax referendum principles

4.1 Council tax referendum principles for local authorities

4.1.1 The Government aims to balance the need to keep council tax low with ensuring that councils and others such as fire and rescue authorities, police and crime commissioners and combined authority mayors can raise sufficient funds. The Government's election manifesto re-affirmed that the Government will continue to ensure that local residents can veto high increases in council tax via a referendum. The Government therefore seeks views on the following referendum principles for 2018-19:

- a core principle of less than 2%. This would apply to shire counties, unitary authorities, London boroughs, the Greater London Authority, fire authorities, and Police and Crime Commissioners except those whose Band D precept is in the lower quartile of that category (see below)
- the Government is considering whether a 2% principle would apply to the precepts set for the general functions of Mayoral Combined Authorities (see section 6). It is anticipated that the relevant police principle would apply to the Greater Manchester Combined Authority's police functions (see below)
- a continuation of the Adult Social Care precept of an additional 2% with additional flexibility to increase the precept by 1% to 3% in 2018-19, provided that increases do not exceed 6% between 2017-18 and 2019-20. This would apply to County Councils, unitary authorities and London boroughs (including the Common Council of the City of London and the Council of the Isles of Scilly), subject to consideration of the use made of the Adult Social Care precept in the previous year
- shire district councils would be allowed increases of less than 2% or up to and including £5, whichever is higher
- Police precepts in the lowest quartile would be allowed increases of less than 2% or up to and including £5, whichever is higher.

4.1.2 Following consideration of responses, the Government intends to provide an update on its proposals alongside the provisional local government finance settlement later in the year.

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?

Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

4.2 Council tax referendum principles for town and parish councils.

4.2.1 Last year, the Government issued a challenge to town and parish councils to demonstrate restraint when setting precept increases that are not a direct result of taking on additional responsibilities, and to make precept decisions more transparent to local tax-payers. The continuation of this position in 2018-19 is contingent upon the Government receiving clear evidence of how the sector is responding to this challenge. The Government expects parishes, in setting their precepts, to consider all available options to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for particular purposes or for “invest to save” projects which will lower on-going revenue costs. Any revised proposals will be set out at the time of the provisional local government finance settlement later in the year.

5 The business rates revaluation adjustment

5.1 Background

- 5.1.1 The most recent business rates revaluation took effect from 1 April 2017. Revaluation is a revenue neutral exercise so the total rates bill stays the same at the England level in real terms, after allowing for appeals. At the local authority level, overall bills will increase or fall depending upon whether rateable values in that area have performed above or below the average for England, after allowing for appeals.
- 5.1.2 This creates change in business rates revenues outside the control of local authorities. When the Government introduced the 50% business rate retention scheme it signalled that it would adjust each authority's tariff or top-up following a revaluation to ensure, as far as is practicable, that their retained income is the same after revaluation as immediately before. This will ensure that the growth incentive created by the rates retention scheme and the delivery of public services will not be weakened by losses of income outside the control of authorities.
- 5.1.3 The Government has confirmed a methodology for adjusting the tariffs and top-ups following consultation at the 2017-18 provisional settlement (see Annex B).

5.2 Business rate retention levy

- 5.2.1 Following the recalculation of tariffs and top-ups, as set out in Annex B, we will use the resulting business rates baselines to recalculate the levy rate for each authority for 2017-18 and subsequent years.

6 Mayoral Combined Authorities

6.1 Background

6.1.1 Devolution Deals have led to the creation of 6 Mayoral Combined Authorities with powers such as transport and planning. Combined Authorities are currently funded by their constituent councils through a levy for transport functions, and contributions agreed and provided by constituent local authorities in their area.

6.2 Establishing a precept

6.2.1 From 2018-19 elected Combined Authority mayors can raise additional resources through a precept (or additional charge) on local council tax bills, unless an Order is made that prevents them from doing so (such as in West of England). The precept may only be set with the agreement of the Combined Authority. The new Mayoral Combined Authorities of Cambridgeshire & Peterborough, Liverpool City Region, Tees Valley and West Midlands may set a precept for mayors' general functions, and the Greater Manchester Combined Authority may set a precept with two separately identified elements for the mayor's general functions and for his police and crime commissioner functions.

6.2.2 The Government is considering applying referendum principles to Mayoral Combined Authorities that are setting precepts. Local authorities are required annually to determine whether their proposed council tax increase exceeds the threshold set by the Secretary of State, thereby triggering a referendum. Since newly established MCAs' mayoral precepts will have no Band D amount from the previous year on which such calculations can be made, it would be necessary to set notional figures or Alternative Notional Amounts (ANAs) for all authorities concerned to enable this determination to take place.

6.2.3 In assessing the level of ANA, the Government would engage with mayors and authorities to discuss the level of any required ANA, taking account of any conferral of functions, including additional mayoral functions and the need to limit pressure on council tax bills.

Question 11: What factors should be taken into account in determining an Alternative Notional Amount for Combined Authority mayors?

7 Transfer of Fire functions from County Councils to Police and Crime Commissioners

7.1 Background

- 7.1.1 The Fire and Rescue Services Act 2004, amended by the Policing and Crime Act 2017 enables police and crime commissioners (PCCs) to take responsibility for fire and rescue services in their local area where a local case is made setting out that to do so would be in the interests of economy, efficiency and effectiveness or public safety (the statutory tests). The Home Secretary can only give effect to such a proposal when it appears, in her view, to meet these statutory tests.
- 7.1.2 PCCs developing such a proposal will need to propose an allocation of the Settlement Funding Assessment (Revenue Support Grant and Baseline Funding levels) and council tax precept that will be transferred to the PCC Fire and Rescue Authority.
- 7.1.3 We would expect the allocation of settlement funding and council tax precept to be a fair and proportionate amount considering the funding requirements and financial sustainability of both the PCC Fire and Rescue Authority and county council.
- 7.1.4 Where a proposal is approved by the Home Secretary, funding will be allocated for 2018-19 and 2019-20 according to the Settlement Funding Assessment included in the proposal.
- 7.1.5 Both the PCC Fire and Rescue Authority and the county council will require an Alternative Notional Amounts report to be approved by the House of Commons alongside the settlement in order to set the council tax precepts for the first year of the new arrangements in accordance with the agreed referendum principles. Any draft ANA reports will be published for representations alongside the provisional settlement.

7.2 Implications for collecting the Adult Social Care Precept

- 7.2.1 The Adult Social Care council tax precept was established in 2016-17 and enabled social care authorities such as county councils to charge an additional 2% on top of up to 2% core increase without triggering a referendum, specifically to fund Adult Social Care services. In 2017-18 and 2018-19 they are permitted to increase council tax by up to 3% each year, provided that the total increase in the years 2017-18 to 2019-20 does not exceed 6%.
- 7.2.2 Any transfer of the fire function and associated precept from the county council will result in it having a lower Band D council tax level due to a

decrease in its council tax baseline. Whilst this is a natural consequence of the change, it will mean that the additional funding which can be collected through the Adult Social Care precept will be lower than originally assumed. This also impacts adversely on assumptions made in allocating funding through the improved Better Care Fund.

- 7.2.3 We propose to adjust the county's ANA to restore the element of council tax Band D which is attributable to previous use of the ASC precept. For the avoidance of doubt, there would be no equivalent negative change to the council tax baseline of the PCC Fire and Rescue Authority, which does not charge the ASC precept. It is anticipated that the adjustment will not result in local taxpayers paying any additional council tax than they would have done under present arrangements.
- 7.2.4 The level of the ASC adjustment will depend upon the size of the county's remaining precept once agreement has been reached about the financial implications of the transfer of its fire function. However, it is intended that in calculating the adjustment, a comparison will be made between:
- the total amount of Adult Social Care precept in its council tax baseline in the financial year immediately prior to the transfer of its fire function (i.e. the amounts of ASC precept collected in the years 2016-17 and 2017-18) and
 - the total amount of ASC precept it would be able to charge in 2018-19 using its reduced council tax baseline following the transfer of the fire function.
- 7.2.5 The cash difference will be converted into an amount of Band D council tax using the county's 2016 council tax level, and added to the county's ANA. All future council tax increases will be based upon the starting point provided by this ANA figure, thereby locking in the ASC precept adjustment for future provision of Adult Social Care services.

Question 12: Do you agree with the proposed approach to correcting the reduction in relevant county councils' income from the Adult Social Care precept?

8 Equalities impacts of these proposals

- 8.1.1 A draft equality statement for the 2017-18 local government finance settlement was published in February 2017. Any representations made in response to this consultation will be used to inform the equalities statement to be published at the time of the 2018-19 provisional settlement.

Question 13: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

Annex A – Planning Appeals methodology for adjusting New Homes Bonus payments

The following example shows the impact of reducing a local authority's New Homes Bonus payment according to the ratio of successful appeals to total planning decisions in a given time period.

The proposed approach is illustrated below using hypothetical figures for clarity.

Example

- A local planning authority (LPA) makes decisions on 100 residential planning applications during the course of the relevant year. Ten of these decisions were to refuse permission for new homes.
- Five developers involved decide to appeal the decisions, and those appeals are then considered by PINS.
- Three of the appeals are subsequently successful and two unsuccessful.
- The impact of the new mechanism would be to reduce the authority's New Homes Bonus payment for that year by 3%.

Worked example		
i	Applications to LPA	100
ii	Rejected by LPA	10
iii	Appeals to PINS	5
iv	Dismissed by PINS	2
v	Allowed by PINS	3
vi	Reduction to NHB allocation (v/ i)	3%

Annex B: Methodology for adjusting for the 2017 business rates revaluation

1 2017-18 tariff and top-up as calculated in the settlement

1.1 The tariff and top-up amount for 2017/2018 was calculated as:

$$(A + B) \times (C / D)$$

where:

A is the tariff or top-up amount for the authority for 2016/2017, calculated in accordance with Section 6 of the Local Government Finance Report (England) 2016/2017;

B is calculated as follows:

$$E \times (1 - F / G) \times H$$

C is the value of the September 2016 RPI, which is 264.9;

D is the value of the September 2015 RPI, which is 259.6;

E is the sum of:
an authority's income from business rates; plus the amount of section 31 grants paid to the authority in 2015/2016 to compensate for loss of business rates income multiplied by 0.484/0.480 to bring it up to 2016-17 values;

F is:
the sum of rateable value in all of the draft 2017 local rating lists covering the authority's area using the draft lists published on 28 September 2016⁵; multiplied by the 2017/2018 small business rates multiplier adjusted for revaluation, which is 0.436;

G is:
the sum of the rateable value in all of the 2010 local rating lists covering the authority's area published on 28 September¹; multiplied by the 2016/2017 small business rates multiplier, which was 0.484;

⁵ <https://www.gov.uk/government/statistics/non-domestic-rating-high-level-estimates-of-change-in-rateable-value-of-rating-lists>

H is the authority's local share as set out in paragraph 1.2 below.

1.2 The table below sets out the local share for each class of authority.

Class of authority	Local Share
Non-metropolitan district councils which do not have the functions of county councils	0.40
London borough councils Common Council of the City of London	0.30
Metropolitan district councils Non-metropolitan district councils which have the functions of county councils County councils which have the functions of district councils but which do not have responsibility for the provision of fire and rescue services	0.49
County councils which have the functions of district councils and which have responsibility for the provision of fire and rescue services Council of the Isles of Scilly	0.50
County councils which do not have responsibility for the provision of fire and rescue services	0.09
County councils which have responsibility for the provision of fire and rescue services	0.10
Metropolitan county fire and rescue authorities, Combined fire and rescue authorities	0.01
Greater London Authority,	0.20

2 Recalculation of 2017-18 tariff and top-up

2.1 The adjusted tariff and top-up amount for 2017/2018 will be calculated as:

$$(A + I) \times (C / D)$$

where:

I is calculated as follows:

$$J \times (1 - K / L) \times H$$

J is the sum of:
an authority's income from business rates; plus the amount of section 31 grant paid to the authority in 2016/2017 to compensate for loss of business rates income;

K is:
the sum of the rateable value in all of the 2017 local rating lists covering the authority's area for 1 April 2017 and measured on that day; multiplied by the 2017/2018 small business rates multiplier adjusted for revaluation, which is 0.436;

L is:
the sum of the rateable value in all of the 2010 local rating lists covering the authority's area for 31 March 2017 and measured on 1 April 2017; multiplied by the 2016/2017 small business rates multiplier, which was 0.484.

3 2017-18 tariff and top-up adjustment

3.1 The adjustment is calculated as the difference between the adjusted tariffs and top-ups (see para 2.1) and the original 2017-18 tariffs and top-ups (see para 1.1).

4 2018-19 tariff and top-up

4.1 The tariff and top-up amount for 2018/2019 will be calculated as:

$$(A + I) \times (M / D)$$

M is the value of the September 2017 RPI.

5 2019-20 tariff and top-up

5.1 The tariff and top-up amount for 2019/2020 will be calculated as:

$$(A + I) \times (N / D)$$

N is the value of the September 2018 RPI.

Annex C: Summary of consultation questions

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

Question 2: Do you agree with the New Homes Bonus allocations mechanism set out above?

Question 3: Do you agree that the approach should be based on data collected by the Planning Inspectorate? If you disagree, what other data could be used?

Question 4: Do you agree with the proposed appeal/challenge procedure for the dataset collated by Planning Inspectorate? If you disagree, what alternative procedure should be put in place?

Question 5: Are there alternative mechanisms that could be employed to reflect the quality of decision making on planning applications which should be put in place?

Question 6: Which of the two mechanisms referenced above do you think would be more effective at ensuring the Bonus was focussed on those developments that the local authority has approved?

Question 7: Do you think that that the same adjustments as elsewhere should apply in areas covered by National Park Authorities, the Broads Authority and development corporations?

Question 8: Do you think that county councils should be included in the calculation of any adjustments to the New Homes Bonus allocations?

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?

Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

Question 11: What factors should be taken into account in determining an Alternative Notional Amount for Combined Authority mayors?

Question 12: Do you agree with the proposed approach to correcting the reduction in relevant county councils' income from the Adult Social Care precept?

Question 13: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

Annex D: Glossary of technical terms

Baseline funding level

The amount of an individual local authority's Start-Up Funding Assessment for 2013/14 provided through the *local share* of the Estimated Business Rates Aggregate updated each year by the change to the small business multiplier (in line with RPI).

Local share

The percentage share of locally collected business rates that is retained by local government. This is set at 50%.

Revenue Support Grant

Billing and most major precepting authorities receive Revenue Support Grant from central government in addition to their local share of business rates Aggregate. An authority's Revenue Support Grant amount plus the local share of the Estimated Business Rates Aggregate will together comprise its Settlement Funding Assessment.

Tariffs and top-ups

Calculated by comparing at the outset of the business rate retention scheme an individual authority's business rates baseline against its baseline funding level. Tariffs and top-ups are self-funding, fixed at the start of the scheme and index linked to RPI in future years.

Tariff authority

An authority with, at the outset of the scheme, a higher individual authority business rates baseline than its baseline funding level, and which therefore pays a tariff.

Top-up authority

An authority with, at the outset of the scheme, a lower individual authority business rates baseline than its baseline funding level, and which therefore receives a top-up.

The 2018-19 Local Government Finance Settlement

Technical Consultation Paper Response from Rugby Borough Council

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

We agree the government should continue with the multi-year offer which gives greater certainty of funding until the end of the spending period.

Question 2: Do you agree with the New Homes Bonus allocations mechanism set out above?

We do not agree with this New Homes Bonus allocation mechanism. In our opinion it is unfair as does not take account of changes which can be made to applications whilst at appeal that then makes the proposals acceptable.

It can often be the case that the Council refuses an application for valid and justified planning reasons. At appeal the appellant can then seek to overcome these reasons for refusal by amending plans and/or submitting new information not previously considered by the Council. This can often mean that a Council will withdraw a reason(s) for refusal and by implication indicate that it would not now refuse the proposal. In such circumstances the Council would have been likely to approve an application if the Council had been given the amended plans or new information before a decision was made by us. Should an Inspector then accept amended plans and/or new information and allow an appeal because of this it would be unfair to penalise a Council by reducing the Bonus for new homes.

For example, the above situation occurred in the case of an appeal for up to 860 dwellings on Ashlawn Road, Rugby. The application was refused owing to valid traffic and air quality concerns. At appeal the appellants then produced additional information and a mitigation scheme which addressed these concerns. The Council withdrew the reasons for refusal and the Secretary of State accepted this and allowed the appeal. Had the additional information and a mitigation scheme been available prior to determination by the Council it may have actually been approved therefore negating the need for an appeal.

Further, not taking into account the number of housing units completed is unfair. The Bonus should be based on the number of houses delivered and not on the quality of decisions as this is unfair and could discourage the delivery of more homes. To illustrate this, the Council could have 100 applications in a year and 10 could go to appeal. 8 of these applications with a combined total of 100 dwellings could be allowed at appeal. The appeals against the remaining 2 applications with a combined total of 1,000 dwellings could then be dismissed. In this scenario an 8% reduction of the Bonus would be applied because of 100 dwellings where appeals were successful even though appeals against 1,000 dwellings were not acceptable.

Additionally, the mechanism does not take into account that appeals can be finely balanced. Planning decisions are rarely clear cut and are rather based on personal judgment weighing up the benefits and harm of a scheme. Although an Inspector at appeal may deem a scheme to be acceptable in their opinion this does not necessarily mean that the reasoning or quality of decision made by the Council is poor. A better test of this would be to look at where appeals are allowed and costs have been awarded against a Council for unreasonable behaviour.

Question 3: Do you agree that the approach should be based on data collected by the Planning Inspectorate? If you disagree, what other data could be used?

No – for the reasons given at question 2.

If this approach is pursued a more reasonable data source would be the number of appeals which have been allowed and for which a costs application has been awarded against the Council for unreasonable behaviour.

Question 4: Do you agree with the proposed appeal/challenge procedure for the dataset collated by Planning Inspectorate? If you disagree, what alternative procedure should be put in place?

Not aware of what the existing process used to make representations on New Homes Bonus allocations is so unable to comment.

Question 5: Are there alternative mechanisms that could be employed to reflect the quality of decision making on planning applications which should be put in place?

Yes. Number of appeals which have been allowed and for which a costs application has been awarded against the Council for unreasonable behaviour.

Question 6: Which of the two mechanisms referenced above do you think would be more effective at ensuring the Bonus was focussed on those developments that the local authority has approved?

By unit methodology.

Question 7: Do you think that that the same adjustments as elsewhere should apply in areas covered by National Park Authorities, the Broads Authority and development corporations?

N/A

Question 8: Do you think that county councils should be included in the calculation of any adjustments to the New Homes Bonus allocations?

Yes. Only when technical/specialist advice received from the County Council has resulted in the direct refusal of a planning application on those grounds alone and an appeal against this decision is then allowed at appeal. In these circumstances a reduction in the Bonus should not be applied.

For example, the County Council as Highways Authority for this area may object to a planning application on technical grounds (e.g. impact on traffic flows). Owing to the technical and specialist nature of the issue the Borough Council would often be likely to heed the advice and refuse an application on the grounds of objection. If an appeal was then submitted and upheld it would then be unreasonable for the Borough Council to be penalised for having made a decision in line with external County Council advice.

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?

The extension of the £5 limit for 2018/19 is welcomed in comparison to the 2% limit imposed in previous years.

However, it is stressed that local authorities should be free to determine council tax levels that are appropriate for local circumstances. Authorities should be free to engage and consult on council tax proposals with their residents alongside other service and resultant budgetary changes without the requirement to undertake a formal referendum.

Experience has shown that prohibitive costs involved in undertaking council tax resolutions has restricted their use, resulting in the referendum limits effectively acting as capping restrictions in all but name and therefore creating a local democratic deficit.

Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

The introduction of referenda for parish and town councils would potentially create an additional administration burden. This could be costly, particularly in any instances of re-billing. Therefore, clarity would need to be provided on who would bear these costs and it is firmly proposed that the relevant parish or town council should meet the full costs of holding any referendum and that principal electoral authorities are fully reimbursed.

Timescales would also need to be clarified in order to ensure the smooth setting of council tax for all authorities.

Other potential issues for parish councils which need to be considered in are:

- A boundary change which impacts on the precept/tax base
- A reduction in tax base as a result to changes in local council tax support discounts
- When existing developer s106 contributions used to maintain services are fully spent; the parish council would need to transfer the cost of these services on to parish taxpayers.

Question 11: What factors should be taken into account in determining an Alternative Notional Amount for Combined Authority mayors?

No comment

Question 12: Do you agree with the proposed approach to correcting the reduction in relevant county councils' income from the Adult Social Care precept?

Yes

Question 13: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No comment

AGENDA MANAGEMENT SHEET

Report Title:	Discretionary Revaluation Support for Ratepayers
Name of Committee:	Cabinet
Date:	30 October 2017
Report Director:	Head of Corporate Resources and Chief Financial Officer
Portfolio:	Corporate Resources
Ward Relevance:	
Prior Consultation:	None
Contact Officer:	Chryssa Burdett X3495
Public or Private:	Public
Report subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority: GROWTH AND INVESTMENT - Promote sustainable growth and economic prosperity
Statutory / Policy Background:	Local Government Finance Act 1988
Summary:	The Government announced several measures in the Budget to help ratepayers with changes to their rate bills.
Financial Implications:	The measures are being funded by the Government

Risk Management Implications:	There are no risk management implications for this report
Environmental Implications:	There are no environmental implications for this report
Legal Implications:	There are no legal implications for this report
Equality and Diversity:	There are no equality and diversity implications for this report
Options:	
Recommendation:	The policy included at Appendix A to the report be approved.
Reasons for Recommendation:	The Government is funding this relief

Cabinet – 30th October 2017

Discretionary Revaluation Support for Ratepayers

Report of the Head of Corporate Resources and Chief Financial Officer

Recommendation

The policy included at Appendix A to the report be approved.

1.1 INTRODUCTION

The Local Government Finance Act 1988 allows the Council to grant Discretionary Rate Relief. The Government announced several measures in the 2017 Budget to help ratepayers with changes to their rate bills from 1 April 2017. The purpose of this report is to provide members with an update on the impact of the various measures for the Borough's ratepayers after the Cabinet Report of 4 September 2017.

1.2 PUBLIC HOUSE RELIEF

The first one of these measures is £1,000 for public houses where the Rateable Value is less than £100,000.

It is a one year only scheme. Any pub which has to pay less than £1,000 in business rates will get a lower amount and it will be apportioned if they occupy for less than the year. It will only be given to pubs where you can go in to buy a drink without having to purchase food. Private members clubs and restaurants will not qualify.

The cost of this measure is being fully reimbursed by Central Government, and so far £44,844.53 has been awarded to 48 public houses.

1.3 SUPPORTING SMALL BUSINESSES

The second one of the measures is to ensure that no business losing small business rate relief or rural rate relief as a result of revaluation faces a bill of more than £600.

There are 15 businesses that have been given relief of £17,095.72.

1.4 LOCAL DISCRETIONARY FUND

The third measure is to have a locally designed scheme to help those businesses that have been hardest hit by the revaluation. It is a scheme for 4 years with reducing amounts of funding for each year.

Rugby has been granted £278,000 for 2017/18 and a scheme has been designed to help all businesses that have had a net rates increase from 2016/17 to 2017/18 due to the revaluation of 2017. Rugby is responsible for designing their local scheme and has consulted with major preceptors before scheme is adopted. This is a condition to receiving the funding and so will now be brought to Cabinet to be approved.

It was not possible to produce a Warwickshire wide policy due to timescales, therefore Rugby worked in conjunction with Nuneaton & Bedworth Borough Council and North Warwickshire Borough Council to design the scheme. North Warwickshire took to lead in producing this Policy and consulted with the Federation of Small Businesses on behalf of all three Councils and feedback that they have received has been fed into the final version of the scheme. The Scheme explored higher Rateable Value thresholds, however extending the threshold could trigger implications of state aid for larger national companies, see Section 4 of Appendix A. Also the feedback from both the County Council and the Federation of Small Businesses was to focus on local businesses where their Rateable Value was below £100,000.

The final scheme is attached as Appendix A and the outline of the scheme is as follows:

- (i) The intention is aimed at those businesses that are **occupying** properties where they have lost out due to the revaluation.
- (ii) We are looking at the rates that were payable on 31/3/17.
- (iii) Then looking at rates payable on 01/04/17 after taking account of reliefs.
- (iv) If the total increase is more than £100.00 they will get some relief as long as their RV is no more than £100,000
- (v) The relief will be a % of the increase for Rugby in the first year it will be 45%, followed by 22% in year 2, 10% in year 3 and 1.5% in year 4.
- (vi) The % as detailed above allows the Council to offer maximum support to local businesses in line with the intention of the measures introduced, whilst maximising the support Central Government has made available to the Council. Any additional relief awarded would result in a direct cost to the Council as per section 3.11 of the attached Appendix A.

In the context of the financial pressures on the Council over the medium term, particularly resulting from proposed changes to the Local Government Finance system, it is not recommended that we exceed our Central Government allocation for rate relief.

Name of Meeting:
Cabinet

Date of Meeting:
30th October 2017

Subject Matter:
Discretionary Revaluation Support for Ratepayers

Originating Department:
Resources

List of Background Papers

Document No.	Date	Description of Document	Officer's Reference	File Reference
1.				

* The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

* Exempt information is contained in the following documents:

Document No.	Relevant Paragraph of Schedule 12A
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* There are no background papers relating to this item.

(*Delete if not applicable)

Guidelines for the granting of Discretionary Revaluation Support

Version Control

<i>Version</i>	<i>Version date</i>	<i>Revised by</i>	<i>Description</i>
1	July 2017	LM	Policy
2	July 2017	DA /LM	Revisions
3	July 2017	DA	Sign off
4	August 2017	LM	Revisions SH
5	August 2017	LM	Revisions JR
6	September 2017	LM	Revisions CB

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1.0 Purpose of the Policy

- 1.1 The purpose of this policy is to determine the level of Discretionary Business Rates Relief to be granted to certain defined ratepayers within the Council's area.
- 1.2 The Local Government Finance Act 1988 and subsequent legislation requires the Council to grant discretionary relief for premises occupied by Charities and similar organisations that own or occupy them wholly or mainly for charitable purposes. Likewise, certain premises situated within a rural settlement area will be eligible for relief. Powers have also been granted under the Localism Act 2011, which allow for the granting of discretionary rate relief to any premises where the Council feels the granting of such relief would be of benefit to the local community.
- 1.3 In addition to the above, Central Government is keen that in certain cases, assistance should be provided to businesses who have had increases in their rate liability due to the revaluation of premises in April 2017. In these cases, and where the Council meets Central Government guidelines, grants are available under section 31 of the Local Government Act 2003.
- 1.4 Whilst the Council is obliged to grant relief to premises, which fall within the mandatory category, the Council also has powers to grant discretionary relief and reductions to ratepayers, subject to certain criteria being met.
- 1.5 This document outlines the following areas:
 - Details of the criteria for receiving an award under the Discretionary Business Rates Relief Scheme;
 - The Council's general policy for granting of all types of Discretionary Reliefs;
 - Guidance on granting and administering the reliefs;
 - European Union requirements including provisions for State Aid; and
 - The Council's Scheme of Delegation.
- 1.6 This document covers all aspects of the new Discretionary Business Rates Relief scheme which is available from 1st April 2017. Where businesses apply for relief they will be granted (or not granted) relief in line with the following policy.

2.0 Discretionary Relief – Legislative Background

Introduction

- 2.1 The original purpose of discretionary relief was to provide assistance where the property does not qualify for mandatory relief, or to 'top' up cases where ratepayers already receive mandatory relief.
- 2.2 Over recent years, and particularly since 2011, the discretionary relief provisions have been amended to allow authorities the flexibility to provide more assistance to businesses and organisations.
- 2.3 The range of bodies, which are eligible for discretionary rate relief, is wide and has been developed by both the Council and Central Government to address certain issues with business rates.
- 2.4 Unlike mandatory relief, ratepayers are obliged to make a written application to the Council. The Council will expect all businesses to make applications in such a format as is required (which may vary from time to time) and for the business to provide such information, evidence, certificates etc. as required in order to determine whether relief should be awarded.
- 2.5 The Council is obliged to consider carefully every application on its merits, taking into account the contribution that the organisation makes to the amenities within the authority's area. There is no statutory appeal process or Tribunal against any decision made by the Council, although as with any decision of a public authority, decisions can be reviewed by Judicial Review. The authority will however, upon request, review decisions made. Details of the internal review process are given within this policy.
- 2.6 The granting of discretionary relief falls broadly into the following categories:
- a. Discretionary Relief – Charities who already receive mandatory relief;
 - b. Discretionary Relief – Premises occupied by organisations not established or conducted for profit whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts **or** premises occupied by organisations not established or conducted for profit and wholly or mainly used for purposes recreation;
 - c. Discretionary Relief – Granted under the Localism Act 2011 provisions;
 - d. Local Newspaper Relief (from 1st April 2017 for a period of two years);
 - e. Local Public House Relief (from April 2017 for a one year period);
 - f. Supporting Small Businesses Relief (from 1st April 2017 for a period of five years or until business pay their full rate charge or their transitional rate charge (calculated in accordance with the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016); and
 - g. Discretionary Business Rates Relief Scheme (from 1st April 2017 for a period of up to four years).
- 2.7 This policy document purely covers the granting of awards under the Discretionary Business Rates Relief Scheme (g. above) which covers a period from 1st April 2017 for up to four years. The decision to grant or not to grant discretionary relief is a matter purely for the Council. The Council's policy for granting other reliefs can be found on the Council's website www.rugby.gov.uk.

The Council's general approach to granting Discretionary Relief

- 2.8 In deciding which organisations should receive discretionary rate relief, the Council has considered the following factors and priorities:
- a. That any award should support business, organisations and groups that help to retain services in the Council's area and not compete directly with existing businesses in an unfair manner;
 - b. It should help and encourage business, organisations, groups and communities to become self-reliant;
 - c. Awarding discretionary relief should not distort competition or significantly change the provision of services within the Council's area;
 - d. To enable appropriate organisations to start, develop or continue their activities, which deliver outcomes to the community and that also relate to the priorities of the Council, which, without granting discretionary relief they would be unable to do;
 - e. To assist the Council in delivering services which could not be provided otherwise;
 - f. To assist the Council to meet its priorities
 - g. To ensure that the financial impact of awarding discretionary business rate relief is justified in terms of the local outcomes achieved by the organisation receiving it.
- 2.9 Where any reduction or remission is granted to a ratepayer under S49 Local Government Finance Act 1988 where hardship is proven to the Council, then there will be no requirement to grant Discretionary Rate Relief for that amount.
- 2.10 In certain cases, the order in which relief is granted is specified. Mandatory relief shall be granted in all cases where the criteria is met irrespective of whether discretionary relief can be granted or not.

The Council's approach to granting Government led Discretionary Relief schemes

- 2.11 Over the past few years, a number of schemes have been led by Central Government but without specific legislative changes. These are administered under S47 of the Local Government Finance Act 1988 and guidance is often provided. The Council is keen to support such initiatives especially where they are designed to help local businesses and will look to maximise both the reliefs given as well as maximising any grants receivable. However, the Council reserves the right to vary its approach where thought appropriate.
- 2.12 In the case of the Discretionary Business Rate Relief scheme, Central Government is keen that individual Councils develop their own scheme to meet local needs. Government has allocated funds to the Council using a particular methodology, but it has been keen to point out that this should have **no** bearing on the actual scheme adopted by the Council.

3.0 Effect on the Council's Finances

- 3.1 The granting of discretionary relief will, in the main, potentially involve a cost to the Council. Since the change to the funding for Non-Domestic Rating in April 2013, the effect of the relief is complex.
- 3.2 Any amounts granted prior to 1st April 2013 and continuing since that date will be included in the Council's baseline within the Business Rates Retention Scheme. Any amounts granted for similar cases after 1st April 2013, the costs of the relief will be borne in accordance with the Business Rates Retention Scheme share namely 50% borne by Central Government, 40% by the Council and 10% by Warwickshire County Council. This also applies where mandatory relief is granted.
- 3.3 In March 2017, Central Government announced that it would make available a discretionary fund of £300 million over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the revaluation. Government determined that Councils would be best placed to determine how this fund should be targeted and administered to support those businesses and locations within their area that are in the greatest need.
- 3.4 Where Central Government leads an initiative such as the Discretionary Business Rates Relief Scheme, grants are often made available. This is not automatic and Central Government will look to the Council to adopt any recommended criteria when granting in these areas to ensure that any grant is paid
- 3.5 Every authority within England is to be provided with a share of the fund to support their local businesses. This is to be administered through billing authorities' discretionary relief powers under section 47 of the Local Government Act 1988. The full effects of the financial allocation are shown below.
- 3.6 The allocation of monies to authorities and the methodology of the funding award is completely separate to the scheme itself and Government believes that local authorities are best placed to judge the particular circumstances of local ratepayers and direct the funding where it is most needed to support local economies.
- 3.7 The funding is not provided equally over the four-year period but in the following approximate proportions:
- Year 1 (2017/18) 58%
- Year 2 (2018/19) 28%
- Year 3 (2019/20) 12%
- Year 4 (2020/21) 2%
- 3.8 Councils will be compensated for any relief granted under section 31 of the Local Government Act 2003. The Government has decided that any underspend cannot be 'vired' from one year to the next.

- 3.9 A key criteria of reimbursement will be that all Billing Authorities will consult with major precepting authorities when formulating their schemes.
- 3.10 The financial effects to the Council of the Discretionary Business Rates Relief Scheme are shown in the following table

Amount of discretionary fund awarded (£000s) - Rugby Borough Council			
2017-18	2018-19	2019-20	2020-21
278	135	56	8

- 3.11 The above is to be awarded up to the maximum level set by Central Government. It is possible for the Council to grant more relief than that allocated by grant. However, once the maximum grant level has been reached, any additional amount granted is borne:
40% by the Council, 10% by the County Council and 50% by Central Government.

4.0 Discretionary Relief – EU State Aid requirements

- 4.1 European Union competition rules generally prohibit Government subsidies to businesses. Relief from taxes, including non-domestic rates, can constitute state aid. The Council must bear this in mind when granting discretionary rate relief.
- 4.2 Rate relief for charities and non-profit making bodies is not generally considered to be state aid, because the recipients are not in market competition with other businesses. However, where other bodies receive relief and are engaged in commercial activities or if they are displacing an economic operator or if they have a commercial partner, rate relief could constitute state aid.
- 4.3 Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)¹. The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three-year period (consisting of the current financial year and the two previous financial years).
- 4.4 Where the relief to any one business is greater than the De Minimis level, then permission will need to be obtained from the European Commission. In such cases the matter will be referred to the Department for Communities and Local Government (DCLG) for advice and then referred back to the Council for consideration. It will be for the ratepayer to provide confirmation as to whether the State Aid provisions apply to them.
- 4.5 In all cases, where discretionary relief is to be granted or where liability is to be reduced, when making an application, ratepayers will be required to provide the Council with sufficient information to determine whether these provisions are applicable in their case.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF>

5.0 Administration of Discretionary Relief – General approach

- 5.1 The following section outlines the procedures followed by officers in granting, amending or cancelling discretionary relief and reduction. This is essentially laid down by legislation²

Awards and Evidence

- 5.2 All reliefs must be applied for. Application forms are produced by the Council both in hard copy and electronic format. The relevant application form is included within Appendix A of this policy. The Council will specify how applications are to be received and this may vary from time to time.
- 5.3 Organisations are required to provide any such evidence, documents, accounts, financial statements etc. necessary to allow the Council to make a decision. Where insufficient information is provided, then no relief will be granted. In some cases, it may be necessary for officers to visit premises and we would expect organisations claiming relief to facilitate this where necessary.
- 5.4 **The Council will provide this service and guidance free of charge. Ratepayers are encouraged to approach the Council direct and NOT pay for such services through third parties.**

Granting of relief

- 5.5 In all cases, the Council will notify the ratepayer of decisions made.
- 5.6 Where an application is successful, then the following will be notified to them in writing:
- The amount of relief granted and the date from which it has been granted;
 - If relief has been granted for a specified period, the date on which it will end;
 - The new chargeable amount;
 - The details of any planned review dates and the notice that will be given in advance of a change to the level of relief granted; and
 - A requirement that the applicant should notify the Council of any change in circumstances that may affect entitlement to relief.
- 5.7 Where relief is not granted then the following information is provided, again in writing:
- An explanation of the decision within the context of the Council's statutory duty; and
 - An explanation of the appeal rights (see below).
- 5.8 Discretionary relief is to be granted from the beginning of the financial year in which the decision is made. Since 1997 decisions can be made up to 6 months after the end of the financial year for which the application was made. In such cases, the Council *may* backdate its decision.

²The Non-Domestic Rating (Discretionary Relief) Regulations 1989

- 5.9 A decision to award discretionary relief and how much relief is given is normally only applicable to the financial year for which the application is made. However, the Council reserves the right to grant relief for any other period as appropriate. In relation to the Discretionary Business Rate Relief scheme, awards will, in the main be granted from 1st April 2017.
- 5.10 A fresh application for discretionary relief will be necessary for each financial year **or** at such time-period as the Council determines.

Variation of a decision

- 5.11 Variations in any decision will be notified to ratepayers as soon as practicable and will take effect as follows:
- Where the amount is to be increased due to a change in rate charge or a change in the Council's decision which increases the award – this will apply from a date determined by the Council as appropriate;
 - Where the amount is to increase for any other reason it will take effect at the expiry of a financial year, and so that at least one year's notice is given;
 - Where the amount is to be reduced due to a reduction in the rate charge or liability including any reduction in rateable value, awarding of another relief or exemption this will apply from the date of the decrease in rate charge; and
 - Where the amount is to be reduced for any other reason, it will take effect at the expiry of a financial year, and so that at least one year's notice is given.
- 5.12 A decision may be revoked at any time, however, a one year period of notice will be given and the change will take effect at the expiry of a financial year.

6.0 Scheme of Delegation

Granting, Varying, Reviewing and Revocation of Relief

- 6.1 All powers in relation to reliefs are given under the Local Government Finance Act 1988, the Local Government and Rating Act 1997, the Local Government Act 2003 and the Localism Act 2011. However section 223 of the Local Government Act 1992 allows for delegation of decisions by the Council to Cabinet, Committees, Sub-Committees or Officers.
- 6.2 The Council's scheme of delegation allows for the Revenues Manager to award, revise or revoke any discretionary relief applications. However, any application which is considered to be of a significant nature will be subject to consultation with the S151 Officer of the Council, and / or the relevant Executive member prior to final determination.
- 6.3 Applications that are refused will, on request, be reconsidered if additional supporting information is provided or the refusal is subsequently considered to be based on a misinterpretation of the application.

Reviews

- 6.4 The policy for granting relief will be reviewed annually or sooner where there is a substantial change to the legislation or funding rules. At such time, a revised policy will be brought before the relevant committee of the Council.

Appeals

- 6.5 Where the Council receives an appeal from the ratepayer regarding the granting, non-granting or the amount of any discretionary relief, the case will be reviewed by the Revenues Manager. Where a decision is revised then the ratepayer shall be informed, likewise if the original decision is upheld.
- 6.6 Where the ratepayer continues to be aggrieved by the decision, the case will be referred to the section 151 Officer for review. Where appropriate, cases of this nature may also be referred to the Executive member as appropriate.
- 6.7 Ultimately the formal appeal process for the ratepayer is Judicial Review although the Council will endeavour to explain any decision fully and openly with the ratepayer.

7.0 Consultation

- 7.1 The Council has consulted with the major preceptors in relation to this scheme and has taken their comments into account when determining the eligibility criteria. This is an essential part of the Discretionary Business Rates Relief Scheme and is in line with the grant determination issued by the Department of Communities and Local Government (DCLG) No.31/3071.
- 7.2 The grant determination states that a condition of the fund is that consultation is undertaken with 'relevant authorities'. Relevant authorities for the purposes of this scheme means:
- a. Any major precepting authority; and
 - b. Any combined authority.
- 7.3 In the case of the Council only the major precepting authorities have been consulted namely:
- a. Warwickshire County Council; and
 - b. Warwickshire Police and Crime Commissioner.

8.0 Decisions by the Council under this scheme

- 8.1 Decisions by the Council are made directly in line with the Scheme of Delegation as outlined within section 6 of this policy. Any decision to award relief under this scheme will follow the core principles of the Council's discretionary relief policy as defined by section 2.8.
- 8.2 It should be noted that, whilst the funding from Central Government for Discretionary Business Rate Relief Scheme is limited, the decision of the Council whether to award any relief under this scheme **will not be influenced** by the level of that funding.

Discretionary Business Rate Relief Scheme- the Council's policy for granting discretionary relief.

Criteria for relief under this scheme

- 8.3 The Council has decided that relief under the scheme will be awarded using the following criteria:
- a. The scheme is designed **solely** to assist ratepayers who have suffered significant increases in rate liability due to the revaluation and the subsequent increase to their Rateable Value;
 - b. Relief will not be awarded where mandatory relief is granted and in line with legislative requirements, no relief can be granted to any precepting authority;
 - c. Relief will only be granted to those hereditaments whose rateable value at 1st April 2017 of the hereditament is less than £100,000;
 - d. In assessing any potential entitlement to an award under this scheme, the Council will compare the following:
 - i. The rate liability of the ratepayer at 31st March 2017 for the 2016/17 financial year after any reliefs and reductions; and
 - ii. The rate liability of the ratepayer at 1st April 2017 for the 2017/18 financial year taking into account any transitional relief or discretionary relief granted under any other provision;
 - e. Relief will **not** be awarded where the calculation in d. above would result in an increase of less than £100;
 - f. Relief will only be given to premises which are liable for occupied rates. **No relief within this scheme will be granted for unoccupied premises** or where the premises becomes re-occupied;
 - g. Relief will only be granted to ratepayers to premises that were occupied on both 31st March 2017 and 1st April 2017. Relief will cease at any point the hereditament becomes unoccupied and will not be re-granted;
 - h. Relief may be awarded for more than one premises as long as **all** other criteria are met;
 - i. Relief (or further relief) will **not** be awarded where the hereditament has an increase in Rateable Value after the 1st April 2017 which increases the rate charge above the 1st April 2017 value.
 - j. Where a ratepayer is in receipt of any award under this policy, the authority will **not** consider any application for relief under Section 44A of the Local Government Finance Act 1988 for the same hereditament.

Amount of Relief

- 8.4 The amount of relief is tapered and will be calculated as follows:
- 2017/18**
In accordance with the provisions detailed within paragraph 8.3 relief will be awarded to the value of 45% of the increase calculated in 8.3d
- 2018/19**
The relief for 2018/19 shall be 22% of the increase calculated in 8.3d
- 2019/20**
The relief for 2019/20 shall be 10% of the increase calculated in 8.3d
- 2020/21**
The relief for 2020/21 shall be 1.5% of the increase calculated in 8.3d
- 8.5 In exceptional circumstances, the authority shall consider applications on a case by case basis where the ratepayer falls outside of the criteria detailed in paragraph 8.3 but where the ratepayer can demonstrate that they are experiencing severe financial difficulties due to the revaluation on 1st April 2017.

Variation and amendment of relief under the scheme

- 8.6 As with all reliefs, the amount of relief awarded under the Discretionary Businesses Rates relief scheme will be recalculated in the event of a change of circumstances. In effect, relief is calculated on a daily basis in line with the ratepayer's liability on that day. This will include, for example, a backdated change to the rateable value of the hereditament. This change of circumstances could arise during the year in question or during a later year.
- 8.7 The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) requires the Council to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, the Council may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances.

9.0 Reporting changes in circumstances

- 9.1 Where any award is granted to a ratepayer, the Council will require **any** changes in circumstances which may affect the relief to be reported as soon as possible and in any event not more than 21 days from the happening of the event. This will be important where the change would result in the amount of the award being reduced or cancelled e.g. where the premises comes unoccupied or is used for a purpose other than that determined by the Council as eligible for relief.
- 9.2 Where a change of circumstances is reported, the relief will, if appropriate be revised or cancelled. Where any award is to be reduced, the Council will look to recover the amount from the date the change of circumstances occurred.
- 9.3 Where a change in circumstances is not reported and it is subsequently identified that it would have reduced the relief awarded, the Council reserve the right to remove any award completely.

10.0 Fraud

- 10.1 Where a ratepayer falsely applies for any relief, or where the ratepayer provides false information, makes false representation, or deliberately withholds information in order to gain relief, prosecutions will be considered under the Fraud Act 2006.

Appendix A

Application Form for the Discretionary Business Rate Relief Scheme.

Agenda No 7

AGENDA MANAGEMENT SHEET

Report Title:	Invitation to Local Authorities in England to Pilot 100% Business Rates Retention in 2018/19
Name of Committee:	Cabinet
Date:	30 th October 2017
Report Director:	Head of Corporate Resources & Chief Financial Officer
Portfolio	All Portfolios
Ward Relevance	All Wards
Prior Consultation	None
Contact Officer	Mannie Ketley - Head of Corporate Resources & Chief Financial Officer
Report Subject to Call-in	Yes
Report En-Bloc	No
Forward Plan	No
Corporate Priorities	This report relates to the following priority(ies): All Council Priorities
Risk Management Implications	
Financial Implications	As detailed in the main report.
Environmental Implications	There are no environmental implications arising from this report.

Legal Implications

There are no legal implications arising from this report.

Equality and Diversity

There are no Equality and Diversity implications arising from this report. It may be necessary later on in the budget process to carry out Equality Impact Assessments of the implications of any service changes.

Recommendation

Rugby Borough Council participates in the Warwickshire 100% business rates retention pilot if the Warwickshire submission is successful.

Reasons for Recommendation

If successful in the application process, becoming a pilot would provide additional resources for the authority.

Cabinet – 30th October 2017

**Invitation to Local Authorities in England
to Pilot 100% Business Rates Retention in 2018/19**

**Report of the Head of Corporate Resources & Chief Financial
Officer**

Recommendation

Rugby Borough Council participates in the Warwickshire 100% business rates retention pilot if the Warwickshire submission is successful.

1. Background

- 1.1. On 1st April 2017 the Government launched five pilots of 100% business rates retention, which Ministers have granted to areas with ratified devolution deals. These pilots will retain 100% of business rates income and forego some existing grants. The five current 100% pilots will continue in 2018/19, alongside a new wave of 2018/19 pilots.
- 1.2. The 2018/19 pilot programme will last for one year only. 100% pilots will gain the 50% share that will no longer be payable to Central Government. In return, authorities selected as pilots will be expected to forego Revenue Support Grant and Rural Services Delivery grant. Any difference will be offset by an adjustment to top up or tariffs. In addition, pilots will gain from retaining 100% of any growth above baseline.
- 1.3. For the 2017/18 pilots the Government agreed a 'no detriment' clause, guaranteeing that these areas will not be worse off as a result of participating in the pilot. The Government are expecting proposals for 2018/19 pilots to include details of how authorities will work together to manage risk in line with their proposed pooling arrangements in the event that the 2018/19 pilots programme does not include a 'no detriment' clause.
- 1.4. The Government expects to learn from the pilot's experiences in the design of any national system of business rates retention. Specifically, the Government will use the 2018/19 pilots to deepen its understanding of how different local arrangements work.

- 1.5. Groups of authorities interested in becoming a pilot for 2018/19 are required to submit an application to DCLG by 27 October 2017. Whilst a submission has to be made by 27 October 2017, assessment will need to be completed by the end of November so there will be opportunities to make modifications to the submission. The purpose of this report is to seek the views of the Members on whether Rugby should participate in the pilot.

2. Local Position

- 2.1. Warwickshire has expressed an interest in becoming a pilot for 2018/19. With agreement from all relevant authorities, this will be a joint application between the county council and district councils in the Coventry & Warwickshire Business Rates Pool.
- 2.2. The Coventry & Warwickshire Business Rates Pool has been in operation since 1st April 2013. Members agreed are our membership at Cabinet 18th October 2012. The Pool members are Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-On-Avon District Council, Warwick District Council and Warwickshire County Council.
- 2.3. Coventry City Council will not form part of the 100% pilot application as they are already part of the existing West Midlands Combined Authority Pilot.
- 2.4. The existing Pool arrangement enables a greater proportion of growth generated locally to be retained locally, with only a small proportion being paid as a levy. The pilots gain from retaining 100% of any growth above baseline, with no levy payment.

3. Terms of the Invitation

- 3.1. To be accepted as a pilot for 2018/19, agreement must be secured locally from all member authorities about their local arrangements to pool their additional business rates income. This should include:
 - A way of sharing the additional growth funding that:
 - Promotes the financial stability and sustainability of the pooled area
 - Invests in encouraging further growth across the area
 - Details of how member authorities will work together to manage risk
- 3.2. From the Government's perspective the learning from the 2018/19 pilots will be used to deepen understanding of how different local arrangements work and improve the information that it holds on business rates retention. As such, participating authorities will not only be expected to share additional data and information but also there is more chance of a successful application if the structure and content provides scope for learning about the design of any national system of business rates retention.

- 3.3. Given the timetable for pilot applications and the proximity to the finalisation of the Local Government Finance Settlement for 2018/19, all applications must outline, with agreement from all participating authorities, what pooling arrangements they would like to see if their application to become a pilot were unsuccessful. In Warwickshire's case this means we would need to formally tell Coventry of our plans whilst seeking their support in keeping our current pool arrangements as the fall-back position. Initial discussions between finance colleagues suggest this will not be a problem.
- 3.4. Finally, the pilots will be expected to test authorities' administration (e.g. how they tackle avoidance), technical planning for implementation, and look at system maintenance; how the accounting, data collection and IT system will work.

4. Financial Implications

- 4.1. If Warwickshire was accepted as a business rate pilot the additional one-off benefit in 2018/19 is estimated to be £19 million. The table below shows the calculation of this figure compared to the current 50% retention.

	100% Retention £m	50% Retention £m	Difference £m
Total business rates generated	260	260	-
50% paid to central government	-	(130)	130
Net Tariff paid to central government	(142)	(39)	(103)
Levy paid to central government	-	(3)	3
RSG/Rural Services Delivery Grant no longer received	(11)	-	(11)
Net Retained Business Rates	107	88	19

- 4.2. Whilst the £19 million figure may vary if actual business rates and levels of appeals are different from current forecasts, it represents a 20% increase in the business rates to be retained within Warwickshire.
- 4.3. Rugby Borough Council would retain a one off gain in 2018/19 as part of the Warwickshire pilot, whilst it is envisaged this will be a considerable sum, until the tier split is agreed across the Pool it is not possible to quantify the sum at this stage.
- 4.4. In return for this potential gain authorities are also being asked to take on additional financial risk from business rates declining or successful appeals. Key to our joint application, and the learning for Government, will be how we intend to share both the potential gain and risk to ensure the sustainability of Warwickshire's local government over the economic cycle.

5. Assessment Criteria

5.1. The approval of 100% Business Rates pilots will mean that the Government loses access to the 50% of business rates they currently receive from the pilot area. The cost of this (e.g. the estimated £19 million for Warwickshire alone) means the number of pilots accepted will be limited as a result of affordability constraints. Selection as a business rate pilot will be a competitive process and the published selection criteria are as follows:

- The extent to which the proposed pooling arrangements operate across a functional economic area
- The pilot authorities include two-tier and rural areas because they are not part of the 2017/18 pilots
- The promotion of the financial sustainability of the pilot area and individual authorities within it
- A clear strategy of how pooled income from growth will be used across the pilot area, including how it will be used to generate future growth
- The geographical coverage of pilots across England
- The make-up of business rates taxbases within the pilot areas achieve a variation in the types of businesses represented (e.g. cover areas with a small number of large rate payers in the area and/or a large number of smaller ratepayers).

6. Content of the Pilot Application

6.1. The application must be in the form of a business case with supporting financial analysis, with the business case clearly setting out, as a minimum:

- **Membership details/ Housekeeping**
 - Membership of the proposed pool, explaining its relevance to the economic geography of the area
 - Evidence that each local authority fully supports the application and the proposed pooling arrangements
 - Our preferred back-up arrangements if the application is unsuccessful
 - If we would still like our application to be considered if we were expected to operate without a 'no detriment' clause
 - The lead authority that will to receive payments from and make payments to the Department on behalf of the entire pool.
- **Governance arrangements**
 - A governance agreement, including how any additional business rates income is to be used; how risk is to be managed; and how residual benefits/liabilities would be dealt with once the pilot ends
 - An indication of how the pool will work together in the longer term;
 - Proposals for sharing additional growth that promote financial stability and sustainability but also invest some retained income in encouraging further growth across the area.

- **Additional supporting evidence**
 - The benefits to the area of participation in the 2018/19 pilots, including the financial case;
 - Our proposed tier split, explaining how this will promote sustainability; and
 - A brief explanation of the business rates taxbase in the area.

7. Progress to Date

7.1. Finance officers from all authorities have met three times to discuss options and proposals for a Warwickshire 100% pilot. Current thinking is to develop a proposal where the gain could be shared across up to four themes:

- Support for authorities' general budget
- A volatility fund to provide for risk over time
- Local economic growth and mitigating the impact of economic growth on local communities
- A county-wide investment fund allocated on a partnership basis

7.2. To support the business case and provide evidence to inform the final decision on the scope of the pool we have or have plans in train to:

- Collate information from the Local Economic Assessment that formed the basis for our bid to establish a Coventry & Warwickshire LEP to provide evidence that Warwickshire is a functional economic area
- Analyse the business rates taxbase across Warwickshire to identify risks areas and the different risk profiles of individual authorities
- Consider how the risks to business rates from HS2 in the short/medium term previously presented to Government can be used to strengthen our bid in terms of risk sharing
- Use evidence from the stability of our current pool and how risk and reward have been shared to demonstrate how we can work together
- Model scenarios for sharing the additional funding and sharing risk and the impact of different tier splits
- Identify the potential financial risk and/or evaluate the scenarios against the risk appetite of individual authorities
- Collate assessment criteria used elsewhere to determine how any shared Investment Fund allocations could be prioritised
- Document existing collaboration in economic growth and/or the collection/administration of local taxation
- Adapt our current business rate pool Memorandum of Understanding to meet the new/enhanced requirements
- Consider how/whether the partnership arrangements of the Local Economic Prosperity Board can be adapted to provide a business rates governance structure for the duration of the pilot.

8. Next Steps

- 8.1. Any proposals for new pilots must be received by the Department for Communities and Local Government on or before Friday 27 October 2017. Successful applications will be announced before or alongside the publication of the draft Local Government Finance Settlement in December. Discussions will be held with 'successful' applicants throughout November to confirm technical details and agree numbers, so any announcement will not be a surprise for the authorities involved, but will be embargoed until the official announcement.
- 8.2. Warwickshire County Council will progress with a detailed plan of work to be delivered and decisions made through to a submission by 27 October which will be finalised and circulated to all authorities with work continuing to be co-ordinated through Finance Officers.

AGENDA MANAGEMENT SHEET

Name of Meeting	Cabinet
Date of Meeting	30 October 2017
Report Title	One-off community grants (2018/19)
Portfolio	Communities and Homes
Ward Relevance	All
Prior Consultation	N/a
Contact Officer	Michelle Dickson tel: 01788 533843 michelle.dickson@rugby.gov.uk
Report Subject to Call-in	Yes
Report En-Bloc	No
Forward Plan	Yes
Corporate Priorities	Recognise the differing needs of our communities by engaging with the voluntary and community sector Encourage residents to actively engage with existing local groups, or to start one, by working with our partners Identify local issues and engage with a range of organisations to help residents identify solutions that work for them
Statutory/Policy Background	These are discretionary grants.

Summary	This report sets out proposals for one-off community grants for 2018/19.
Risk Management Implications	<p>Providing funding to third-party organisations poses a risk that council funds will not be spent appropriately.</p> <p>These risks are substantially reduced by established monitoring mechanisms.</p>
Financial Implications	This report sets out an indication of budget requirements to be considered as part of the wider corporate budget setting process.
Environmental Implications	There are no environmental implications arising from this report.
Legal Implications	Written agreements are in place in relation to the grant funding provision.
Equality and Diversity	An equality impact assessment has been carried out.
Options	<ol style="list-style-type: none"> 1. Approve recommendations <ul style="list-style-type: none"> • clear budgetary requirements in preparation for budget settings 2. Do not approve recommendations <ul style="list-style-type: none"> • projects may not be deliverable in 2018/19 if there is a delay in the availability of funding
Recommendation	<p>IT BE RECOMMENDED TO COUNCIL THAT -</p> <p>(1) the proposals related to the Council's one-off grant funds, as identified in table 2, be endorsed for implementation in 2018/19, subject to budget setting; and</p> <p>(2) the changes to criteria, as outlined in section 3 of the report, be approved.</p>
Reasons for Recommendation	To ensure the effective use of the Council's community grant funds in 2018/19.

Cabinet – 30 October 2017

One-off community grants (2018/19)

Report of the Communities & Homes Portfolio Holder

Recommendation

IT BE RECOMMENDED TO COUNCIL THAT -

- (1) the proposals related to the Council's one-off grant funds, as identified in table 2, be endorsed for implementation in 2018/19, subject to budget setting; and
- (2) the changes to criteria, as outlined in section 3 of the report, be approved.

1. BACKGROUND

The Council provides significant funding to the voluntary and community sector through its community grants programme. This is in the form of both multi-year grant funding arrangements with community associations (linked to service level agreements) as well as a number of grant funds that organisations can bid into for one-off grant funding.

Council on 28 February 2017 agreed service level agreement grant funding allocations for the community associations for 2017/18 and 2018/19 as identified in table 1, subject to budget availability;

Table 1:

	COMMUNITY ASSOCIATIONS	2017/18	2018/19
1.	Brownsover Community Association	£7,500	£7,500
2.	Overslade Residents' Association	£7,500	£7,500
3.	Benn Partnership Centre	£7,500	£7,500
4.	New Bilton Community Association	£7,500	£7,500
5.	Newbold Community Association	£7,500	£7,500
	Total	£37,500	£37,500

This report provides recommendations on:

- Proposals for the Council's one-off grant funds for 2018/19:
 1. Grants to Voluntary and Community Organisations.
 2. Rural Development Fund
 3. Sports Grant
 4. Youth and Play Grant
 5. Arts Grant

2. ONE-OFF GRANTS

2.1 Funds available:

The proposed funds for each of the one-off grants for 2018/19, based on current and previous year figures, are identified in table 2 below. The availability of funding will be subject to corporate budget setting by Council in February 2018.

Table 2:

Grant Fund	Funds available 2017/18	Proposal 2018/19	Detail
Grants to Voluntary and Community Organisations	£20,410	£20,410	17/18, one-off revenue grants up to £1,500 18/19, one-off revenue grants up to £2,500
Rural Development Fund	£25,000	£25,000	One-off revenue grants up to £10,000 – rural area only
Sports Grant	£6,000	£6,000	One-off revenue grants up to £1,000
Youth and Play Grant	£6,000	£6,000	One-off revenue grants up to £1,000
Arts Grant	£6,000	£6,000	One-off revenue grants up to £1,000
Total	£63,410	£63,410	

3. SIGNIFICANT PROPOSED CHANGES TO ONE-OFF GRANT FUNDING

The significant proposed changes from 2017/18 are:

- The grant criteria for Grants to Voluntary and Community Organisations, Rural Development Fund and Arts Grant no longer include the following

Develop intergenerational projects that bring people together in mutually beneficial activities. The activities will promote a greater understanding and respect between generations and contribute to building cohesive communities. Intergenerational practice builds on the positive resources and skills that the young and old have to offer each other and those around them.

This is because no applications with specific intergenerational aims have been received since the criteria was introduced in 2015/16.

- It is recommended that the maximum amount that can be allocated from Grants to Voluntary and Community Organisations is raised from £1,500.00 to £2,500.00, to encourage more substantial / sustainable projects and limit the potential for future underspends.
- It is proposed that the grant criteria remain unchanged for Sports Grant, Youth and Play Grant.

Name of Meeting: Cabinet
 Date Of Meeting: 30 October 2017
 Subject Matter: One-off community grants (2018/19)
 Originating Department: Communities & Homes

LIST OF BACKGROUND PAPERS

Document No.	Date	Description of Document	Officer's Reference	File Reference
1.		Equality impact assessments		

* The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

* Exempt information is contained in the following documents:

Document No.	Relevant Paragraph of Schedule 12A
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* There are no background papers relating to this item.

(*Delete if not applicable)

