

REPORT TO THE MEETING OF THE EXECUTIVE 5 OCTOBER 2016**PORTFOLIO: FINANCE****REPORT FROM: SECTION 151 OFFICER****SUBJECT: GOVERNMENT 4 YEAR SETTLEMENT OFFER****1 DECISION BEING RECOMMENDED**

- 1.1 To agree to the 4 year settlement as published by Government for 2016/17 to 2020/21, by publishing an Efficiency Plan (set out in Appendix A).

2 BACKGROUND

- 2.1 As part of the final settlement for 2016/17, the Government will offer any Council that wishes to take it up, a 4 year funding settlement to 2019-20.
- 2.2 The Government is making a clear commitment to provide minimum allocations for each year of the Spending Review period, should Councils choose to accept the offer, and, if they have published an efficiency plan.
- 2.3 As part of the move to a more self-sufficient local government, these multi-year settlements can provide funding certainty and stability.
- 2.4 In practice, the final determination of the local government finance settlement for any given year cannot be made until calculations are completed taking account of the business rates multiplier, which is based on the Retail Price Index in September each year.
- 2.5 The Government will also 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, the Government expects these to be the amounts presented to Parliament each year.
- 2.6 The Government has stated that to receive the commitment to the settlement, each local authority must accept the offer and publish an Efficiency Plan. There is no set guidance or templates, so the proposed Efficiency Plan for this Council can be found in Appendix A.
- 2.7 The deadline is 14 October 2016 to accept the offer by sending an email or letter to MultiYearSettlements@communities.gsi.gov.uk with a link to the published Efficiency Plan. After the deadline for receipt, DCLG will respond to Councils on the 4 year offer as soon as practicable.

3 THE 4 YEAR SETTLEMENT

- 3.1 The 4 year settlement for Rochford District Council is shown in the table below:-

£m	2016/17	2017/18	2018/19	2019/20
Prior Year Baseline Funding Level	1.58	1.59	1.62	1.67
Change in RPI	0.01	0.03	0.05	0.05
Baseline Funding Level	1.59	1.62	1.67	1.72
Prior year funding (RSG+Baseline+Council Tax)	9.16	8.49	7.98	7.71
Scale it down based upon total Local government funding	(0.67)	(0.51)	(0.27)	(0.30)
Final Settlement Core Funding	8.49	7.98	7.71	7.40
Council Tax	(6.32)	(6.32)	(6.32)	(6.32)
Baseline Funding Level	(1.59)	(1.62)	(1.67)	(1.72)
Relief of RSG cut	-	-	0.28	-
RSG	0.58	0.04	0.00	(0.63)
Settlement Funding Assessment	2.17	1.67	1.67	1.09

- 3.2 It is built up of two key elements: the Baseline funding level and the Revenue Support Grant (RSG).
- 3.3 The Baseline funding level is a calculation of the amount of funding we can retain from Business Rates (in effect), based upon 2015/16 funding levels multiplied by the relative change in RPI; these are set centrally by Government.
- 3.4 The RSG calculation basically considers prior years funding levels and applies a “scaling factor” which is basically the level at which Government wishes to reduce the expenditure in local government, and then takes off the Council Tax and Baseline funding (Business Rates) that the Authority receives. If there is a difference this forms the RSG in all prior years as a top up mechanism for Rochford District Council.
- 3.5 However, for 2018/19 and 2019/20 the RSG is in fact negative, which means that the Government’s national reduction in expenditure when applied to Rochford means the Council needs to contribute more to the national fund, as it receives too much in Business Rates and Council Tax against their formulaic levels of funding.
- 3.6 The negative RSG in 2018/19 has been removed due to a one year relief, but this will not be repeated in future years.

4 RESOURCE IMPLICATIONS

- 4.1 Considering section 3, the financial gap in 2020/21 could grow from £2.8m, as previously reported in the MTFS, to closer to £3.5m, with this negative RSG applied. This is before the savings plans (circa £2.4m currently in train). These figures are currently being revisited as part of the first iterations of the

2017/18 budget and MTFS and will move again before the final budget and MTFS submission in February 2017.

- 4.2 Initially this does not look like a good deal for Rochford, with a guaranteed reduction in the base funding by 2020, however, the alternative for not agreeing to this could be a worsening position, certainly not any better.
- 4.3 The guidance from Government states:

"Those councils that choose not to accept the offer, or do not qualify, will be subject to the existing yearly process for determining the local government finance settlement. Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit. At present we do not expect any further multi-year settlements to be offered over the course of this parliament."
- 4.4 The only other item to consider is the 100% Business Rates Retention which is due to be implemented in 2020/21, which could affect the amount of funding the Council can retain from Business Rates. However, it is clear that any new money will come with new responsibilities.
- 4.5 The guidance from Government states:

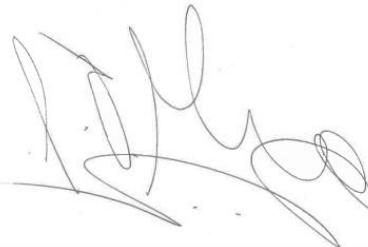
"The Government is committed to local government retaining 100% of its business rate revenues by the end of this Parliament. This will give them control over an additional £13 billion of tax that they collect. To ensure that the reforms are fiscally neutral local government will need to take on extra responsibilities and functions. DCLG and the Local Government Association will soon be publishing a series of discussion papers which will inform this and other areas of the reform debate. The new burdens doctrine operates outside the settlement, so accepting this offer will not impact on any new burden payments agreed over the course of the four years."
- 4.6 Care must be taken not to assume Rochford will be any better off financially from the 100% Business Rates Retention as overall it must stay fiscally neutral for the Government, but it will change how funds are distributed throughout the country, which may or may not be the subject of further adjustments through Top ups / Tariff's / RSG adjustments.

5 RISK IMPLICATIONS

- 5.1 The main risk is that by agreeing to the 4 year settlement is whether Rochford District Council is counting out any future upside of funding changes for those authorities which did not agree to the settlement. It seems highly unlikely this will be the case based upon the statement in section 4.3, but the future of local government finance is never certain.

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- 5.2 With a 4 year settlement agreed, Rochford District Council can continue its journey to financial self-sustainability, with an element of certainty around its funding position, which has been missing in previous years and is a key ask of Local Authorities of Central Government.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.



LT Lead Officer Signature:

Section 151 Officer

Background Papers:-

None.

For further information please contact Rob Manning (Section 151 Officer) on:-

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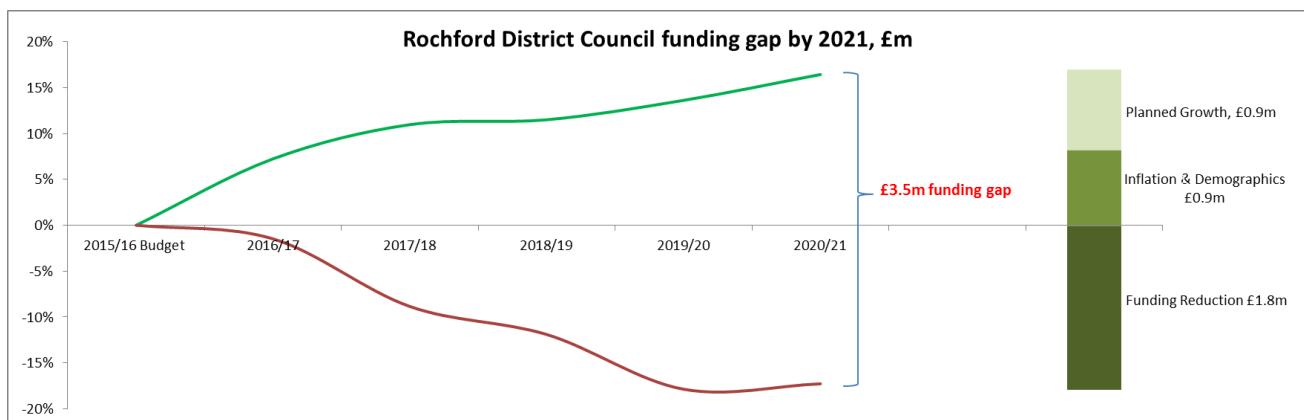
If you would like this report in large print, Braille or another language please contact 01702 318111.

Rochford District Council: Efficiency Statement 2016/17

1 The Financial Landscape - updated

The future position which RDC faces financially will be challenging, in the final settlement a forecast difference between funding available and the expenditure of the organisation was identified of approx. **£3.5m by 2021**, which has increased since the **£2.8m** reported in the Medium Term Financial Strategy in February 2016.

The graph below represents the updated Medium Term Financial Strategy of Rochford, from both a funding and expenditure point of view with the latest updated figures (September 2016).



By 2021, there is a forecast funding gap of **£3.5m** (before any mitigations), due to a perfect storm of:

- reducing government funding (through the Revenue Support Grant being halved and then removed within two years), and ultimately becoming a negative figure by 2020;
- growth in services through demographic changes and increased service need; and
- increasing inflationary pressures on contracts

However, Rochford District Council has taken bold steps in 2015/16 to address these pressures. Through **cross party workshops and collaboration**, the Council has agreed a transformation programme linked to the Rochford Business Plan which will make difficult decisions and drive savings from the cost base to meet this financial gap head on, so far **£2.4m** of savings & income ideas are being considered, leaving **£1.1m remaining gap**.

Savings & income plans of **£0.8m** were approved in the 2016/17 Budget as set in Council in February; further ideas / concepts were included for future years but these are not yet approved and will be considered in future budget rounds, but the Council cannot shy away from tough decisions that will need to be made in these fiscally challenging times.

The savings plans currently being considered for 2016/17 through to 2020/21 can be split into the following key headings linked to the Business Plan, all of which are ongoing savings, net of any ongoing costs but excluding any one off funding requirements:

Rochford District Council – Efficiency Statement 2016/17 to 2020/21

Business Plan Theme	Total Saving by 2021 £m
Financially Self Sufficient	(1.3)
Early Intervention	(0.5)
Maximise our Assets	(0.5)
Enable Communities	(0.0)
Total	(2.4)

These savings are indicative, and will change following detailed project design and implementation, through the budget and MTFS cycles each year.

2 The Business Plan



The graphic features a dark green header bar with the text "BUSINESS PLAN" in large white letters. To the right of the title is a stylized leaf logo. Above the logo are the years "2016" and "2020". To the right of the logo is the "Rochford District Council" logo, which includes a small leaf icon and the text "Rochford District Council". Below the header is a dark green bar with the text "OUR PRIORITIES" in white. The main content area is divided into four colored boxes: purple, orange, blue, and red. Each box contains a title and a list of actions.

"Our residents will be at the heart of everything we do"

We will enable our staff to meet future challenges by working in a business-like way;

We will enable our communities to help deliver services which they consider to be specifically important to them;

We will create opportunities to maximise income to continue delivering services;

We will help this District become renowned as a leading regional centre in the science, medical and technology sectors within the next 10-20 years;

We will support new and existing businesses;

We will make the most of our coastal areas.

BECOME FINANCIALLY SELF-SUFFICIENT	EARLY INTERVENTION	MAXIMISE OUR ASSETS	ENABLE COMMUNITIES
<ul style="list-style-type: none">• We will set up a trading arm and increase our traded services to generate investment income and make us more 'self sufficient';• We will pursue large scale commercial projects to generate income;• We will ensure our commercial activity will, where possible, have social benefits;• We will use local businesses and resources whenever possible whilst ensuring Best Value;• We will review our services so that we provide more of what is important to our residents.	<ul style="list-style-type: none">• We will use early intervention to manage demand on our services;• We will endeavour to help to provide good quality homes for all of our residents by bringing, for example, more empty properties back into use;• We will promote the safeguarding of our young and vulnerable residents;• We will work closely with those partners who will help us achieve our aims, especially those whose focus is on early intervention and prevention.	<ul style="list-style-type: none">• We will ensure that all of our assets are fully utilised to maximise income whilst ensuring social purpose.	<ul style="list-style-type: none">• We will engage with all parts of our communities, including Parish Councils, businesses and our residents, to encourage the most efficient way to provide services and to help create full employment, including more apprenticeships.

To achieve these priorities we will create a culture in the Council that is: focussed on real outcomes, not process; proactive; flexible; able to make decisions promptly; business-like; empathetic; willing to take risks whilst maintaining appropriate safeguards.

How we will achieve our priorities: a number of detailed delivery plans will emerge from this business plan; these will set out how we will achieve the objectives set out in this plan.

3 Conclusion

Rochford District Council has started on a difficult journey to financial self-sufficiency through implementing the principles of the Business Plan, identifying and executing savings plans in 2016/17, whilst considering further options on new savings and maximisation of new income streams in future years, to try and meet the funding challenge.

This will not be an easy journey, the forecast reduced funding position is particularly difficult to achieve. Difficult decisions have been made and will continue to be made into the future to meet this challenge.

A handwritten signature in black ink, appearing to read "R. Manning".

Rob Manning

Section 151 Officer