

**REPORT TO: EXTRAORDINARY COUNCIL 13 FEBRUARY 2018****PORTFOLIO: FINANCE****REPORT FROM: SECTION 151 OFFICER****SUBJECT: MEDIUM TERM FINANCIAL STRATEGY 2018/19 -2022/23****1 PURPOSE OF THE REPORT**

- 1.1 This report sets out the proposed 2018/19 Budget, Council Tax and Medium Term Financial Strategy (MTFS) for the period 2018/19 to 2022/23. The MTFS outlines the budget changes over the period, including assumptions around inflation, changes to grant funding, pressures and savings.

**2 INTRODUCTION**

- 2.1 The Council is legally obliged to set a budget each year which must balance service expenditure against available resources. It is also a key element of effective financial management for the Council to put together a financial forward plan to ensure that it is well placed to meet future challenges, particularly in the context of changes to local authority funding, demographic increases and legislation changes.

**3 QUESTIONS**

- 3.1 Members are reminded that the normal practice of the Council is that questions of detail relating to the enclosed information, including the Appendices, should be raised in advance of the meeting. Questions should be addressed to Naomi Lucas, section 151 Officer, email: [naomi.lucas@rochford.gov.uk](mailto:naomi.lucas@rochford.gov.uk) and Matthew Petley, Principal Finance Officer, email: [matthew.petley@rochford.gov.uk](mailto:matthew.petley@rochford.gov.uk) by Friday, 9 February 2018.

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- 4.1 This report considers in detail the issues, assumptions and considerations made in preparing the MTFS, under the following headings:-
- 4.2 Report Pack:
- Section 6 - Executive Summary
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  - Section 9 - Medium Term Financial Strategy
  - Section 10 – Fees and Charges
  - Section 11 – Pension and Pension Revaluation
  - Section 12 - Equalities and Diversity

- Section 13 – Risks and Opportunities
- Section 14 – Robustness of the Budget Assumptions
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4.3 Appendices Pack:

- *Appendix 1- Detailed revenue budgets 2018/19*
- *Appendix 2 - Savings / Efficiencies (including Income Generation) for 2018/19*
- *Appendix 3 - Fees & Charges Schedule*
- *Appendix 4 – Capital and Treasury Management Strategy 2018/19*

## 6. EXECUTIVE SUMMARY

- 6.1 This report sets out Rochford District Council's Medium Term Financial Strategy (MTFS) which provides a financial forecast over a rolling five-year timeframe from 2018/19 to 2022/23.
- 6.2 Government funding for 2018/19 is in line with the four year settlement that Rochford District Council signed up to for the period 2016 - 2020 to in October 2016.
- 6.3 The Council's strategic context is set out in section 7. The strategic objectives form the basis of the Business Plan and drive the allocation of resources.
- 6.4 This report provides feedback on the public budget survey which closed on 7 January 2018 after a period of 6 weeks and is outlined in section 9.
- 6.5 The total budget gap before savings / efficiencies (including income generation) has been updated to reflect recent announcements and is £0.845m for 2018/19.
- 6.6 Savings / efficiencies (including income generation) of 0.851m have been identified to enable a balanced budget to be set in 2018/19.
- 6.7 The total identified savings concepts from 2019-2023 are £1.0m to help close the remaining medium term gap. These savings are indicative only, based on current financial forecasting and will be subject to change as additional information becomes available and savings proposals are developed. A range of further Business Plan proposals are being explored and it is anticipated that any remaining gap will be mitigated over the medium term, subject to further consultation.
- 6.8 The Council aims to retain a General Fund balance (which acts as a contingency for unexpected or emergency costs) of 10% (£0.9m) in 2018/19.
- 6.9 The Council will continue to earmark its New Homes Bonus grant of £0.898m in 2018/19 for investment projects to help unlock growth potential, invest to save and generate on-going revenue streams, by transferring this to the Hard/Soft infrastructure reserve.
- 6.10 The budget proposals within this report are predicated on an indicative Council Tax increase of 2.98% in 2018/19; this equates to an extra 12 pence per week on a Band D property.

## 7 STRATEGIC CONTEXT

- 7.1 The Council and the wider public sector continue to face significant financial challenges. The budget is to be set against a backdrop of the eighth year of austerity with continued reductions in Central Government funding despite increasing demand for key services such as the Housing Options service.
- 7.2 On 19 December 2017 the Secretary of State for Communities and Local Government announced the Provisional Local Government Settlement. A summary of the main announcements is set out below. It confirmed the funding allocations originally announced in December 2015 as part of the four settlement offer which included Revenue Support Grant (“RSG”), Transitional Grant (in 2016/17 and 2017/18), and the Rural Services Delivery Grant (Rochford does not receive this grant). The Council took up the Government’s offer of a four year settlement, thereby providing greater certainty over government funding streams from 2016/17 to 2019/20.

### **Headlines from the Provisional Local Government Settlement 2018/19**

- RSG allocations remain as per the four year settlement i.e. zero grant for the Council in 2018/19.
- Increase in the threshold for the council tax referendum principle for shire districts from 2% to 3% for 2018/19 (or £5 if higher)
- Announcement of the Government’s intention to localise 75% of business rates and implement a new needs assessment from 2020/21.
- A Government consultation in spring 2018 on “fair and affordable options” to tackle negative RSG in 2019/20.
- In addition to those already announced; ten 100% business rates retention pilots have been accepted for 2018/19. Unfortunately the Essex Pilot bid was not successful this time, but there may be a further opportunity to bid during 2018/19. Rochford will continue to be part of an Essex Business Rates Pool.
- The Transition Grant paid to Local Authorities in 2016/17 and 2017/18 has now ended.
- Confirmation of a reduction in the number of payment years for New Homes Bonus (“NHB”) from 5 years in 2017/18 to 4 years in 2018/19. NHB will continue to be paid on housing growth above 0.4%.
- Continuation of capital receipts flexibilities for a further 3 years.

### Demand Pressures

- 7.3 As well as funding reductions the Council also faces pressures from increases in demand including:
- **Inflationary Pressures** (staff cost of living increases and non-staff pressures e.g. contract inflation)
  - **Demographic Pressures on services:** Demand on services is driven by a growing and changing population. Rochford District population increased by 6% from 2001 to 2011 and is expected to have increased by a further 7% to 2021, with rapid growth in older cohorts.
  - **Wider financial pressure on households** from energy bills, housing costs, general increase cost of living, wage restraint, and welfare reforms.
  - **Increasing public expectations:** with residents expecting better services, prompter responses and right first time.

## 8 COUNCIL PRIORITIES

- 8.1 In view of the financial constraints in the years ahead, the Council has a responsibility to develop and agree a plan for meeting the challenge of continuing to provide excellent services to residents. The proposed MTFS supports the development and delivery of these plans.
- 8.2 The Council will seek to ensure that it maintains support to those services that are most needed, in particular front line areas. The ongoing challenges faced by the Council require it to continually innovate in the way it delivers, however it is evident however that continued reductions in funding and increases in demand will inevitably impact on both the nature and scope of services that the Council is able to deliver in future.
- 8.3 The Council recognises that economic growth benefits residents and businesses alike, as well as supporting the finances of the Council. The Council's approach is to build resilience in its finances and lay the foundation for future fiscal independence; through modernising the way we work, investing in for future growth and promoting income generation opportunities. The Council is in the process of developing an investment strategy to support these ambitions.
- 8.4 The Council approved its Business Plan in October 2015, which was arrived at after extensive discussions and liaison with various groups including its Members, staff, residents, community groups, businesses and partners.
- 8.5 The Business Plan placing residents at the heart; provides a strong focus on the following four key themes which the Council through co-design has deemed to be priorities; to support Rochford and its people up to 2021:-

- **Becoming Financially Self-Sufficient**
- **Maximise Our Assets**
- **Early Intervention**
- **Enable Communities**

8.6 This medium term financial strategy seeks to complement the Business Plan; setting out a framework to ensure the Council not only lives within its means but can become financially self-sufficient and target available resources to the priority areas outlined above.

## 9 MEDIUM TERM FINANCIAL STRATEGY (MTFS)

### MTFS Key Principles and Assumptions

9.1 The indicative MTFS for the period 2018 to 2023 is based on the following principles:

- The Council has determined the minimum level of General Fund balance to be held at 10% of the net budget requirement.
- Members will set the maximum level of routine capital expenditure that can be incurred each year, recognising that any expenditure over and above what can be funded from revenue contribution to capital, specific Capital Grants, designated reserves or capital receipts would need to be financed through borrowing.
- External borrowing (if endorsed) would create an ongoing revenue cost pressure as a result of the capital financing charges arising (interest payments and principal repayment of debt), which will consequently reduce the revenue resources available for service delivery.
- The decisions above will determine the level of targeted investment available to invest on council priorities which could generate savings, a financial return, support wider social and economic growth or maintain key assets for each of the next five years.

9.2 Assumptions on Government grant, growth in population, inflation and a range of other factors are used to inform the MTFS and budget gap and will be kept under review over the period to ensure changes in the macro-economic picture are reflected in the strategy. These assumptions are as follows:

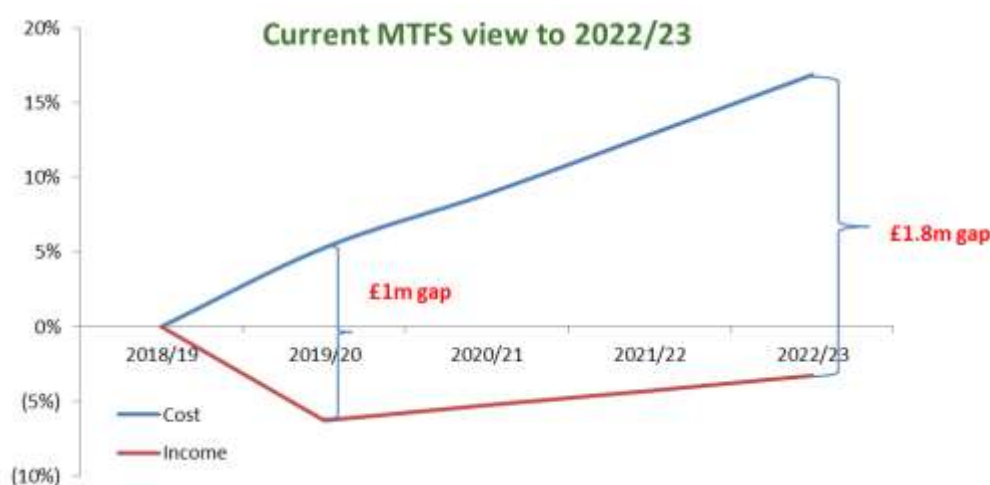
- **Demographic pressures:** – increased demand for specific services such as Housing Options, alongside a more general increase in demand for services as a result of the number of households in the district continuing to rise are reflected in the pressures outlined at paragraphs 9.6 to 9.10.

- **Inflation (pay):** a 2% increase in staff pay is assumed for each year from 2018 to 2022, based on latest intelligence regarding the national pay award.
- **Inflation (non-pay):** inflation has been added in line with the individual contract agreements where applicable, and in line with September RPI (3%) for all other contracts
- **Revenue contribution to capital outturn:** is estimated at £200,000 in 2018/19 and then £255,000 p.a. thereafter.
- **Capital financing costs:** no external borrowing has been factored into the budget and as such no provision incorporated for interest or principal debt repayment.
- **Council Tax:** the proposal incorporates an indicative Council Tax increase of 2.98% in 2018/19 to bridge the budget gap; this equates to an extra 12 pence per week on a Band D property.
- **Council Tax Support:** a discretionary hardship provision has been set aside to provide benefit support and funds to those in severe hardship.
- **The Council Tax baseline:** assumes a continuation of current household trajectory (1% annual increase in future years) taking into account current developments and schemes where developers are in place.
- **New Homes Bonus (NHB):** future allocations of NHB are assumed to continue in line with 2018/19 payments.
- **Business rates:** a 1% increase in total yield has been assumed in each financial year.
- **Revenue Support Grant:** the assumption for the reduction in RSG is based on the provisional settlement figures i.e. zero in 2018/19, becoming negative by £0.630m in 2019/20.

### Balancing the Budget

- 9.3 The financial strategy reflects a budget gap of £1.8m; this means that the Council will need to find recurrent baseline savings to this value each year by 2022/23 based on current assumptions. There are however a number of unknowns which could change the budget gap, including the government's stated intention to revisit the issue of negative RSG allocations, the Fair Funding Review and rollout of 75% Business Rates Retention, all of which will be consulted on over the coming months. In addition there remain significant risks that cost inflation could continue to rise and demand pressures could be higher than estimated based on current intelligence.

- 9.4 Plans to balance the budget for 2018/19 have been developed and these total £850,550 (see Appendix 2). Delivery of further measures to balance the budget from 2019/20 and beyond are being explored and will, to a certain extent, be enabled by the successful implementation of the plans set out for 2018/19. Currently the total future concepts identified equate to £1.0m which could potentially reduce the gap to £0.8m on current economic / funding estimates. The Council will therefore need to continue with its transformation ambition as set out in the Business Plan, to identify further savings in future years. It is intended that development of the investment strategy will underpin an investment delivery programme which will help to address the gap.



### Revenue Budget Overview 2018/19

	2017/18	2018/19	Variance
	£m	£m	£m
Community	1.540	1.554	0.014
Enterprise	0.146	0.348	0.203
Environment	2.624	2.779	0.155
Finance	1.550	1.495	(0.055)
Governance	1.094	0.974	(0.120)
Leader	1.403	1.595	0.192
Planning	0.433	0.447	0.014
Staffing Vacancy Factor	(0.080)	(0.200)	(0.120)
<b>Total Service Expenditure</b>	<b>8.710</b>	<b>8.993</b>	<b>0.283</b>
<b>Funding Sources:</b>			
Revenue Support Grant	(0.043)	-	0.043
Retained Business Rates	(1.771)	(1.943)	(0.172)
Incentivised Funding (New Homes Bonus)	(1.181)	(0.898)	0.283
Council Tax (Proposed)	(6.702)	(7.000)	(0.297)
Collection Fund adjustments	(0.067)	(0.056)	0.011
New Transition Grant	(0.095)	-	0.095
Investment Fund Contribution / (Withdrawal)	1.181	0.903	(0.278)
General Fund Contribution / (Withdrawal)	(0.032)	-	0.032
<b>Total Funding</b>	<b>(8.710)</b>	<b>(8.993)</b>	<b>(0.283)</b>
(Surplus) / Deficit / Balanced budget	-	-	-



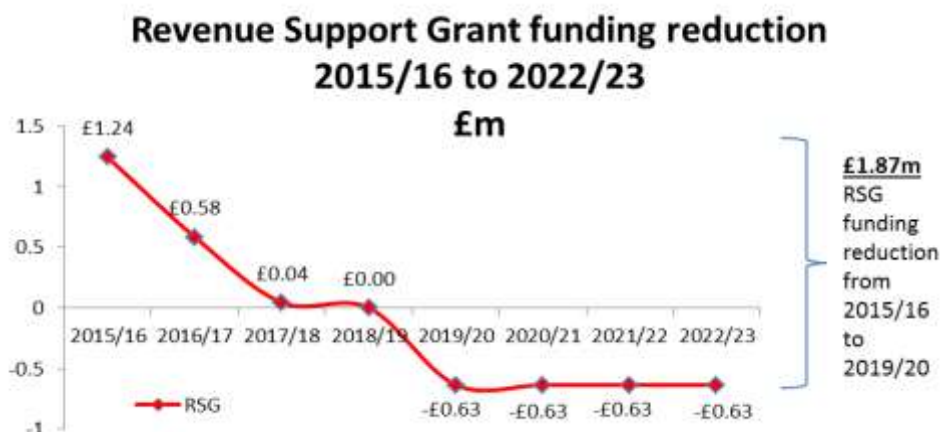
- 9.5 The 2018/19 budget is underpinned by solid financial management and robust savings plans. After taking income and specific grants into account, the net costs of 2018/19 services (including incentivised funding) amount to £8.993m, compared to £8.710m in 2017/18. The detailed budget is shown in Appendix 1.

### **Key 2018/19 Pressures & Growth**

- 9.6 **Homelessness (£212,800):** The Council is facing increasing pressure to come up with housing solutions in an often very challenging environment. Limited availability of affordable housing options in the private rented sector, exacerbated by welfare reform measures and reduced levels of social housing stock, make it very difficult for the Council to avoid costly bed and breakfast accommodation altogether. However the Council continues to look at alternative cost-effective ways to meet demand.
- 9.7 The new Homeless Reduction Act 2017 (due to come into effect in April 2018) will bring in a substantial number of new duties; it is anticipated that homelessness applications are likely to rise by up to 50% and the Council's Housing Options service will need to manage this increase, including the anticipated need for an additional temporary accommodation supply.
- 9.8 **New Staffing (£163,300):** this has been allocated to fund new staff posts which are needed to keep the Council running efficiently. The funding will create capacity to deliver key programmes of work.
- 9.9 **Existing Staffing (£313,100):** there are additional costs above the 2% cost of living inflationary pressure detailed in the assumptions section, relating to market supplements, incremental uplifts and other non-avoidable costs.
- 9.10 **Income Pressures (£52,300):** Some income streams relating to land charges, car parking and leisure have been reduced in 2018/19 to reflect deliverability.

### **Core Sources of Funding**

- 9.11 **Revenue Support Grant:** the Council is no longer in receipt of any RSG; this funding stream has been gradually reduced since 2015/16 at which time the Council received £1.241m. The Government's original intention to implement negative RSG for some authorities in 2018/19 was delayed last year, resulting in the Council's 2018/19 RSG funding being set at zero. The draft settlement for 2019/20 still shows negative RSG for the Council (i.e. a payment back to Government) of £0.630m; however the Secretary of State has acknowledged local government's concerns regarding these proposals saying that the Government is looking for "fair and affordable options". The Government will publish a consultation on these in Spring 2018 in order to complete the process before publication of the 2019/20 provisional settlement.
- 9.12 The graph below shows the impact on the Council specifically based on the current settlement.



### Business Rates Retention

- 9.13 Local authorities currently retain 50% of Business Rates across the local government sector as a whole (with the other 50% returned to central Government). Within the local government share there is a system of redistribution, based on relative need, which means that each individual authority is subject to a top up or tariff payment to bring their nominal share of rates in line with their assessed need. Each authority can retain up to 50% of any growth in business rates revenue over an agreed baseline.
- 9.14 Following the 2017 General Election the Government moved away from its previously stated pursuit of 100% Business Rates Retention (BRR) by 2019/20. The Communities Secretary instead announced as part of the draft Local Government Settlement for 2018/19 the Government's aim to increase the local share of business rates retention to 75% in 2020/21. This will be achieved through incorporating existing grants into the BRR system including Revenue Support Grant, and Public Health Grant. The remaining 25% central share will continue to be returned to Central Government. Local authorities will be able to retain 75% of growth above their baseline from 2020/21 once the system is reset, providing an increased incentive for Local Authorities to grow their Business Rates base.
- 9.15 A Fair Funding Review consultation document was also published alongside the draft Local Government Settlement with the intent to implement from 2020/21. This will potentially impact on the baseline of assessed funding need for each authority and hence the top-up/tariff payments applied to the share of rates each authority nominally receives; this is therefore likely to affect the total Business Rates income the Council can retain from that date.

### 2018/19 NHB Allocations

- 9.16 New Homes Bonus was introduced in 2011 in order to provide a clear incentive to local authorities to encourage housing growth in their areas. It is based on the increase in new houses and bringing empty homes back into use. In summer 2017, the DCLG re-consulted on the latter two proposals in the

2018/19 settlement technical consultation. The provisional 2018/19 settlement confirmed that DCLG has further reduced the number of payment years from five to four years. No new changes will be implemented in 2018/19 and the housing growth baseline above which grant is paid will also remain at 0.4%.

- 9.17 DCLG has published provisional allocations for 2018/19, the eighth year of the scheme. The provisional total NHB grant for the Council in 2018/19 is £897,772 and is assumed within the MTFS to continue at this level in future years.

### Council Tax

- 9.18 The draft settlement set out a 3% (or £5 if higher) referendum limit on council tax increases for shire districts in 2018/19, with the intention that this flexibility is extended to 2019/20 to mirror inflation increases. The 2019/20 referendum limit will be confirmed in the 2019/20 settlement. No grant is available for authorities that freeze their council tax in 2018/19, in line with the government's move away from incentivising authorities not to increase council tax in recent years. DCLG illustrations of local government core spending power assume that local authorities will increase their council tax when calculating the total funding available to each authority.
- 9.19 When considering the Council Tax level for 2018/19, it should be noted that the current level of Council Tax is:-

	2017/2018 Band D Average £
Essex County Council	1,108.35
Essex County Council Social Care Levy	55.35
Essex Fire Authority	69.03
Police & Crime Commissioner	157.05
Town/Parish Councils (average)	44.39
Rochford District Council	217.17
<b>Total</b>	<b>1,651.34</b>

- 9.20 The increasing pressures and reductions in Government funding have led the Council to a proposed increase in council tax of 2.98% in 2018/19; this equates to an extra 12 pence per week on a Band D property.

### Council Tax base

- 9.21 The Section 151 Officer is delegated to set the tax base, which is based on the current council tax valuation list plus an estimate of changes anticipated to occur in 2018/19.

- 9.22 The introduction of the Local Council Tax Support Scheme (LCTS) in 2013/14 resulted in a change in the way that the Council Tax Base is calculated. The LCTS is based on a discount rather than a benefit, so results in a reduction in the tax base, for which the Council is partly compensated by government grant. For 2018/19, the tax base is calculated as follows:-

		Band D Equivalents	
		2017/18	2018/19
	Tax Base	33,502.9	33,799.3
Less	LCTS Adjustment	(2,647.7)	(2,502.2)
<b>Equals</b>	<b>Tax Base for Council Tax Collection</b>	<b>30,855.2</b>	<b>31,297.1</b>

- 9.23 The increase in the tax base is due to:-

- The additional housing units in the districts
- Changes in discounts and exemptions
- Additional fraud and compliance being undertaken in partnership with the Essex authorities.

- 9.24 The calculation of the indicative Council Tax for Rochford District is set out below:

	2017/18	2017/18	2018/19
	Original	Current	Original
	£m	£m	£m
Gross Expenditure (inc incentivised funding)	10.080	10.552	10.430
Reversal of Parish Precept	(1.370)	(1.370)	(1.437)
<b>Total Service Expenditure</b>	<b>8.710</b>	<b>9.183</b>	<b>8.993</b>
Contribution to /(from) Reserves	1.149	0.676	0.903
<b>Net Expenditure for Budget Purposes</b>	<b>9.859</b>	<b>9.859</b>	<b>9.896</b>
Revenue Support Grant	(0.043)	(0.043)	-
Retained Business Rates	(1.771)	(1.771)	(1.943)
Incentivised Funding (New Homes Bonus)	(1.181)	(1.181)	(0.898)
Collection Fund Adjustments	(0.067)	(0.067)	(0.056)
New Transition Grant	(0.095)	(0.095)	-
<b>Rochford's Element of Council Tax Requirement</b>	<b>(6.702)</b>	<b>(6.701)</b>	<b>(7.000)</b>
Council Tax Base	30,855	30,855	31,297
<b>TOTAL COUNCIL TAX (BAND D EQUIVALENT)</b>	<b>217.17</b>	<b>217.17</b>	<b>223.65</b>

- 9.25 The proposed increase in council tax combined with growth in the tax base, would result income from Council Tax being £7.000m in 2018/19. The indicative Council Tax for a band D property will be £223.65; representing an increase of 12p per household per week.
- 9.26 The total Council Tax, including the amounts for Essex County Council, Essex Police and Crime Commission, Essex Fire Authority and the Town and Parish Councils will be set at the Council meeting on 20 February 2018.

- 9.27 Rochford District Council has a strong history of delivery high quality services at value for money for its residents. Financial prudence and stewardship remains a key focus despite the continued pressures on the public purse and the Council is determined to continue to provide the best services possible to our residents.
- 9.28 To meet these ongoing challenges the Council is continuing on its journey to reduce costs and increase income through efficiencies, better contract management and innovative trading solutions, as set out in its Business Plan.

#### **Council Tax Collection Fund Reserve**

- 9.29 As the Billing Authority, this Council collects Council Tax on behalf of Essex County Council, Essex Fire and Rescue Authority and Police and Crime Commissioner (known as main precepting bodies). The amount of Council Tax to be collected includes an assumption about collection rates. If the amount actually collected during the year varies compared to this assumption then the balance is held in the Collection Fund. This reserve is ring fenced and is distributed between the billing authority and the main precepting bodies on a proportionate basis, based on the Band D Council Tax amount for each body.
- 9.30 A forecast is made of the likely outturn surplus or deficit for the current financial year and this amount is then split across the main precepting bodies and the Council. For 2018/19 there will be a surplus on the council tax collection fund, attributable to the billing authority and main preceptors as follows:

Recipient	Distribution Amount – Deficit/(Surplus)	
	2017/18 actual £000	2018/19 proposed £000
Rochford District Council	(67)	(56)
Essex County Council	(302)	(247)
Essex Police and Crime Commission	(41)	(33)
Essex Fire & Rescue Authority	(18)	(15)

#### **GREEN GATEWAY TRADING LTD.**

- 9.31 In December 2016, Green Gateway Trading Ltd (GGT) commenced trading, as the Council's first live Local Authority Trading Company (LATCo), providing a grounds maintenance service. The company has successfully generated a small profit in its first year of trading, as well as realising a significant cost saving for the Council in the contracted delivery of services.
- 9.32 The company is currently preparing a business plan for Year 2 and beyond to set out its strategy for future years trading. It is assumed that any surplus generated in the medium term will be reinvested in the company to support

future growth. The Council as sole shareholder is therefore not currently anticipating any realisation of profit via dividend payouts in its MTFs.

### RESIDENT ENGAGEMENT

- 9.33 These budget plans incorporate feedback from consultation including recent resident budget perception surveys in relation to the Council's spending priorities. The survey asked residents what council services they most value and for ideas about how savings could be made or services reformed.
- 9.34 The Budget Survey was available for approximately 6 weeks and formally closed on 7 January 2018. It was publicised on-line and through social media and distributed at various public locations. Overall 136 residents responded; 111 online and 25 by hard copy.
- 9.35 Council services have been ranked in order of those that respondents are most and least satisfied with and are outlined in the table below:

Service area	Satisfied	Dissatisfied
Recycling and waste collection	82%	5%
Parks and open spaces	45%	12%
Street cleansing	43%	18%
Leisure services	25%	10%
Public toilets	22%	22%
Planning services	20%	17%
Building control services	20%	14%
Safeguarding and community safety	18%	18%
Accommodation for homeless	11%	15%

- 9.36 The comments received have been summarised into the following three themes:

#### Income Generation

- 9.37 There was a general feeling that the Council should seek to maximise its income by acting commercially wherever possible e.g. by offering discretionary services for a fee, expanding services where commercially viable and seeking to grow its business rates base.

#### Reduce Costs/ Different ways of working

- 9.38 A number of comments related to the Council being more efficient in its working practices, becoming more streamlined by reducing administration and leadership costs, and striving to become as energy efficient as possible. There were also suggestions that the Council could organise its political administration differently and reduce the costs of some Member services/ allowances.

- 9.39 In addition there were suggestions that services could be reduced in certain areas for example reducing the frequency of some waste/recycling collections.

### **Service Growth**

- 9.40 There were calls for greater enforcement of a number of areas including anti-social behaviour, fly-tipping and littering plus air and noise pollution.
- 9.41 There were also calls to retain some services such as public toilets and for greater investment in leisure facilities and youth services.
- 9.42 Some suggestions related to areas which the Council is not directly responsible for including street lighting, public footway and highway maintenance and policing services.
- 9.43 The Council would like to take the opportunity to thank those who took the time to feed in their views and provide some insight into how the public considers the Council should use its resources in a time of financial constraints.
- 9.44 The Council is committed to involving residents, businesses and service users in shaping the district and the services they receive. Whilst not all ideas can be pursued they allow the Council to focus on how best to use its resources to achieve its Business Plan priorities and make a difference to the people we serve.

### **Key Savings, Efficiencies and Outcomes**

- 9.45 For 2018/19, plans have been prepared to deliver savings of £0.851m. These are shown in appendix 2 and are summarised by portfolio below:-

#### **Community**

- A reduction in temporary accommodation costs as a result of measures to secure new alternative local temporary accommodation facilities (**£145,000**)
- A revenue saving on the voluntary grants programme, as a proportion will now be offered as a capital grant (**£25,000**)

#### **Enterprise**

- IT contract savings as a result of cost efficiencies from the new supplier (**£30,000**)

#### **Environment**

- Contract efficiencies to be driven out from areas such as Open Spaces and Street Scene (**£35,000**).

- Revenue savings from toilets as a result of Parish Councils taking on the operational running of these facilities (**£50,000**)

#### **Finance**

- It is proposed that additional income will be generated via increased traded activity and expenditure efficiencies from a redesign of a range of back-office functions, and increased returns from Treasury Management investments (**£35,000**)
- Revenue contribution to capital has reduced by **£100,000** in 2018/19, partly due to a £45,000 reduction in the assumed capital programme for wheelie bins and partly due to a one of reduction of £55,000 in 2018/19 since the planned capital expenditure can be funded from the Capital reserve and other sources.

#### **Planning**

- The Local Development Framework budget will be reduced in line with original intentions that this would be a time limited contribution (**£75,000**)
- Additional income from the Government's recently introduced 20% increase in planning fees (**£50,000**)

#### **Governance**

- Council Tax - additional share back income from the agreement with preceptors as a result of high collection performance (**£100,000**)

9.46 Over the period of the MTFS the Council's financial priorities will be:

- To deliver a balanced budget and long term financial sustainability, while maintaining appropriate levels of reserves, balances and contingencies to protect council services and assist in mitigating future risks
- To maintain unqualified accounts each year
- To maximise the income due to the council and minimise the impact of fraud on council business.
- To work in partnership with stakeholders to maximise economic growth in the local area
- To maximise use of the Council's assets through development of a robust investment strategy
- To create an agile and flexible workforce, including maximising ICT efficiencies

#### **Grants for specific services:**

9.47 In 2018/19, the grant funding received by the Council is budgeted to be:



Grants for specific services:	2018/19 £
Local Council Tax Support Scheme	(69,500)
Flexible Homeless Support Grant	(118,000)
Homeless Reduction Act new burdens funding	(63,500)
Housing Benefit Admin	(153,400)
Business Rates collection	(85,500)
Disabled Facilities Grant	(407,900)
<b>Total Specific Grants</b>	<b>(897,800)</b>

### Capital Programme

- 9.48 A Core capital programme covering the period 2018/19 to 2022/23 has been developed to provide the Council with greater transparency over its future spending plans and to enable more effective planning, prioritisation and financial management.
- 9.49 Both revenue and capital funding must work to complement each other in support of the delivery of the Business Plan, which is dependent upon both investment in capital infrastructure and transformation and modernisation in operational service delivery.
- 9.50 The Budget includes provision for routine capital expenditure on the Council's Core maintenance programmes in 2018/19 to support areas such as Play Facilities and Car Parks. The programme is detailed in the table below.

Item	18/19 Capital Budget	Notes
ICT Hardware - Mobile working, Ipads etc.	100	
ICT Software - New Products / Upgrades	65	Payroll / HR System & Legal Case Management System
<b>ICT TOTAL</b>	<b>165</b>	
Match Funding - New Play Spaces	100	Match Funding for new ventures
Play Space works	50	Identified upgrades following inspections
Parks & Open Spaces programme	10	Required for bin/benches/sign purchases.
<b>PARKS &amp; PLAY FACILITIES TOTAL</b>	<b>160</b>	
Car Park Rolling Programme	30	Resurfacing of Back Lane car park
Electric Charging Points	12	Located at 6 points in the District (assumes 75% govt funded)
<b>CAR PARKS TOTAL</b>	<b>42</b>	
Vehicle Replacement Programme	20	Replacement of Depot Van.
<b>VEHICLE REPLACEMENT PROGRAMME TOTAL</b>	<b>20</b>	
Rochford Accommodation works	30	Repairs/upgrades
Rochford Asset Survey works	35	Fire Risk Assessments/Legionella/Asbestos works
Rayleigh Accommodation works	25	External/Internal repairs and upgrades.
Rayleigh Asset Survey works	25	Fire Risk Assessments/Legionella/Asbestos works
Windmill	15	External repairs/upgrades
Health and safety adaptations	10	Disability Adaptations survey
<b>OFFICE ACCOMMODATION TOTAL</b>	<b>140</b>	
Wallasea Island - match funding	50	
<b>PROJECTS TOTAL</b>	<b>50</b>	
Disabled Facilities Grant	558	£408,000 - Better Care Fund / £150,000 - RDC
Homeless solution - Temporary accommodation	10	
Housing renewal grant	40	
<b>HOUSING TOTAL</b>	<b>608</b>	
Discretionary Voluntary grants	25	Capital element of £120,000 budget.
<b>OTHER TOTAL</b>	<b>25</b>	
<b>Capital Programme Total</b>	<b>1,210</b>	
<b>FINANCED BY:</b>		
Disabled Facilities Grant via Better Care Fund	(408)	
Insurance Claim	(6)	Indicative available to support vehicle replacement
Capital Finance Reserve	(796)	
<b>Total Financing</b>	<b>(1,210)</b>	

- 9.51 No external borrowing is anticipated for the core maintenance programme. The programme will be financed from the Capital Financing Reserve and specific grant funding (from the Better Care fund) attributed to the Disabled Facilities Grant.
- 9.52 These draft budget proposals do not include capital investment plans through to 2023, to which decisions will be made on a case by case basis via the Investment Board to ensure that the Council continues to have the cost effective infrastructure it needs to be successful.
- 9.53 It is recognised that the programme over this period cannot accurately predict all demands for the future and that it will require periodic review and revision at least annually to enable the Council to allow adjustments in the light of changing circumstances.

### **Member Allowances**

- 9.54 The Council has moved away from annual reviews of the Allowance Scheme with an Independent Remuneration Panel undertaking a formal review of the scheme every four years. The next review by the panel will fall in 2018/19 relating to the scheme for 2019/20. The Council has kept allowances at the same level since 2009/10 municipal year. There is no planned increase to Members' allowances in 2018/19.

## **10 FEES AND CHARGES**

- 10.1 The Council reviews discretionary fees annually as part of the Budget Process; however circumstances may change during the year necessitating in-year changes and the Council has delegated in-year approval of discretionary fees to the Executive.
- 10.2 The proposals in respect of the charges for 2018/19 are shown in Appendix 4 to this report. Any changes shown in the Appendix come into effect from 1 April each year, unless indicated otherwise.
- 10.3 The Council also undertakes to review existing services to identify opportunities for introducing or increasing charges, if appropriate. Charging users for services reduces the level of overall subsidy by Council Tax payers to a particular service.
- 10.4 Fees for Licensing, Planning and certain other services are not included within the schedule for fees and charges, as these are prescribed and the Council has no discretion. These are available on request from the relevant department and will be published on the Council's website.

### **Car Park Charges**

- 10.5 Car park charges are not planned to be increased this financial year. When reviewing its charges the Council's aim is to recover the costs of managing

and maintaining the car parks to the high standard expected by users whilst maximising the trading opportunities in town centres.

## **11 PENSION AND PENSION REVALUATION**

- 11.1 The Council belongs to the Local Government Pension Scheme which is administered by Essex County Council. The triennial valuation is a requirement under regulation 36 of The Local Government Pension Scheme.
- 11.2 Its purpose is to value the assets and liabilities of each individual employer and the pension fund as a whole every 3 years with a view to setting employer contribution rates. The latest actuarial revaluation was completed in December 2016 and resulted in increase in the contribution paid by the Council for each staff member, offset against a reduction in the annual deficit payment that has to be made. The 2018/19 budget is a net nil change from 2017/18.

## **12 EQUALITY AND DIVERSITY IMPLICATIONS**

- 12.1 The Council has formulated its budget proposals having regard to the duties under the Equality Act 2010. The Leadership Team have undertaken preliminary assessments to determine if there will be any adverse impact on those with protected characteristics, as set out in the Corporate Equality Policy. The Leadership Team is satisfied that based on the stage of the respective proposals that these requirements have been adhered to in formulating the proposals referred to in this report.
- 12.2 At the time of developing specific service plans and policies the Council will consider in greater detail the specific impact of the proposals that might be implemented within the budgetary framework. Proposals shall only be implemented after due regard has been paid to the need to achieve the three aims set out in Section 149 of the Equality Act.

## **13 RISKS AND OPPORTUNITIES**

- 13.1 There are a number of risks to the Council's financial position as a result of changes in demographics, changes to legislation and other factors. The Council holds reserves and contingency balances to address future risks and concerns. These risks will be kept under review as they materialise.

## **14 ROBUSTNESS OF THE BUDGET ASSUMPTIONS; ASSURANCE FROM THE S151 OFFICER**

- 14.1 The Section 151 Officer is required under section 25 of the Local Government Act 2003 to report to the council on the robustness of the estimates and adequacy of reserves when determining their budget and level of council tax

**ROBUSTNESS OF ESTIMATES**

- 14.2 The financial planning process for 2018/19 is in light of confirmation of further funding reductions from central Government and significant pressures on services. Despite these challenges the Council has identified a programme of savings that will enable it to deliver a balanced budget in 2018/19.
- 14.3 The financial planning process takes into account the strategic context for the district, medium-term resource projections, and the quantification of new pressures on resources, and the identification of potential budget savings and efficiencies, including income generation.
- 14.4 The feedback from the budget survey referred to above has been taken into consideration as final proposals to the Council have been formulated.
- 14.5 At Member level, budget discussion has taken place to share information and provide the national and local context as the spending review decisions emerged. Portfolio holders have been extensively engaged and provided with the evidence required to enable the MTFs recommendations outlined to be referred to Council for approval.

**ROBUSTNESS OF THE BUDGETING PROCESS**

- 14.6 During the preparation of the budget for 2018/19 and the MTFs, the challenge has been to find efficiencies and savings that do not prevent the Council from delivering against its Business Plan priorities but which are compatible with those key themes. The process that has been undertaken to set the budget has included engagement of officers throughout the year who have provided regular feedback of ideas into the process, engagement with the public and members and benchmarking exercises, along with due consideration of statutory duties, particularly in respect of equalities.
- 14.7 The financial climate reinforces the need for on-going robust financial management, strict budgetary control and the on-going monitoring of both savings and investment delivery plans, and I am confident that there are adequate processes in place to promote these.
- 14.8 Risks have been taken into account when setting the budget and in considering the adequacy of reserves. For these reasons, it can be confirmed that the 2018/19 budget setting process has been robust.

**RESERVES & BALANCES**

- 14.9 The Section 151 Officer recommends the level of reserves within the Council's budget. However, it is important that members understand the level of reserves that the council holds, and ensure that the reserves policy fits in line with the organisational strategy.
- 14.10 There is no statutory minimum level of reserves but it is important to manage the level of reserves in order to:

- Maintain adequate balances to provide contingency funds for unforeseen events.
- Provide resources to support the Council's long term spending plans
- Avoid holding excessive amounts because of the opportunity costs in not utilising these resources.

14.11 The Council's Policy on Reserves is that, as part of the budget preparation process, the Council will carry out a risk assessment of any material items included in the budget that are based on forecasts or assumptions and that an appropriate level of reserves will be maintained based on the assessment of the probability of events occurring that would require some or all of those reserves to be drawn upon. The approved level of reserves is to be adhered to in order to support the Council in the achievement of its long term objectives.

**General fund balance:**

14.12 This is a contingency fund i.e. money set aside for emergencies or to cover any unexpected costs that may occur during the year, such as flooding or unexpected repairs.

14.13 The current strategy is to maintain General Fund balance at a minimum of 10% of the annual net budget requirement. This will provide a short term contingency to manage the risks identified in this report including potential further reductions in funding; the triennial revaluation of the pension scheme and any impact of the Government's Fair Funding Review.

14.14 The level of the General Fund reserve is reviewed annually as part of the budget process and the current 2018/19 target for General Fund balances is £0.884m.

**Earmarked reserves:**

14.15 This comprises monies that are set aside for a particular purpose, such as Self-Insurance, Infrastructure / Investment funds or funds held on behalf of partnerships arrangements, which cannot therefore be used to support general Council expenditure.

14.16 For each earmarked reserve there will be a clear protocol setting out:

- The reason for/purpose of the reserve; and
- How and when the reserve can be used.

14.17 The total forecast movement in non earmarked reserves and balances is a net increase £903,344 which is summarised below. These are estimates based on expenditure and plans at the time of writing the budget. A further report on Reserves and Balances will be made to Council as part of the closure of the accounts for 2017/18.

	Estimated Opening Balance 2018/19	Budgeted Transfer In 2018/19	Budgeted Transfer Out 2018/19	Estimated Closing Balance 2018/19
Thames Gateway / Essex 2050	36,309	-	-	36,309
Audit	13,550	-	-	13,550
Contractor Provision	0	-	-	0
IT Emergency Recovery / Investment	-	-	-	-
Transformation / Innovation	126,959	-	-	126,959
Insurance	33,364	-	-	33,364
Legal Services	152,702	-	-	152,702
Contamination	10,000	-	-	10,000
Elections	18,500	-	-	18,500
Housing	7,868	-	-	7,868
Hard / Soft Infrastructure	2,342,472	903,344		3,245,816
<b>General Balance</b>	<b>883,503</b>	<b>-</b>	<b>-</b>	<b>883,503</b>

- 14.18 The Council regularly reviews the reserves as part of the budget setting and closure of accounts processes to make sure that they are appropriate. Reserves should be used in accordance with the reasons they were set up and their use is authorised by the Section 151 Officer.
- 14.19 If necessary the Section 151 Officer may approve the use of Earmarked Reserves to cover unexpected emergency expenditure.

## 15 CAPITAL AND TREASURY MANAGEMENT STRATEGY

- 15.1 The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) plays a key role in capital finance in local authorities, and it requires the Section 151 Officer to comment specifically on the Capital Strategy adopted by the Council. The full strategy is shown at Appendix 4.
- 15.2 Local authorities determine their own programmes for investment that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA as a professional code of practice to support local authorities in taking their decisions. Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. Part of the Prudential Code requires the Chief Financial Officer to report explicitly on the affordability and risk associated with the Capital Strategy. In financing capital expenditure, local authorities are governed by legislative frameworks, including the requirement to have regard to CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.
- 15.3 In order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability, the Prudential

Code requires authorities to have in place a Capital Strategy that sets out the long term context in which capital expenditure and investment decisions are made, and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

- 15.4 The Council's approach to treasury management investment activities is set within the Capital and Treasury Management Strategy, and includes the criteria for determining how and where funds will be invested to ensure that the principal sums are safeguarded from loss and that sufficient liquidity is maintained to ensure that funds are available when needed. The treasury management investment strategy proposed for 2018/19 is consistent with that applied in previous years. The Council has a good track record with regard to its treasury investment activity, adhering to the statutory requirement to give priority to security and liquidity over yield. In addition, Internal Audit has issued a 'good' assurance opinion on the management of these activities, confirming that internal controls are consistently adhered to.
- 15.5 The Capital Strategy also explains the Council's approach to commercial investment activities, including processes, due diligence and defining the Council's risk appetite in respect of these.
- 15.6 The Council's policies, objectives and approach to risk management of its treasury management activities, and the manner in which it seeks to achieve its policies and objectives for treasury management is set out in the strategy, alongside the knowledge and skills available to the Council and provides confirmation that these are commensurate with the Council's risk appetite.
- 15.7 The distinct, but inter-related, elements of the Capital Strategy therefore collectively demonstrate that the Council's capital expenditure and investment decisions properly take account of stewardship, value for money, prudence, sustainability and affordability, by setting out the long term context in which capital expenditure and investment decisions are made, and by giving due consideration to both risk and reward and impact on the achievement of priority outcomes.

## **16 CONCLUSION**

- 16.1 The MTFs has been prepared against a background of significant reductions in grant funding and increasing cost pressures. These factors could jeopardise the Council's sustainable financial position unless budget savings continue to be delivered alongside the delivery of the Council's Business Plan priorities.
- 16.2 The MTFs covers a five year period over which time significant savings will need to be delivered. Although the financial context is increasingly challenging, the Council has a track record of identifying and delivering significant savings within the approved budget, supported by a framework of effective financial planning. This approach will need to continue to ensure that a sustainable medium-term financial position can be maintained.

- 16.3 The Leadership Team will review the strategy annually to ensure that it continues to be aligned to overall Council objectives and priorities and that the Council continues to be able to set a balanced budget year on year.
- 16.4 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.

## 17 RECOMMENDATIONS

- 17.1 It is proposed that, taking account of Council priorities, the Medium Term Financial Strategy, the Local Government Finance Settlement and the results of internal and external consultation, Council **RESOLVES** that:
- The net revenue budget requirement be set at £9.896m for 2018/19 as per section 9.24.
  - The Capital Programme for 2018/19 and the proposed methods of financing the capital expenditure be approved.
  - The Section 151 Officer be authorised to adjust capital project budgets in 2018/19 throughout the capital programme after the 2017/18 accounts are closed and the amounts of slippage and budget carry forward required are known.
  - It be noted that the proposed Council Tax requirement for the Council's own purposes (excluding Parish & Town Councils and Precepts) for 2018/19 is £7.000m as per section 9.24
  - The draft equivalent Band D tax base for the purpose of determining the council tax charge is agreed as 31,297 properties.
  - The increase in Rochford District Council Tax of 2.98% for 2018/19 be approved by recorded vote.
  - The schedule of fees and charges for 2018/19 set out in Appendix 3 be approved.
  - The General Balance be set at £0.884m at as at 1 April 2018.
  - The Earmarked reserves be set as per the table in section 14
  - The statement on the robustness of the estimates and reserves at Section 14 be noted.
  - The summary of the Equality Impact Assessment as set out in section 12 of this report be noted.



- It be noted that the final Local Government finance settlement (“the settlement”) is not expected until early February 2018, after the budget report has been published. Any changes resulting from information coming to light after the budget report has been issued will therefore be tabled at the budget meeting. While such changes are unusual, amendments to the settlement methodology may give rise to alterations between provisional and final settlements.
- The Capital and Treasury Management Strategy for 2018/19, as set out in Appendix 4 including the 2018/19 Prudential Indicators be agreed.



Naomi Lucas

Section 151 Officer

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**Background Papers:-**

None.

For further information please contact Naomi Lucas or Matt Petley on:-

Phone: 01702 546366 x 3517

01702 546366 x 3101

Email: [naomi.lucas@rochford.gov.uk](mailto:naomi.lucas@rochford.gov.uk)[matthew.petley@rochford.gov.uk](mailto:matthew.petley@rochford.gov.uk)

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