27 September 2018

CABINET – 8 OCTOBER 2018

A meeting of Cabinet will be held at 6.00pm on Monday 8 October 2018 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 3 September 2018.

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 2 October 2018).

<u>Growth and Investment Portfolio</u>

Nothing to report to this meeting.

<u>Corporate Resources Portfolio</u>

5. Initial Review of General and Capital Budget 2019/20.

6. Invitation to Local Authorities in England to Pilot 75% Business Rates Retention in 2019/20.

<u>Communities and Homes Portfolio</u>

Nothing to report to this meeting.

<u>Environment and Public Realm Portfolio</u>

Nothing to report to this meeting.

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

7. Review of civic honours criteria – report of Civic Honours Working Party.

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 2018/19 – 5) are attached.

Membership of Cabinet:

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

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:	Initial Review of General Fund Budget 2019/20
Name of Committee:	Cabinet
Date of Meeting:	8 October 2018
Report Director:	Head of Corporate Resources and CFO
Portfolio:	Corporate Resources
Ward Relevance:	All
Prior Consultation:	None
Contact Officer:	Mannie Ketley, Head of Corporate Resources and Chief Financial Officer
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	Yes
Corporate Priorities: **(CR) Corporate Resources** **(CH) Communities and Homes** **(EPR) Environment and Public Realm** **(GI) Growth and Investment**	This report relates to the following priority(ies): ☒ To provide excellent value for money services and sustainable growth ☒ Achieve financial self-sufficiency by 2020 ☒ Enable our residents to live healthy, independent lives ☒ Optimise income and identify new revenue opportunities (CR) ☒ Prioritise use of resources to meet changing customer needs and demands (CR) ☒ Ensure that the council works efficiently and effectively (CR) ☒ Ensure residents have a home that works for them and is affordable (CH) ☒ Deliver digitally-enabled services that residents can access (CH) ☒ Understand our communities and enable people to take an active part in them (CH) ☒ Enhance our local open spaces to make them places where people want to be (EPR) ☒ Continue to improve the efficiency of our waste and recycling services (EPR) ☒ Protect the public (EPR)

☒ Promote sustainable growth and economic prosperity (GI)
☒ Promote and grow Rugby's visitor economy with our partners (GI)
☒ Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)

Statutory/Policy Background:	The Council has a statutory duty to set a balanced annual General Fund Revenue budget that will enable it to determine the level of council tax.
Summary:	This is the first 2019/20 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 provide an initial overview of the Council's financial position for 2019/20, taking into consideration the latest intelligence on the reform of the local government funding system.
Financial Implications:	As detailed in the main report.
Risk Management 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 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 budget position for 2019/20 be considered alongside the Council's 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 2019/20;

(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 2019/20 Local Government Finance Settlement Technical Consultation be noted.

Reasons for Recommendation: This initial overview of the Council's General Fund revenue and capital budgets is for consideration 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 2019/20 draft budgets and the medium-term plan.

EXECUTIVE SUMMARY

Background

The 2018-22 Medium Term Financial Plan was presented to Council at its meeting in February 2018. Due to the uncertainty surrounding the future of business rates after 2020/21 a MTFP was produced based on three possible scenarios, varied depending on the proportion of existing business rates growth that the Council would be allowed to retain in the future.

The following table presents a summary of this MTFP, from which whilst a balanced budget was delivered for 2018/19 significant budget gaps remained within the later years of the MTFP.

	Partial Reset - 50% growth retained		Partial Reset - 25% growth retained		Full Reset – no growth retained	
2019/20 £ 000's	2020/21 £ 000's	2021/22 £ 000's	2020/21 £ 000's	2021/22 £ 000's	2020/21 £ 000's	2021/22 £ 000's
1,384	-277	-567	453	-290	1,181	-290

Table 1 – Extract of the Budget Summary showing variances reported at February 2018

The Council reported an initial gap for 2019/20 of £1.384m with a further potential pressure of £1.181m if a full reset is applied to Business rates in 2020/21. Therefore, the most pessimistic of the three scenarios assumed a cumulative budget gap of £2.565m over these two financial years.

2019/20 Budget changes since February 2018

Since February some of the key budget assumptions and circumstances underpinning the budget have changed. The following table sets out the changes since February and the resulting movement in the draft 2019/20 budget variance.

Detailed Change	2019/20 £ 000's
Variance Reported in February 2018	**1,384**
Review of Funding	
Removal of negative RSG from 2019/20	-249
Collection Fund adjustments	-184
New Homes Bonus impact of empty homes	125
Total Funding changes since Feb 2018	**-308**
Review of Corporate Items	
Interest & Changes to Borrowing	-77
MRP	-261
Other corporate adjustments	-41
Total changes to corporate items since Feb 2018	**-379**

Changes - Budget Setting August 2018	
Further changes to salary costs for pay award, increments etc.	12
Growth changes - Homelessness - net change	529
Inflation	30
Other growth changes	145
Total Growth Changes since Feb 2018	**716**
Income generation – Lifelines	-40
Fees and charges - estimated CPI increase	-50
Other income	-8
Additional corporate savings target	-100
Housing Benefits Payments - Bad debt provision	-166
Other Savings	-188
Total Savings Changes since Feb 2018	**-552**
Total changes compared with MTFP Feb 2018	**-523**
Revised Variance September 2018	**861**
Key decisions	**-515**
Revised Variance subject to approval of key decisions	**346**

Table 2 – Summary of changes to funding, corporate items, growth and savings since February 2018.

The table shows that the changes since February total £523,000, reducing the budget variance from £1.384m to £861,000. This positive movement in reducing the budget variance reflects the progress made on the Council's journey to financial self-sufficiency. Progress has been made across a number of Council initiatives, most notably on the income generation front where the income budgets for 2019/20 are set to exceed the targets and expectations that were previously in place for the financial year.

Key decisions

The following table lists, at a high-level, an initial set of key decisions to be considered to address the budget variance. The initial proposals provide additional estimated savings totalling £515,000 and should these service changes not be approved then alternative savings will need to be identified in their place.

Key decisions for consideration	**£'000**
Discount schemes reduced – Remove Council Tax discount on empty homes after 3 months	30
Voluntary redundancies	100
Community Safety - Remove vacant post for Crime and Disorder Manager	45
Pre-Planning application charging for Major Developments	20
Review of grass verge maintenance (Town Area)	40
Rural grass cutting - Reduced to core service offered by WCC	80
Large open spaces – creation of biodiversity areas through reduced frequency of grass cutting	20
Waste and recycling collections – Review of non-kerbside collections	150
Reduction in Garden Waste collection to 4 weekly during 3 winter months	30
Total key decisions for consideration	**515**

Table 3 – Summary of additional savings options to address the 2019/20 adverse variance – October 2018.

It is recommended that Cabinet considers the key decisions identified to date and identifies other policy or service changes required for consideration to deliver a balanced budget for 2019/20.

The exploration of proposals summarised in table 3 will be further progressed for inclusion within the Draft Budget presented to Cabinet in December.

Approval of these items results in 60% if the required amount of savings/income to be identified to deliver a balanced budget for 2019/20, resulting in a further £346,000 (40%) required.

Funding Reform
Significant funding reform is set to be implemented in 2020/21, however there is still much to be agreed and confirmed regarding the shape and form of the new local government finance system. This uncertainty makes accurate medium-term financial planning extremely challenging.

With the assistance of expert funding advisors, further modelling has been undertaken to attempt to assess the impact that funding reform may have on the Council's finances. At this stage, it has been assumed that maximum loss of resources in 2020/21 will be capped at **10%**, which for Rugby will be approximately £1.6m. Therefore, this protection has been built into the medium plans to ensure the forecasts are not too pessimistic.

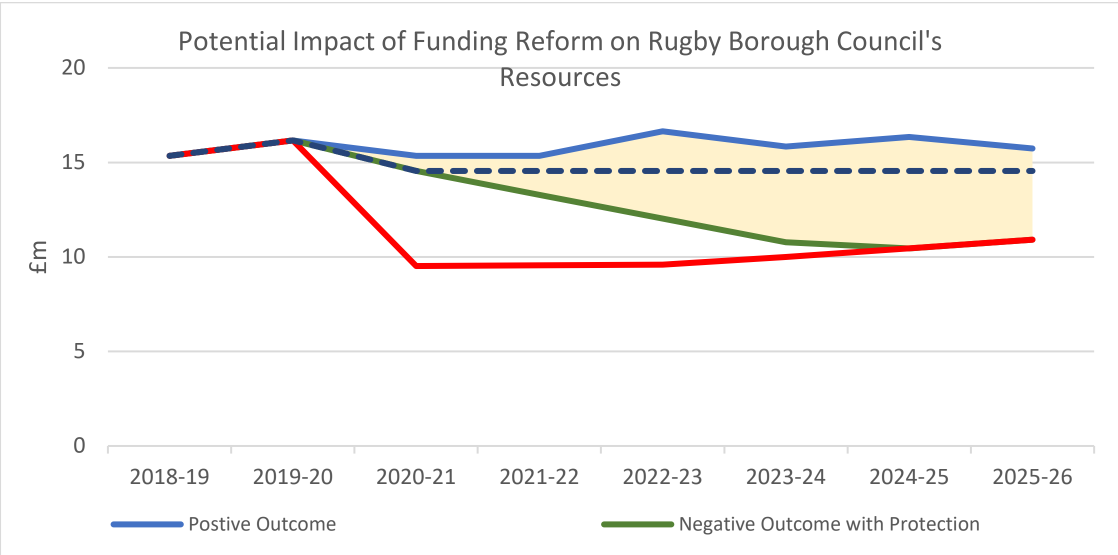


Chart 1 – Initial potential impact of Funding Reform

The previous chart shows a range of different financial outcomes that might arise for Rugby Borough Council across the medium term.

The solid blue line presents a scenario where a positive or favourable outcome from the funding reform is delivered for Rugby Borough Council. In such a scenario the Council's resources would stabilise around the £15m mark across the medium term, before growing to approximately £17m in the longer-term.

The red line presents a scenario where a negative or unfavourable outcome from the funding reform is delivered. Under such a scenario, the Council would see its resources reduce from approximately £14.5m to £9.5m between 2019/20 and 2020/21.

However, such a negative scenario is considered too pessimistic, as it would be extremely challenging for the government to deliver such reform. Therefore, the green line on the chart represents as such with negative outcome where transitional protection is provided. In this situation the Council's funding would drop on a more gradual basis across the medium term, with approximate 10% reductions per annum, but would still drop to approximately £11m across the longer-term.

The dotted blue line represents the funding position, as per the Council's current MTFP assumptions.

The shaded yellow area represents the range of likely possible funding outcomes.

Medium Term Financial Position

At this stage, due to these uncertainties surrounding local government funding reform, only a two-year medium term financial plan is presented.

	2019/20 £ 000's	2020/21 £ 000's
BASE BUDGET brought forward	**15,355**	**16,166**
Growth requirements	1,691	444
Other corporate adjustments	-360	242
Savings & income	-835	-32
Movement in Reserves	1,176	-1,729
Revised Budget Requirement	**17,027**	**15,091**
Financed by;		
Government Funding – New Homes Bonus	-2,173	-2,363
Council Tax – based on 3% increase to Band D	-7,923	-8,315
Business Rates	-6,070	-3,487
Business Rates Transition Funding Protection (Damping)	0	-383
Total funding requirement	**-16,166**	**-14,548**
Net variance	**861**	**543**

Table 4 – Summary of MTFP to 2020/21 – October 2018.

The following assumptions have been made regarding the next two financial years:

- 100% Business Rates Reset
- Transition funding protection (Damping) equivalent to £383,000 provided to prevent funding reductions in excess of 10% of net resources
- Business rates growth is based on 2018/19 projected NNDR3 position.
- NHB grant continues in its current form

A budget gap of **£861,000** is currently anticipated for 2019/20. The saving requirement of **£542,000** in 2020/21, represents the additional in-year impact for that financial year only. Therefore, the total budget variance over the two years is approximately **£1.4m**.

It should be noted that the draft budget for 2019/20 includes a £1.7m contribution to the Business Rates Equalisation Reserve, derived from the additional business rates growth income over and above an assessed sustainable business rates base income budget. This policy is consistent with the approach adopted for 2018/19 budgets and was also approved by Council within the 2018-22 Medium Term Financial Strategy.

Members could elect not to make, or reduce, this reserve contribution to aid closing the 2019/20 budget gap. However, this would provide short-term alleviation for the pressure in 2019/20 only and the total £1.5m budget gap for 2019-21 would still need to be addressed during the two-year time-period, albeit later within this timeframe.

The £1.5m budget gap for 2019-21 represents a £1m reduction in the budget gap that was previously forecast for the same period in February 2018. The reason for this reduction centred on a new assumption that following the implementation of the Fair Funding Review and accompanying funding reform the maximum reduction total resources in 2020/21 will be capped at 10%. In practice the cap could vary in direction, or be determined on a different basis, but this is considered a prudent but reasonable assumption based on information available at present.

Conclusion

This report provides an introductory review of the budget position for 2019/20 that will be developed throughout the budget setting process. This initial review confirms that there is still work to be done to deliver a balanced budget for both 2019/20 and 2020/21. Beyond that, the picture is much more uncertain because of the unknowns associated with the reform of local government funding.

It is evident from this report that despite the unknowns, continuing with our current strategy places us well to achieve financial self-sufficiency in the context of what we know to date.

Agenda No 5

Cabinet - 8 October 2018

Initial Review of General Fund Revenue Budget 2019/20

Public Report of the Head of Corporate Resources and CFO

Recommendation

(1) The initial outlook on the General Fund Revenue budget position for 2019/20 be considered alongside the Council's 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 2019/20;

(3) A detailed scheme by scheme review be carried out of the items in the Capital Programme to rationalise the overall programme in terms of affordability and sustainability;

(4) The response to the 2019/20 Local Government Finance Settlement Technical Consultation be noted.

1. Purpose

This is the first 2019/20 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 provide an initial overview of the Council's financial position for 2019/20, taking into consideration the latest intelligence on the reform of the local government funding system. The report also provides an update on the progress that has been made in closing the medium-term budget gaps, since the 2018/19 budget was set in February 2018.

The detailed Draft Budget will be reported in December with full details of growth, income and savings proposals in preparation for the Final Budget to be approved by Cabinet and Full Council in February 2019.

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 November 2018 when Council has considered recommendations relating to potential repair or regeneration options on high-rise blocks in Rugby. A special meeting of Council on the 5th February 2019 will approve HRA budgets and Council House Rents for 2018/19.

This report includes the following appendices;

- **Appendix 1** Summary of the 2019/20 Draft budget by Portfolio
- **Appendix 2** The 2019/20 Local Government Finance Settlement Technical Consultation and Response
- **Appendix 3** Financial Report of the All-Party Parliamentary Group: Delivering the District Difference July 2018.

2. Background

2.1. Rugby Borough Council's opening budgetary position

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 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. An update on the progress of the various initiatives that Council is implementing to address the budget position are detailed later in the report.

The 2018-22 Medium Term Financial Plan was presented to Council at its meeting in February 2018. Due to the uncertainty surrounding the future of business rates after 2020/21 a MTFP was produced based on three possible scenarios, varied depending on the proportion of existing business rates growth that the Council would be allowed to retain in the future.

The following table presents a summary of this MTFP, from which whilst a balanced budget was delivered for 2018/19, significant budget gaps remained within the later years of the MTFP.

	Partial Reset - 50% growth retained		Partial Reset - 25% growth retained		Full Reset	
2019/20 £ 000's	**2020/21 £ 000's**	**2021/22 £ 000's**	**2020/21 £ 000's**	**2021/22 £ 000's**	**2020/21 £ 000's**	**2021/22 £ 000's**
1,384	**-277**	**-567**	**453**	**-290**	**1,181**	**-290**

Table 4 – Extract of the Budget Summary showing variances reported at February 2018

The Council reported an initial gap for 2019/20 of £1.4m with a further potential pressure of £1.2m if a full reset is applied to Business rates in 2020/21. Therefore, the most pessimistic of the three scenarios assumed a cumulative budget gap of £2.6m over these two financial years.

2.2. Economic outlook - national picture

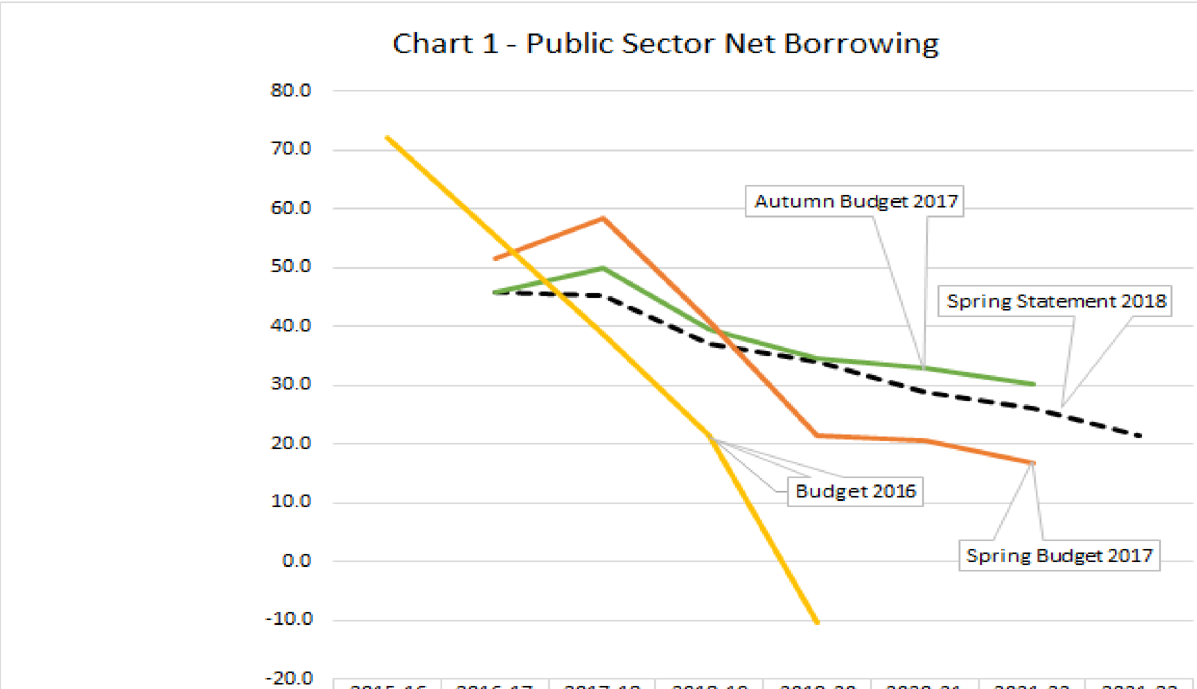
Growth and Inflation

Growth in quarter 1 of 2018 was disappointing, although on the first revision the rate improved from 0.1 to 0.2% to allay fears that the economy may have started a prolonged period of very weak growth. Initial indications in quarter 2 are that growth may have picked up speed to around 0.4%. The main reason for weak growth during 2017 and 2018 has been that inflation has been exceeding pay growth until recently, meaning that there has been negative growth in consumer disposable income when consumer expenditure is the biggest driver of the services sector which accounts for about 75% of Gross Domestic Product (GDP).

However, there remains much uncertainty around the Brexit negotiations, consumer spending levels and business investment, so it is still too early to be confident about how strong growth and inflationary pressures will be over the next two years, and therefore the pace of any rate increases.

Employment
Meanwhile, the **labour market** has continued to show signs of strength. The unemployment rate stood at a multi-decade low, reaching 4.2% in April. Employment growth has also been impressive this year, rising by a quarterly 146,000 in the three months to April and by 1.4% on a year earlier.

Public Finances
Borrowing for the 2018/19 year to date, as at the end of July, stood at £12.8bn which is 40% lower than at this stage last year, largely due to strong rises in VAT and income tax receipts. The promising start to the year eases the pressure on the Chancellor to find the money to deliver on the Government's promise of an additional £5bn health expenditure by 2020/21 and has also reinforced the view that the Government will look to loosen fiscal policy in its Autumn Budget later this year. Public debt, excluding nationalised banks, stood at £1.585tn, 75.2% of GDP.



	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2021-22
Spring Statement 2018		45.8	45.2	37.1	33.9	28.7	26.0	21.4
Autumn Budget 2017		45.7	49.9	39.5	34.7	32.8	30.1	
Spring Budget 2017		51.7	58.3	40.8	21.4	20.6	16.8	
Budget 2016	72.2	55.5	38.8	21.4	-10.4			

Chart 2 – Public Sector Net Borrowing

These more favourable economic forecasts have led to improvements in the Government's key borrowing and debt measures. Chart 2 shows that the public-sector net borrowing requirement announced in the Spring Statement 2018 was lower than was expected in the Autumn Budget 2017. For the previous financial year (2017/18) the deficit was nearly £5bn lower (£45.2bn actual compared to £49.9bn forecast) – with the overall deficit equivalent to about 2.2% of GDP.

For reference, the Budget 2016 and Spring Budget 2017 show how the forecasts for public sector borrowing changed following the Brexit referendum result.

The OBR still forecasts that the Government will be borrowing more than £20bn per year in 2021/22. However, the borrowing will not be to fund the Government's day-to-day revenue activities and will only be for capital investment.

Spending Plans

In the Chancellor's first ever Spring Statement, he set out that he would use the Budget in the autumn 2019 to set out the total public spending envelope for years beyond 2020. This will be followed by a full departmental Spending Review in 2019 that will set out the departmental allocations across government. The Chancellor also said that if the public finances continue to improve, he may then be able to begin increasing funding for public services. However, it is not expected that there will be any funding increases for local government, as explained in later sections.

2.3. Economic outlook - local picture

Even in the current climate of a slower than anticipated economic recovery, locally Rugby borough has seen progressive improvements and increased prosperity and factors in the impact of the regeneration plans that have taken place since 2015.

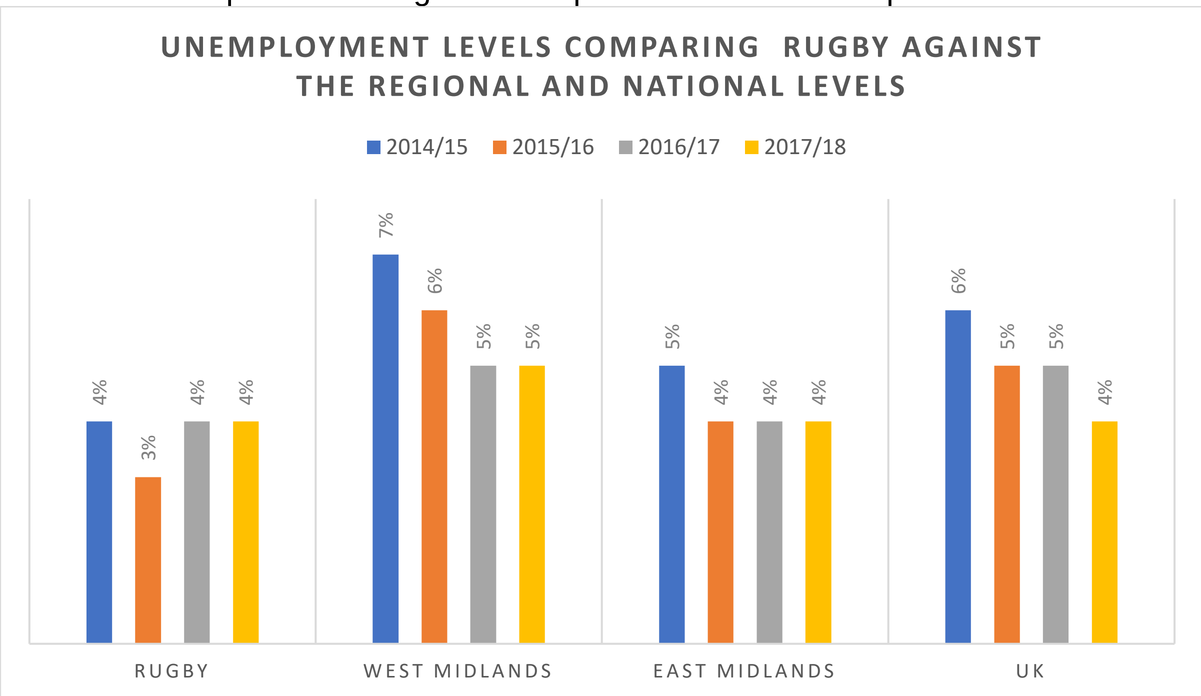


Chart 3 – National and local unemployment

Chart 3 shows that Rugby has sustained a low unemployment rate of 4% since 2014/15, with unemployment levels significantly below regional and national averages.

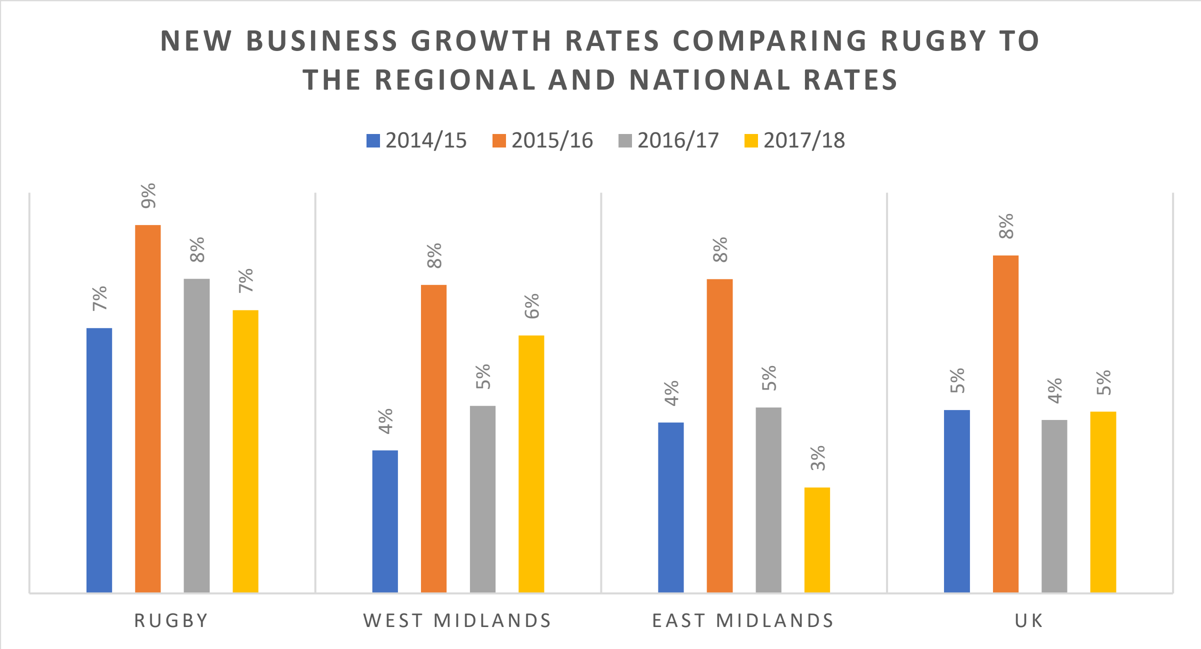


Chart 4 – National and local new business growth

New business growth within Rugby continues to outperform the UK average of 5% in 2017/18 with significant increases seen in both in 2014/15 and 2015/16.

2.4. Brexit

It should be noted that the Council has no direct exposure to loss of funding from the European Union. However, the outcome of Brexit and the consequent wider impact upon the UK economy remains uncertain. The availability of total funding for local government is influenced by the state of the economy and the condition of national finances, which to an unknown direction and magnitude could be affected by the outcome of Brexit. Moreover, given the Council's increasing reliance on growth backed funding allocations, the outcome of Brexit may pose an increased risk to the income from these schemes.

3. Financial Outlook – Local Government Funding

3.1. Funding Reform

Despite the possibility of increased national spending on public services, as referred to previously, it is not expected that there will be an increase in total funding available for local government. Current assumptions central government for total funding made available to local government is that there will be cash flat allocations from 2020/21 onwards, but that local authorities will continue to utilise council tax increases to fund on-going spending pressures.

However, it is the distribution of funding across the sector that presents the greatest uncertainty, rather than the total amount of funding that will be made available.

Significant funding reform will be delivered in 2020/21, with the move to 75% business rates retention (from the current 50% retention model) accompanied by a Fair Funding

Review, to address the concerns about the fairness of the current funding distributions within local government. With the assistance of expert funding advisors, further modelling has been undertaken to attempt to assess the impact that funding reform may have on the Council's finances.

There are several risks that the Council faces due to the forthcoming funding reform, the most significant are:

i. Loss of existing growth due to the Business Rates Reset
ii. The outcome of the Fair Funding Review providing a reduction in our assessed funding need
iii. Significant changes and possible end of the New Homes Bonus scheme.

This uncertainty makes financial planning for 2020/21 and beyond extremely challenging, as even the smallest of changes to one of the many variables can result in very different outcomes. The following sections explain how each of these risks could affect the Council's finances when considered individually. If all three came in to affect, cumulatively the potential losses aggregate to a sizable financial loss, however this is not considered as a realistic scenario and it is expected that there will be transitional protection built into the system to prevent authorities from losing more than a set amount each financial year.

At this stage, it has been assumed that maximum loss of resources in 2020/21 will be capped at **10%**, which for Rugby will be approximately £1.6m. Therefore, this protection has been built into the medium plans to ensure the forecasts are not too pessimistic.

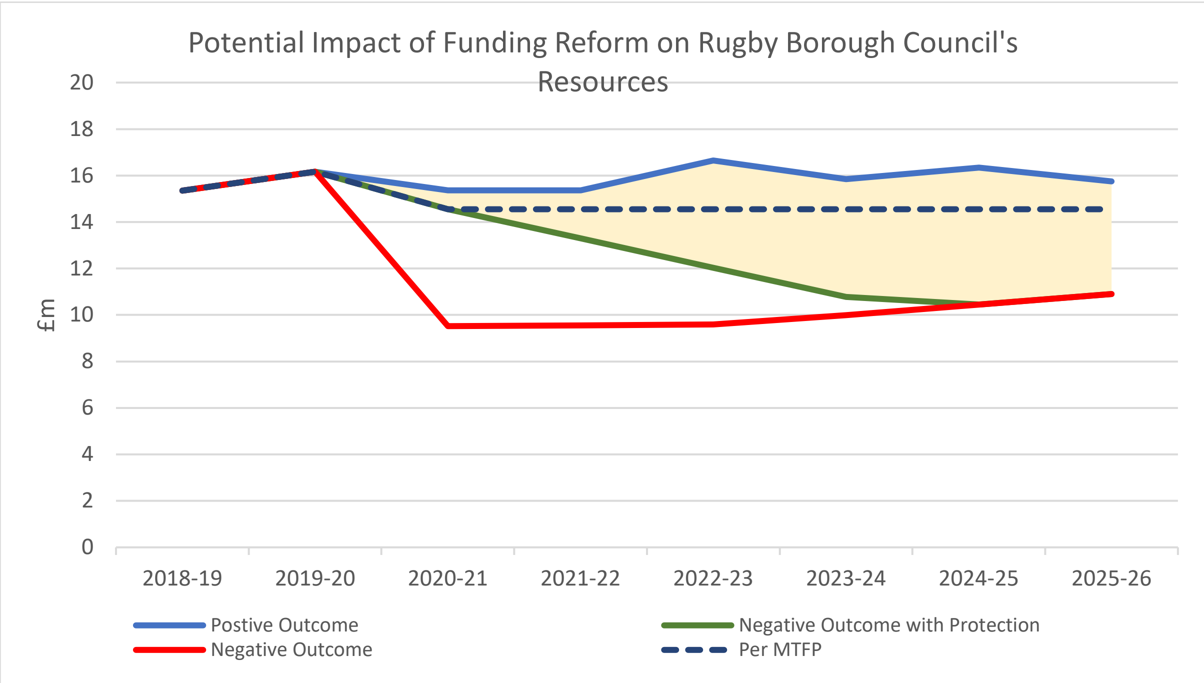


Chart 5 – Impact of Funding Reform

Chart 5 shows a range of different financial outcomes that might arise for Rugby Borough Council across the medium term.

The solid blue line presents a scenario where a positive or favourable outcome from the funding reform is delivered for Rugby Borough Council. In such a scenario the

Council's resources would stabilise around the £15m mark across the medium term, before growing to approximately £17m in the longer-term.

The red line presents a scenario where a negative or unfavourable outcome from the funding reform is delivered. Under such a scenario, the Council would see its resources reduce from approximately £14.5m to £9.5m between 2019/20 and 2020/21. This would represent a £5m or 35% reduction in total resources. The Council's resources would stabilise around this level before gradually growing to approximately £11m across the medium term.

However, as previously mentioned, such a negative scenario is considered too pessimistic, as it would be extremely challenging for the government to deliver such reform. Therefore, the green line on the chart represents as such with a negative outcome where transitional protection is provided. In this situation the Council's funding would drop on a more gradual basis across the medium term, with approximate 10% reductions per annum, but would still drop to approximately £11m across the longer-term.

The dotted blue line represents the funding position, as per the Council's initial review of MTFP assumptions within this report.

The shaded yellow area represents the range of likely possible funding outcomes.

The following key variables have been adjusted to produce this model.

Variable	Positive Outcome	Negative Outcome	RBC Current Assumptions
Existing Growth Retained at initial reset	25%	0%	0%
Impact of Fair Funding Review	No change	Loss of £1m from our assessment	No change
Future of New Homes Bonus	No change	Gradually discontinued	No change
Transitional 'damping' protection	5% limit on reduction in resources	10% limit on reduction in resources	10% limit on reduction in resources

Table 5 – Key modelling variables

The 'RBC Current Assumptions', as shown in the final column of table 5, effectively represents funding position that has been adopted for current MTFP, coving a two-year period of 2019-21. Beyond 2021, a cash flat resource level has been assumed at present. This is in-line with broader assumptions for the availability of resources for local government, as explained earlier in the report. These MTFP resourcing assumptions are represented as the blue dotted line on chart 5.

Table 5 shows that the Council continues to expect a full reset of the business rates system to be the most likely outcome in 2020/21, but there is some indication to suggest that central government may be moving towards a partial 25% reset.

The Fair Funding Review could potentially provide more resources for the Council when the new needs and resources assessment methodology is adopted, however on balance it is considered that a reduction in resources is more likely. The assumed increased likelihood of a negative outcome is based on the pressure for additional resources to be allocated authorities with responsibility for social care. Due to the uncertainty of the outcome of the review, a ‘no change’ position has currently been adopted.

Similarly, due to uncertainty around the future of New Homes Bonus a ‘no change’ position is also currently assumed for this funding stream.

It should be noted that there are numerous other variables in play that have the potential to have a significant impact on the allocation of funding post 2021 such as; the proposed centralisation of business rates appeals, the on-going existence or reform of a business rates levy, or the authority tier splits within the system.

However, the most fundamental variable is the level of transitional protection, or ‘damping’, that will be built in to the new system. The modelling that has been undertaken has shown the interdependent variables can be altered to produced significantly different financial results, however it is the level of translational protection that will cap the maximum losses that authorities will face and therefore this variable ultimately dictates the scale of the financial challenge that the Council may face. As set out earlier in the report, it has currently been assumed that the system will be designed so that councils will not experience a reduction in financial resources in excess of 10% in 2020/21.

The sector continues to request more certainty on these fundamental funding issues, but it is not expected they will be known until the autumn of 2019. This is exemplified by MHCLG’s response to a report published by The Housing, Communities and Local Government Committee Select Committee on Local Government Financing in April 2018. The Committee agreed with the evidence from local government finance directors that the uncertainty about 2020/21 is making financial planning difficult: “Councils have been either unable to make financial plans for 2020/21 or have understandably made pessimistic budget assumptions that could unnecessarily impact on service levels”.

MHCLG, in a written response, said that the delay in funding reforms to 2020/21 would have a “minimal impact” on local government because they would “not have begun to make concrete plans post 2020”. This might explain why the Department is not planning to confirm the detail of funding reform until the autumn of 2019, only a few months before it will be implemented.

Rugby Borough Council continues to take a proactive position on contributing to the shaping of local government financial reform. During the Summer of 2018 the Head of Corporate Resources and Chief Finance Officer attended an All Party Parliamentary Group to provide evidence of the impact on the Council’s finances, a copy of the final report is presented at Appendix 3 or available following the link below;

http://districtcouncils.info/wp-content/uploads/2018/07/2018-07-10-APPG-report-Delivering-the-District-Difference.pdf

3.2. Funding available for 2019/20

There is much more certainty about what the Council's funding will be for 2019/20.

MHCLG issued a technical consultation paper on the 2019/20 settlement on 24 July 2018. The full consultation and our response is provided at Appendix 2. The main highlights are:

- The **four-year settlement** offer is confirmed for 2019/20. This is the final year of the multi-year settlement announced in 2015. The 2019 Spending Review will confirm overall local government resourcing from 2020/21.

- A further round of Business Rates Retention **pilots** has been announced for 2019/20. The terms offered for 2019/20 are not as good as those available in 2018/19: pilots will only retain 75% and there will be no "no detriment" support. This is subject to a separate report on this Agenda.

- MHCLG reminds us that the national baseline for **New Homes Bonus** (NHB) might be increased from 0.4% in 2019/20 to manage the cost of the NHB scheme. Where the baseline is set in 2019/20 will depend on actual housing growth (CTB1 October 2018).

- There are no proposed changes to the **limits on council tax increases** in 2019/20, although they are still subject to confirmation in the provisional settlement. This means **Shire district councils** will be able to increase Band D by the higher of 3% of £5. In our response to the consultation, we argue that as Councils continue to make substantial efficiency savings to offset the loss of core funding streams, they should be allowed to increase their precepts by up to £12 as per the Police & Crime Commissioners.

- Furthermore, as the attached APPG report, Rugby Borough Council has expressed its view on the need for the introduction of a prevention precept for councils, in recognition of the variety of services delivered by local government which provide direct and indirect benefits to residents and other public-sector bodies.

- The Government also "intends to continue the deferral" of capping parish precepts.

3.3. Business Rates

Reform and Reset

As reported previously, the main financial risk the Council faces is an impending reset of the current system. Resetting the system would redistribute the business rates growth generated since 2013/14, the point at which the retained rates system was introduced. Earlier this year, the Government consulted on a partial reset, but we have since been advised that the Government are considering a full baseline reset in 2020/21.

The following table and chart illustrate how varying the proportion of business rates that can be retained after the reset would impact on the actual amount of income the council would retain.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
No change, not an option, for benchmarking only	6.070	6.406	6.561	6.709
A partial reset with 50% of the growth retained	6.070	4.863	4.986	5.103
A partial reset with 25% of the growth retained	6.070	4.155	4.265	4.368
A full reset in 2020/21 based on the 2018/19 data	**6.070**	**3.487**	**3.583**	**3.672**

Table 6 – Overview of Business Rates for Rugby and comparison of % reset applied

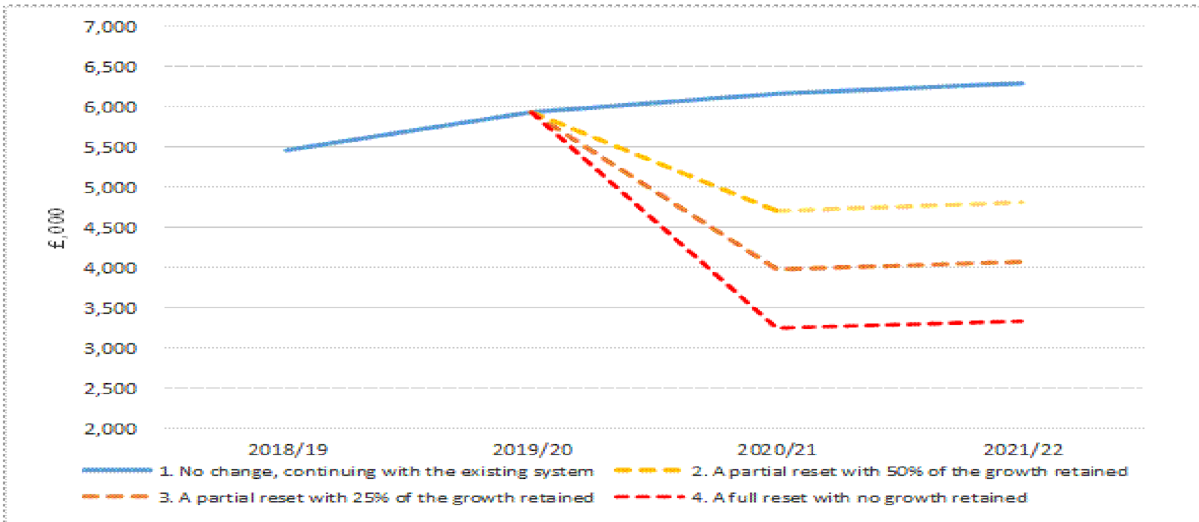


Chart 6 – Illustrates the impact of BRR options that could be applied in 2020/21

The previous chart shows significant reductions in income under all three reset scenarios, but that under the worst-case scenario of a full baseline reset the Council could lose up to £2.6m funding from 2019/20 to 2020/21. **The Council has lobbied government firmly on our view that growth should be retained by the authority for longer than the reset period.**

2019/20 Business Rates Budget

The 2019/20 budget for business rates is expected to be £6.070m, representing a £0.61m increase on the 2018/19 budget. The budget for 2019/20 is comprised of a £4.341m budget for sustainable business rates income and £1.729m for additional growth over and above this position. At this stage it has also been assumed that the additional business rates growth of £1.729m will be allocated to the Business Rates Equalisation Reserve. This is consistent with the policy approach adopted in 2018/19 that was subsequently approved within the 2018-22 Medium Term Financial Strategy by Council in April 2018, enabling the Council to reduce its exposure to risk from future central government changes and also achieving its objective of self-sufficiency.

For 2018/19 a sustainable budget position was assessed, equivalent to the income the Council will receive in 2020/21, if a partial reset is implemented where 50% of the growth can be retained. This is the most favourable scenario of the three reset options that have been modelled and therefore was considered a reasonable and prudent starting point.

For 2019/20 the sustainable income budget has been set at the mid-point between the income received under the scenarios where 50% and 25% of growth is retained, providing a position where 37.5% of growth has been considered a sustainable position.

Business Rates beyond the reset
Beyond the reset, it is proposed to gradually reduce and taper the amount of business rates growth included in the base budget, with the long-term aim of only including an amount equivalent to the 'funding baseline' in the base budget. This will help us to meet our objective of becoming financially self-sufficient by reducing the reliance in the base budget of funding that can be subject to arbitrary changes from central government**.**

At this stage the budget position for business rates is based on a full reset in 2020/21, with a reduction in income of £2.59m before damping compared with 2019/20. The following table provides a breakdown of this budget forecast.

	2019/20 £ 000's	2020/21 £ 000's
Business Rates		
Share of income	-18,806	-22,425
Tariff	13,050	20,254
Levy	3,380	0
Baseline Funding	**-2,376**	**-2,171**
Retained growth	-3,494	-1,316
Pooling dividend	-200	0
Total Business Rates funding	**-6,070**	**-3,487**
Transitional protection assumption (Damping)- based on assumed 10% capped reduction in net budget requirement	0	-383
Total Funding Requirement	**-6,070**	**-3,870**

Table 7 – Summary of Business Rates funding for 2019/20 & 2020/21

3.4. Coventry and Warwickshire Business Rates Pool

Currently, the Pooling arrangement within Coventry and Warwickshire has provided financial benefits alongside a more collaborative approach to the management of Business Rates. Since 2013/14 it has successfully retained an additional £9.5m within Coventry and Warwickshire, in comparison to the amount that would have been paid to central government had the pool not been in operation during this time. Rugby's direct benefit of this is a pooling gain totalling £0.8m.

The current forecast for Rugby's pooling gain for 2018/19 is expected to exceed the budgeted figure of £200,000. Any surplus will be transferred to the Business Rates Equalisation Reserve to mitigate the challenges surrounding appeals and any delays in valuation.

However, there are risks and opportunities to future benefits which is dependent on the composition of the pool members. Table 8 lists some potential scenarios with the impact to the Council if changes are made.

Scenario	Reason	RBC Loss / (-) Gain
Coventry City Council leaves the Pool	As already in WMCA BR Pilot	£508,466
NWDC leaves the Pool	Risks associated with HS2	-£208,144
NHS Charitable Relief Claim is successful	Pending Legal claim	£21,647

Table 8 – potential risks and financial impact of changes to the composition of the pooled arrangement

3.5. New Homes Bonus (NHB)

As previously mentioned within the financial outlook section, the future of this funding will form part of the 2019 spending review. The concern is that **NHB is not confirmed beyond 2019/20**. This will be subject to consultation and feed into the 2019 spending review.

For now, it has been assumed that NHB will continue in its current form. However, there is a very real risk that the scheme will either be ended immediately in 2020, or it will be gradually discontinued over the spending review period.

The current funding assumptions are shown within the following table, including the amounts that have been set aside for revenue contributions to capital expenditure.

New Homes Bonus	2018/19 £ 000's	2019/20 £ 000's	2020/21 £ 000's	2021/22 £ 000's	2022/23 £ 000's
New Homes Bonus Funding	-2,105	-1,906	-2,123	-2,963	-3,988
Revenue Contribution to Capital	0	0	217	840	1,025
Net contribution to budget	**-2,105**	**-1,906**	**1,906**	**-2,123**	**2,963**

Table 9 – Summary of estimated NHB over the medium term and how much is set aside to offset Capital

In the 2018-22 Medium Term Strategy, the Council agreed to taper its reliance on NHB income within the core income budget, in order to achieve financial self-sufficiency. The approved policy is that a proportion of the Council's NHB allocations will be withdrawn from the base budget by the 2020, with the monies ring-fenced for revenue contributions to capital expenditure to reduce the reliance on borrowing to finance the General Fund capital programme.

The figures show a £199,000 drop in our income from 2018/19 to 2019/20. This compares to £75,000 previously reported to February Cabinet. The reason for the change of £125,000 over this period is because there has been a significant increase in the number of empty properties on our valuation list, primarily because of the decanting of Biart Place. Long term empty properties and demolitions are subtracted from the NHB calculation. Therefore, this income is lost until the replacement properties are in place.

3.6. Council Tax

The Council Tax base assumptions have been reviewed for 2019/20, as informed by the Housing Trajectory produced by the Economic Development Service. At this stage, there are no anticipated changes to initial expectations.

The actual Tax base for the whole area is calculated in December and this will inform the next budget report to December Cabinet. Once the Tax base is approved at January Cabinet, these figures will form part of the Council setting paper approved by Cabinet in February 2019.

In-line with the principles adopted in the Council's medium-term financial strategy, for financial planning purposes it has been assumed that the Council will increase council tax by the maximum allowable increase. For 2019/20 this is assumed to be 3% which is equivalent to approximately £5.46 for a Band D property.

4. General Fund revenue budgets

4.1. Overview and Context

The purpose of this section is to provide an update on the progress that has been made with closing the medium-term budget gaps, since the 2018/19 budget was set in February 2018, and outline an initial high-level budget position for 2019/20.

4.2. Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) 2018-23 was approved by Council in April 2018. The purpose of the MTFS is to provide the Council with a sound financial plan that outlines the key principles and financial policies required to enable it to meet its objectives and achieve its ambition of becoming financially self-sufficient by the end of the decade without reliance on central government funding. The following content, sets out the progress that has been made to date with the implementation on these key principles and financial policies.

Fees and Charges

Previous analysis suggested that many of our fees and charges have remained set at historic levels for a substantial period. Whilst we have made real progress to address this within the budget for 2019/20, it is agreed that, as a default, all locally set fees and charges will be increased annually by an appropriate measure of inflation, unless the service has exceptional circumstances and a solid business case to do otherwise.

There is a proposal included that estimates that a further £50,000 will be generated from the application of inflation. However, this is currently being reviewed by services and is therefore held centrally until it can be allocated across services. This work will be fully factored in the Draft Budget papers present to December cabinet.

Zero Based Budgeting and Outcome Based Budgeting

The MTFS outlined the details of alternative models to budgeting and recognised the need to look more closely at unit cost of services with a commitment to removing those budgets where the expenditure does not add value.

In addition, the following approaches were considered as something that the Council want to trial for the 2019/20 budget setting process.

- **Outcomes-based Budgeting** - A method of budgeting in which funds are allocated accordingly to a set of predefined outcomes or priorities.
- **Zero-based Budgeting (ZBB)** - A method of budgeting that starts completely from scratch – from a 'zero base'. Each budgeting decision is made as if for the first time. This means that each decision must be justified, and services that previously received a certain amount of funding are not guaranteed to receive it again.

Whilst the intention is that these alternative approaches will form part of the budget setting moving forward. For 2019/20 budget setting, Parks and Grounds Maintenance will incorporate a ZBB review of the services. The results of these reviews will be reported in due course.

4.3. Progress since 2018/19 budget setting

As explained earlier, the Medium Term Financial Plan presented to Council at its meeting in February 2018, reported an initial gap for 2019/20 of £1.4m with a further potential pressure of £1.2m if a full reset is applied to Business rates in 2020/21. Therefore, the most pessimistic scenario assumed a cumulative budget gap of £2.6m over these two financial years.

The full report can be found at the link below;

https://www.rugby.gov.uk/meetings/meeting/724/council

As part of medium term financial planning during the 2018/19 budget setting process, some of the key assumptions regarding the 2019/20 budget were:

Key Assumptions February 2018	**£'000**
Growth	
Salary adjustments, pay award and pension	505
Review of the pay scales - NJC new pay spine from April 2019	140
A possible reduction in recycling credits	75
Inflation	10
Refuse and recycling	250
Savings and Income Generation	
Income generation and digitalisation	-250
Other savings	-25
Other Corporate Adjustments	
Leisure Centre increase returned to expected contract receipt	-110
Total Key Assumptions	**595**

Table 10 – Summary of Key Assumptions reported within MTFP in February 2018.

4.4. Change in 2019/20 budget position

Since February some of the key budget assumptions and circumstances underpinning the budget have changed. The following table sets out the changes since February and the resulting movement in the draft 2019/20 budget variance.

Detailed Change	2019/20 £ 000's
Variance Reported in February 2018	**1,384**
Review of Funding	
Removal of negative RSG from 2019/20	-249
Collection Fund adjustments	-184
New Homes Bonus impact of empty homes	125
Total Funding changes since Feb 2018	**-308**
Review of Corporate Items	
Interest & Changes to Borrowing	-77
MRP	-261
Other corporate adjustments	-41
Total changes to corporate items since Feb 2018	**-379**
Changes - Budget Setting August 2018	
Further changes to salary costs for pay award, increments etc.	12
Growth changes - Homelessness - net change	529
Inflation	30
Other growth changes	145
Total Growth Changes since Feb 2018	**716**
Income generation – Lifelines	-40
Fees and charges - estimated CPI increase	-50
Other income	-8
Additional corporate savings target	-100
Housing Benefits Payments - Bad debt provision	-166
Other Savings	-188
Total Savings Changes since Feb 2018	**-552**
Total changes compared with MTFP Feb 2018	**-523**
Revised Variance September 2018	**861**
Key decisions as per table 17	**-515**
Revised Variance subject to approval of key decisions	**346**

Table 11 – Summary of changes to funding, corporate items, growth and savings since February 2018.

Table 11 shows that the changes since February total £523,000, reducing the budget variance from **£1.384m** to **£861,000**. Further detail on these changes are provided in following sections.

Section 4.9 includes key decisions for members consideration, which are detailed in Table 17. The impact of estimated key decision proposals included within would reduce the budget gap for 2019/20 from **£861,000** to **£346,000**. The December report will need to present further options totalling £346,000 to ensure that any necessary consultation can take place and provide the necessary reassurance that a balanced budget can be achieved and recommended to Full Council on 5th February 2019.

4.5. Funding changes

Following pressure across local government it is now expected that negative Revenue Support Grant (RSG) payments will not be expected from councils in 2019/20.

Council Tax collection fund will provide a marginally less surplus than last year at £72,000 compared with £87,000 for 2018/19.

Business Rates collection fund reports an increase in deficit of £856,000 following the submission of the 2017/18 NNDR3 in September 2018. The total deficit of £1.055m will be financed from the Business Rates Equalisation Reserve.

NHB changes are outlined in section 3.5.

4.6. Review of corporate items

Net Cost of Borrowing – the movement in Net Cost of Borrowing (interest payable less income received from investments) is based on the forecast level of cash reserves and capital receipts during the period of the MTFP, draft capital expenditure plans presented as bids to date (see Section 5), and interest rate forecasts supplied by our treasury advisors, Link Asset Services.

MRP - the reduction in the cost of Minimum Revenue Provision (MRP) during the period of the MTFP is based on the proposed adoption of an annuity method of calculating the charge by Council, replacing the existing straight-line method. This proposal will be brought to Council for approval as part of the mid-year treasury management reporting in November. As such, full details of the implications of this proposal will be included in that subsequent report.

4.7. Review of savings and income expectations

There has been further progress with the delivery of savings and income generation. The following table sets out an updated summary of planned savings and income generation items for 2019/20 totalling £835,000, which represents an increase of £552,000 above February's expectations:

Savings and Income	**2019/20**
	£ 000's
Income Generation	
Increased fees and charges income - Cemeteries	-27
Increased fees and charges income - Crematorium	-55
Increased fees and charges income - Lifeline Services	-40
Increased Car Parks and Season Ticket Income	-37
Increased Income from fees and charges - Regulatory Services	-37
Increased sales within Trade Waste	-40
Fees and charges inflationary increase – as per MTFS	-50
Increased Planning fees	-17
Recycling Credits - Increased income through recycling	-69
Other income	-9

Savings	
Housing Benefits Payments - Bad Debt Provision	-166
Increased Corporate Savings target in line with previous performance	-100
Staffing efficiencies within Safety and Resilience	-37
Other Savings	-151
Total Income and Savings	**-835**

Table 12 – progress on savings through efficiencies and income generation since February 2018.

There has been significant progress made in the commitment to increase income generation within the Council. The MTFP approved in February 2018 assumed £200,000 would be delivered in 2019/20, however, the previous table illustrates that this is forecast to have been exceeded and is recognised within the initial revenue budget for 2019/20 as shown in the summary portfolio Appendix 1.

Environment and Public Realm have savings and income proposals totalling approximately £380,000. This includes increased fees and charges within the Crematorium, Cemeteries, Parking Services and Trade Waste, alongside continued recycling benefits and savings from efficiencies.

Total savings of £220,000 are expected within Communities and Homes. This is largely due to the outcome of the annual review of provision for bad debt set aside for housing benefit overpayments, which are reducing due to the roll out of universal credit and thus provided a saving of £166,000.

In addition, the development of varying systems and processes in the delivery of the digitalisation programme is already underway with the following fully implemented during 2017/18 and plans in place for 2018/19 and 2019/20.

2017/18

- Our continuing digitalisation journey has seen the implementation of various systems including SharePoint and Microsoft 365, alongside the rollout of the mobilisation programme to provide IT equipment such as laptops and phones.

2018/19

- Continued Development of Finance and HR systems to provide self-service access for employees, service managers and budget managers.
- Full implementation of route optimisation system for garden waste which has successfully helped to manage the demand seen over the last 12 months within available resources. This is expected to be rolled across other waste services during this year and next.
- Commencement of the development and implementation of the new housing management system.
- Commencement of the development and implementation of the new corporate asset management

2019/20

- Expected improvements to Planning systems and processes to create efficiencies in the management of expected increased demand for services moving forward.

4.8. Key assumptions on growth pressures

The following table sets the out the key budget assumptions for commitments, growth items and other pressures for 2019/20.

Growth	**2019/20 £ 000's**
Salary adjustments including pay award, increments and pension	434
Remodelling of pay scales – NJC Pay Offer 2018/19	140
Inflation provision	40
In Service Pressures	
Communities and Homes - Homelessness	529
Communities and Homes -Other	93
Refuse and recycling	240
Environment and Public Realm	149
Growth and Investment	30
Corporate Resources	36
Total Growth Requirements	**1,691**

Table 13 – Summary of growth included within the initial budget October 2018.

The main key assumptions are as follows;

Pay award – 2% has been applied for 2019/20 and future years. This is based on national announcements published the by the National Joint Council for Local Government Services in April 2018. The initial estimated impact of the proposed new pay scales following National Living Wage increases is £140,000. Final figures will be reported within the Draft Budget in December.

Pension Liability – based on Actuary information for the three-year period published in 2016.

Inflation – this has been applied on an individual basis where relevant and the included within the overall service growth proposals.

Other Service Pressures – these are based on local intelligence of existing and future demand for services.

Housing Pressures

The outlying pressure to the Council for both 2018/19and 2019/20 is seen within Communities and Homes, mainly due to increased demand for temporary accommodation arising from homelessness.

National and local pressures mean that demand for homelessness services remains high. The following table demonstrates the change in average homeless applications per quarter received by the service since 2013/14:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 up to August 2018
Average homeless applications per quarter	49	76	85	97	98	139

Table 14 – Summary of changes in average homeless applications

The Homelessness Reduction Act 2017 came into force on 3 April 2018 and has presented additional challenges in an already busy environment. Many more individuals have been brought into the sphere of homelessness legislation and from a much earlier stage. This has meant that temporary accommodation must be made available for a longer period, when compared with previous legislative requirements. This reduces the availability of housing resources, with the consequence that a greater supply of temporary accommodation is required. Over the past 18 months the number of properties occupied and the number of placements in those properties is as follows:

Stock Type	Number of units	Number of placements
HRA (inc. designated temporary accommodation at Featherbed Lane)	115	167
Private Sector Leasing – Shared Accommodation	20	30
Private Sector Leasing – Houses in Multiple Occupation (HMOs)	35	102

Table 15 – Summary of number of properties occupied alongside number of placements

Excluding HMOs therefore, units of temporary accommodation have had only 1.5 placements on average during the period.

Locally, demand for social housing far outstrips supply meaning that waiting times for rehousing are extended. The private rental sector in Rugby is buoyant, which has resulted in two challenges for the homelessness service. The first is that those on low incomes cannot access the market because they are unable to afford the rent increases being imposed on them. The second is that it is very difficult to facilitate access back into the private rental sector when looking for alternatives to using social housing. These factors compound the issue of high numbers of applicants requiring interim accommodation. The following table compares private sector rental availability, rent levels, and Local Housing Allowance (LHA) as at 18th September 2018:

Property type	No. available	Average rent per calendar month pcm	Local Housing Allowance (LHA) pcm	Local Housing Allowance (LHA) – under 35s pcm
1 bed	34	571	410	277
2 bed	33	730	530	-
3 bed	18	948	598	-
4 bed	10	1,174	816	-
5 bed	2	1,850	816	-

Table 16 – Comparison of private sector rental availability, rent levels, and Local Housing Allowance (LHA)

None of the properties advertised above would accept “DSS”.

Fundamentally, the rate of ingress into interim accommodation is far higher than the rate of egress out of it. Mitigating factors come in the form of a successful Private Sector Leasing scheme, which will be further rolled out in 2018/19 and 2019/20 and a targeted acquisitions strategy for both interim accommodation and HRA stock. Appendix 1 summarises the growth requirements by portfolio.

4.9. Other savings and income generating options for consideration

In addition to the items identified earlier in the report, the following options are also being explored to either generate income, create efficiencies or reduce cost. These are listed within table 17.

Statutory v Non-statutory

The Council provides a range of services which meet statutory requirements alongside more discretionary services to deliver non-statutory outcomes. There is currently work taking place with services to understand the legal requirements of the Council, which will be provided in a future paper.

Community Solutions in delivering service outcomes.

The Council has been increasingly successful in attracting community interest in the delivery of services. During 2017/18 a record 10,062 hours of volunteering was provided for green spaces which reflects a 37% increase on 2016/17 figures.

In addition, Warwickshire Community and Voluntary Action (WCAVA) works in partnership with all Warwickshire authorities and the third sector to promote the opportunities for volunteers and communities through advertising and events.

Opportunities to further enhance the involvement of volunteers in the delivery of services is also being explored.

Key decisions for consideration
The following table lists, at a high-level, an initial set of key decisions to be considered to address the budget variance. The initial proposals provide additional estimated savings totalling £515,000 and should these service changes not be approved then alternative savings will need to be identified in their place.

Key decisions for consideration	**£'000**
Discount schemes reduced – Remove Council Tax discount on empty homes after 3 months	30
Voluntary redundancies	100
Community Safety - Remove vacant post for Crime and Disorder Manager	45
Pre-Planning application charging for Major Developments	20
Review of grass verge maintenance (Town Area)	40
Rural grass cutting - Reduced to core service offered by WCC	80
Large open spaces – creation of biodiversity areas through reduced frequency of grass cutting	20
Waste and recycling collections – Review of non-kerbside collections	150
Reduction in Garden Waste collection to 4 weekly during 3 winter months	30
Total key decisions for consideration	**515**

Table 17 – Summary of additional savings options to address the 2019/20 adverse variance – October 2018.

It is recommended that Cabinet considers the key decisions identified to date and identifies other policy or service changes required for consideration to deliver a balanced budget for 2019/20.

The exploration of proposals summarised in table 17 will be further progressed for inclusion within the Draft Budget presented to Cabinet in December.

Approval of these items results in the delivery of 60% of the required amount of savings/income required to deliver a balanced budget for 2019/20, resulting in a further £346,000 (40%) still required.

5. Medium Term Financial Plan 2019/20 to 2020/21

At this stage, due to the uncertainties previously mentioned surrounding local government funding reform, only a two-year medium term financial plan is presented.

	2019/20 £ 000's	2020/21 £ 000's
BASE BUDGET brought forward	15,355	16,166
Growth requirements	1,691	444
Other Corporate adjustments	-360	242
Savings	-835	-32
Movement in Reserves	1,176	-1,729
Revised Budget Requirement	17,027	15,091
Financed by;		
Government Funding – New Homes Bonus	-2,173	-2,363
Council Tax – based on 3% increase to Band D	-7,923	-8,315
Business Rates	-6,070	-3,487
Business Rates Transition Funding Protection (Damping)	0	-383
Total Funding Requirement	-16,166	-14,548
Net Variance	861	543

Table 18 – Summary of MTFP to 2020/21 – October 2018.

The following assumptions have been made regarding the next two financial years:

- 100% Business Rates Reset,
- Transition funding protection (Damping) equivalent to £383,000 provided to prevent funding reductions in excess of 10% of net resources
- Business rates reset is based on 2018/19 financial position
- NHB grant continues in its current form

As previously mentioned, a budget gap of **£861,000** is currently anticipated for 2019/20. The savings requirement of £542,000 in 2020/21, represents the additional in-year impact. Therefore, the total budget variance over the two years is £1.4m.

The £1.4m budget variance for 2019-21 represents a £0.9m reduction in the budget variance that was previously forecast for the same period in February 2018. The reason for this reduction centres on a new assumption that following the implementation of the Fair Funding Review and accompanying funding reform the maximum reduction total resources in 2020/21 will be capped at 10%. In practice the cap could vary in direction, or be determined on a different basis, but this is considered a prudent but reasonable assumption based on information available at present.

6. General Fund Balances and Risk Assessment.

Reserves / Balances Forecast Summary	2018/19 £ 000's	Net Movement £ 000's	2019/20 Balance £ 000's	Net Movement £ 000's	2020/21 Balance £ 000's
General Fund Balances	-3,069	37	-3,032	0	-3,032
Business Rates Equalisation Reserve	-1,285	-309	-1,594	-674	-2,268
Budget Stability Reserve	-539	0	-539	0	-539
Carry-forward Reserve	-354	354	0	0	0
Total Reserves	**-5,247**	**82**	**-5,165**	**-674**	**-5,839**

Table 19 – Reserves Summary – October 2018.

Table 19 sets out the expected movement in balances and reserves across the medium-term.

The transfer made from the General Fund Balance during 2018/19 has been approved by Cabinet in September 2018.

The 2018/19 proposed net transfer of funds into the Business Rates Equalisation Reserve includes;

- the anticipated commitments to cover the deficit of £386,000 following final outturn and submission of the NNDR3,
- the budgeted surplus in Business Rates Growth of £553,000 and forecast surplus in dividend of £142,000 from the pooling arrangement.

A risk assessment of General Fund Balances and Reserves for the coming year will be prepared with the draft budget presented in December 2018.

The Budget Stability Reserve has been set aside to cover any items within the Council's budget that are subject to significant degrees of volatility or variation from one year to another. These can often be due to factors that are outside the Council's control or influence; this reserve assists the mitigation of such volatility by allowing the Council to call upon it in years where budget overspends occur and conversely replenish it in years where underspends arise. There are no immediate plans for this in 2018/19, or across the medium term.

At the 31st March 2018, the Council's total useable General Fund balances and reserves were £8.4m, which accounts for only 55% of the Council's annual net budget requirement. This puts the Council's reserves position in the bottom 15% of all district councils in terms of reserve cover compared to net budget.

7. Conclusion

Local Government is continuing to experience significant challenges and is faced with making more difficult decisions on the services offered and delivered by councils. Within Rugby, the Council continues its journey through growth and investment and needs to continue taking steps to build on this.

This report has provided an introductory review of the budget position for 2019/20 that will be developed throughout the budget setting process. This initial review suggests that there is still work to be done to deliver a balanced budget for both 2019/20 and 2020/21. Beyond that, the picture is much more uncertain because of the unknowns associated with the reform of local government funding.

It is evident from this report that despite the unknowns, continuing with our current strategy places us well to achieve financial self-sufficiency in the context of what we know to date.

Name of Meeting: Cabinet

Date of Meeting: 8 October 2018

Subject Matter: Initial Review of General Fund Budget

Originating Department: Head of Corporate Resources and CFO

DO ANY BACKGROUND PAPERS APPLY ☐ **YES** X **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

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:

Doc No	Relevant Paragraph of Schedule 12A

Appendix 1

Draft General Fund Revenue Summary 2019/20	2018/19 Original Budget £	In Year Adjustments £	2018/19 Revised Budget £	Corporate Adjustments £	Total Inflation £	Salary Adjustments £	Proposed Growth Items £	Proposed Income Adjustments £	Savings £	2019/20 Draft Budget £
EXPENDITURE:										
Growth & Investment	2,820,140	231,120	3,051,260	-336,450	5,210	59,220	30,240	9,900	-25,000	2,794,380
Corporate Resources	1,007,550	8,730	1,016,280	104,160	7,190	150,580	36,410	-23,670	-9,880	1,281,070
Environment & Public Realm	7,070,150	49,190	7,119,340	-190,810	24,560	138,010	387,200	-281,140	-100,920	7,096,240
Communities & Homes	1,991,550	-8,000	1,983,550	-11,700	2,780	106,740	623,640	-29,130	-216,560	2,459,320
Executive Director's Office	1,938,510	22,290	1,960,800	-22,770	0	-20,470	0	-7,390	-1,280	1,908,890
PORTFOLIO EXPENDITURE	**14,827,900**	**303,330**	**15,131,230**	**-457,570**	**39,740**	**434,080**	**1,077,490**	**-331,430**	**-353,640**	**15,539,900**
Less Capital Charge Adjustment	-2,590,610	0	-2,590,610	0	0	0	0	0	0	-2,590,610
Savings and Growth held centrally	-200,000	0	-200,000	0	0	0	140,000	-50,000	-100,000	-210,000
Less Digitalisation Saving Target	-160,000	0	-160,000	0	0	0	0	0	0	-160,000
Less Pension Adjustment	-317,190	0	-317,190	0	0	0	0	0	0	-317,190
NET PORTFOLIO EXPENDITURE	**11,560,100**	**303,330**	**11,863,430**	**-457,570**	**39,740**	**434,080**	**1,217,490**	**-381,430**	**-453,640**	**12,262,100**
Net Cost of Borrowing	465,390	0	465,390	-131,560	0	0	0	0	0	333,830
Minimum Revenue Provision (MRP)	1,929,060	0	1,929,060	-95,000	0	0	0	0	0	1,834,060
Revenue Contribution to Capital Outlay	87,500	0	87,500	0	0	0	0	0	0	87,500
Contribution to Business Rate Equalisation Reserve	552,620	0	552,620	1,176,000	0	0	0	0	0	1,728,620
TOTAL EXPENDITURE (before Parish Precepts)	**14,594,670**	**303,330**	**14,898,000**	**491,870**	**39,740**	**434,080**	**1,217,490**	**-381,430**	**-453,640**	**16,246,110**
Parish Council Precepts and Council Tax Support	760,630	0	760,630	20,000	0	0	0	0	0	780,630
TOTAL EXPENDITURE	**15,355,300**	**303,330**	**15,658,630**	**511,870**	**39,740**	**434,080**	**1,217,490**	**-381,430**	**-453,640**	**17,026,740**
INCOME:										
Revenue Support Grant	-152,680	0	-152,680	152,680	0	0	0	0	0	0
Retained Business Rates (Net of Tariff)	-4,907,000	0	-4,907,000	566,000	0	0	0	0	0	-4,341,000
Retained Business Rates Additional Growth	-552,620		-552,620	-1,176,000	0	0	0	0	0	-1,728,620
New Homes Bonus Funding	-2,105,750	0	-2,105,750	199,680	0	0	0	0	0	-1,906,070
Government Grants	-297,000	0	-297,000	30,000	0	0	0	0	0	-267,000
Council Tax	-7,438,430	0	-7,438,430	-340,570	0	0	0	0	0	-7,779,000
Collection Fund Surplus(-)/Deficit	111,600	0	111,600	799,000	0	0	0	0	0	910,600
Contribution from Reserves & Balances	-13,420	0	-13,420	-1,041,580	0	0	0	0	0	-1,055,000
TOTAL INCOME	**-15,355,300**	**0**	**-15,355,300**	**-810,790**	**0**	**0**	**0**	**0**	**0**	**-16,166,090**
VARIANCE ON 2018/19 BUDGET	**0**	**303,330**	**303,330**	**-298,920**	**39,740**	**434,080**	**1,217,490**	**-381,430**	**-453,640**	**860,650**

Ministry of Housing,
Communities &
Local Government

The 2019-20 Local Government Finance Settlement

Technical Consultation

This document/publication is also available on our website at www.gov.uk/mhclg
If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter:
https://twitter.com/MHCLG

July 2018
ISBN: 978-1-4098-5311-4

Contents

Scope of the consultation

Topic of this consultation:	This consultation covers proposals for the local government finance settlement for 2019-20.
Scope of this consultation:	This consultation seeks views on proposals for the local government finance settlement for 2019-20, 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 Ministry of Housing, Communities and Local Government.
Duration:	This consultation will last for 8 weeks from 24 July 2018 to 18 September 2018.
Enquiries:	For any enquiries about the consultation please contact James Whitehouse: James.Whitehouse@communities.gsi.gov.uk
How to respond:	You can respond to the questions in this consultation via a pro-forma found at: https://www.gov.uk/government/consultations/local-government-finance-settlement-2019-to-2020-technical-consultation If the link is inoperable, the pro-forma can also be found as an Annex to this consultation document. Email details and an address for written responses can be found in the pro-forma.

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 data, 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 2018 (DPA), the EU General Data Protection Regulation, and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. 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 Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex C.

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 us via the complaints procedure.

1 Summary of proposals

1.1 Background

1.1.1 Proposals for the 2019-20 Local Government Finance Settlement have been designed in the context of the overall Spending Review package, announced in 2015.

1.1.2 The Government's current intention is that the 2019-20 settlement will confirm the final year of the multi-year settlement that has provided certainty for 4 years. The 2019 Spending Review will confirm overall local government resourcing from 2020-21, and the Government is working towards significant reform in the local government finance system in 2020-21, including an updated, more robust and transparent distribution methodology to set baseline funding levels, and resetting business rates baselines.

1.1.3 Prior to these reforms in 2020-21, the Government is committed to testing aspects of the new system, and will be implementing a further round of Business Rates Retention pilots in 2019-20.

1.1.4 The 2016-17 multi-year settlement offered local authorities greater certainty over elements of their funding across the spending period and was accepted by 97% of local authorities. The Government proposes to allocate funding in 2019-20 in accordance with the agreed methodology announced by the Secretary of State in 2016-17, which ensures that local councils delivering similar services receive a similar percentage change in settlement core funding for those services[1].

1.2 Summary of proposals

1.2.1 The remaining sections of this document set out the Government's proposed approach to the 2019-20 settlement. It:

- outlines the fourth year of the multi-year settlement offer for those councils that accepted the offer, and arrangements for those that did not.
- outlines the Government's position on the New Homes Bonus threshold.
- outlines the Government's proposals for council tax referendum principles for 2019-20.
- outlines the Government's proposals for dealing with the issue known as 'Negative Revenue Support Grant'.

[1] Please note that the exact percentage change in 'Settlement Core Funding' will be influenced by the Government's decision on the issue of 'Negative RSG'. An explanation of, and consultation on, the issue of Negative RSG can be found at Section 5.

2 The multi-year settlement offer

2.1 Certainty of funding

2.1.1 The 2016-17 settlement offered councils a four-year settlement, giving greater certainty of funding until the end of the spending period. The offer included:

- Revenue Support Grant
- Business rates tariff and top-up payments[2]
- Rural Services Delivery Grant, and
- Transition Grant

2.1.2 97% of councils accepted the multi-year offer in return for publishing efficiency plans, allowing councils the confidence to plan ahead and implement reforms.

2.1.3 The Government will need to take account of any structural and functional changes, such as transfers of responsibility for functions between local authorities, mergers between authorities and any other relevant events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the Local Government Finance settlement[3], the Government intends to present these figures to Parliament as part of the 2019-20 Provisional Local Government Finance Settlement following Autumn Budget.

2.1.4 Those councils that 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.

2.1.5 The Government has previously published individual local authority allocations for the improved Better Care Fund which total £1.8 billion in 2019-20[4].

Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?

[2] Business rates tariff and top-up payments will not change for reasons relating to the relative needs of local authorities.
[3] As described in sections 78 and 78A of the Local Government Finance Act 1988.

[4] https://www.gov.uk/government/publications/the-allocations-of-the-additional-funding-for-adult-social-care

2.2 Business Rates Retention Pilots

2.2.1 The Government is committed to working with local government to consider how best to implement our manifesto commitment to give local government greater control over the money they raise and address concerns about the fairness of current funding distributions.

2.2.2 Giving local government greater control of the money that they raise is a commitment in the Government's Industrial Strategy, which sets out a long term plan to boost productivity throughout the UK.

2.2.3 We have recently launched a prospectus that invites local authorities to submit proposals to pilot 75% business rates retention in 2019-20. This can be found at: https://www.gov.uk/government/publications/75-business-rates-retention-pilots-2019-to-2020-prospectus.

2.2.4 These pilots will help us test increased business rates retention and aid our understanding of the retention system at this level.

2.2.5 The one-year 2018-19 pilots will end on 31 March 2019, with participants invited to reapply for the 2019-20 75% pilots. The Department will continue to negotiate separately with London about the potential continuation of a business rates retention pilot in 2019-20.

2.2.6 Existing pilots in devolution deal areas will continue in 2019-20. This includes Cornwall, Liverpool City Region, Greater Manchester Combined Authority, West Midlands Combined Authority and the West of England.

2.2.7 As in previous years, the methodology for calculating the agreed changes in the local share of retained business rates and the level of tariff and top-ups for local authorities piloting business rates retention will be confirmed at provisional settlement. This methodology will be designed to ensure that no authorities anywhere in the country are adversely affected by these pilots.

2.3 Business Rates Revaluation

2.3.1 The most recent business rates revaluation took effect from 1 April 2017. This created 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.

2.3.2 In the 2016-17 Local Government Finance Settlement technical consultation the Government detailed the method by which the impact of the 2017 business rates revaluation would be neutralised in the rates retention scheme. The Government committed to making the revaluation adjustment in three stages. The final stage of adjustment will occur in 2019-20 where we will cancel the one-off reconciliation adjustment for 2018-19 adjustments to tariffs and top-ups.

3 New Homes Bonus

3.1 Background

3.1.1 The New Homes Bonus (the 'Bonus') was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Over £7 billion has been allocated to local authorities through the scheme to reward additional housing supply.

3.1.2 Although the Bonus was successful in encouraging authorities to welcome housing growth, it did not reward those authorities who are the most open to growth. In December 2016, following consultation, the government announced reforms to the Bonus as follows:

- reduction of the number of years New Homes Bonus payments are made from 6 to 5 years in 2017-18 and to 4 years from 2018-19; and
- introduction of a national baseline for housing growth of 0.4% of council tax base (weighted by band) from 2017-18, below which the Bonus will not be paid.

3.2 New Homes Bonus baseline 2019-20

3.2.1 The Government has retained the option of making adjustments to the baseline in future years to reflect significant additional housing growth and to remain within spending limits set at Spending Review 2015.

3.2.2 In 2018-19 the baseline remained at 0.4%. Due to the continued upward trend for house building, the Government expects to increase the baseline in 2019-20.

3.2.3 New Homes Bonus calculations are based on additional housing stock reported through the council tax base and decisions on the baseline for 2019-20 will be made following a review of the data when it is published in November. Any changes intended for the baseline in 2019-20 will be detailed 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 2020 Onward

3.3.1 2019-20 represents the final year of funding agreed through the Spending Review 2015. In light of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. Government will consult widely on any changes prior to implementation.

4 Council tax referendum principles

4.1 Council tax referendum principles for local authorities

4.1.1 The 2018-19 Settlement struck a balance on council tax, giving local authorities the flexibility to address pressures on services while also recognising that many households face their own pressures. It also set out the Government's intention to maintain the same core principle and package of flexibilities in 2019-20.

4.1.2 The Government remains minded to do this. This would mean:

- a core principle of up to 3%. This would apply to shire county councils, unitary authorities, London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, the general precept of the Greater London Authority, and fire and rescue authorities.
- a continuation of the Adult Social Care precept, with an additional 2% flexibility available for shire county councils, unitary authorities, London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly. This is subject to total increases for the Adult Social Care precept not exceeding 6% between 2017-18 and 2019-20, and consideration of authorities' use of the Adult Social Care precept in the previous years.
- shire district councils in two-tier areas will be allowed increases of up to 3%, or up to and including £5, whichever is higher.
- police and crime commissioners (PCCs) will be allowed increases of up to £12 in 2019-20 (including the Greater London Authority charge for the Metropolitan Police, and the PCC component of the Greater Manchester Combined Authority precept) subject to the delivery of clear and substantial progress on productivity and efficiency which will be assessed in advance of the provisional settlement.

4.2 Following consideration of responses, the Government intends to provide an update on its proposals for council tax referendum principles including the Adult Social Care precept, alongside the provisional Local Government Finance Settlement later in the year.

Council tax referendum principles for Mayoral Combined Authorities

4.2.1 Devolution Deals have led to the creation of 6 Mayoral Combined Authorities (MCAs) with powers such as transport and planning.

4.2.2 From 2018-19 five Combined Authority mayors had powers to raise additional resources to meet the costs of their functions through a precept (or additional charge) on local council tax bills. The precept may only be set with the agreement of the Combined Authority.

4.2.3 In May 2018, a mayor was elected to the Sheffield City Region and will also have powers to raise additional resources through a precept (or additional charge) on local council tax bills in 2019-20.

4.2.4 In 2018-19 the Government concluded that it should be for each mayor to balance their ambitions and other resources and to decide the level of the first precept they set, with the expectation that mayors would exercise restraint and set a precept proportionate to their needs and not burdensome to their residents. Only the Greater Manchester Combined Authority charged council tax for mayoral functions, a large proportion of which was to fund the fire service previously operated by the Greater Manchester Fire and Rescue Authority.

4.2.5 Given the restraint shown by Mayors in the setting of their precepts, the Government is minded not to set referendum principles for Mayoral Combined Authorities in 2019-20.

4.3 Council tax referendum principles for town and parish councils

4.3.1 In 2018-19 the Government decided to defer the setting of referendum principles for town and parish councils for three years. However, this was conditional upon:

- the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for “invest to save” projects which will lower on-going costs; and
- the Government seeing clear evidence of restraint in the increases set by the sector.

4.3.2 In 2018-19, the average band D parish precept increased by 4.9% (£3.02). This compares to a 6.3% increase (£3.63) in 2017-18, and is the lowest year-on-year increase in parish precepts since 2015-16.

4.3.3 In view of this, the Government intends to continue the deferral of setting referendum principles for town and parish councils, but encourages parish councils to continue this downward trend, and will keep this area under active review.

Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?

5 Negative Revenue Support Grant

5.1 **Background**

5.1.1 Negative Revenue Support Grant is the name given to a downward adjustment of a local authority's business rates top-up or tariff. This occurs as a consequence of changes to the distribution methodology adopted at the 2016-17 settlement, which formed the basis of the multi-year settlement.

5.1.2 The 2016-17 methodology allocated central resources in a way that ensures local authorities delivering similar services receive a similar percentage change in 'Settlement Core Funding' for those services. Core Funding takes account of the main resources available to councils comprising:

- council tax income in 2015-16 (including any Council Tax Freeze Grant)
- estimated business rates income (baseline funding level under the business rates retention scheme)
- Revenue Support Grant

5.1.3 Under this methodology, for many authorities, the required reduction of Core Funding exceeded their available Revenue Support Grant. To deal with this, it was proposed that business rates tariffs and top-ups would be adjusted so that an increased amount of business rates were redistributed away from the authority and towards other authorities. This adjustment has since become colloquially known as 'Negative RSG'.

5.1.4 This adjustment was consulted on as part of the 2016-17 provisional settlement. In addition, reductions in Revenue Support Grant in 2019-20 were displayed in figures published at the 2016-17 settlement[5].

[5] Negative RSG figures for the years 2016-17 to 2019-20 can be seen in Tariff/Top-up adjustment column in tables contained within the Publication "Key information for local authorities: final local government finance settlement 2016 to 2017". Please note that the same documents published at Settlement 2017-18 and 2018-19 only refers to the Tariff/ Top-up adjustment in relation to 2019-20 as the Government allocated additional resources to negate the occurrence of Negative RSG in both 2017-18 and 2018-19.

5.1.5 During the 2016-17 provisional settlement consultation there was strong opposition to Negative RSG. In addition, a number of authorities commented that the Negative RSG adjustment failed to recognise a commitment made during the implementation of the business rate retention scheme in 2013-14, that authorities' retained business rates baselines, which are used to determine their tariff and top-ups, would be fixed in real terms until the system was reset. This commitment was made so that local authorities would benefit directly from supporting local business growth as they would be able to keep half of any increases in business rates revenue until the reset[6].

5.1.6 Following this consultation, the Government allocated additional resources to negate the occurrence of Negative RSG in both 2017-18 and 2018-19. No decision was taken over whether to remove Negative RSG in 2019-20.

5.1.7 At provisional settlement 2018-19, the Secretary of State committed to explore all fair and affordable options for dealing with Negative RSG in 2019-20 and consult on options ahead of the 2019-20 settlement. A number of authorities who responded to the 2018-19 settlement consultation referred to Negative RSG, and welcomed the decision to consult, whilst a minority of authorities made representations opposing this step.

5.2 Negative RSG in 2019-20

5.2.1 In 2019-20 Negative RSG totals £152.9m and affects 168 authorities.

5.2.2 The Secretary of State's commitment to explore all fair and affordable options for dealing with Negative RSG recognises both the Government's commitment not to adjust top-ups and tariffs until the system is reset in 2020-21, but also the significant strength of feeling in the sector around this issue.

5.2.3 MHCLG has explored a number of possible options for addressing the issue of Negative RSG, and has formed an initial preference to eliminate the issue via forgone business rate receipts as the alternative options are either unaffordable or fail to resolve the issue.

[6]http://webarchive.nationalarchives.gov.uk/20140505105839/http://www.local.communities.gov.uk/finance/1314/practitionersguides.pdf

5.3 **Options**

5.3.1 Directly "eliminating" Negative RSG via forgone business[7] rates receipts

- In 2017-18 and 2018-19, Negative RSG was negated via forgone business rates, by not reflecting the downward Negative RSG adjustment of an authority's business rates tariffs and top-ups. This targeted approach could be continued in 2019-20.
- This recognises the Government's commitment not to adjust top-ups and tariffs until the system is reset in 2020-21. This Government believes that remaining consistent with its prior commitments is the fairest approach for the sector. This option would remove Negative RSG for all the authorities affected at a cost to the Government of £152.9m in forgone business rates receipts. In addition to being the only option which is both affordable and fair, dealing with Negative RSG in its entirety, this approach represents the most direct and simple solution to the problem.
- This funding would be met from the Government's share of business rates.

5.3.2 Altering the Core Funding methodology

- The Government considered altering the funding allocation methodology to reduce Negative RSG - changing the approach taken in accounting for council tax in the Core Funding formula, and adjusting each local authority's needs baseline assessment.
- The 2016-17 funding methodology considered full and actual amounts of council tax each authority raised in 2015-16, when it set the multi-year settlement allocations.
- Some local authorities have commented that taking actual council tax into account unfairly disadvantages certain councils due to historic differences in council tax levels.
- There could be an argument for changing the weighting of council tax in 2019-20 temporarily, until wider system reform in 2020-21. This approach would redistribute RSG across England and reduce overall Negative RSG.

[7] Under the current business rates retention scheme, non-business rate retention pilot local authorities retain 50% of the business rates they collect. The remaining 50% is passed to central government as the central share. By forgoing business rates receipts, central government choses to receive a smaller central share and the revenue is instead retained locally.

- However, the impact of this approach is limited. No approach to council tax weighting would completely eliminate Negative RSG. This Government believes that meeting its prior commitments, as discussed in paragraph 5.1.5, is the fairest approach for the sector, and this option fails to achieve this. Even removing council tax entirely from Core Spending Power calculations would cost in excess of £170 million and leave significant residual Negative RSG, failing to resolve the issue fairly and thus representing a poor use of resources. The cost of this approach results from meeting commitments guaranteeing all authorities at least as much RSG as agreed in the multi-year settlement.

- A second funding allocation approach considered was the adjustment of local authorities' needs baseline assessment.

- This method would alter the existing formulas to distribute funding as determined by authorities' net current expenditure on relevant services in 2015-16. The allocations would be a new, separate step in the RSG calculations, with a guarantee to authorities of at least as much RSG as agreed in the multi-year settlement.

- The Government has discounted this approach. Firstly, it goes against the Government's commitment to a multi-year settlement, providing funding certainty over the four year period. Furthermore, this would pre-empt on-going work on the review of local authorities' relative needs and resources, which will provide a new and far more robust distribution methodology to set baseline funding levels.

- In addition, this option is of limited effect, leaving significant residual Negative RSG. Finally, the cost imposed by this option as a result of guaranteeing all authorities at least as much RSG as agreed in the multi-year settlement is very substantial, in excess of £500 million, representing poor value for money and is not affordable.

- Both these options fail to fully deal with Negative RSG, and impose significant costs on the Government. In addition, authorities with residual Negative RSG would still be subject to a downward adjustment of business rates tariffs and top-up, leaving the Government in a position of being unable to meet its prior commitment to not adjust tariffs and top-ups until the system is reset in 2020-21.

5.3.3 Moving existing funding, or injecting additional funds into Core Funding

- The third policy avenue for resolving Negative RSG is by injecting resource into Revenue Support Grant. The Government considered multiple ways in which this could be achieved.

- This first option is that of allocating new funding on the basis of existing relative needs formulas, via population based metrics or through the existing RSG allocation methodology.

- However, even when modelling for significant additional funding (£500 million), these options similarly prove themselves of limited effectiveness in addressing Negative RSG. The quantum of funding needed to completely eliminate Negative RSG through this methodology is excessive totalling over £2 billion. This level of funding is not affordable.

- The second option considered is the consolidation of existing grants, outside of Core Spending power, such as Business Rates Reimbursement Grant and Indexation Grant into Revenue Support Grant.

- However, the distribution of these grants has limited correlation with Negative RSG distribution, and would still leave significant residual Negative RSG. In addition, this is primarily a technical movement of funding – that merely serves to disguise the movement in tariffs and top-ups.

- In addition, there are significant technical challenges present to the rolling in of the major grants identified. This would require the use of estimated figures for the 2019-20 settlement, and potentially lead to revised allocations in the future.

5.3.4 Remaining with the status quo of the current settlement methodology, such that authorities will have tariffs and top-ups adjusted

- In addition to exploring options for the resolution of Negative RSG, the Government has considered whether it is feasible to leave Negative RSG in place and adjust tariffs and top-ups in 2019-20 as detailed in the 2016-17 multi-year settlement.

- However, the Government does not favour the status quo option due to the following reasons:

    - In 2013 the Government made a commitment during the implementation of the business rates retention scheme, that tariff and top-ups would be fixed until the system is reset[8]. In advance of the system reset in 2020-21 and the implementation of 75% retention, the Government believes that the fairest deal for the sector is to honour this commitment.

[8]A guide to the Local Government Finance Settlement 2013, Annex A - Business Rates Retention Scheme, Paragraph 26.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/266886/LGFS_Guide.pdf

- There has been strong sector opposition to the issue of Negative RSG as demonstrated in responses to the 2016-17 provisional settlement consultation and subsequent consultations.

5.4 **Preferred Option**

5.4.1 The Government considers direct elimination of Negative RSG via forgone business rates receipts the preferred approach to resolve Negative RSG, meeting the key criteria of being both fair and affordable. This option also benefits from being both simple and direct. Alternative options add additional layers of complexity to the Local Government Finance system, and are either excessively expensive or fail to fully resolve the issue. Not resolving Negative RSG in its entirety would mean the Government would fail to meet its commitment not to adjust tariffs and top-ups and undermine the incentive for local government to invest in local growth.

5.4.2 Despite having made significant progress in improving the health of the public finances, we still face a challenging fiscal position in the UK and the scale of additional funding required to resolve Negative RSG via alternative routes, is not practicable.

Question 3: Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?

Question 4: If you disagree with the Government's preferred approach to Negative RSG please express you preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored here please provide further detail.

6 Equalities impacts of these proposals

6.1 Equality statements have been published for every year of the multi-year settlement this far, including 2018-19. Any representations made in response to this consultation will be used to inform the equalities statement to be published at the time of the 2019-20 provisional settlement.

Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

Annex A: Summary of consultation questions

- Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?
- Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?
- Question 3: Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?
- Question 4: If you disagree with the Government's preferred approach to Negative RSG please express you preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored in the consultation document please provide further detail.
- Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

Annex B: Glossary of technical terms

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

These are calculated by comparing at the outset of the business rates 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.

Local share

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

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 uprated each year by the change to the small business multiplier (in line with RPI).

Annex C: Privacy Notice

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. **The identity of the data controller and contact details of our Data Protection Officer**

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gsi.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

- Other Government Departments including:
    - Attorney General's Office
    - Cabinet Office
    - Department for Business, Energy and Industrial Strategy
    - Department for Digital, Culture, Media and Sport
    - Department for Education Department for Environment
    - Food and Rural Affairs
    - Department for Exiting the European Union
    - Department for International Development
    - Department for International Trade
    - Department for Transport
    - Department for Work and Pensions
    - Department of Health and Social Care
    - Foreign and Commonwealth Office
    - Her Majesty's Treasury

- Home Office
- Ministry of Defence
- Ministry of Justice
- Northern Ireland Office
- Office of the Advocate General for Scotland
- Office of the Leader of the House of Commons
- Office of the Leader of the House of Lords
- Scotland Office UK
- Export Finance
- Wales Office

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for two years from the closure of the consultation.

6. Your rights, e.g. access, rectification, erasure

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a. to see what data we have about you

b. to ask us to stop using your data, but keep it on record

c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

Annex D: Local Government Finance Settlement 2019-20: Technical Consultation

If you are responding to this consultation by email or in writing, please reply using this questionnaire pro-forma, which should be read alongside the consultation document.

You should save the pro-forma on your own device, from which you can complete the survey at your own pace, and submit when you are ready.

There are 5 questions in this survey. You do not have to answer every question should you not wish to.

Should you wish to attach further evidence or supporting information, you may attach and send this with the pro-forma.

Please **email responses to:**
LGFsettlement@communities.gsi.gov.uk

Alternatively, **written responses should be sent to:**

Local Government Finance Settlement Team
Ministry of Housing, Communities and Local Government
2nd floor, Fry Building
2 Marsham Street
London
SW1P 4DF

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

Your Details (Required details are marked with an asterisk (*))

Full Name*	
Organisation*	
Address*	
Address 2	
Town/City*	
Postcode*	
Country	
Email address*	
Phone Number	

Appendix 2

Are the views Expressed on this form an official response from a:

- ◯ London Borough
- ◯ Metropolitan District
- ◯ Unitary Authority
- ◯ Shire County
- ◯ Shire District
- ◯ Fire and Rescue Authority
- ◯ Greater London Authority
- ◯ Combined Authority
- ◯ Parish or Town Council
- ◯ Local Authority Association or Special Interest Group
- ◯ Other Local Authority Grouping
- ◯ Local Authority Officer
- ◯ Local Authority Councillor
- ◯ Member of Parliament
- ◯ Other Representative Group
- ◯ Business
- ◯ Business Organisation
- ◯ Valuation Organisation
- ◯ Voluntary Organisation
- ◯ Member of the Public

Question 1

Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?

- ◯ Yes
- ◯ No
- ◯ No comment

Additional comments

Question 2

Do you agree with the council tax referendum principles proposed by the Government for 2019-20?

- ◯ Yes
- ◯ No
- ◯ No comment

Additional comments

Question 3

Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?

◯ Yes

◯ No

◯ No comment

Additional comments

Question 4

If you disagree with the Government's preferred approach to Negative RSG please express you preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored in the consultation document please provide further detail.

○ No Comment

Please Specify

Question 5

Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

◯ Yes

◯ No

◯ No comment

Additional comments

Consultation response pro-forma

Local Government Finance Settlement 2019-20: Technical Consultation

If you are responding to this consultation by email or in writing, please reply using this questionnaire pro-forma, which should be read alongside the consultation document.

You should save the pro-forma on your own device, from which you can complete the survey at your own pace, and submit when you are ready.

There are 5 questions in this survey. You do not have to answer every question should you not wish to. The comments box will expand as you type into it should you need more space.

Should you wish to attach further evidence or supporting information, you may attach and send this with the pro-forma.

Please **email responses to:**
LGFsettlement@communities.gsi.gov.uk

Alternatively, **written responses should be sent to:**

Local Government Finance Settlement Team
Ministry of Housing, Communities and Local Government
2nd floor, Fry Building
2 Marsham Street
London
SW1P 4DF

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

Your Details (Required details are marked with an asterisk (*))

Full Name*	Chris Blundell
Organisation*	Rugby Borough Council
Address*	Town Hall
Address 2	Evreux Way
Town/City*	Rugby
Postcode*	CV21 2RR
Country	United Kingdom
Email address*	chris.blundell@rugby.gov.uk
Phone Number	01788 533410

Appendix 2

Consultation response pro-forma

Are the views Expressed on this form an official response from a:

- ◯ London Borough
- ◯ Metropolitan District
- ◯ Unitary Authority
- ◯ Shire County
- ◉ Shire District
- ◯ Fire and Rescue Authority
- ◯ Greater London Authority
- ◯ Combined Authority
- ◯ Parish or Town Council
- ◯ Local Authority Association or Special Interest Group
- ◯ Other Local Authority Grouping
- ◯ Local Authority Officer
- ◯ Local Authority Councillor
- ◯ Member of Parliament
- ◯ Other Representative Group
- ◯ Business
- ◯ Business Organisation
- ◯ Valuation Organisation
- ◯ Voluntary Organisation
- ◯ Member of the Public

Appendix 2

Consultation response pro-forma

Question 1

Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?

- ◯ Yes
- ◯ No
- ◯ No comment

Additional comments

The elimination of our core funding allocations over the 4-year offer means that we will receive "minimal" funding in 2019-20. So confirmation of the final year offer is of little benefit to our finances.

We are supportive of a new 4-year settlement for the next spending review period (2020-21 to 2023-24).

Consultation response pro-forma

Question 2

Do you agree with the council tax referendum principles proposed by the Government for 2019-20?

- (●) Yes
- ( ) No
- ( ) No comment

Additional comments

The referendum limits provide little flexibility in our Band D council tax, £5 or £5.50.

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.

As a Council we supported government policy to freeze bills in previous years and now we no-longer receive freeze grant and have less ability to raise addition council tax funds, in comparison to those who did not increase freeze grant. Northamptonshire County Council is as an example of where this policy has turned out to become problematic.

As Councils continue to make substantial efficiency savings to offset the loss of core funding streams, they should be allowed to increase their precept by up to £12 as per the **Police and Crime Commissioners**.

It would be very helpful if the Government could provide absolute certainty about the maximum council tax increases: only getting final confirmation in the provisional settlement is very late in the budget setting process.

Question 3

Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?

- (●) Yes
- ( ) No
- ( ) No comment

Additional comments

Yes we agree with the Government's preferred option as it is the only viable option that reverses Negative RSG. The other options are too costly, break commitments on the multi-year settlement or leave some residual Negative RSG.

Question 4

If you disagree with the Government's preferred approach to Negative RSG please express you preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored in the consultation document please provide further detail.

☑ No Comment

Please Specify

Question 5

Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

- ○ Yes
- ○ No
- ◉ No comment

Additional comments

Appendix 3

appg

all party parliamentary group for
district councils

Delivering the District Difference

Report of APPG Inquiry into district council finances

July 2018

This report has been supported and funded by the District Councils' Network. Connect is the secretariat of the District Council's All-Party Parliamentary Group. This is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or its committees. All-Party Parliamentary Groups are informal groups of members of both Houses with a common interest in particular issues. The views expressed in this report are those of the Group.

Appendix 3

THE FOLLOWING PARLIAMENTARIANS PARTICIPATED IN THE INQUIRY PANEL

- Mark Pawsey MP
- David Drew MP
- Gillian Keegan MP
- Nigel Mills MP
- Baroness Thornhill

WITNESS

- Cllr John Fuller, Chairman, District Councils' Network
- Cllr Sharon Taylor, Leader, Stevenage Borough Council
- Cllr Tom Beattie, Leader, Corby Borough Council
- Paul Smith, who at the time was Leader of Colchester Borough Council
- Ian Miller, Chief Executive, Wyre Forest District Council
- David Hagg, Chief Executive, Stroud District Council
- Mannie Grewal Ketley, Head of Service & Chief Financial Officer, Rugby Borough Council

Appendix 3

Chair's Introduction

District authorities are home to 22 million people. They will play a vital role over the next five years in delivering key government policy objectives of growing the economy and implementing the modern industrial strategy, enabling more homes to be built and easing pressure on the NHS through their role in health prevention and reducing the burden on the social care system. As the District Councils' Network have highlighted, they help to build better lives and stronger economies.

This is why I wanted to establish an All-Party Parliamentary Group for District Councils. To give districts a permanent voice within Parliament, and for Members of Parliament that represent districts areas to have a forum to hear about issues of concern and press the government in a constructive and positive manner for change.

According to the National Audit Office, in the current spending review period "*district councils will see a 13.9% real-terms reduction…the majority of district councils… will stop receiving the revenue support grant by 2019-2020*."[1] The financial position facing district councils is highly challenging, however the APPG received significant amounts of evidence that showed how districts have responded to lower funds through innovation and generating growth. Indeed, a recent LGA report found that district councils have saved £224 million through sharing services, far more than any other type of council.[2]

There is nothing more important to enable district authorities to deliver for their residents and businesses than ensuring they have suitable and sustainable levels of funding. However, it is clear from discussions the APPG has had at previous meetings that districts are now facing a position where a new funding approach is required in the forthcoming spending review. This is why we decided to undertake a formal inquiry into district finances, and to investigate what measures central and local government can take to support local growth in localities going forward.

I would like to thank the 60 authorities that submitted written evidence to the Group, as well as those who also provided oral evidence to the APPG. Whilst the original focus of this report was on the financial scenarios facing district councils, we also heard compelling evidence of how districts can support the delivery of more homes through incentives, such as the new homes bonus. We also heard evidence on the savings and efficiencies that could be made available in social care by increasing the capacity of district councils to deliver preventative services. Due to the strength of our findings, both issues are explored in detail in the report.

This short report sets out our key findings from the evidence we received and makes a series of constructive recommendations to the government that, we believe, can help district authorities and their local community to thrive over the coming years.

Mark Pawsey MP
Chair, APPG for District Councils | Member of Parliament for Rugby

[1] https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/
[2] https://www.local.gov.uk/our-support/efficiency-and-income-generation/shared-services

Recommendations

1 **No district council should find themselves in a position of negative Revenue Support Grant (RSG)**: The APPG found that by 2019-20, 146 out of 201 district councils (72%) will be in negative RSG, effectively meaning that they will be giving HM Treasury more money than what they receive back from MHCLG to deliver services for their community. This is, as LGA Chairman Lord Porter has said, a "*tax*" on local areas[3]. This creates an unsustainable, unjust and unfair dynamic in district areas and the government must take the required steps to ensure no district authority is in negative RSG.

2 **The Fair Funding Review must reverse the decline in district council spending power**: District councils have seen the biggest reduction in core spending power since 2015 compared to other types of council. This steady decline must be reversed through the fair funding review and by giving greater flexibilities for districts to generate more freedoms. This should be coupled with an increase in spending power for district councils in the next spending review period from 2020.

3 **Districts must be allowed freedom to introduce greater local freedoms and incentives**: Measures to increase district spending power should include greater flexibilities to raise revenue and maintain incentives to support local growth. At the same time, the government must ensure a suitable safety net remains for areas where growth is more challenging. District councils themselves must continue to be innovative in generating sustainable finances through local initiatives.

4 **The government should remove the New Homes Bonus (NHB) baseline threshold and commit to the NHB in the next spending review period**: The introduction of the 0.4% baseline threshold for the New Homes Bonus (under which no new homes bonus is received) removed funding of over £70 million from district councils in 2017-18, and was passed to adult social care authorities. Despite this, 57 adult social care authorities were worse off as a result, since they also lost the New Homes Bonus. The government should remove the 'baseline' from the New Homes Bonus funding to ensure that all areas are incentivised to build more homes. The New Homes Bonus is a vital incentive in ensuring community support to deliver the homes this country needs. Since its introduction, the number of people supporting new housing in their local area has almost doubled. This is why we believe a commitment should also be given to continue New Homes Bonus, in its current form, throughout the next spending review period to ensure that district councils can support the delivery of the government's housebuilding targets.

[3] Municipal Journal P5 15 March 2018

5 **District councils should be given greater financial flexibilities to deliver more homes**: The government should increase the time available to local authorities to spend Right to Buy receipts, and 100% of these receipts must be retained by districts. Additionally, local authorities with no Housing Revenue Account should have greater access to borrowing and the borrowing cap must be lifted in its entirety on the housing revenue account of district councils who are stockholding authorities.

6 **Districts role in prevention must be recognised**: The government's forthcoming consultation on future funding of adult social care must recognise the important role that district authorities play in delivering preventative services. Districts are Housing and Planning authorities, which means they are responsible for a range of services critical to health - both directly and through their influence on the wider factors that affect public health. Through the provision of leisure and recreational services, installing home adaptations, tackling homelessness, offering debt advice and delivering social prescription, districts are reducing demand on acute end care. The APPG welcomes the new money that the government has made available to local authorities that deliver adult social care through the social care precept on council tax, and we urge the government to enable districts to introduce a 'prevention precept' of up to 2% on council tax. The District Councils' Network forecast this would yield up to £26 million per year in 2019/20 and could generate significant long term savings many more times that amount for the NHS and social care authorities.

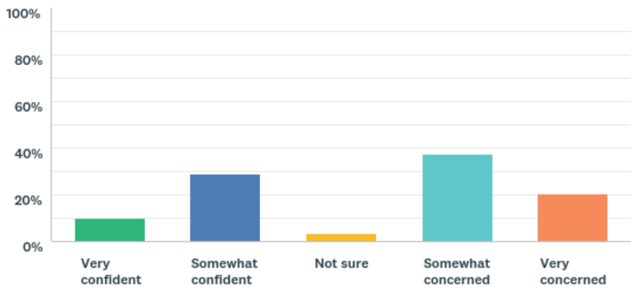
7 **A health prevention fund should be established**: The government should commit to establishing a new health prevention fund which districts, alongside other councils and public bodies, can bid for to support projects that deliver preventative services and can reduce the financial burden on adult social care.

Section 1

District finances over the next five years

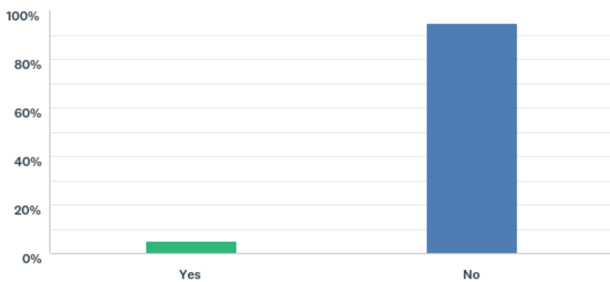
The APPG received views from district councils on the confidence they have of the funding arrangements for their authorities for the coming five years.

How confident do you feel about your current financial position over the next five years?



We found that **57% of districts are concerned about their financial situation** over the next five years. This demonstrates the timeliness and necessity for the Fair Funding review being undertaken by the government. Additionally, we found that **only 5% of district authorities believe the current funding system to be fair**. Of the majority who believe the system is not fair, there were common views that it **does not truly, or fairly, reflect the demands of delivering services in rural areas, it does not account for some very particular local issues,** that the current system was **outdated** and "***backward looking***" and that it was **not transparent** enough.

Do you believe the current funding system across local government in England is fair?



The APPG would like to see the local government funding formula become a more active and enabling device. Rather than responding, it should look ahead to societal, economic and demographic needs and demands and give districts more incentives to address and support these.

As Cllr John Fuller said in his oral evidence "*There need to be incentives to reduce demand and incentives to innovate*".

Negative RGS and district council spending power

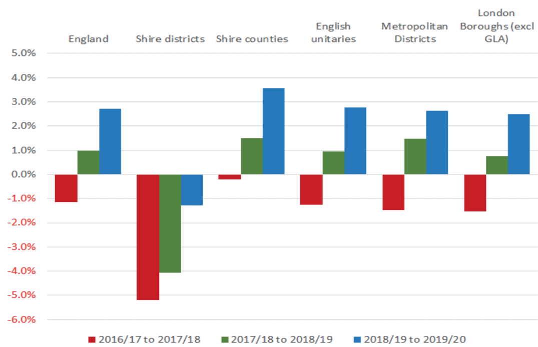
One major issue of financial concern for the majority of district authorities was the prospect of facing 'negative Revenue Support Grant adjustment' (known as negative RSG) in 2019/20. Through written evidence, the APPG asked councils to outline the impact this would have on their authority:

> ***We lose £360k per annum.***
>
> ***At £198k in 2019/20, this has increased the savings requirement we need to make in order to balance our budget and continue to deliver core services.***
>
> ***£250k per annum from 2019/20.***
>
> ***This will increase our funding gap in 19/20 by £500,000.***
>
> ***It will require us to look for other income streams / business rates growth.***
>
> ***It makes it difficult to balance the budget putting services at risk if replacement funding cannot be found.***

Paul Smith, then leader of Colchester said "*When I first became a councillor, which was only 19 years ago, we were getting £12 million a year from the government in Revenue Support Grant. As I said, next year it will be negative £400,000. Those are huge swings for any authority to take*".

Negative RSG is particularly concerning for district authorities as they have faced the largest cut in spending power compared to other councils in the current spending review period.

Year-on-year changes in core spending power in the Local Government Finance Settlement from 2016/17-19/2020[4]



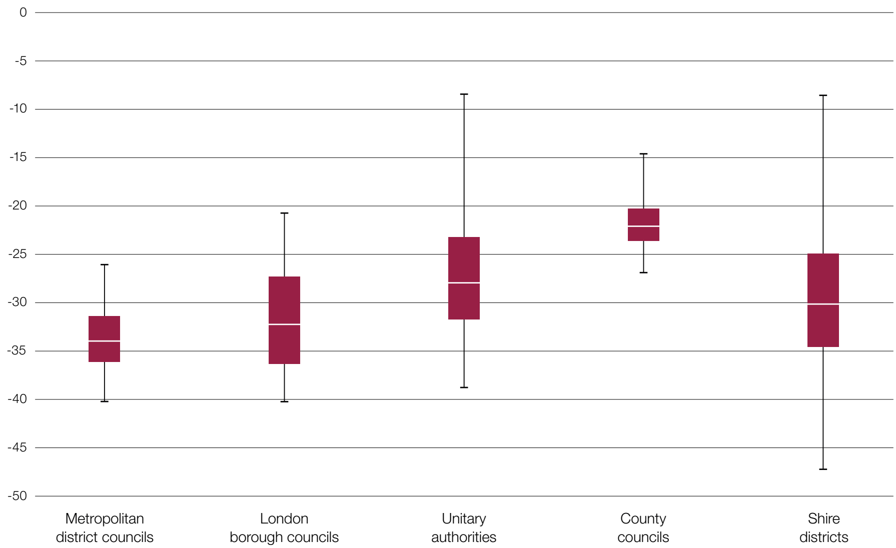
As the National Audit office has found, districts will see a 13.9% real-terms reduction in spending during this period, and a 30% median reduction since 2011. **This steady decline must be reversed with an increase in spending power for district councils in the next spending review period from 2020**.

[4] http://districtcouncils.info/wp-content/uploads/2017/09/DCN-Final-Representation-to-Autumn-Budget-2017.pdf

Change in spending power by type of local authority in England, 2010-11 to 2017-18

There is variation in the level of reductions in spending power both between and within different local authority types

Change in spending power 2010-11 to 2017-18 (%) (real terms)



Note

1 The white line in the centre of each block shows the median. The top and bottom of each block show the upper and lower quartiles respectively. The top and bottom error bars show minimum and maximum values respectively.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data. See standalone methodology

In the context of having already dealt with such significant funding reductions, **the APPG believes no district authority should be put into a position of negative Revenue Support Grant**.

If it is to place 146 district authorities into negative RSG, the government must explain this to the public. In his oral evidence, David Hagg, Chief Executive of Stroud District Council, explained that "*We are moving from a position of £7 million coming in from central government four years ago to £1 million disappearing out of Gloucestershire. As a Chief Executive I think it is reasonable for me to say I am not sure that is understood by people*".

The APPG is encouraged by reports coming out of MHCLG that it is aware of concerns about negative RSG. The APPG understands, at the time of publication of this report, that a consultation on this issue is imminent. We would encourage the government to bring this forward as soon as possible and set out how the issue of negative RSG will be tackled to ensure district councils do not lose out.

Supporting growth

The APPG welcomes the government's ambition to give local authorities more tools and capabilities to grow their economies. However, we want to see the pace of this increase. District councils have demonstrated that they can find innovative ways to generate increased income and local growth, but greater freedoms are required.

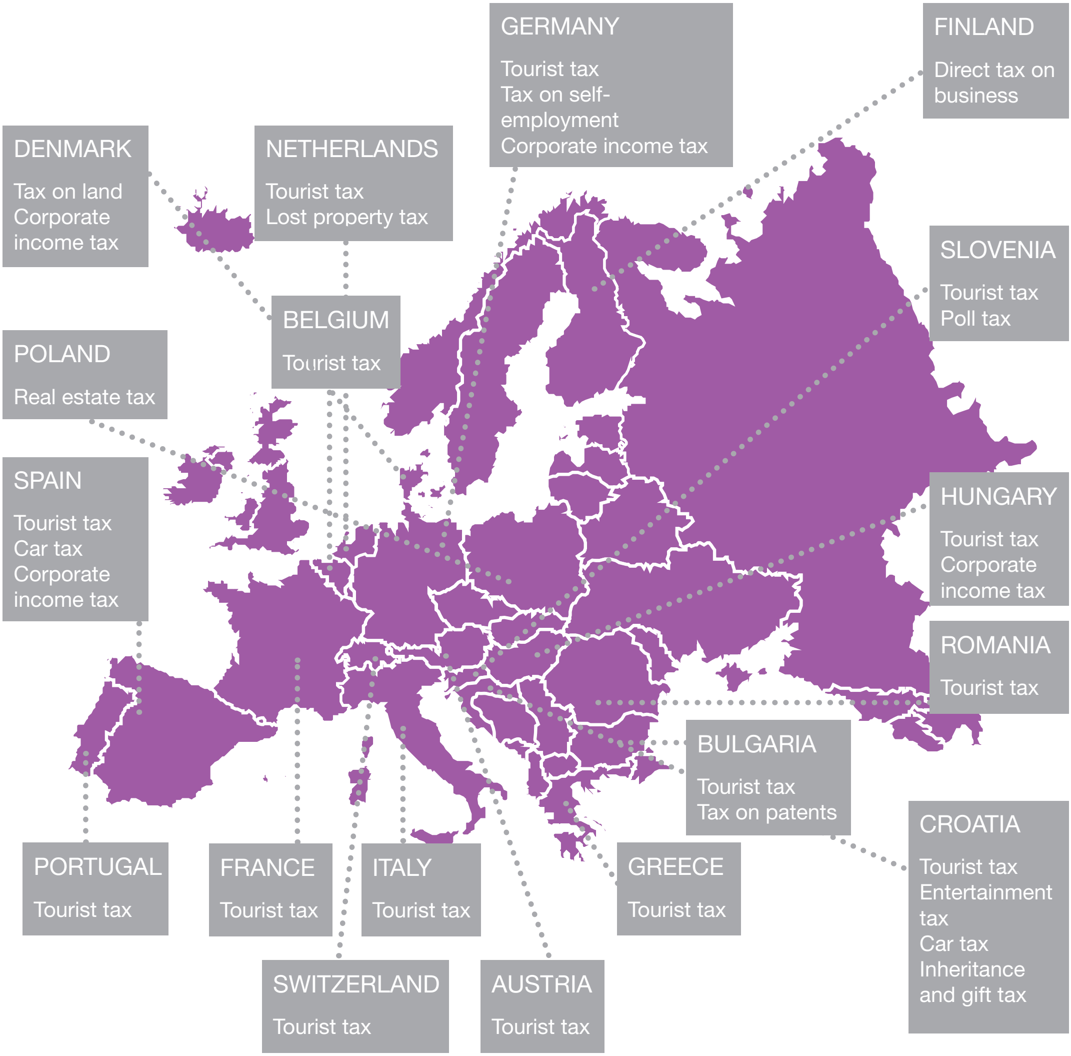
The APPG believe that the government should work in partnerships with local authorities to identify measures that will enable councils to raise revenue, whilst continuing to provide and protect services.

As the chart on page 9 illustrates, local authorities in other countries have the power to choose from a range of levies, charges and incentives to tailor their approach to raising funds locally, which they can then spend locally.

The evidence the APPG received demonstrated widespread support among district authorities for the introduction of greater financial flexibilities and revenue raising powers:

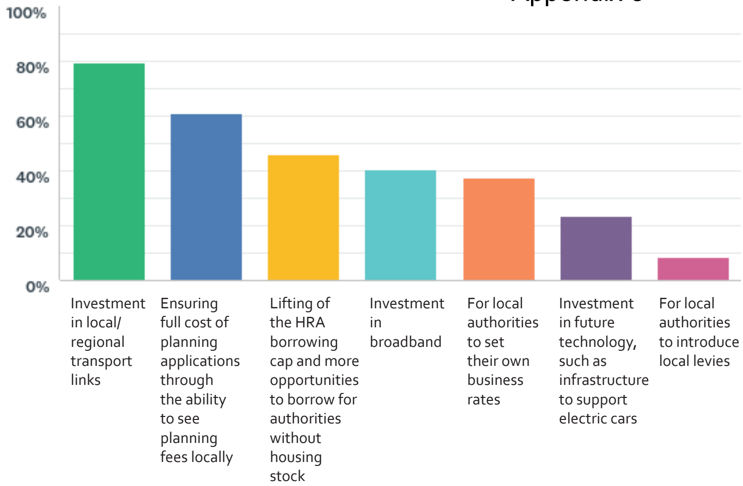
> ***I would levy outline permissions to pay for infrastructure and Affordable Housing.***
>
> ***Levies to support and enable prevention activities linked to health and social care.***
>
> ***There is a potential to raise levies for non-use of vacant land to encourage regeneration or housing construction. Also, the possibility of using levies to support the recycling of plastics.***
>
> ***Flexibility around fee setting.***
>
> ***Expand housing developer levies to cover the ongoing revenue costs of servicing a new development or increase in housing e.g. additional costs of collecting domestic waste from the new properties.***
>
> ***Licencing of restaurants, pubs and betting offices.***
>
> ***Ability to vary Council Tax on long-term empty properties.***

Local revenue raising powers available



These recommendations from district authorities are not universally supported, as some proposals are more suitable for some areas that others. **Rather, a range of initiatives must be made available – there is no one-size-fits-all solution for all district authorities**.

Which three of the incentives listed below would you most like to see introduced?



The APPG sought ideas from districts about other incentives that they would like to see made available:

> ***Let us keep our Right to Buy receipts as we are an area of high housing need and we could use these to provide social housing.***
>
> ***I would like aggressive measures to reduce the stock of unbuilt permissions. Perhaps permission should expire at 18 months, and all new permissions have to meet the current development plan (no precedent/"grandfather rights").***
>
> ***Changes to the apprenticeship levy to ensure that businesses engage with the scheme to maximise the number of apprenticeships.***
>
> ***Review of the licencing fee structure for large pop festivals.***
>
> ***Removal of restrictions around Right to Buy receipts.***
>
> ***Local retention of stamp duty.***

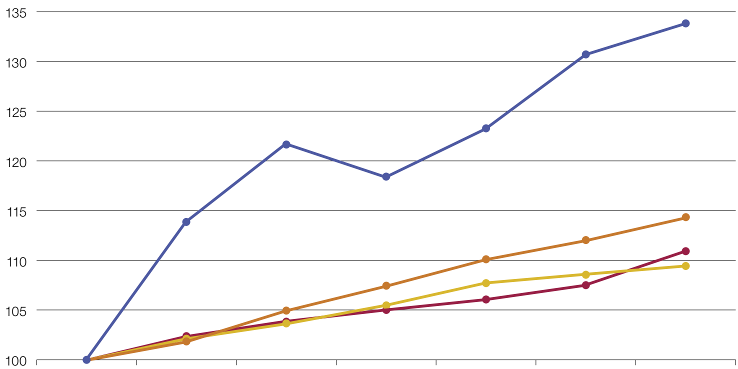
The APPG believes that the government, as part of its Fair Funding review, **must give districts the capability and freedom to introduce suitable and relevant local freedoms to raise further revenue, and provide suitable incentives for growth**. We are not prescriptive over what these freedoms must be, but the government must be prepared to be innovative and give districts options to identify the best solution for the needs and opportunities in their area.

This is made even more important due to the increasing pressures on districts, such as from homelessness. The APPG received evidence from several authorities about rising levels of homelessness in their authority, and the challenges this poses. As Cllr Sharon Taylor, Leader of Stevenage Borough Council stated "*We have new pressures on our budgets as well, including an increase in homelessness*".

The graph below demonstrates that demand for homelessness services in England has risen by 34% over the last seven years.

Change in demand in key local authority service areas in England

There has been growth in actual or potential demand in a range of core service areas



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Number of children looked after	100	102.4	103.9	105.1	106.1	107.5	110.9
Estimated population in need aged 18 to 64	100	102.2	103.7	105.5	107.8	108.7	109.5
Estimated population in need aged 65 and over	100	101.9	105.0	107.4	110.1	112.0	114.3
Households accepted as unintentionally homeless and priority need	100	113.9	121.8	118.4	123.3	130.7	133.9

Source: National Audit Office analysis of departmental data. See standalone methodology

More spending power and new freedoms are therefore vital to ensuring districts have the available tools to meet rising demand on key issues, such as homelessness.

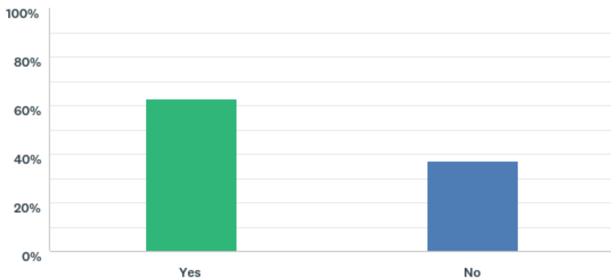
Appendix 3

Districts can deliver more homes if incentives remain

District councils are Housing and Planning authorities, approving almost 90% of all planning applications and enabling over 91,000 additional homes[5] to be delivered in district areas in 2017. However, if these levels of growth are to continue, the incentives that are currently, and successfully, supporting districts to deliver new homes must remain.

The APPG sought views from districts about the effectiveness of the New Homes Bonus (at its current level) in providing an incentive to build more homes, with nearly two-thirds (63%) saying it does. A recent British Attitude Survey (2017) showed that since 2010 "*the percentage of people who were supportive of new homes being built in their local area*" has almost doubled from 28% to 55%.[6] The APPG notes that this shift coincides with the introduction of the New Homes Bonus in 2011.

Does the New Homes Bonus at its current level continue to provide incentives to build more homes?



Cllr John Fuller, Leader, South Norfolk District Council described the New Homes Bonus as "*the most responsive way of funding increases in population*". He said:

It is very important that we recognise the incentives and the responsiveness of the New Homes Bonus. You build a house and it is occupied. You get a New Homes Bonus for that because people consume services and there is increased demand. NHB is therefore a very responsive mechanism - you are not relying on historic census data that might be five or ten years out of date.

[5] https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing
[6] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714160/Public_attitudes_to_house_building_BSA_2017.pdf

The APPG asked districts to set out what impact the introduction of a 0.4% threshold under which the New Homes Bonus is not paid has had on their financial situation since 2017/18:

The council has lost £340,000 of NHB in 2018/19 which combined with the reduction from 6 to 4 years has seen a reduction in funding of 48% compared to the original scheme.

Devastating. A huge source of income for us meaning a reduction in our capital programme funding and we're having to resort to borrowing where possible.

Significant impact which has resulted in excess of £0.5m less over last 2 years. We have to build in excess of 204 new homes before we qualify for NHB - a difficult target for an urban authority with closely drawn boundaries with our rural neighbours.

A 4% threshold compounded with a move to a 4-year NHB cycle has reduced the Council's income by about 40%. This is a significant loss of income in a slow growing economic area.

We have lost around £1m.

It has reduced funding by around £500k in 2017-18.

It has caused a reduction in funding of £213,000 compared to what we would have received.

Mannie Grewal Ketley, Head of Service & Chief Financial Officer, Rugby Borough Council described Rugby Borough Council concerns over recent, and potential future, changes to the New Homes Bonus:

"It is the New Homes Bonus that creates a huge amount of uncertainty, not knowing whether it is here to stay or whether it is likely to be reformed. That is the biggest single factor that, at the moment, makes it difficult to model with any degree of certainty".

Moving forward, the main concerns for Rugby are around that incentive based funding position and what will happen to it. As I have said, the £2 million reduction in New Homes Bonus has been significant for the authority."

The introduction of the 0.4% baseline threshold for the New Homes Bonus removed funding of over £70 million from district councils to adult social care authorities in 2017-18. Despite this, 57 adult social care authorities were worse off as a result, because they were also negatively affected by the reforms to New Homes Bonus.

The APPG believes that the government should remove the 'baseline' from the New Homes Bonus funding to ensure that district councils areas are incentivised to build more homes. A commitment should also be given to continue the New Homes Bonus, in its current form, throughout the next spending review period.

We found that district councils can and want to do more to deliver housing locally. However they need more fiscal freedoms to unlock their potential to deliver more housing. For example, Cllr Tom Beattie, Leader, Corby Borough Council said "*The ability to borrow against the Housing Revenue Account, so a lifting of the cap to allow us to build more social housing, is also important*".

The APPG recommends that further financial flexibilities should be extended to district councils by lifting the borrowing cap for the housing revenue account for those districts with housing stock, and by introducing greater borrowing powers for non-stock holding authorities. In addition, district councils could do more to deliver housing locally, especially the genuinely affordable homes that their communities need. Changes that are required to achieve these should include; amendments to the Right to Buy receipts, increasing the time available to spend them and allowing councils to retain the receipts; and the sale of high value assets.

Section 3
Districts can play a bigger role in prevention

Building a sustainable model for the funding of adult social care is one of the biggest domestic public policy challenges faced by the government. The APPG is pleased to see the government over recent years providing greater freedom to raise revenues to authorities that deliver adult social care through the social care precept on council tax.

However, it is vital that any future funding model places a bigger emphasis on prevention. The combination of funding pressures and rising need - driven by an ageing population, health inequalities and increasing levels of multi-morbidity - means that demands on public services are unsustainable. The government must urgently invest in prevention in order to reduce the burden on adult social care and improve long term outcomes.

Here, districts authorities can play a leading role. As the Housing and Planning authorities, districts are responsible for a range of services critical to health both directly and through influence of the wider determinants. District councils have a central and fundamental role in providing leisure and recreational services, tackling homelessness, supporting troubled families, joined-up help services, improving air quality and improving and adapting housing. The scale districts operate at provides them with in-depth knowledge and close connections to their communities, volunteer groups and business. This local leadership leaves districts best-placed to implement and coordinate locally-driven initiatives, build community capacity and work with residents to deliver the services they need. **For these reasons, the APPG believes that districts should be given a more prominent role in delivering prevention services.**

District councils' core responsibilities and innovation in discretionary service areas reduce the burden on county councils and the NHS by preventing residents needing to access services both in the short and long term. With an increasingly ageing population, the work district councils do keeping people well, safe and happy within their homes and communities is critical. However, the district council role in adult social care is not formally recognised by government and district councils are not funded for public health. In addition, districts have no statutory representation on Health and Wellbeing boards and only 2 district councils are referenced in Sustainability and Transformation Partnerships (STPs).

A separate funding stream for prevention would ensure key interventions are viable and is essential in tackling the currently unsustainable costs of adult social care. Providing this funding directly to districts, who are ideally placed to lead on preventative action by virtue of their services areas and unique local insight, would ensure money is targeted effectively to those who need it most.

Mannie Grewal Ketley, Head of Service & Chief Financial Officer, Rugby Borough Council **set out the crucial role that districts can play in prevention services**:

"What the districts have shown, working in conjunction with the county council, is that a very much joined up approach has been of huge benefit, so I am confident that as groups of authorities come together, districts are well placed to support in the delivery of social care.

"Something for districts to consider, or certainly for government to consider, is our role from a prevention perspective and the ability to allow district councils to levy a prevention precept much like upper tier authorities are able to levy that social care precept. There is a huge amount of recognition of the role district councils play at the prevention end of the spectrum".

The APPG also calls on the government to enable districts to introduce a 'prevention precept' of up to 2% on council tax. This revenue must be ring-fenced by authorities and used to fund the adaption of homes to prevent falls, improvements to home insulation and heating or to provide and improve recreational and leisure services. The District Councils' Network forecast this would raise up to £25 million and the independent King's Fund has stated that for every £1 spent on prevention (for example preventing falls), district councils can save the NHS up to £70.

Conclusion

This inquiry found that districts have experienced significant reductions in their funding over recent years, and this is set to continue to the point that 72% may soon be giving more money to HM Treasury than they receive back to deliver local services through the revenue support grant. We call on the government to take steps to prevent this.

Beyond this immediate concern over district finances, we call on the government to trust districts and other local authorities and provide a framework for them to introduce suitable local flexibilities and incentives for growth. These should be introduced as part of the Fair Funding Review, which itself must set a path for revived district council spending power from 2020 onwards underpinned by a spending review which reverses the decline in district council spending power.

Districts can also play key roles in supporting the government to meet its housebuilding targets, and in creating a sustainable future for social care and health services. For housebuilding, the available incentives must remain to provide that vital financial boost to district budgets. In social care, more energy must focus on prevention, rather than simply treatment. As the Housing and Planning authorities, districts have the skills, local knowledge and closeness to their communities to deliver effective prevention services that could generate significant cost-savings.

Appendix 3

Appendix 3

appg
all party parliamentary group for
district councils

In collaboration with

DCN
DISTRICT COUNCILS' NETWORK
BETTER LIVES – STRONGER ECONOMIES

DE MONTFORT UNIVERSITY LEICESTER

For more information about the APPG for District Councils, please contact the secretariat Connect at APPGDistricts@connectpa.co.uk or call 020 7592 9592

Agenda No 6

AGENDA MANAGEMENT SHEET

Report Title:	Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20
Name of Committee:	Cabinet
Date of Meeting:	8 October 2018
Report Director:	Head of Corporate Resources and CFO
Portfolio:	Corporate Resources
Ward Relevance:	All Wards
Prior Consultation:	None
Contact Officer:	Mannie Ketley - Head of Corporate Resources & Chief Financial Officer
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities: **(CR) Corporate Resources** **(CH) Communities and Homes** **(EPR) Environment and Public Realm** **(GI) Growth and Investment**	This report relates to the following priority(ies): ☒ To provide excellent, value for money services and sustainable growth ☒ Achieve financial self-sufficiency by 2020 ☒ Enable our residents to live healthy, independent lives ☒ Optimise income and identify new revenue opportunities (CR) ☒ Prioritise use of resources to meet changing customer needs and demands (CR) ☒ Ensure that the council works efficiently and effectively (CR) ☒ Ensure residents have a home that works for them and is affordable (CH) ☒ Deliver digitally-enabled services that residents can access (CH) ☒ Understand our communities and enable people to take an active part in them (CH) ☒ Enhance our local, open spaces to make them places where people want to be (EPR) ☒ Continue to improve the efficiency of our waste and recycling services (EPR)

	☒ Protect the public (EPR) ☒ Promote sustainable growth and economic prosperity (GI) ☒ Promote and grow Rugby's visitor economy with our partners (GI) ☒ Encourage healthy and active lifestyles to improve wellbeing within the borough (GI) ☒ This report does not specifically relate to any Council priorities but
Statutory/Policy Background:	
Summary:	This report provides an update on the Business Rates Pilot that is being submitted by the Coventry and Warwickshire Business Rates Pool members
Financial Implications:	As detailed in the Report
Risk Management Implications:	
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 in the budget process to carry out Equality Impact Assessments of the implications of any service changes
Options:	
Recommendation:	Rugby Borough Council participates in the Warwickshire 75% 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.

Agenda No 6

Cabinet - 8 October 2018

Invitation to Local Authorities in England to Pilot 75% Business Rates Retention in 2019/20

Public Report of the Head of Corporate Resources and CFO

Recommendation
Rugby Borough Council participates in the Warwickshire 75% business rates retention pilot if the Warwickshire submission is successful.

1. Background

1.1. In October 2017 the six Warwickshire authorities submitted a joint bid to be selected as a 100% business rates pilot; however, due to limited funds the government selected only a handful of pilots to test different aspects of 100% retention and Warwickshire was not one of the successful applicants.

1.2. The Secretary of State announced in December 2017 the Government's shift in thinking from full 100% business rates retention to instead introduce 75% retention from 2020/21. On 24 July 2018 the Government published a prospectus to continue with the pilot programme based on 75% business rates retention in 2019/20. The existing 2018/19 100% pilots will end and any new pilots approved will run for one year only.

1.3. The intention so far has been that existing pilots, and the new 2019/20 pilots, will help explore options for the design of the future local government finance system. The learning from the 2018/19 and 2019/20 pilots is intended to feed into the on-going work between the Government, local authorities and the Local Government Association in this area. Specifically, the 2019/20 pilots are seen as an opportunity for the Government to further test the technical aspects of a 75% business rates retention system. This will be focussed on the learning necessary for transition to the proposed new scheme in 2020/21, allowing the Government to test business rates retention at 75% in line with the proposed level of retention for 2020/21 and resulting in a smoother transition to full implementation.

1.4. Groups of authorities interested in becoming a 75% business rates pilot for 2019/20 are required to submit an application to MHCLG by 25 September 2018.

2. The 75% Pilot Bid

2.1. Over the last few weeks discussions have taken place between Warwickshire Area Finance Officers (s151 officers) on whether Warwickshire should re-submit an application and, if so, the form that the application should take. Agreement as to the outline content of the bid has now been reached across all authorities to update and re-use as much of the 2018/19 100% bid content as possible.

2.2. The 2018/19 100% proposal received widespread support locally and it is felt that re-submitting the previous bid updated for a 75% pilot could potentially bring a significant windfall to the Warwickshire area and raise the profile of all authorities involved. If Warwickshire is successful in its application then additional funding of between £10 million to £15 million to be shared across the area in 2019/20 would be available, based on estimates available at this stage.

2.3. As part of the application process the Government are keen to see evidence that all bidding authorities have sufficient approval to make the application so that once an application has been accepted authorities do not then back out of the process at a later date. The purpose of this report is to seek approval to participate in this bid.

2.4. Given the potential financial reward, most shire county areas are likely to be re-applying and the funding available to support the pilot bids is again limited. The government have stated in their prospectus that given the limited time before 2020/21 and since there are fewer issues they can usefully test in pilots in that time, it is likely that the 2019/20 75% pilot programme may involve a smaller selection of authorities than in 2018/19.

2. Financial Implications

2.1. If Warwickshire was accepted as a business rate pilot the additional one-off benefit in 2019/20 is estimated to be in the region of £12.5 million, of which with Rugby's share would be approximately £1.5m.

2.2. The figure may vary if actual business rates and levels of appeals are different from current forecasts.

3. Next Steps

3.1. Any proposals for new pilots must be received by MHCLG on or before 25 September 2018. Successful applications will be announced before or alongside the publication of the draft Local Government Finance Settlement in December.

3.2 Warwickshire County Council will progress with the application through to a submission by 25 September 2018, following concluding discussions and approval by the six Chief Financial Officers of the Warwickshire authorities.

Name of Meeting: Cabinet

Date of Meeting: 8 October 2018

Subject Matter: Invitation to Local Authorities in England to Pilot 75% Business Rates Retention in 2019/20

Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY ☐ **YES** ☒ **NO**

LIST OF BACKGROUND PAPERS

Doc No	**Title of Document and Hyperlink**

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:

Doc No	**Relevant Paragraph of Schedule 12A**

Agenda No 7

AGENDA MANAGEMENT SHEET

Report Title:	Review of Civic Honours Criteria - report of the Civic Honours Working Party
Name of Committee:	Cabinet
Date of Meeting:	8 October 2018
Report Director:	Executive Director
Portfolio:	Corporate Resources
Ward Relevance:	N/A
Prior Consultation:	Civic Honours Working Party
Contact Officer:	Claire Waleczek, Senior Democratic Services Officer 01788 533524 or claire.waleczek@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	Yes
Forward Plan:	No
Corporate Priorities: **(CR) Corporate Resources** **(CH) Communities and Homes** **(EPR) Environment and Public Realm** **(GI) Growth and Investment**	This report relates to the following priority(ies): ☐ To provide excellent, value for money services and sustainable growth ☐ Achieve financial self-sufficiency by 2020 ☐ Enable our residents to live healthy, independent lives ☐ Optimise income and identify new revenue opportunities (CR) ☐ Prioritise use of resources to meet changing customer needs and demands (CR) ☐ Ensure that the council works efficiently and effectively (CR) ☐ Ensure residents have a home that works for them and is affordable (CH) ☐ Deliver digitally-enabled services that residents can access (CH) ☐ Understand our communities and enable people to take an active part in them (CH) ☐ Enhance our local, open spaces to make them places where people want to be (EPR)

☐ Continue to improve the efficiency of our waste and recycling services (EPR)
☐ Protect the public (EPR)
☐ Promote sustainable growth and economic prosperity (GI)
☐ Promote and grow Rugby's visitor economy with our partners (GI)
☐ Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
☒ This report does not specifically relate to any Council priorities but needs Cabinet approval to amend the criteria for civic honours.

Statutory/Policy Background:	N/A
Summary:	The Civic Honours Working Party on 18 September 2018 proposed an amendment to the civic honours criteria.
Financial Implications:	There are no direct financial implications arising from the report.
Risk Management Implications:	There are no risk management implications arising from the report.
Environmental Implications:	There are no environmental implications arising from the report.
Legal Implications:	There are no legal implications arising from the report.
Equality and Diversity:	There are no equality and diversity implications arising from the report.
Options:	
Recommendation:	The amended criteria for civic honours, as attached at Appendix 1 to the report, be approved.
Reasons for Recommendation:	

Agenda No 7

Cabinet - 8 October 2018

Review of civic honours criteria - Report of the CIvic Honours Working Party

Public Report of the Executive Director

Recommendation The amended criteria for civic honours, as attached at Appendix 1 to the report, be approved.

1.1 Introduction

The Civic Honours Working Party agreed on 9 January 2018 that the criteria for civic honours should be reviewed to ensure it was robust in promoting the awards for those who had given outstanding service to the community.

1.2 Proposed amendment to criteria

The Working Party on 18 September 2018 proposed that the criteria for Honorary Freemen should be made more robust to require that those in paid employment should have given service over and above that which would normally be expected of their role. Changes to the criteria are highlighted in red at Appendix 1.

Name of Meeting: Cabinet

Date of Meeting: 8 October 2018

Subject Matter: Review of Civic Honours criteria - Report of the CIivc Honours Working Party

Originating Department: Executive Director

DO ANY BACKGROUND PAPERS APPLY ☐ **YES** ☒ **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

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:

Doc No	Relevant Paragraph of Schedule 12A

RUGBY BOROUGH COUNCIL

CIVIC HONOURS – CRITERIA AND PROCEDURE

1. TYPES OF HONOURS

There are civic honours which can be conferred on an individual or, in exceptional circumstances, a military unit or organisation. The criteria for each is detailed below:

Honorary Freeman

This honour may (but not necessarily) be bestowed upon:

- A Leader or former Leader of the Council, on retirement as a Councillor
- An elected member or officer who has given significant service to the Borough, on retirement as a member or officer
- A member of the public who has given significant service to the Borough
- Those in paid employment who have given service over and above that which would normally be expected of their role.
- Anybody nominated for this award must have been a resident in the Borough of Rugby for the duration of the activity for which they are nominated.

The privileges of the conferment of Honorary Freeman are:

- To have the courtesy title of Honorary Freeman
- To attend civic events
- To walk in civic processions behind the local Member of Parliament and in front of Honorary Aldermen
- To wear the Honorary Freeman badge of office at civic events
- The Town Hall flag will be flown at half-mast when the organisation is informed of the death of an Honorary Freeman
- The role of Honorary Freeman carries no additional privileges
- The role of Honorary Freeman gives no right to claim allowances or expenses from the Council.

Honorary Alderman

This honour may (but not necessarily) be bestowed upon an elected member who has served a minimum of a total 25 years on their retirement as a Councillor.

The privileges of the award of Honorary Alderman are:

- To have the courtesy title of Honorary Alderman
- To attend civic events
- To walk in civic processions behind Honorary Freemen and in front of Members of the Cabinet

- To wear the Honorary Alderman badge of office at civic events
- The Town Hall flag will be flown at half-mast when the organisation is informed of the death of an Honorary Alderman
- The role of Honorary Alderman carries no additional privileges
- The role of Honorary Alderman gives no right to claim allowances or expenses from the Council.

Freedom of Entry to the Borough of Rugby (Freedom of the Borough)

In exceptional circumstances this honour may be granted to military units or other organisations. The privileges conferred by Freedom of Entry to the Borough are:

The right to march through the streets with bayonets fixed, colours flying and drums beating.

2. HONOURS CRITERIA

The honours would be exceptional rather than being given as a matter of course. Requests for nominations will not be advertised. All nominations should, therefore, be submitted by a Councillor.

The awards should be non-political i.e just because a member or supporter of one political party has an honour conferred upon them does not mean that an equal number of people from other parties would also be recognised.

These are civic honours for exceptional service, and conferring of them would not necessarily be an annual event, but should take place not more than once in any municipal year.

3. HONOURS PROCESS

A cross party Civic Honours Working Party will be appointed by Cabinet in June each year to consider nominations.

The timetable for the process is detailed below:

December – all nominations to be received by the Civic Honours Working Party.

January – Civic Honours Working Party to consider all nominations. Any objections to the nominations submitted to Cabinet should be recorded.

February – agreed nominations to be submitted to Cabinet in private for recommendation to Council in late February.

After Cabinet has approved the honours, the intended recipients will be contacted to ensure that they would accept them before the matter is taken to Full Council. Not less than 2/3 of voting members at Full Council should approve each nomination.

March – a guest list for each approved nominee to be submitted to Democratic Services 30 days prior to the April meeting of Council.
The total number of people present at each ceremony will be determined by the Council's health and safety requirements in its Council Chamber.

April – ceremony at the Full Council meeting to confer the honour(s). A drinks reception may be held afterwards.

4. WITHDRAWAL OF TITLE

The Council may withdraw the title of Honorary Freeman or Honorary Alderman should the beneficiary act in a manner that brings the Council, the Borough or the role of Honorary Freeman/Honorary Alderman into disrepute.

Should this action be deemed necessary, it would be referred firstly to the Civic Honours Working Party and then to a confidential meeting of Full Council, at which a majority decision will be required to agree the removal of the honour.