

Medium-Term Financial Strategy 2018/19 to 2021/22		Agenda No: 6b
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Cllr. David Bebb, Cabinet Member for Finance and Performance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:	Public Report	
Council Budget and Council Tax 2017/18 and Medium-Term Financial Strategy 2017/18 to 2020/21 report to Cabinet 6 th February 2017 and Full Council 22 nd February 2017; Medium-Term Financial Strategy 2017/18 to 2020/21 Update report to Cabinet 5 th September 2017; 100% business rates retention pilots 2018 to 2019: prospectus issued by the Department for Communities and Local Government (DCLG) on 1 st September 2017; Local government finance settlement 2018 to 2019: technical consultation issued by the DCLG on 14 th September 2017.	Key Decision: No	
Executive Summary:		
1. Background and Purpose		
1.1	The process of rolling forward the Council's four-year financial plan commenced with a report to Cabinet, on 5 th September 2017, with an initial review of the Medium-Term Financial Strategy (MTFS) 2017/18 to 2020/21; which had been agreed by Council on 22 nd February 2017.	
1.2	This report provides detail of the progress with the updating of the Financial Profile and the Medium-Term Financial Strategy 2018/19 to 2021/22; unavoidable cost pressures; and work on identifying options for revenue cost reductions/additional income to meet the anticipated funding shortfalls over the next four years.	
2. Government Funding		
2.1	The Department for Communities and Local Government (DCLG) published, on 14 th September 2017, a technical consultation paper on the 2018/19 Local Government Finance Settlement. A response was submitted on behalf of the Council as agreed	

by the Cabinet Members for Finance & Performance and Planning & Housing.

2.2 The Government in the consultation paper:

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

2.3 The Settlement Funding Assessment figures will be confirmed in the weeks following the Autumn Budget, scheduled for 22nd November.

2.4 The other significant funding stream received from Central Government is an administrative subsidy for Local Council Tax Support and Housing Benefit schemes (total of £646,610 in 2017/18). It is expected that the allocations for 2018/19 will also be received in the weeks following the Autumn Budget. The MTFS currently anticipates a reduction of approximately £44,000 per annum to these subsidies.

2.5 Notifications have been received regarding new funding from the Government allocated for homelessness responsibilities. This funding will be ring-fenced for this purpose however the actual budget requirements in particular regarding additional staffing will not become clear until after 1st April 2018 when the new responsibilities commence and the volume of the additional work becomes evident.

3. Update on Financial assumptions in the current MTFS

3.1 The Financial Profile, agreed in February 2017, included cost reductions and additional income planned for 2018/19 to 2019/20. These have been reviewed to ensure that they are still deliverable. The outcome is the planned additional income at the Town Hall Centre of £3,000 in 2018/19 and £2,000 in 2019/20 will be difficult to achieve and has therefore been withdrawn.

3.2 The Financial Profile includes the consequences for 2018/19 of the planned priority investments and unavoidable budget changes which were identified in previous years. The two priority investments were both one-off budget requests in 2017/18 and these are therefore being removed from the base budget in 2018/19.

3.3 Two unavoidable budget changes were also identified for 2018/19 onwards. These were:

- Funding for two Housing Options posts added to base budget, previously funded from an earmarked reserve; and
- Reductions expected to Council Tax Support and Housing Benefit Administrative Subsidies.

3.4 A review of the current year budget, as at 30th September, is a predicted positive variance for the year of £406,000 (2.8% against the net budget of £14.389million):

this is due principally to additional income of £666,000 reduced partially by an overspend on expenditure budgets of £260,000. For some service areas the changes in the levels of income and expenditure are expected to be ongoing and therefore budget adjustments are proposed for 2018/19.

- 3.5 Since the review at the half-year, a tender exercise has been undertaken for the renewal of an insurance policy covering the Council's Environmental Impairment liabilities, which are a consequence of the Housing Stock transfer agreement with Greenfields Community Housing in November 2007. The outcome of the tender exercise is that the lowest insurance premium is £98,560. It is recommended that an Environmental Insurance Policy be undertaken with Zurich Insurance for a period of 10 years. With the original premium being an upfront payment for the 10-year term no provision was made for the renewal and as a consequence it is also recommended that the cost of the premium be met from the unallocated balance.
- 3.6 The Financial Profile includes provision for an annual pay award of 1%. This is in recognition of the announcement in the July 2015 Budget that public sector pay would increase by 1% per annum over the four years starting 2016/17. However in recent months the Government has relaxed this for some sectors of the public sector. Ultimately, for the majority of local government the pay award will be determined by negotiation between the Employers Organisation and the unions.
- 3.7 Whilst it is not anticipated that the Council will have any financial consequences from an expected increase in the National Living Wage from April 2018 with regard to its employees there is potential for increased costs regarding agency staff. An allowance for an increase is included for 2018/19 under Pay inflation in the Finance Profile.
- 3.8 The Triennial Review of the Essex Pension Fund conducted as at 31st March 2016 determined the pension fund assets and liabilities applicable for the Council and set the deficit contribution and employer contribution rate for the three years: 2017/18 to 2019/20. The Council opted to pay the total deficit payment, of £4,232,683, on 1st April 2017. The accounting requirement for this is that the total payment is accountable in 2017/18; the consequential impact of this was that two thirds of the payment (re 2018/19 and 2019/20) would be funded from the unallocated balance in 2017/18 with this source being repaid over the two following years. The ongoing employer contribution rate was set at 16.5%.
- 3.9 A schedule detailing the proposed discretionary fees, charges and rents for 2018/19 for the service areas currently subject to review will be presented in the Finance report to Cabinet on 5th February 2018.
- 3.10 The majority of the discretionary fees and charges are reviewed annually and this process is currently in progress. An exception is car park fees and charges which are reviewed on a minimum of three-year basis. The last review was undertaken for 2014/15. A review has recently been undertaken. It is proposed that charges are increased: short term charges for up to 1 hour and between 1 hour and 3 hours by 10p and 20p respectively. Longer stay charges, which have not been increased since April 2011, are proposed to be increased by 50p. A 10% increase in season ticket prices is also proposed. No change is proposed to the 10p after 3:00pm initiative.

- 3.11 It is proposed that Land Charges search fees are increased to enable the recovery of additional costs of data management required in advance of the transfer of the major part of the service to the Land Registry.
- 3.12 A schedule detailing the proposed levels of discretionary fees, charges and rents for 2018/19, including car park charges and search fees, will be presented in the Finance report to Cabinet on 5th February 2018.

4. Unavoidable Budget Demands and New Investments

- 4.1 Bids for revenue funding to meet unavoidable budget demands and new investments total £657,720, in 2018/19 and £36,000 in 2019/20. The majority of this is an ongoing requirement and is therefore needed to be added to base budget. Two requests, totalling £38,170, are for a one-off budget in 2018/19. In addition, a request is made to add further funding to the Planning Appeal Costs reserve which will be fully expended during the current year. It is proposed that this be funded from the additional Planning Application fee income in the current year.
- 4.2 The unavoidable budget demands include a proposal to allocate a proportion of the estimated surplus on the Council Tax Collection Fund from 2017/18 of £181,609 between the Town/Parish Councils and this Council. The proportion payable to the Town/Parish Councils is £33,170 and is for 2018/19 only. It is proposed that this is recommended for approval by Full Council in order that the parish/town councils can be notified in sufficient time to enable this resource to be discussed as part of their budget and precept setting for 2018/19. A schedule of the payments is provided at Appendix A.

5. Cost Reduction/Additional Income Proposals

- 5.1 Senior Managers have reviewed their service budgets to identify possible cost reductions and/or income generation, in particular with reference to the projected outturn for the current year.
- 5.2 The review of service budgets has identified budget adjustments with a total of £695,740 for 2018/19. These have been agreed by Management Board as they do not have a direct impact on customers or service delivery.
- 5.3 In addition to the agreed budget adjustments there are a number of proposals for cost reductions and additional income which will either have an impact on residents, customers or local organisations or involve policy issues and will therefore require decision by the Council. These proposals have a total value of £232,050 in 2018/19 and are as follows:

Corporate Services & Asset Management

- Marketing & Communications – Generate additional income by expanding the current advertising and sponsorship programme;
- Land Charges – It is proposed that the cost of the data management work required in advance of the transfer of the major part of the service to the Land Registry be met by an increase in the search fee;

Environment and Place

- Waste Management – Cease issuing refuse/recycling collection calendars

with effect from 2018/19;

- Car Park Charges – increase short and long stay charges and season ticket prices with effect from 1st April 2018;

Finance & Performance

- Investment returns – a net increase of £45,000 is estimated for the dividends receivable per £1million invested in pooled funds. The limit on the amount which can be invested in pooled funds was increased by £5million to £20million by Council in October;
- Voluntary repayment of internal resources. It was agreed that funds used to purchase two properties would be repaid from revenue over a 25 year period to provide funding for future capital projects. As this is a voluntary arrangement it is proposed to reverse this decision which will provide a revenue saving;

Health & Communities

- A proposal for a new Funding and Management Agreement with Braintree District Museum Trust from 1st April 2018 is included in a separate report on this Cabinet agenda. The funding agreement provides for reductions in grant funding over the years 2019/20 to 2021/22.

6. Business Rates Retention

- 6.1 The Council has participated in an Essex Business Rates Pool for each of the last three years. The Cabinet agreed, on 5th September 2017, that authority be delegated to the Cabinet Member for Finance and Performance and the Corporate Director (Finance) to determine the Council's participation in an Essex pooling arrangement for 2018/19.
- 6.2 Also in early September the DCLG issued an *Invitation to Local Authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models*.
- 6.3 With the request for two-tier areas to apply, 14 of the Essex local authorities together with the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority agreed to work on an application for Pilot status for 2018/19. The potential additional business rates that could be retained within the county are circa £25million.
- 6.4 The proposed methodology of allocating the additional business rates retained under the Pilot Bid is the same as that currently used for the Essex Business Rates Pool. This Council's potential share of this sum plus the saving of not making a levy payment to the Government is £2.2million.
- 6.5 The Government anticipates a number of areas will apply for the Pilot status and has therefore established a selection process. As a consequence areas applying are requested to state their fallback position should their bid not be successful. The Essex authorities have agreed that the fallback is for an expanded Essex Business Rate Pool for 2018/19, incorporating the 15 authorities. The Essex wide Pool could result in this Council receiving an estimated sum of £465,000.
- 6.6 The Cabinet Member for Finance and Performance agreed this Council's

participation in the application for Pilot status for 2018/19.

7. Business Rates Retention Scheme and Business Rate Taxbase

- 7.1 The Business Rates Retention scheme has been in operation in its current form since April 2013. Under the scheme the Government calculates a baseline amount of business rates which it allows local authorities to retain as part of the Government's funding for local government. The Council's provisional baseline figure for 2018/19 is £3,361,095 as provided in the updated four-year settlement.
- 7.2 The amount of business rates actually collected in the year will inevitably vary from the baseline: a higher amount collected will increase the amount that the Council is able to retain whilst a lower amount collected will require the Council to meet the shortfall up to a maximum of 7.5% of the baseline amount: any shortfall greater than this will be met by the Government (under the safety net arrangements) or from either the Essex Pilot arrangement or the Essex Pool (as appropriate).
- 7.3 The determination of the Business Rates Taxbase for 2018/19 will be agreed by the Corporate Director (Finance) under delegated authority prior to the deadline of 31st January 2018. The estimate will be determined on the basis that the Government continues to provide grant funding for the additional 50% uplift, to 100%, to the Small Business Rate Relief scheme.
- 7.4 At this time the estimated figure of Business Rates retained in 2018/19 is £4,302,205.

8. Local Council Tax Support Scheme

- 8.1 The Council's Local Council Tax Support (LCTS) scheme was introduced on 1st April 2013. The scheme, which applies to claimants of working age, retains a significant proportion of the principles and elements of the previous Council Tax Benefit scheme.
- 8.2 On 5th September 2017, the Cabinet determined that it would not propose any changes to the Council's LCTS scheme for 2018/19; this was on the basis of limiting the frequency of changes thereby providing a level of stability and continuity in the scheme for claimants – the last agreed changes were effective for 2016/17. With no proposed changes there was no requirement to undertake a consultation exercise.
- 8.3 The Council is required to agree the detail of its Local Council Tax Support Scheme for the ensuing financial year by 31st January. Details of the scheme for 2018/19 to be recommended for approval by Council can be found on the Council's website at: https://www.braintree.gov.uk/info/200302/benefits/1078/what_is_the_local_council_tax_support_scheme
- 8.4 Since the introduction of the Local Council Tax Support scheme it has been agreed that an Exceptional Hardship Fund would be provided for short-term assistance to households facing exceptional financial difficulties. The Fund is financed from contributions from the major precepting authorities; in proportion to their council tax precept. The process for dealing with requests for assistance from this Fund involves a referral to the Citizens Advice Bureau (CAB) for money advice and an

assessment of the claimant's finances.

- 8.5 In addition to the money advice service provided by the CAB the Council has employed an officer to work with claimants who experience difficulty in paying their council tax with the objective of offering support and advice and to ultimately gain agreement to pay.
- 8.6 The combination of these approaches has been beneficial to those claimants experiencing exceptional financial hardship and for the Council in maintaining a good collection rate and it is recommended that both of these services together with the Exceptional Hardship Fund are retained for 2018/19. The funding of these services is shared between the four major precepting authorities, including the Council. It is expected that the other three preceptors will agree to continue to provide funding for 2018/19.

9. Council Tax – Collection Fund Surplus and Taxbase

- 9.1 The budget setting process includes estimating the amount of council tax expected to be collected. Variation from the estimate results in either a surplus or deficit in the Collection Fund which must be either returned to or requested from council taxpayers in the following year. The surplus or deficit is allocated between the four major preceptors: Essex County Council, Braintree District Council and Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (the new authority from 1st October 2017 which has responsibility for Essex Police and the Essex Fire Service).
- 9.2 It is estimated that the balance on the Collection Fund available for distribution is a surplus of £1,398,936. The Council's proportion of the council tax surplus, to be returned to council taxpayers in 2018/19 is £181,609. It is proposed that £33,170 of this surplus is paid to town and parish councils in 2018/19.
- 9.3 The Council's taxbase for 2018/19 is required to be calculated as at 30th November 2017 and will be agreed, under delegated authority, by the Corporate Director responsible for Finance. However, prior to this determination and for financial planning purposes the council taxbase for 2018/19 is estimated to be 51,900 (increase of 0.68% over 2017/18 taxbase) and is based on an assessment undertaken as at 11th September 2017 required by the Government.
- 9.4 The council taxbase takes into account estimated allowances for discounts and exemptions; including the local council tax support scheme, single persons discount and for losses on collection.
- 9.5 The Council sets the levels discounts/premia for empty properties and second homes under discretionary powers. It is not proposed to vary any of these levels for 2018/19.
- 9.6 The Localism Act 2011 gives local communities the power to decide whether to accept an excessive council tax increase. The Secretary of State determines the level of increase above which a proposed increase in council tax must be subject to a referendum. For shire district councils the threshold for 2017/18 was set at the higher of 2% or £5. The Government proposes, in the technical consultation paper on the 2018/19 Local Government Finance Settlement, to keep this threshold for

2018/19.

- 9.7 In anticipation of the referendum limit being confirmed by the Government at the current level it is proposed that the council tax increase for 2018/19 be £4.95 (at Band D): this is considered necessary to help address the anticipated budget shortfalls over the medium-term and due to the uncertainty over future changes to Local Government funding. The increases in the level of council tax provided in the Finance Profile for 2018/19 to 2021/22 for planning purposes are:

- 2018/19 – 2.92% providing a Band D level of £174.42;
- 2019/20 – 1.96% providing a Band D level of £177.84;
- 2020/21 – 1.97% providing a Band D level of £181.35;
- 2021/22 – 2.00% providing a Band D level of £184.98.

10. Financial Profile

- 10.1 The updated financial profile 2018/19 to 2021/22 shows for:

2018/19 – addition to Balances of £173,929;
2019/20 – shortfall of £513,616;
2020/21* – a shortfall of £209,620; and
2021/22* – addition to balances of £8,038.

- 10.2 It should be noted that these years* are after the current 4 year Finance Settlement ends and are likely to be subject to significant changes including the Fair Funding Review and the Government's decision regarding 100% Business Rates Retention.

- 10.3 The position, particularly for 2018/19 and 2019/20 will be updated following receipt of the Funding Settlement Assessment in December 2017.

- 10.4 The approach to address the anticipated budget shortfalls will be the delivery of the 'Roadmap to 2020'; which encompasses:

Better at Business

- Commercialisation
- Business Awareness & Skills
- Procurement
- Contract Management

Smart Working

- Service Improvements
- Digital Strategy
- Accommodation Review
- Mobile & Flexible working

Investment Programme

- District Investment Strategy
- Asset Management Strategy
- Treasury Management Strategy

- 10.5 Revenue income and expenditure implications of the projects currently being

developed and outlined in the Investment Programme will be included in the budget and financial profile as and when the projects, and the cashflow projections, are agreed by the Council.

11. Capital Resources and Investment

- 11.1 New Homes Bonus – the DCLG has consulted on potential changes to the scheme. The consultation was included in the technical paper on Local Government Finance Settlement for 2018/19 and closed on 26th October.
- 11.2 The Council's baseline for the year 8 allocation has been calculated at 243, based on the current level of 0.4%. The actual growth in the number of dwellings in the District between October 2016 and 2017 was 240. Therefore, no New Homes Bonus is anticipated for Year 8 of the scheme (receivable from 2018/19 to 2021/22). The Council will however still receive the allocations for Years 5 to 7 in 2018/19: a total of £1.256million. Allocations of New Homes Bonus agreed for 2018/19 total £214,800 and are primarily for staffing in Economic Development and Project Delivery service teams.
- 11.3 Capital Programme – details of the proposed capital projects are contained in the report. The value of the proposed projects in 2018/19 is £1,636,800 and anticipated requirements for 2019/20 to 2021/22 total £745,000, £720,000 and £720,000 respectively.
- 11.4 Projects being developed as part of the Council's Investment Programme together with the associated funding resources are excluded from the summary statement above. These will be added to the capital programme as and when the projects are approved by the Council.
- 11.5 Long-Term Investments – As work progresses on the Local Plan for the Braintree District, the Council has been actively looking at opportunities for the delivery of the required housing numbers. In this respect two opportunities are being explored which would have significant impacts, both cost and reward, on the Council's finances over the long-term i.e. thirty years plus.
- 11.6 Brief detail of current funding allocations agreed by the Council for the two opportunities: Garden Community and Housing Development Company are provided. Reports will be presented to Members as the projects progress and decisions on next stages are required to be made.

Recommended Decision:

Cabinet recommends to Full Council to agree:

- a) The Braintree District Council's Local Council Tax Support scheme for 2018/19 as detailed on the Council's website:
https://www.braintree.gov.uk/info/200302/benefits/1078/what_is_the_local_council_tax_support_scheme
- b) That the surplus on the Council Tax Collection Fund be allocated between the District and parish/town councils as detailed in Appendix A to this report;
- c) That £300,000 of the anticipated over achievement against budget of planning application fees in the current year be vired to the reserve for Planning Appeal

Costs; and

Cabinet to agree that:

- d) the Environmental Insurance policy, relating to warranties given by the Council as part of the Housing Stock Transfer, be renewed and that this be with Zurich Insurance in the sum of £98,560, covering the 10-year period to November 2027, and that this be funded from the unallocated balance; and
- e) The Revenue Budget and Capital Programme for 2018/19, as presented in this report, constitute the initial Budget proposals and that views are sought as appropriate.

Purpose of Decision:

Good governance arrangements through the proactive management of the Council's finances over the short and medium term.

To recommend to Council to agree the Local Council Tax Support scheme for 2018/19 for the Braintree District.

Any Corporate implications in relation to the following should be explained in detail.

Financial:	<p>The initial budget proposals provide a balanced budget for 2018/19 which includes: an increase of 2.92% in the level of council tax; additional income and cost reductions of £0.928million; additional spend and reductions in income of £0.658million on unavoidable demands and new investment; a net addition to balances of £0.174million; and the Government's Settlement Funding Assessment at the provisional figure of £3.63million (a reduction of £0.4million over the current year).</p> <p>The financial position forecast for 2019/20 to 2021/22: shows savings of £513,616 and £209,620 will be required to be found in 2019/20 and 2020/21 respectively. The positions for 2020/21 and 201/22 are difficult to predict as there is uncertainty over the outcome of the Fair Funding Review and the Government's plans for 100% Business Rate Retention. The approach to address the shortfalls is to deliver the 'Roadmap to 2020'.</p> <p>The Council is participating with 14 Essex authorities to bid to be a Pilot for 100% Business Rate Retention in 2018/19. The potential benefit for this Council is £2.2million. The Government will announce the successful Pilot areas as part of the Settlement Funding Assessment in early December.</p> <p>Capital projects with a total value of £1,636,800 are proposed for inclusion in the 2018/19 Capital Programme. The anticipated projects for 2019/20 to 2021/22 have values of £745,000, £720,000 and £720,000 respectively.</p> <p>As assessment of available capital resources shows that there will be sufficient to fund the proposed capital programme.</p>
Legal:	<p>Adoption of LCTS is a statutory requirement. Failure to do so could lead to a default scheme being imposed by the Government.</p>
Safeguarding:	<p>There are no safeguarding issues raised by this report.</p>
Equalities/Diversity:	<p>It is proposed to continue with the current Local Council Tax Support scheme for 2018/19. The Equalities Impact Assessment produced for the 2017/18 scheme continues to be relevant. This identified that the scheme provides a positive impact for older people but potential negative impact for people with disabilities. The potential impact is minimised as Disability Benefits are disregarded thereby</p>

	<p>providing additional support to those with specific long-term conditions. Support for people with mental health issues may be available by means of an exemption from Council Tax liability under SMI (Severely Mentally Impaired) legislation.</p> <p>The Council has a responsibility for ensuring that an equalities impact assessment is undertaken on proposed changes, where appropriate, and that this is taken into account in the decision making process. Equalities impact assessments, where appropriate, will be included in the savings proposals reported to Cabinet in the Finance report on 5th February 2018.</p>
Customer Impact:	Assessment of customer impact, where appropriate, will be included in the savings proposals reported to Cabinet in the Finance report on 5 th February 2018.
Environment and Climate Change:	There are no environmental and Climate Change issues raised by this report.
Consultation/Community Engagement:	The Overview and Scrutiny Committee will examine and consider the budget proposals as contained in this report on 22 nd November 2017. The Chairman of the Committee extends an open invitation to all members to attend this meeting.
Risks:	<p>Failure to adopt a local Council Tax Support scheme in time would lead to the Government imposing a default scheme.</p> <p>The assumptions made prove to be incorrect resulting in savings not being achieved as planned, costs rising by more than the provision allowed for inflation, increased income budgets not being achieved.</p> <p>The provisional financial settlement figures for 2018/19 from Government, included in the Financial Profile, are reduced following presentation of the Autumn Budget to Parliament on 22nd November 2017.</p>
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1. Background

- 1.1 The process of rolling forward the Council's four-year financial plan commenced with a report to Cabinet, on 5th September 2017, with an initial review of the Medium-Term Financial Strategy (MTFS) 2017/18 to 2020/21; which had been agreed by Council on 22nd February 2017.
- 1.2 The report to Cabinet included:
- an update on the Government's proposal for local government to retain 100% of business rates;
 - an initial review of the assumptions contained in the current MTFS;
 - the approach on developing the budget for 2018/19 and rolling the MTFS period forward to cover the period 2018/19 to 2021/22;
 - approaches to addressing the financial shortfalls;
 - an option to participate in an Essex Business Rates pooling arrangement for 2018/19;
 - the proposed Local Council Tax Support scheme for 2018/19;
 - request for budget increase for an agreed capital project and an update on capital resources; and
 - the timetable to achieve the setting of the council tax and budget for 2018/19 at the meeting of the Full Council on 19th February 2018.
- 1.3 This report provides detail of the progress with the updating of the Financial Profile and the Medium-Term Financial Strategy 2018/19 to 2021/22; unavoidable cost pressures; and work on identifying options for revenue cost reductions/additional income to meet the anticipated funding shortfalls over the next four years.

2. Government Funding

- 2.1 The Department for Communities and Local Government (DCLG) published, on 14th September 2017, a technical consultation paper on the 2018/19 Local Government Finance Settlement. A response was submitted on behalf of the Council as agreed by the Cabinet Members for Finance & Performance and Planning & Housing.
- 2.2 The Government in the consultation paper:
- outlines the third year of the multi-year settlement offer for those councils that accepted the offer, and arrangements for those that did not;
 - outlines the method for distributing New Homes Bonus funding following implementation of reforms announced at the time of the 2017-18 provisional settlement and a proposal for further incentives to support the delivery of housing growth;
 - outlines the Government's proposals for the council tax referendum principles for 2018-19; and
 - confirms the approach being taken for adjusting business rates tariff and top-ups to cancel out, as far as is practicable, the impact of the 2017 business rates revaluation on local authorities' income.

- 2.3 The Settlement Funding Assessment figures for 2017/18 (actual) and for 2018/19 and 2019/20 (provisional) are:

	2017/18	2018/19	2019/20
Revenue Support Grant	£777,347	£272,480	Nil
Retained Business Rates - Baseline	£3,256,331	£3,361,095	£3,480,650
Business Rates tariff adjustment			-£291,482
Total Settlement Funding Assessment	£4,033,678	£3,633,575	£3,189,168

- 2.4 Whilst the actual Settlement Funding Assessment figures will not be confirmed until the weeks following the Autumn Budget, scheduled for 22nd November, the figures as detailed in the table above have been included in the updated Financial Profile.
- 2.5 The other significant funding stream received from Central Government is an administrative subsidy for Local Council Tax Support and Housing Benefit schemes (total of £646,610 in 2017/18). It is expected that the allocations for 2018/19 will also be received in the weeks following the Autumn Budget. The MTFS currently anticipates a reduction of approximately £44,000 per annum to these subsidies.
- 2.6 From 1st April 2017 the Government changed the method of providing financial support for temporary accommodation: from the Department for Work and Pensions allowing a management fee for specific types of accommodation and claimed via housing benefit subsidy to the DCLG allocating a grant: the Flexible Homelessness Support Grant. The Council has been allocated £150,127 for 2017/18 and £169,995 for 2018/19.
- 2.7 On 16th October 2017 the DCLG announced allocations of a New Burdens Grant in respect of the implementation of the Homelessness Reduction Act. The Act introduces a number of new duties on local authorities, most substantially new duties to prevent and relieve homelessness. The amounts allocated to this Council are £52,355 for 2017/18; £47,957 for 2018/19; and £55,115 for 2019/20. Notification is awaited of a further New Burdens Grant (£3million available nationally) to contribute toward the cost of upgrading data systems to be used to monitor the impact of the Homelessness Reduction Act. These allocations are to be ring-fenced for Housing to meet the anticipated costs for implementing the new responsibilities.

3. Update on Financial assumptions in the current MTFS

- 3.1 The Financial Profile, agreed in February 2017, included cost reductions and additional income planned for 2018/19 to 2019/20. These have been reviewed to ensure that they are still deliverable. The outcome is the planned additional income at the Town Hall Centre of £3,000 in 2018/19 and £2,000 in 2019/20 will be difficult to achieve. This is a consequence of a VAT Tribunal case earlier this year that determined that the VAT status of the hire of facilities for weddings, where a wedding licence is held, is standard rated and not exempt as previously recorded.

- 3.2 A summary of the value of the planned savings/additional income and the proposed adjustment required is provided in the table below:

	2018/19 £	2019/20 £
Savings/Additional Income Planned	(114,110)	(82,990)
Less: Proposed Adjustment	3,000	2,000
Revised Value of Savings/Additional Income	(111,110)	(80,990)

4. Review of Priority Investments and Unavoidable budget changes identified in previous years

- 4.1 The Financial Profile includes the consequences for 2018/19 of the planned priority investments and unavoidable budget changes which were identified in previous years.
- 4.2 The two priority investments were both one-off budget requests in 2017/18 and these are therefore being removed from the base budget in 2018/19. The two items are:
- A provision of £150,000 set aside for Housing Services as Welfare Reforms, increased Homelessness responsibilities, changes to Housing Benefit regulations, lower Benefit Cap, etc. will put pressure on the service's ability to find accommodation for families and single people, particularly those under 35 years of age; and
 - Surplus on Council Tax Collection Fund – allocation of part of the 2016/17 surplus to town and parish councils in the Braintree District of £34,820.
- 4.3 The total value of these budget reductions to be made in 2018/19 is £184,820.
- 4.4 Two unavoidable budget changes were also identified for 2018/19 onwards. These were:
- Funding for two Housing Options posts added to base budget, previously funded from an earmarked reserve. Budget agreed for 2018/19 is £73,640; and
 - Council Tax Support and Housing Benefit Administrative Subsidies – anticipate a reduction of £43,480 per annum.
- 4.5 These budget changes are included in the Financial Profile.

5. Financial Performance at half-year and predicted Outturn for 2017/18

- 5.1 Service managers have reviewed their budgets against the monies expended and incomes received during the first half of the current financial year and have used this information to predict the outturn for the year. The prediction takes account of the delivery of the planned cost reductions, efficiencies and additional income, totalling £877,280, included in the 2017/18 budget.

- 5.2 The outcome of the review is a predicted positive variance for the year of £406,000 (2.8% against the net budget of £14.389million): this is due principally to additional income of £666,000 reduced partially by an overspend on expenditure budgets of £260,000.
- 5.3 Details of this predicted outturn for 2017/18 are contained in the Quarterly Performance report; included as a separate item on the agenda of this meeting.
- 5.4 For some service areas the changes in the levels of income and expenditure are expected to be ongoing and therefore budget adjustments are proposed for 2018/19. These are included in the Cost Reduction/Additional Income at section 8 below.
- 5.5 Since the review at the half-year, a tender exercise has been undertaken for the renewal of an insurance policy covering the Council's Environmental Impairment liabilities, which are a consequence of the Housing Stock transfer agreement with Greenfields Community Housing in November 2007. A paper providing brief detail of the liabilities and the tender exercise is attached at Appendix A.
- 5.6 The outcome of the tender exercise is that the lowest insurance premium is £98,560, this compares to the premium in November 2007 of £164,188.50. Whilst the Council could opt to accept the risk and self-fund should any claims be made within the final 20 years outstanding on the warranty period, it is recommended that an Environmental Insurance Policy be undertaken for a further period of 10 years and that this be with Zurich Insurance: on the basis of a £10m maximum limit and a loss deductible of £100,000 for each loss. With the original premium being an upfront payment for the 10-year term no provision was made for the renewal. It is therefore recommended that the cost of the premium, of £98,560, be met from the unallocated balance.

6. Finance Profile 2017/18 to 2020/21 – Assumptions Update

6.1 Pay

- 6.1.1 The Financial Profile includes provision for an annual pay award of 1%. This is in recognition of the announcement in the July 2015 Budget that public sector pay would increase by 1% per annum over the four years starting 2016/17. However in recent months the Government has relaxed this for some sectors of the public sector. Ultimately, for the majority of local government the pay award will be determined by negotiation between the Employers Organisation and the unions. At this time it is considered prudent to limit the annual increases to 1% for financial planning purposes. Allowances are provided for annual incremental progression for staff who are not at the top of their grade (payment is subject to achievement of satisfactory performance).
- 6.1.2 Whilst it is not anticipated that the Council will have any financial consequences from an expected increase in the National Living Wage from April 2018 with regard to its employees, there is potential for increased costs regarding agency staff. An allowance for an increase of 5.3% or 40p per hour

(to £7.90) has been included for 2018/19 under Pay inflation in the Finance Profile.

6.2 Members Allowances

- 6.2.1 Provision has been included for annual increases in line with the pay award for staff.

6.3 Pension Fund Contributions

- 6.3.1 The Triennial Review of the Essex Pension Fund conducted as at 31st March 2016 determined the pension fund assets and liabilities applicable for the Council and set the deficit contribution and employer contribution rate for the three years: 2017/18 to 2019/20.
- 6.3.2 The review indicated that whilst this Council's part of the Fund continues to be in deficit, i.e. liabilities of £134.084m exceed assets of £119.627m; this has reduced such that the funding level is 89.2%, compared to 82.4% as at the last review conducted as at 31st March 2013.
- 6.3.3 The ongoing employer contribution rate was set at 16.5%.
- 6.3.4 The Funding Strategy of the Essex Pension Fund endeavours to maintain consistency of overall contributions paid into the fund between triennial reviews. Although the ongoing employer contribution rate increased the deficit on the Council's part of the Fund has been reduced such that the combined elements are only marginally higher than that at the previous review in 2013: total contribution rate of 31.4% compared to 31.3%. This Strategy has however not impacted adversely for the Council on the planned period over which the deficit is to be addressed. The triennial reviews in 2010 and 2013 determined recovery periods of 20 years and 14 years, respectively. The current review has determined the recovery period has reduced to 10½ years: a reduction of 3½ years representing an improvement against the anticipated reduction following 3 years of deficit payments.
- 6.3.5 The Council opted to pay the total deficit payment, of £4,232,683, on 1st April 2017. The accounting requirement for this is that the total payment is accountable in 2017/18; the consequential impact of this was that two thirds of the payment (re 2018/19 and 2019/20) would be funded from the unallocated balance in 2017/18 with this source being repaid over the two following years.
- 6.3.6 An adjustment of £189,810 to the budget in 2020/21 provides for an estimated deficit payment of £1,600,700; which is the notional 2019/20 deficit figure plus an annual uplift of 3.9%. The actual deficit payment for 2020/21 and the two subsequent years will however be determined by the Triennial Review to be undertaken as at 31st March 2019.

6.4 Other Expenditure

- 6.4.1 Allowances for inflationary increases have been provided only on specific budget headings e.g. business rates, contracts, energy, etc. based on the Office of Budget Responsibility's forecast of the Consumer Prices Index for

2018/19 and forecast energy cost increases from Concept Energy Solutions, an energy management and monitoring company engaged by the Council.

6.5 Fees and Charges, Rents and Third Party Contributions

6.5.1 Fees and Charges

The general principle of the Charging Policy for the Council's discretionary fees and charges is that service users should make a direct contribution to the cost of providing services at their point of use.

The majority of the discretionary fees and charges are reviewed annually and this process is currently in progress. An exception is car park fees and charges which are reviewed on a minimum of three-year basis. The last review was undertaken for 2014/15. A review has recently been undertaken. It is proposed that charges are increased: short term charges for up to 1 hour and between 1 hour and 3 hours by 10p and 20p respectively. Longer stay charges, which have not been increased since April 2011, are proposed to be increased by 50p. A 10% increase in season ticket prices is also proposed. No change is proposed to the 10p after 3:00pm initiative. The estimated amount of additional income generated is included at section 8.4 below.

In addition it is proposed that Land Charges search fees are increased to enable the recovery of additional costs of data management required in advance of the transfer of the major part of the service to the Land Registry (see section 7.2 below).

A schedule detailing the proposed levels of discretionary fees and charges for 2018/19, including car park charges and search fees, will be presented in the Finance report to Cabinet on 5th February 2018.

6.5.2 Rents

Proposed housing rents and service charges for the four properties in Bradford Street, Braintree, will be included in the schedule of proposed discretionary fees and charges for 2018/19 to be presented in the Finance report to Cabinet on 5th February 2018.

Increases in rental income from the Council's commercial and industrial properties are determined by rent reviews as provided within the lease terms. An assessment of the likely increases due from the reviews in 2018/19 are included in section 8.2 below.

6.5.3 Third Party Contributions

A significant amount of income is received from Essex County Council under a number of service level agreements and across a number of service areas.

The Inter Authority Agreement for Waste Management is the most significant at £1.842million (2017/18 budget). Other agreements are for Community Transport (£90,332) and for a council tax sharing arrangement (£440,140).

The agreements are for defined periods:

- Inter Authority Agreement, signed in January 2010, is for a period of 25 years;
- Community Transport – the current 1-year agreement terminates on 31st March 2018;
- Council Tax sharing agreement – the existing 3-year agreement between Essex CC and each of the Essex borough/district/city councils ceases on 1st April 2018. Essex CC and the other two major preceptors have proposed a one-year extension for 2018/19, with a view to negotiating a further three-year agreement commencing 2019/20.

The agreement for Waste Management includes a revenue contribution, of £590,000 (2017/18 budget), which funds the food waste collection service. This includes the repair and maintenance costs of the seven food waste collection vehicles. Whilst ECC provided capital funding for the purchase of the vehicles the cost of replacing them is now the responsibility of this Council. A bid for capital resource is included for 2018/19 as the vehicles will have been in operation for over 7 years and reaching the end of their useful life.

7. Unavoidable Budget Demands and New Investments

7.1 Bids for revenue funding to meet unavoidable budget demands and new investments total £657,720, in 2018/19 and £36,000 in 2019/20. The majority of this is an ongoing requirement and therefore needed to be added to base budget. Two requests, totalling £38,170, are for a one-off budget in 2018/19. In addition, a request is made to add further funding to the Planning Appeal Costs reserve which will be fully expended during the current year. It is proposed that this be funded from the additional Planning Application fee income in the current year.

7.2 The bid requests for unavoidable budget demands are:

Environment and Place

- Waste Management – recyclable materials: gate fees charged for the disposal are determined quarterly by reference to market indices and these have increased dramatically in the current year. Budget request of £155,000;
- Waste Management – additional vehicle and labour due to district growth, implementation of recycling from flats and increase in customer base on commercial waste. (£85,000);
- Waste Management – Agency staff costs have increased as a consequence of the Agency meeting the requirements of IR35 (off-payroll working through an intermediary) from April 2017. (£35,000);
- Markets – rental income has been in decline against budget for a number of years. Budget reduction of £15,000 requested;
- Car Parks – Car wash service located in George Yard Car Park has closed which will result in the loss of rent of £11,500 p.a. Given the number of facilities offering this service in Braintree it is not proposed to seek a replacement tenant;

Corporate Services and Asset Management

- ICT Services – requirement to upgrade the Council's email and Microsoft Office software by 2020. Proposal to upgrade to Microsoft Office 365 for email as a first phase which will enable access to emails for all Council members and staff from any device which has access to the internet. Revenue budget request for £40,000, a bid is also made for capital resources to fund set-up costs;
- ICT Services – Disaster recovery contract – Council's servers will be replicated at an alternative site enabling the Council's various systems to be operational in a short time period in the event of the servers in Causeway House not being useable. Revenue budget request for £25,000, a bid is also made for capital resources to fund set-up costs;
- Human Resources – Apprenticeships – Part 4 of the Enterprise Act 2016 sets the criteria for public sector apprenticeship targets. The target for the Council is 12 new starts per annum, current budget provides for 7. (£15,500);
- Governance – Membership subscription for the Whole Essex Information Sharing Framework – network for joint working and best practice for compliance with the General Data Protection Regulations (GDPR). (£5,000);
- Land Charges – Data management work required in advance of the transfer of the major part of the service to the Land Registry and enabling electronic delivery of the residual service. Estimated cost of £50,000 per annum over a four-year period. It is proposed that this cost be recovered by an increase in the search fee;
- Governance – Provision to meet the cost of delivering Member Induction programme following the District Council election in May 2019. A one-off budget of £5,000 is requested.

Finance and Performance

- Insurance premia – A 12% increase in premia for Employers Liability and Public Liability cover has been incurred, with effect from October 2017. This is a consequence of a review conducted by the Lord Chancellor which resulted in a change to the discount rate used by all insurers in the process by which damages paid to seriously injured individuals is calculated. In addition the insurance premia in respect of the Council's vehicle fleet has also risen. Budget increase of £37,550;
- Procurement Service – in recent years the cost of service has been covered by rebate income received under framework agreements used by public sector bodies. Rebate income has however dropped significantly over the last couple of years to a level which does not cover the costs. Budget request for £25,000 in 2018/19 and a further increase of £36,000 in 2019/20.
- Finance system upgrade – system used to process direct debits and BACS payments. System supplier has given notice of moving customers to a hosted service within 2 years. Market testing will be undertaken to ensure value for money. Budget request £15,000;
- Capital salaries – Budget for the recharge from revenue to capital for members of staff working on capital projects has been higher than actually required in recent years. Income budget to be reduced by £85,000.

- Town/Parish Councils – it is proposed to allocate a proportion of the estimated surplus on the Council Tax Collection Fund from 2017/18, of £181,609, between the Town/Parish Councils and this Council. The proportion payable to the Town/Parish Councils is £33,170 and is for 2018/19 only. A schedule of the proposed payment to each parish and town council is provided at Appendix B. It is proposed that this is recommended for approval by Full Council in order that the parish/town councils can be notified in sufficient time to enable this resource to be discussed as part of their budget and precept setting for 2018/19.

Planning and Housing

- Planning Appeal costs – A provision, of £300,000, was agreed by Council in February 2015. It is expected that the provision will be fully utilised during the current year. It is anticipated that there will be appeals in the coming years and therefore it proposed to replenish the provision with a further sum of £300,000. This can be funded from the additional planning application fee income anticipated in the current year. Use of the provision would continue to be determined under delegated authority to the Corporate Director responsible for Planning.

7.3 One bid is requested for a new investment, as follows:

Environment and Place

- Waste Management – acquisition of a small utility compaction vehicle to deal with fly tips and assist with missed bin collections which will be essential in order to continue to meet the published service standards. Estimated cost for contract hire and maintenance is £20,000.

7.4 At this time, there is no request for additional base budget from the Housing Service as it prepares to meet the requirements of the Homelessness Reduction Act 2017. The additional funding to be received from Government (as mentioned at sections 2.6 and 2.7 above) will be used in the first instance for this purpose. The actual requirements in particular regarding potential additional staffing will not be determined until after 1st April 2018 when the new responsibilities commence and the volume of the additional work becomes evident.

8. Cost Reduction/Additional Income Proposals

- 8.1 At the meeting of Cabinet on 5th September it was noted that the anticipated budget shortfalls had increased to £529,000 for 2018/19 and to £1.29million over the three years 2018/19 to 2020/21. It was also noted that Senior Managers were in the process of reviewing their service budgets to identify possible cost reductions and/or income generation, in particular with reference to the projected outturn for the current year.
- 8.2 The review of service budgets has identified budget adjustments with a total of £695,740. These have been agreed by Management Board as they do not have a direct impact on customers or service delivery.
- 8.3 A summary of the adjustments is provided in the table below:

Cabinet Portfolio	Business Plan	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Corporate Services & Asset Management	Asset Management	16.09	6.52	6.03	6.45
	Business Solutions	31.00			
	Governance	21.10			
	Marketing & Communications	5.00	5.00	5.00	
Environment & Place	Environmental Services	61.40			
	Operations	210.00			
Finance & Performance	Finance	61.50			
Health & Communities	Community Services	4.98	4.00		
Planning & Housing	Housing Services	20.00			
	Sustainable Development	125.00			
Overall Strategy & Direction	Corporate Management	47.91			
	Corporate Finance	91.76			
	Totals	695.74	15.52	11.03	6.45

8.4 In addition to the agreed budget adjustments there are a number of proposals for cost reductions and additional income which will either have an impact on residents, customers or local organisations or involve policy issues and therefore will require decision by the Council. These proposals have a total value of £232,050 in 2018/19 and are as follows:

Corporate Services & Asset Management

- Marketing & Communications – Generate additional income by expanding the current advertising and sponsorship programme. Estimate additional income of £5,000 in 2018/19, a further £15,000 in 2019/20 and £10,000 in 2020/21;
- Land Charges – It is proposed that the cost of the data management work required in advance of the transfer of the major part of the service to the Land Registry be met by an increase in the search fee. Additional income, averaging £50,000 per annum, will be required to meet the estimated costs over a four-year period;

Environment and Place

- Waste Management – Cease issuing refuse/recycling collection calendars with effect from 2018/19. Estimated cost reduction of £10,000;
- Car Park Charges – increase short and long stay charges and season ticket prices with effect from 1st April 2018, as outlined in section 6.5.1 above. Estimated increased income of £70,800;

Finance & Performance

- Investment returns – a net increase of £45,000 is estimated for the dividends receivable per £1million invested in pooled funds. The limit

on the amount which can be invested in pooled funds was increased by £5million to £20million by Council in October;

- Voluntary repayment of internal resources. It was agreed that the funds used to purchase 3/4 Century Drive and 15 Springwood Drive would be repaid from revenue over a 25 year period to provide funding for future capital projects. As this is a voluntary arrangement it is proposed to reverse this decision which will provide a revenue saving of £51,250 per annum;

Health & Communities

- A proposal for a new Funding and Management Agreement with Braintree District Museum Trust from 1st April 2018 is included in a separate report on this Cabinet agenda. This will cover the management and operation of the Braintree District Museum and the Warner Visitor Centre. Reductions in grant funding are included in the agreement of £8,500 in 2019/20 and £13,500 in both 2020/21 and 2021/22.

8.5 A summary of the proposed cost reductions and additional income is provided in the table below:

Cabinet Portfolio	Business Plan	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Corporate Services & Asset Management	Marketing & Communications	5.00	15.00	10.00	
	Land Charges	50.00			
Environment & Place	Waste Management	10.00			
	Car Parks	70.80			
Finance	Investment Returns	45.00			
	Voluntary repayment of internal resources	51.25			
Health & Communities	Museum Service		8.50	13.50	13.50
	Totals	232.05	23.50	23.50	13.50

9. Business Rates – Essex Region pooling arrangement

- 9.1 The Council has participated in an Essex Business Rates Pool for each of the last three years. Under this arrangement growth in business rates, above a baseline figure, which would normally be passed to the Government is retained and shared between the authorities in the Essex Pool. This includes Essex County Council and the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (the new authority from 1st October 2017 which has responsibility for the Essex Fire Service) as well as a number of district councils.
- 9.2 Eleven authorities participated in 2016/17 and 2017/18. Whilst final shares will not be determined for 2017/18 until early October 2018 it is anticipated that the Council could receive approximately £450,000. No ongoing budget

provision has been included in base budget for this, as the shares are dependent on the business rates collected in each of the participating districts and the Government determines annually whether the opportunity is to be offered for groups of authorities to form a Pool for the coming year.

- 9.3 The Cabinet agreed, on 5th September 2017, that authority be delegated to the Cabinet Member for Finance and Performance and the Corporate Director (Finance) to determine the Council's participation in an Essex pooling arrangement for 2018/19.
- 9.4 Also in early September the DCLG issued an *Invitation to Local Authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models*.
- 9.5 The purpose of the invitation is *'to give local authorities greater control over the money they raise locally. It is in this context that the Government has decided to proceed with the already announced expansion of the pilot programme for 100% business rates retention for 2018/19. These will run alongside the five current 100% pilots which have been in operation since 1st April 2017'* and added *'The 2018/19 pilots are an opportunity for the Department to test more technical aspects of the 100% business rates retention system, such as tier-splits'*. The Government has agreed a 'no detriment' clause for the 2018/19 pilots, guaranteeing that the selected areas will not be worse off as a result of participating in the pilot.
- 9.6 With the request for two-tier areas to apply, 14 of the Essex local authorities together with the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority agreed to submit an application for Pilot status for 2018/19. The potential additional business rates that could be retained within the county are circa £25million.
- 9.7 The proposed methodology of allocating the additional business rates retained under the Pilot Bid is the same as that currently used for the Essex Business Rates Pool. This Council's potential share of this sum plus the saving of not making a levy payment to the Government is £2.2million.
- 9.8 The Government anticipates a number of areas will apply for the Pilot status and has therefore established a selection process. As a consequence areas applying are requested to state their fallback position should their bid not be successful. The Essex authorities have agreed that the fallback is for an expanded Essex Business Rate Pool for 2018/19, incorporating the 15 authorities. The Essex wide Pool could result in this Council receiving an estimated sum of £465,000.
- 9.9 The Cabinet Member for Finance and Performance agreed this Council's participation in the application for Pilot status for 2018/19. The application was signed by Chris Fleetham, Section 151 Officer, and was submitted by Essex County Council (as the designated Lead Authority) on 26th October 2017. A copy of the application is attached as Appendix C.

10. Business Rates Retention Scheme and Business Rate Taxbase

- 10.1 The Business Rates Retention scheme has been in operation in its current form since April 2013. Under the scheme the Government calculates a baseline amount of business rates which it allows local authorities to retain as part of the Government's funding for local government.
- 10.2 The Council's provisional baseline figure for 2018/19 is £3,361,095 as provided in the updated four-year settlement.
- 10.3 The amount of business rates actually collected in the year will inevitably vary from the baseline: a higher amount collected will increase the amount that the Council is able to retain whilst a lower amount collected will require the Council to meet the shortfall up to a maximum of 7.5% of the baseline amount: any shortfall greater than this will be met by the Government (under the safety net arrangements) or from either the Essex Pilot arrangement or the Essex Pool (as appropriate).
- 10.4 An assessment of the business rates collectable and collected for the first half-year of 2017/18 has been undertaken, in order to provide a revised estimate and to provide an indication of the amount of business rates to be retained by the Council for 2018/19.
- 10.5 The assessment shows the amount of business rates retained, including growth above baseline, for 2017/18 will be £4,327,260, an increase of £148,272 against the budgeted figure.
- 10.6 The final determination of the Business Rates Taxbase for 2018/19 will be agreed by the Corporate Director (Finance) under delegated authority prior to the deadline of 31st January 2018. The estimate will be determined on the basis that the Government continues to provide grant funding for the additional 50% uplift, to 100%, to the Small Business Rate Relief scheme.
- 10.7 At this time the estimated figure of Business Rates retained in 2018/19 is £4,302,205 as provided in the current Financial Profile.
- 10.8 The estimate of Retained Business Rates for 2019/20 includes a 2% uplift to reflect an anticipated increase in the Rating Multiplier together with a reduction of £291,482 for the tariff adjustment included in the four-year settlement. The position for 2020/21 and 2021/22 are particularly difficult to predict as the Government is currently working with Local Government representatives on a Fair Funding Review, which will result in a resetting of the Business Rates Retained Baseline for each authority in 2020/21.
- 10.9 The estimated balance on the Business Rates Collection Fund as at 31st March 2018 is a surplus of £1,814,716. The proportion attributable to this Council is £725,670 and this is included in the Finance Profile. This surplus is to be transferred to the Business Rates Retention Reserve. This reserve is held to equalise variations on the Business Rates Collection Fund between years.

11. Local Council Tax Support Scheme

11.1 The Council has operated a Local Council Tax Support (LCTS) scheme since 1st April 2013. The scheme retains a significant proportion of the principles and elements of the previous Council Tax Benefit scheme. The main elements of the scheme, which applies to claimants of working age only, are as follows:

- The calculation of support is based on 76% of the Council Tax liability rather than the full amount as under council tax benefit;
- An upper limit on the council tax banding, on which support will be calculated, is set at Band D;
- Child Benefit for the first child only will be excluded from the assessment of a claimant's income;
- The deduction for non-dependants in the household is set at £10.00 per week;
- The period of backdating a claim (with good cause) is one month;
- The amount of earnings excluded from a claimant's overall income is set at £40.00 per week with an additional earnings allowance for those claimants in receipt of working tax credit (where working a minimum of 30 hours) set at £5.00 per week;
- The full amount of War Widows pension is excluded from the assessment of the claimant's income;
- The limit on savings held by the claimant is £16,000. Savings above this limit precludes the claimant from support under the scheme;
- Minimum level of income for claimants who are self-employed introduced for 2016/17: the level set being the National Living Wage; and
- Family Premium is excluded for new claims received after 1st May 2016.

11.2 The Government specified that support given to claimants of pensionable age will continue to be calculated using the same rules as existed under the former Council Tax Benefit scheme.

11.3 The LCTS scheme is accounted for as a discount rather than a benefit: with the Council's council taxbase being reduced by an estimate of the amount of support that will be awarded each year. For 2017/18 this was estimated to be £6.93million. As at 30th September 2017, the value of support awarded for the year was £6.741million. The variation between the actual and estimated amount awarded is reflected in the balance on the Council Tax Collection Fund at the year-end.

11.4 On 5th September 2017, the Cabinet determined that it would not propose any changes to the Council's LCTS scheme for 2018/19; this was on the basis of limiting the frequency of changes thereby providing a level of stability and continuity in the scheme for claimants – the last agreed changes were effective for 2016/17. With no proposed changes there was no requirement to undertake a consultation exercise.

11.5 The Council is required to agree the detail of its Local Council Tax Support Scheme for the ensuing financial year by 31st January. Details of the scheme

for 2018/19 to be recommended for approval by Council can be found on the Council's website at:
https://www.braintree.gov.uk/info/200302/benefits/1078/what_is_the_local_council_tax_support_scheme

- 11.6 Since the introduction of the Local Council Tax Support scheme it has been agreed that an Exceptional Hardship Fund would be provided for short-term assistance to households facing exceptional financial difficulties. The Fund is financed from contributions from the major precepting authorities; in proportion to individual council tax precept levels.
- 11.7 The Council's process for dealing with requests for assistance from the Fund involves a referral to the Citizens Advice Bureau (CAB) for an assessment of the claimant's finances. Detail of the process is contained in the 'Council Tax – Discretionary Reduction in Liability Policy'. The Council currently has a service level agreement with the Citizens Advice Bureau for this money advice service until 31st March 2018.
- 11.8 As at 27th October the Council has made awards to 23 claimants in the current year, with a value of £6,391.20, and each was supported with a recommendation from the CAB. In the year to-date 108 referrals have been made to the CAB, of which: 59 were returned as the claimant had not engaged in the advice and assessment process; 23 were awarded financial support and the balance of 26 remain with the CAB and are work in progress.
- 11.9 In addition to the money advice service provided by the CAB the Council has employed an officer to work with claimants who experience difficulty in paying their council tax with the objective of offering support and advice and to ultimately gain agreement to pay.
- 11.10 The combination of these approaches has been beneficial to those claimants experiencing exceptional financial hardship and for the Council in maintaining a good collection rate and it is recommended that both of these services together with the Exceptional Hardship Fund are retained for 2018/19. The funding of these is shared between the four major precepting authorities, including the Council. It is expected that the other three preceptors will agree to continue to provide funding for 2018/19.
- 11.11 The value of the Exceptional Hardship Fund for 2018/19 will continue to be set at 0.2% of the estimated value of council tax support for the year; this provides a consistent approach across all Essex authorities and has been agreed with the major preceptors.

12. Council Tax – Collection Fund – Surplus/Deficit

- 12.1 The budget setting process includes estimating the amount of council tax expected to be collected. Variation from the estimate results in either a surplus or deficit in the Collection Fund which must be either returned to or requested from council taxpayers in the following year. The surplus or deficit is allocated between the four major preceptors: Essex County Council, Braintree District Council and Essex Police, Fire and Crime Commissioner Fire and Rescue Authority.

- 12.2 It is estimated that the balance on the Collection Fund available for distribution is a surplus of £1,398,936. The surplus will be allocated to:
- Essex County Council – £1,019,301
 - Braintree District Council – £181,609
 - Essex Police, Fire and Crime Commissioner Fire and Rescue Authority re Essex Police – £137,562
 - Essex Police, Fire and Crime Commissioner Fire and Rescue Authority re Essex Fire – £60,464
- 12.3 The Council's proportion of the council tax surplus, to be returned to council taxpayers in 2018/19 is £181,609. It is proposed that £33,170 of this surplus is paid to town and parish councils in 2018/19 (see section 7.2 above). This compares to the surplus returned to council taxpayers of £194,255 in 2017/18 (of which £34,820 was returned via payments to the town and parish councils).

13. Council Taxbase

- 13.1 The Council's taxbase for 2018/19 is required to be calculated as at 30th November 2017 and will be agreed, under delegated authority, by the Corporate Director responsible for Finance. However, prior to this determination and for financial planning purposes the council taxbase for 2018/19 is estimated to be 51,900 (increase of 0.68% over 2017/18 taxbase) and is based on an assessment undertaken as at 11th September 2017 required by the Government.
- 13.2 The council taxbase takes into account estimated allowances for discounts and exemptions; including the local council tax support scheme, single persons discount and for losses on collection.
- 13.3 The Council has exercised its discretionary powers to set the discounts/premia for empty properties and second homes.
- 13.4 The current levels of these discounts/premia are as follows:
- Properties undergoing extensive repair – 0% discount for twelve months;
 - Properties unfurnished – 0% discount for 6 months;
 - Second homes – 0% discount;
 - Properties which have been unoccupied and substantially unfurnished for two years or more – 50% premium.

It is not proposed to vary any of these levels for 2018/19.

- 13.5 It is proposed to maintain the allowance for losses on collection at 1% for 2018/19.
- 13.6 The Council also has discretionary power, under section 13A 1c of the Local Government Finance Act 1992, to enable it to reduce council tax liability where statutory discounts, exemptions and reductions do not apply. Current policy is to consider each application on its merit. The cost of an award under the

policy has to be met from the General Fund. No changes or amendments to this policy are proposed.

- 13.7 With the anticipated housing growth in the District over the coming years the allowance, included in the financial profile, for growth in the council taxbase is set at 1.5% per annum for 2019/20 onwards. This provides estimated taxbase's of 52,679, 53,469 and 54,271 in 2019/20 to 2021/22 respectively.

14. Council Tax Levels and Referendums

- 14.1 **Council Tax Referendums.** The Localism Act 2011 gives local communities the power to decide whether to accept an excessive council tax increase. The Secretary of State determines the level of increase above which a proposed increase in council tax must be subject to a referendum. For shire district councils the threshold for 2017/18 was set at the higher of 2% or £5. The Government proposes, in the technical consultation paper on the 2018/19 Local Government Finance Settlement, to keep this threshold for 2018/19. An increase of £4.95 on this Council's Band D would equate to a percentage increase of 2.92% for 2018/19.
- 14.2 With regard to Referendum limit and town/parish councils the Government has stated in the technical consultation paper on the 2018/19 Local Government Finance Settlement: *'Last year, the Government issued a challenge to town and parish councils to demonstrate restraint when setting precept increases that are not a direct result of taking on additional responsibilities, and to make precept decisions more transparent to local tax-payers. The continuation of this position in 2018-19 is contingent upon the Government receiving clear evidence of how the sector is responding to this challenge. The Government expects parishes, in setting their precepts, to consider all available options to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for particular purposes or for "invest to save" projects which will lower on-going revenue costs. Any revised proposals will be set out at the time of the provisional local government finance settlement later in the year.'*
- 14.3 **Council Tax Levels.** In anticipation of the referendum limit being confirmed by the Government at the current level it is proposed that the council tax increase for 2018/19 be £4.95 (at Band D). This is considered necessary to help address the anticipated budget shortfalls over the medium-term and due to the uncertainty over future changes to Local Government funding. The increases in the level of council tax provided in the Finance Profile for 2018/19 to 2021/22 for planning purposes are:
- 2018/19 – 2.92% providing a Band D level of £174.42;
 - 2019/20 – 1.96% providing a Band D level of £177.84;
 - 2020/21 – 1.97% providing a Band D level of £181.35;
 - 2021/22 – 2.00% providing a Band D level of £184.98.

15. Financial Profile 2018/19 to 2021/22

- 15.1 An updated Financial Profile for 2018/19 to 2021/22 taking account of the proposed savings and revised assumptions is provided at Appendix D.

15.2 The updated financial profile 2018/19 to 2021/22 shows for:

2018/19 – addition to Balances of £173,929;
2019/20 – shortfall of £513,616;
2020/21* – a shortfall of £209,620; and
2021/22* – addition to balances of £8,038.

*Note: * these years are after the current Finance Settlement ceases and are likely to be subject to significant changes including the Fair Funding Review and the Government's decision regarding 100% Business Rates Retention.*

15.3 The position, particularly for 2018/19 and 2019/20, will be updated following receipt of the Funding Settlement Assessment in December 2017.

15.4 The approach to address the anticipated budget shortfalls will be the delivery of the 'Roadmap to 2020'. The 'Roadmap to 2020' incorporates the Action Plan developed following the Peer Review in October 2013, which was focussed on the Council being grant free over the medium-term.

15.5 The 'Roadmap 2020' encompasses:

Better at Business

- Commercialisation
- Business Awareness & Skills
- Procurement
- Contract Management

Smart Working

- Service Improvements
- Digital Strategy
- Accommodation Review
- Mobile & Flexible working

Investment Programme

- District Investment Strategy
- Asset Management Strategy
- Treasury Management Strategy

15.6 Revenue income and expenditure implications of the projects currently outlined in the Investment Programme and being developed will be included in the budget and financial profile as and when the projects and the cashflow projections are agreed by the Council.

16. Balances and Reserves

16.1 The Unallocated General Fund balance as at 31st March 2017 was £2.036million.

Agreed and anticipated movements on the balances are:

	£'000
General Fund	
Planned addition to balances in setting 17/18 Budget	179
Anticipated surplus in 2017/18	406
Proposed transfer to Planning Appeal Costs reserve	(300)
Proposed allocation for Environmental Insurance	(99)
Estimated Balance as at 31 st March 2018	<u>2,222</u>
Planned repayment re Pension Deficit	1,411
Estimated Balance as at 31 st March 2019	<u>3,633</u>
Planned repayment re Pension Deficit	1,411
Estimated Balance as at 31 st March 2020	<u>5,044</u>

- 16.2 Earmarked reserves are established to either meet specific requirements/ purposes in the future or to make provision for issues that are likely to occur but the timing is not predictable. The total amount of money in earmarked reserves as at 31st March 2017 was £21.778million. A schedule detailing the planned use of the earmarked reserves over the four-year period of the MTFS will be included in the Finance report to Cabinet on 5th February 2018.

17. New Homes Bonus

- 17.1 The Department for Communities and Local Government has consulted on potential changes to the New Homes Bonus scheme. The consultation was included in the technical paper on Local Government Finance Settlement for 2018/19 and closed on 26th October.
- 17.2 Potential changes to the scheme for 2018/19 include:
- Retaining the option of making adjustments to the baseline (current level is 0.4%) in future years to reflect significant and unexpected housing growth;
 - Withholding New Homes Bonus from local authorities that are not planning effectively, making positive decisions on planning applications and delivering housing growth;
 - Withholding payments for homes that are built following an appeal.
- 17.3 Whilst a decision on the future of the scheme is expected to be announced in the Autumn Budget the table below shows a summary of the cash received up to 31st March 2018, the anticipated receipt for 2018/19 (based on the recent council tax taxbase return made to the DCLG), allocations agreed/proposed and balance available. The shaded areas in the table show the periods when payments will not be made as a consequence of the Government reducing the payment period from 6 to 5 and ultimately to 4 years:

New Homes Bonus Summary - 2011/12 to 2018/19									
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Year 1 (2011/12)	509.0	509.0	509.0	509.0	509.0	509.0			3,054.2
Year 2 (2012/13)		472.6	472.6	472.6	472.6	472.6			2,363.0
Year 3 (2013/14)			606.0	606.0	606.0	606.0	606.0		3,029.8
Year 4 (2014/15)				266.9	266.9	266.9	266.9		1,067.5
Year 5 (2015/16)					247.1	247.1	247.1	247.1	988.5
Year 6 (2016/17)						680.5	680.5	680.5	2,041.6
Year 7 (2017/18)							328.7	328.7	657.4
Year 8 (2018/19) Estimate								-	-
Total receivable in Year	509.0	981.6	1,587.6	1,854.5	2,101.6	2,782.1	2,129.2	1,256.4	13,202.0
Less:									
Allocations Agreed	79.0	79.0	66.4	32.3	99.7	95.7	70.0	70.0	592.1
Economic Development & Project Delivery							144.8	144.8	289.6
Net Resource for Capital	430.0	902.6	1,521.2	1,822.2	2,001.9	2,686.4	1,914.4	1,041.6	12,320.3
Allocated to District Investment	430.0	152.6	1,521.2	1,822.2	2,001.9	2,572.1			8,500.0
Allocated for Affordable Homes		750.0							750.0
Proposed allocations:									
Garden Communities							250.0		250.0
Grow-on Units, Springwood							86.8		86.8
Resource Available	-	-	-	-	-	114.3	1,577.6	1,041.6	2,733.5

17.4 The Council's baseline for the year 8 allocation has been calculated at 243, based on the current level of 0.4%. The actual growth in the number of dwellings in the District between October 2016 and 2017 was 240. Therefore, no New Homes Bonus is anticipated for Year 8 of the scheme (receivable from 2018/19 to 2021/22). The Council will however still receive the allocations for Years 5 to 7 in 2018/19: a total of £1.256million. Allocations agreed for 2018/19 total £214,800 and are primarily for staffing in Economic Development and Project Delivery service teams.

18. Capital Resources

18.1 An update of the capital resources and capital programme for 2017/18 to 2021/22 is summarised as follows:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Balance of Resources – Brought Forward	10,200	8,330	5,811	7,184	7,276
Resources in year	4,778	2,754	3,037	1,730	1,730
Total Resources	14,978	11,084	8,848	8,914	9,006
Approved Capital Programme	6,648	3,636	919	918	902
Proposed Programme (per section 20 below)		1,637	25		
Anticipated			720	720	720
Balance of Resources for Carry Forward to next year	8,330	5,811	7,184	7,276	7,384

18.2 Projects being developed as part of the Council's District Investment Strategy together with the associated funding resources are excluded from the summary statement above. These will be added to the capital programme as and when the projects are approved by the Council.

19. Capital Programme

19.1 Details of the proposed capital projects are contained at Appendix E. The total value of the projects in 2018/19 is £1,636,800 and £25,000 in 2019/20.

19.2 The schedule also includes anticipated requirements of £720,000 for each of the years 2019/20 to 2021/22.

20. Long-Term Investments

20.1 As work progresses on the Local Plan for the Braintree District, the Council has been actively looking at opportunities for the delivery of the required housing numbers. In this respect two opportunities are being explored which would have significant impacts, both cost and reward, on the Council's finances over the long-term i.e. thirty years plus.

20.2 Brief details of the two opportunities are provided below. This includes detail of current funding allocations agreed by the Council. Reports will be presented to Members as the projects progress and decisions on next stages are required to be made.

20.3 Garden Communities

20.3.1 The Council is working together with Colchester BC, Tendring DC and Essex CC on the North Essex Garden Communities project. The project is to establish the feasibility and funding requirements of delivering three garden communities across North Essex. Funding of £640,000 has been secured from the DCLG with a further supplementary award of £648,000 anticipated in the current year.

20.3.2 In addition to these sums each of the four councils has agreed a total capital contribution of £500,000 toward the cost of the development of the North Essex Garden Communities project. The Council agreed to fund its contribution from New Homes Bonus.

20.3.3 These resources are expected to be sufficient to take the work programme forward to a key milestone of September 2018 when there will be decision points on:

- Adoption of the Local Plan by individual Local Authorities;
- Viability review / business case position for market procurement to secure external funding/delivery partners;
- Contingent on the Local Plan adoption and viability, the formal establishment of Development Corporation;
- Initiation of Compulsory Purchase Order processes;
- Taking the lead on preparation of site-specific planning applications.
- Depending on the outcome of the New Town Development Corporation regulations it may be possible to use a development order process to grant planning permission which would potentially reduce the cost.

Details of the project milestones were provided in the 'North Essex Garden Communities – Progress to date and key developments' report to Cabinet on 5th September 2017.

20.4 Housing Development Company

20.4.1 A full business case relating to the establishment of a Housing Development Company (HDC) is currently in progress.

20.4.2 The proposed HDC has the potential to bring forward a robust delivery programme of new homes across the District, to include a range of tenures, such as private sale, affordable rent, private rent, keyworker and starter homes. It would also contribute to wider objectives, including the generation of a financial return, the development of under-utilised Council-owned land and the stimulation of economic growth through the provision of high-quality training and employment opportunities through on-site developments.

20.4.3 The total resource allocated for this project is £130,000: of which £100,000 was agreed from the New Homes Bonus pot set aside for Project Feasibility and Development.

ENVIRONMENTAL IMPAIRMENT LIABILITY

In November 2007, the Housing stock was transferred to Greenfields Community Housing (GCH). As part of the transfer agreement there was a requirement for BDC to provide warranties to GCH and their lenders as a result of the Council retaining similar environmental liabilities for the housing for a period of up to 30 years but without ongoing control of the housing stock together with no Housing Revenue Account post – transfer from which it could meet any losses/costs arising from these liabilities.

Prior to the transfer, the Council commissioned an environmental survey and associated remedial costs estimate report from Enviros Consulting Ltd. The survey revealed no known contamination or proven environmental liabilities, but identified 44 Potentially Affected Areas - comprising 319 dwellings, 6 associated buildings/ building clusters (e.g. garages) and 13,928 m2 of open land - where they consider there to be a Low-Moderate, Moderate, Moderate-High or High risk of contamination being present that could result in the Council facing environmental liabilities post-transfer.

Heath Lambert Group were engaged as brokers to produce an Environmental Liabilities and Risk Management Options Assessment.

This Assessment indicated the principal options for specific financial protection measures, as being:

1. By transfer of liability to GCH and/or their lenders along with an appropriate reduction of the Transfer value
2. Through an environmental insurance policy
3. Through some specific fund established for this purpose
4. A combination of some or all of the above.

The Council determined that an environmental insurance policy was its preferred option and accordingly following a competitive process a policy was taken with ACE (now Chubb) insurers: £10m limit, 10 year policy period, £25k deductible for each loss, at a cost of **£156,370 + Insurance Premium Tax (IPT)**.

The cover has now expired (on 11th November 2017). The original brokers have been engaged and tenders have been submitted for a further 10 year period.

Zurich Insurance submitted the best premium costs of:

£10k each loss deductible	£98,000 + IPT of 12% = £109,760
£25k each loss deductible	£95,000 + IPT of 12% = £106,400
£100k each loss deductible	£88,000 + IPT of 12% = £98,560

The Council could decide to accept the risk and self-fund should any claims be made within the final 20 years outstanding on the warranty period.

However, having initially taken the option of insuring against the risk it is RECOMMENDED that an Environmental Insurance Policy be undertaken for a further period of 10 years and that this be with Zurich Insurance and on the basis of a £10m maximum limit and a loss deductible of £100k. The cost of the premium, of £98,560, is to be met from balances.

Allocation of the estimated Surplus on the Council Tax Collection Fund as at 31st March 2018

Parish/Town Councils and District Council	District/ Parish/Town Precept 2017/18 £	Allocation £
Braintree District Council	£8,735,670	148,439
Alphamstone and Lamarsh	£3,509	60
Ashen	£4,261	72
Bardfield Saling	£0	-
Belchamp Otten	£1,000	17
Belchamp St Paul	£3,000	51
Belchamp Walter	£4,856	83
Birdbrook	£12,691	216
Black Notley	£48,000	816
Borley	£1,249	21
Bradwell	£7,965	135
Bulmer	£9,146	155
Bures Hamlet	£25,968	441
Castle Hedingham	£24,523	417
Coggeshall	£154,213	2,620
Colne Engaine	£22,722	386
Cressing	£35,782	608
Earls Colne	£68,906	1,171
Feering	£52,087	885
Finchingfield	£38,867	660
Foxearth and Liston	£6,858	117
Gestingthorpe	£5,400	92
Gosfield	£31,848	541
Great Bardfield	£30,809	524
Great Maplestead	£4,508	77
Great Notley	£76,301	1,297
Great Saling	£6,488	110
Great Yeldham	£43,085	732

Allocation of the estimated Surplus on the Council Tax Collection Fund as at 31st March 2018

Parish/Town Councils and District Council	District/ Parish/Town Precept 2017/18 £	Allocation £
Greenstead Green	£6,129	104
Halstead	£167,206	2,841
Hatfield Peverel	£57,523	977
Helions Bumpstead	£12,052	205
Hennys, Middleton & Twinstead	£4,780	81
Kelvedon	£96,047	1,632
Little Maplestead	£3,136	53
Little Yeldham, Tilbury Juxta Clare & Ovington	£5,703	97
Panfield	£16,098	274
Pebmarsh	£7,859	134
Pentlow	£5,000	85
Rayne	£39,164	665
Ridgewell	£16,600	282
Rivenhall	£9,500	161
Shalford	£17,031	289
Sible Hedingham	£97,386	1,655
Silver End	£58,358	992
Stambourne	£7,177	122
Steeple Bumpstead	£39,599	673
Stisted	£9,176	156
Sturmer	£6,179	105
Terling & Fairstead	£17,477	297
Toppesfield	£13,013	221
Wethersfield	£28,000	476
White Colne	£10,404	177
White Notley and Faulkbourne	£11,418	194
Wickham St Paul	£10,629	181
Witham	£455,232	7,737
Total	£10,687,588	£181,609
Total allocated to Parish/Town Councils		33,170

Essex Business Rate Retention Pilot Bid

This proposal is on behalf of fifteen of the authorities in Essex (see Appendix), comprising the County Council, 12 district / borough / city council's, a unitary council and the fire authority. The scale and diversity of Essex means this is a valuable area to pilot, with an economy that covers both rural and urban areas, a high proportion of business start-ups and clear aspirations to grow and retain larger employers within Essex in order to raise our growth rate. We have the capacity and capability to hit the ground running, evidenced by our long standing record of cross-boundary collaboration which includes our highly effective pan-Essex Council Tax collection agreement which has delivered £50m of extra income and incentivised partner authorities to invest in services, work together and share risk and reward.

Who are we?

Essex has 1.7m residents, making it the third largest county area in population terms. The geographical area has a variety of rural and urban areas and boasts the longest coastline in England and yet it sits on the outskirts of London. Our economy is resilient and spans a broad range of sectors located in five large centres - Basildon, Chelmsford, Colchester, Harlow, and Southend. These centres form a network of overlapping travel to work areas.

Almost a quarter of residents travel outside of the county to work, taking with them significant taxable revenues, notably to London. Enhancing local prosperity through greater connectivity, skills and housing is key; but we also need to ensure the Essex workforce have the local infrastructure and services to support their families to live prosperous and productive lives.

Essex has a diverse mix of businesses, with over 70% of the land area classified as rural, with over 4,000 agricultural holdings. We have two international airports, a major port, three universities, several world leading firms and a variety of both large industrial and retail businesses located throughout the region. Furthermore we have many of the best performing schools in the country producing future leaders of business.

Our bid – why Essex?

Outside London, Essex is the eighth largest economy in the UK. Essex has many strengths:

- We lead the UK on new enterprise start-ups: Essex had an average of 235 start-ups for each £1bn of GVA between 2009 and 2014 – well ahead of the UK average of 175
- The population of Essex is projected to rise by 20% over the next 20 years an increase of 350,000 and ahead of the UK's projected 15% growth
- Economic inactivity at 20% is lower than the UK average
- We have strong connectivity with two major airports, a port and links to London, including Crossrail.

But we face challenges:

- The Essex growth rate is below the UK average (0.6% between 2004 and 2014, compared to the UK's 1.3%): our business start-ups are not delivering growth fast enough
- Productivity levels are well below some counties in the South East – GVA per person employed is £52,300 in Essex, compared to over £60,000 in Surrey, Buckinghamshire and Hampshire and £70,000 in Berkshire
- Essex has relatively few large businesses for the size of its economy: if Essex were to be in line with the UK average it would need to have nearly 100 additional firms with more than 250 employees
- Many Essex authorities report a shortage of suitable commercial office space constraining growth
- Local Plans show that districts are planning to grow housing by 136,000 to over 150,000 houses in the next 20 years. Yet we are only funded 60 pence in every pound of infrastructure required, we need to find new ways to reinvest in infrastructure for growth.

There is a clear, shared imperative to raise the growth rate in Essex. If successful, our pilot would enable us to focus resources on how we tackle these challenges to make Essex a more attractive place to invest and do business:

- Expanding high quality commercial office space
- Delivering the infrastructure needed to support accelerated housing growth
- Attracting and retaining more large employers.

We recognise the importance of our businesses in shaping and creating a strong economy and we aim to support them from start-ups to established nationals, however we recognise that we cannot do this alone. The pilot will provide us with the opportunity and enable us to move forward with our ambitions for Essex.

Our record of partnership and innovation

Essex is different. We have one of the most complex systems of local authorities in the country, with one county, twelve districts and two unitary authorities together with newly combined governance for Police and Fire Services. But this diverse group works well together in partnership. We have a proven track record of working together on a wide range of issues including the delivery of infrastructure, maximising Council Tax collection through joint initiatives and eliminating fraud within the system, and we can build on this approach to implement 100% business rate retention.

We are a county of “firsts” with strong ambitions and we are constantly striving to build on this. The Essex Assembly signed up to the Essex Vision focussing on what we can deliver together to improve the lives of our residents and the opportunities for our businesses. We work together closely to understand our long term infrastructure needs, producing a joint Growth and Infrastructure Framework in 2017, which is now used to prioritise investment.

Authorities are already coming together to deliver housing and employment land across the area with several new garden communities planned across the county.

Essex has the mature established relationships and governance in place to make the pilot work. Our diverse economy – with a variety of centres and a rural/ urban mix – offers a range of opportunities to pilot approaches which could provide valuable learning to other parts of the country.

Systems and governance

Essex County Council will operate as the lead authority for the pilot, and will act as a point of contact for communications with Government with regards to matters relating to the Pilot. This is a tried, tested and successful arrangement - the existing Essex Pool, led by Essex County Council already has the people, capability and mature governance arrangements embedded. We already operate a pan Essex data collation system for outcomes from both the current council tax and NNDR pooling arrangements. This requires information from all of the authorities included within this bid, these established channels of communication will underpin the administration of the piloting arrangements.

The Essex Finance Officers Association meets on a bi-monthly basis and includes representatives covering the entire pilot area. The association currently oversees financial management of our existing arrangements which would widen to incorporate governance of the pilot. A standing agenda item would be included at each meeting to discuss the progress of the pilot, including any risks or opportunities arising. A quarterly report would be produced to update all parties on the growth achieved in year.

The local councillors responsible for finance from the respective authorities have also met to discuss this pilot and they will continue to do this – building on the excellent relationships which already exist and providing the political oversight to the pilot.

We note and welcome the recent announcement that the no detriment clause applied to the first round of pilots will also apply to this cohort

Plans for additional income

The member authorities have agreed that there will be a 'no worse off' clause within the pilot agreement. This clause will mean that no authority at an individual level will be worse off in the pilot compared to the existing 50% arrangement (under pooling where appropriate) subject to there being sufficient benefit within the pilot. This will be the first call upon additional income achieved.

Beyond this initial allocation of funds, there are three areas that would be targeted:

1. Several partnerships and frameworks are already established which will be utilised to prioritise investment in accordance with agreed economic growth criteria which includes focus on attracting and retaining businesses, boosting growth, unlocking jobs and delivering additional housing and infrastructure.
2. Build on Local Plan aspirations to convert currently unusable land into developable sites which have suitable infrastructure to attract businesses. Businesses within Essex believe that there is a lack of 'grow on' space across the county; more facilities are needed to allow small businesses to grow into medium and then large businesses, creating local jobs.
3. Promoting our joint aspiration for inclusive economic growth by targeting some of the financial benefits to the most vulnerable people in our communities through the provision of additional support to our adult and children's social care services.

Supporting evidence

Extensive modelling has been undertaken to establish the financial case for participation in a pilot scheme. This modelling indicates a retention of circa £25m of growth above baseline in business rates within Essex.

We are proposing a split of 80% district, 19% county and 1% fire (alongside a 99%/1% split for the unitary). A local distribution methodology will be applied to determine how the 50% of net additional growth is utilised as follows:

- 25% of the growth will be distributed using each authority's baseline funding level
- 25% of the growth will be distributed using each authority's local share of Business Rates income (based on the audited NDR3)
- 50% of the growth will be distributed on the growth in Business Rates income achieved in each authority

This methodology of distribution ensures that authorities that achieve growth are rewarded but at the same time building financial sustainability and incentivising further business rates growth.

Our ask of government

We would welcome the opportunity to collaborate with central government to address issues within the business rate system. Tackling rates avoidance and the resourcing issues at the Valuation Office Agency through joint investment is an option we would like to explore further.

If this bid is unsuccessful

In the event this bid is unsuccessful, the fifteen authorities would like to operate as a pool, replacing the existing Essex Business Rates Pool.

Appendix – participating authorities

Authority

Basildon Borough Council
Braintree District Council
Brentwood Borough Council
Castle Point Borough Council
Chelmsford City Council
Colchester Borough Council
Epping Forest District Council
Essex County Council
Essex Police, Fire and Crime Commissioner Fire and Rescue Authority
Harlow District Council
Maldon District Council
Rochford District Council
Southend-on-Sea Borough Council
Tendring District Council
Uttlesford District Council

General Fund Revenue Profile 2017/18 to 2021/22

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
	£	£	£	£	£
Base Budget brought forward from previous year	13,601,192	13,777,550	13,648,420	13,535,284	13,863,454
<u>Inflation:</u>					
Pay - annual award and incremental progression	236,080	219,910	259,300	228,920	199,660
Other Expenditure Inflation	93,530	88,940	86,520	96,480	95,690
Income Inflation	0	-3,480	0	0	0
Pension Fund and National Insurance contribution adjustments	1,040	14,380	13,360	203,440	13,900
<u>New Demands:</u>					
Allowance for Reduced Income/Increased costs previously profiled	561,850	117,120	163,480	43,480	43,480
Priority Investment - one-off provision previously profiled	-200,362	-184,820	0	0	
New Budget Bids	191,820				
New Budget Pressures	169,680	657,720	-2,170	0	0
<u>Reductions:</u>					
Savings/Additional Income agreed previously profiled	-877,280	-111,110	-80,990	0	
New Savings/Additional Income - Management		-695,740	-15,520	-11,030	-6,450
New Savings/Additional Income - Members		-232,050	-23,500	-23,500	-13,500
Additional Savings Required	0	0	-513,616	-209,620	8,038
Updated Base Budget	13,777,550	13,648,420	13,535,284	13,863,454	14,204,272
Addition to Balances	329,125	173,929			0
Contribution from Balances for one-off New Investment	-150,000				
Contribution from/to Earmarked reserves	432,142	725,670			
Budget Requirement	14,388,817	14,548,019	13,535,284	13,863,454	14,204,272
Government Grant - Revenue Support Grant	-777,347	-272,480	0	0	0

General Fund Revenue Profile 2017/18 to 2021/22

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
	£	£	£	£	£
Retained Business Rates - Baseline amount	-3,256,331	-3,361,095	-3,480,650	-3,480,650	-3,480,650
- Growth above baseline	-922,657	-941,110	-668,447	-668,447	-668,447
Transition and Rural Services grants and returned funding	-70,415	-13,657	-17,754	-17,754	-17,754
Collection Fund Balance - Business Rates (Surplus)/Deficit	-432,142	-725,670			
Collection Fund Balance - Council Tax (Surplus)/Deficit	-194,255	-181,609			
BDC Requirement from Council Taxpayers	8,735,670	9,052,398	9,368,433	9,696,603	10,037,421
Tax base (+1.5% for 2019/20 onwards and collection rate of 99%)	51,547	51,900	52,679	53,469	54,271
Council Tax (Band D)	£169.47	£174.42	£177.84	£181.35	£184.98
Council Tax per week	£3.26	£3.35	£3.42	£3.49	£3.56
Percentage Increase	3.01%	2.92%	1.96%	1.97%	2.00%
Increase per week	£0.10	£0.09	£0.07	£0.07	£0.07

Requests for Capital Funding 2018-19

Date Produced: 10th November 2017

	Portfolio	Project Description	Project Drivers	Project Achievements	Capital Cost			
					2018/19	2019/20	2020/21	2021/22
1	Corporate Services and Asset Management	Planned Maintenance of Council properties - This relates to the annual planned maintenance of those properties where BDC has a repairing obligation. The budget sum is reviewed annually.	Annual planned maintenance of those properties where BDC has a repairing obligation. The condition surveys are reviewed and updated by the 31st August each year and identify the priority planned maintenance works required to be carried out in following financial year.	This investment is required to ensure that the Council's properties are maintained to a good standard to support service delivery and sustain or improve the physical condition, rental income and value of the asset.	330,000	400,000	400,000	400,000
2	Corporate Services and Asset Management	Computer Equipment - Annual technology replacement programme.	Our hardware and software estate needs to be kept up to date to ensure that it can continue to be supported by our ICT service provider and continues to be fit for purpose.	Hardware and software that meets the needs of users and is up-to-date and secure.	40,000	40,000	40,000	40,000
3	Corporate Services and Asset Management	Computer Systems Servers - Business Continuity/Disaster Recovery arrangements - Set up costs	To provide ICT facilities to the BDC users to allow the council to function as normal and support the community in the event of a disaster or an emergency affecting the main workplace and/or the systems they use.	The council will continue to operate its business as usual systems on a day to day basis as quickly as possible after a major failure.	30,000			
4	Corporate Services and Asset Management	Microsoft Office 365 - set-up costs	BDC has to upgrade its MS eMail and MS Office software by 2020 when the current versions go end of life. The physical servers on which the MS eMail application resides are reaching end of life and will need to be replaced by 2020. The council is planning to upgrade its physical server room to a cloud solution and is targeting 2020/21 as commencement for this activity. A subset driver is to provide secure eMail facilities to BDC staff and councillors outside of the office environment and make it available anywhere with an Internet connection.	To provide an eMail facility which is independent of the Causeway House server room. Email will be accessible to all users from any device which has access to the Internet regardless of location, device or browser. If the user has Internet access then Braintree District Council email will be accessible	45,000			

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	Portfolio	Project Description	Project Drivers	Project Achievements	Capital Cost			
					2018/19	2019/20	2020/21	2021/22
5	Corporate Services and Asset Management	Online Booking System	To enable customers to book and pay for an activity or service through our website. Customers will be able to access bookable services and activities 24 hours a day, 7 days a week, from anywhere with internet access, using any device. Payment will be made at the time of booking, greatly reducing the need to generate and chase invoices. The Council offers a range of services that can be booked: <ul style="list-style-type: none"> • Pest control visits • Sports pitches • Town Hall meeting rooms • Taxi knowledge tests • Community transport services • Other miscellaneous appointments • Courses or events such as health & safety, fire safety etc 	With one standardised method of booking services and activities it will add resilience and reduce administration for staff and simply the process for our customers.	30,000			
6	Environment & Place	Compaction Bins - To trial the use of 4 x Bigbelly duo compaction litter/recycling bins in Braintree Town Centre to assess their suitability to roll-out to all town centres in order to reduce collection costs.	Our existing floor-mounted bins have a 90L capacity (post-mounted have 40L), whereas the Bigbelly compaction bins are a 180L bin with a massive 800L capacity. They are solar-powered, complete with a technology that provides real time alerts and data as to when the bins are reaching capacity and need to be emptied, thus avoiding the need for frequent inspection/monitoring/emptying.	Efficiencies through freeing up a resource in the town centre to focus on other street cleansing activities, e.g. litter-picking, removal of fly-posting, weed spraying, sweeping, etc	40,000			
7	Environment & Place	Handheld ECHO devices for Streetscene and Horticulture Following the introduction of the ECHO in-cab technology within Waste Management, it is proposed to roll this out over the next two years to include the remaining front-line services (Street Cleansing, Highway Rangers and Grounds Maintenance).	This proposal is in line with the Council's digital strategy and would negate the need for the Council to look at a replacement large-scale CRM system (Siebel).	The ECHO system will facilitate two-way communication with front-line staff, enabling crews to receive work requests electronically and feedback real-time information on their status to improve information to the customer. It will also allow the review and restructuring of operational routes in order to maximise resources and provide a range of management information used to monitor the performance of these services.	25,000	25,000		

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	Portfolio	Project Description	Project Drivers	Project Achievements	Capital Cost			
					2018/19	2019/20	2020/21	2021/22
8	Environment & Place	Footpaths on public open space - undertake a conditions survey.	The survey is required to determine the condition of all of the footpaths on public open space and use this to develop a programme of work. Need to ensure that there is no health & safety risk to the public using the open spaces.		30,000			
9	Environment & Place	New Utility Compaction vehicle As part of a service enhancement and to maintain the service standard for dealing with missed bins, it is proposed to procure a utility vehicle that can be used across the whole of Operations to deal with service issues including removal of fly-tips.	The current arrangement of sending operational crews back (26t vehicle + 3 staff) is not cost effective since the majority of reports received are made after the crew has left the area and often the day after that when the crew are no longer in proximity to where the missed bin(s) is. This impacts on the operational performance of the service and in some cases has delayed completion of work on scheduled days when crews have gone back to collect missed waste.	The purpose of the utility vehicle is to provide a timely service whilst minimising costs and improving the operational efficiency of the service. This smaller vehicle has the added advantage of being able to rectify missed collections arising from restricted access where larger vehicles cannot always get through. In addition, it is considered that this type of vehicle is better suited to send to weekend events (fayres/community events) as part of the clean-up operation, including chargeable works.	75,000			
10	Environment & Place	Refurbishment work at Unit 4	Operations' back office support staff and management team were relocated from Millennium Tower to Unit 4 in 2011/12. Since the move, the building's fixtures and fittings e.g carpets and internal decor have not been updated and signs of wear and tear are now clearly visible.	Improved staff morale and provide a 'fresher' working environment, with the offices at Unit 4 being better suited to accommodate clients/visitors, as well as improving things for staff	20,000			

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	Portfolio	Project Description	Project Drivers	Project Achievements	Capital Cost			
					2018/19	2019/20	2020/21	2021/22
11	Environment & Place	Youth Facilities Maintenance and Refurbishment - To refurbish and upgrade two play area sites in Braintree to include the installation of new 'fitness' equipment to replace original stock which is discontinued and can no longer be serviced. The sites being included in the project are as follows: 1. Meadowside, Braintree 2. Spa Road, Witham A provision for potential refurbishment work to youth facilities across the District which may be required as a result of the annual independent safety inspection which is in progress.	The existing safety surfaces at some of the sites needs to be replaced before it becomes a health and safety risk to the children and young people using the play areas.	Safety surfacing in these areas will comply with current National Playing Field Association standards and European Standards EN 1176 + EN 1177. The scheme will result in a better play experience for local children & will be measured by the results of our annual independent safety inspection of our play areas.	120,000			
12	Environment & Place	Replacement Food Waste Collection Vehicles	In 2010, ECC provided capital funding for the purchase of collection vehicles for the food waste service. This was part of the Waste Inter Authority Agreement. In return, BDC undertook to carry out a weekly food waste collection service rather than co-mingle garden and food waste. The main thrust behind this and the payment from ECC (including annual revenue funding of £590k) was that it was cheaper to process the two waste streams separately. The vehicles for this service have now reached their end of life and require replacement.	Food waste vehicles replaced and operational in Summer 2018.	490,000			
13	Environment & Place	Silver End Pavilion The Council is working with a newly constituted group - the Francis Crittall Pavilion Association (FCPA) - who have expressed an interest in taking on the management and operation of the Pavilion and sports ground at Silver Street, Silver End. • Phase 1 of the project involves some internal refurbishment works to accommodate a small nursery and pre-school provision within the building.	The existing Pavilion is used for only one day a week during the football season and stands empty for the remainder of the year. In its current form, it is not suitable for any other purpose.	The primary purpose is to enable the FCPA to carry out a phased project to maximise use of the Pavilion for the benefit of the wider community. This is in addition to maintaining the existing facility including changing rooms that are available for use in conjunction with the pitches on this site.	40,000			

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	Portfolio	Project Description	Project Drivers	Project Achievements	Capital Cost			
					2018/19	2019/20	2020/21	2021/22
14	Environment & Place	House Renovation Grants - As a housing authority we have a duty to maintain housing standards for the benefit of those less able to look after their own property.	Providing financial support through a repayable grant scheme to ensure those under financial pressure can afford to adequately heat their homes and when it is impractical to carry out disabled adaptations to a property, offer the occupier a relocation grant to enable them to move to a more suitable (adapted) property.	Health benefits for those living in substandard housing which will be improved through the repayable grant scheme. To provide adequate heating for the most vulnerable, including raising those occupiers out of fuel poverty and improving energy efficiency of the housing stock. Ensuring that occupiers live in the best suitable accommodation that meets their needs.	60,000	30,000	30,000	30,000
15	Environment & Place	Disabled Facilities Grants - The grant allocation for 2017-18 from the Better Care Fund is £796,000. It is assumed that the allocation will be a minimum of £700,000 for 2018/19. The proposal is for a Capital bid of an additional £150,000 for next year.	The Council has a legal duty to manage and provide disabled facilities grants in accordance with Part 1 of the Housing Grants, Construction and Regeneration Act 1996. The aim of the grant is to provide financial assistance to the applicant in order to provide suitable adaptations to their properties, as far as is practical, to meet their specific needs.	Ensure that there are sufficient funds to cover the increasing demand on the budget and ensure our residents have access to adaptations to their properties	150,000	250,000	250,000	250,000
16	Health & Communities	Braintree Town Hall décor refurbishment - Floor restoration in the Council Chamber, Chairman's room, the Lounge and the Bartrum Room. To fit new voiles and curtains in the Chairman's room and Council Chamber; this will improve the control over lighting levels and will visually improve the appearance of these rooms whilst complementing the ornate décor.	To improve the user experience and quality of these rooms whilst complying with Health and safety requirements. There is also an added bonus with the enhancement of the appearance of the rooms in particularly the rooms used for weddings which now account for 30% of the total income for the Town Hall.	It is planned that the capital improvements to the rooms will see an increased number of bookings over the forthcoming years.	11,800			
17	Health & Communities	Provision for replacement heating system at the Braintree Museum	A conditions survey of the Museum premises, undertaken during the negotiations for the proposed new Braintree District Museum Trust Funding and Management Arrangements, identified that the boiler and heating system needs to be repalced.	Continued operation of the Museum and the management of the Museum collection.	100,000			
				Totals	1,636,800	745,000	720,000	720,000