

Medium Term Financial Strategy Review Report to Cabinet

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Message from the T &F Chairman

“ On behalf of the Task and Finish Group, I would like to pass on our sincere thanks and appreciation to all the Councillors and Officers who gave up their valuable time to talk to us and provide evidence to allow us to review the Medium Term Financial Strategy to obtain views on how to bridge the funding gap currently identified by the Strategy. I would like to extend my personal thanks to the Members of the Task and Finish Group for taking the time to address these important issues.

Whilst recognising there is no simple solution to the austerity being faced by Local Authorities across the Country, the Task and Finish Group hopes that this report will help to improve the financial outlook and commercialisation of the Council.”

Malcolm Bradford, Chairman of the Task and Finish Group



Members of the Inquiry Group

- Cllr Malcolm Bradford (Chairman)
- Cllr Philip Bastiman (Vice-Chairman)
- Cllr Matthew Bezzant
- Cllr Dev Dhillon
- Cllr Trevor Egleton
- Cllr Patrick Hogan /Cllr Paul Kelly
- Cllr Mrs Marlene Lewis
- Cllr Damian Saunders

The Task and Finish Group was supported by Jim Burness Director of Resources and Rodney Fincham Head of Finance.

Task and Finish Scope

The Inquiry Group was set up to review the Medium Term Financial Strategy (MTFS) in order to provide the Cabinet with the Group's views, following discussion with officers on how to bridge the funding gap currently identified by the Strategy. They considered the following elements and the basis of the assumptions underpinning them:-

- External Funding – Government Tariff payments, Business Rates, New Homes Grant
- Expenditure pressures
- Savings plans – a) Corporate b) service specific

The Group considered if any material expenditure pressures have been omitted and if other savings options could be explored.

Methodology

Evidence gathering meetings were held between 14 March and 4 June 2018 with the following themes:

- Context and Funding
- Housing including Homelessness
- Car Parking
- Waste Services
- Customer Experience Strategy
- ICT Strategy
- Revenue and Benefits Service
- Planning Shared Service
- Local Plan
- Consilio Property Company

Recommendations – Context and Funding

1. Cabinet need to consider the opportunity to maximise income from the New Homes Bonus / Business Rates Retention scheme, and in particular whether the Council should adopt a more enabling approach to encouraging housing and business growth in the district.
2. The Council need to put forward a case to Government regarding the Non Domestic Rate tariff payments as part of the Fair Funding consultation
3. Cabinet to note the importance of maintaining the Council Tax base, including regularly reviewing the properties where Single Person Discounts are being applied to make sure discounts are only being granted for genuine cases.
4. Cabinet should review opportunities to bring in revenue from advertising across all Council assets <http://communitypartners.co.uk/>
5. As part of the budget process O&S Members undertake challenge/scrutiny sessions with Portfolio Holders on their draft budget proposals.

Recommendations – Housing

1. Cabinet need to closely monitor the cost of homelessness as this is the most significant key cost pressure going forward. Measures are already in place to address historic issue.
2. Cabinet need to ensure that appropriate resources are put into preventing homelessness, as this avoids SBDC having to house families that are homeless in nightly paid accommodation.
3. Cabinet need to address the volume of affordable housing stock by looking at opportunities through the Local Plan, and the housing numbers in the Plan. It will be important to ensure that they deliver appropriate numbers of affordable homes.
4. Cabinet need to actively progress with delivering alternative less expensive options for housing homeless families including purchasing of future sites and properties for redevelopment as housing units, including using Permitted Development regulations. There needs to be clarity and responsibility for purchasing properties for this purpose outside existing arrangements with Housing Associations.

Recommendations – Car Parking, Waste and Cemeteries

1. All non-statutory fees and charges should be reviewed annually, to ensure that they fully cover the Council's costs, and are in line with the average charge or higher from neighbouring authorities.
2. Cabinet should review the green waste fee, to see if there is scope to increase this.
3. Cabinet should consider having a single long term joint waste contract with all three District councils to obtain economies of scale – CDC currently have lower costs than SBDC because of the nature of their contract, which SBDC could benefit from in the future.
4. Actively explore scope to increase cemetery charges and burial capacity, including facilities for the non Christian communities and marketing these outside of the area and the use of Stoke Poges Memorial Gardens

Recommendations – Car Parking, Waste and Cemeteries (continued)

4. Cabinet should review the car park charging strategy, particular focusing on whether evening and Sunday charges would be appropriate.
5. Cabinet should support the progression of car parking expansion, where there is a clear service need and a business case for doing so, including additional car parking such as the one proposed for Gerrards Cross
6. Cabinet should review underutilised car parks e.g Burnham as these assets could be more effectively used for the Council's objectives.
7. Cabinet should review the use of recycling facilities in car parks as this space could generate extra income. In addition removal of these facilities would reduce the amount of flytipping.

Recommendations – Customer Experience, R&B and ICT Strategy

Cabinet should closely monitor the progress with the Customer Experience / R&B service / ICT strategy as these are key projects to help improve and deliver savings including:-

1. the outline business case identified savings from the Customer Experience Strategy of £515,900 per annum
2. the savings generated by bringing the revenue and benefits service back in-house and potential merging of CDC/SBDC systems
3. the updated ICT strategy and any savings that could be made through products and contracts , or service changes it can help enable

Recommendation – Planning/Consilio

1. Cabinet should support the LGA with its efforts to lobby the Government to allow local authorities to set their own planning fees.
2. That further planning income should be identified through the Proceeds of Crime and administration of Section 106 agreements and CIL if introduced.
3. Once the Local Plan has been finally submitted, the Head of Planning should critically review the size of the planning policy team to ensure it is appropriately resourced to meet the (hopefully reduced) requirements going forward.
4. The T&F group supports the development of Consilio, subject to appropriate safeguards being put in place to oversee its operation such as supporting the employment of a part time investment professional, the need to take considered risks to increase returns and the need to take advantage of market opportunities.

Recommendations – Next steps

NEXT STEPS

1. That Cabinet responds in writing to each of the recommendations made by the Task and Finish Group by the beginning of September to allow the response to be considered at the October meeting of the Committee.
2. One of the recommendations relates to a challenge/scrutiny session with Portfolio holders. This could be achieved by the Portfolio Holders discussing with O&S members their draft budgets that will be presented to the PAGs. Part of this process could include the extent to which they have taken on board the recommendations of this Task and Finish Group.
3. That the Joint Overview and Scrutiny Committee establish a Work Programme which could include a review of all Joint Service arrangements to clarify whether the project outcomes have been achieved and to monitor new joint working programmes e.g. Customer Experience Strategy and ICT Strategy.

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Background – Local Context

- The Task and Finish Group recognises that the District Council has faced another challenging year with further financial pressures. Other Local Authorities are struggling to deliver balanced budgets but the District Council wants to anticipate any funding gap currently identified by the Strategy.
- In 2018/19 the Revenue Support Grant will cease.
- Funding reductions will continue in future years. Current indications are that in 2019/20 SBDC will be subject to an additional tariff payment “negative RSG” of £414k. This is due to the fact that in the funding system SBDC is seen as a low needs and high resource authority.
- There is a reduction in the new homes bonus due to Government changes of £207k for the current year. There is a risk that the Government could change or abolish the scheme
- A proportion of locally retained business rates will also be lost, a revenue reduction of approximately £11 million by paying a NDR tariff payment to Government. However, if the amount collected is more than expected then SBDC keep some of the extra rates.
- Council tax is now the prime source of funding for SBDC, funding 66% of the net cost of services. There are actions the Council can take to maintain the council tax base and it expected that the council tax collection rate will increase by 1% as a result of the Revenue and Benefits Service transferring back in-house.

Medium Term Financial Projections

4.20 The following table sets out the current Medium Term Financial projections.

	2018/19 BUDGET	2019/20 BUDGET	2020/21 BUDGET	2021/22 BUDGET	2022/23 BUDGET	2023/24 BUDGET	2024/25 BUDGET
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Income</u>							
Non Domestic Rates (NDR) - Baseline	(1,064)	(1,096)	(1,129)	(1,163)	(1,198)	(1,234)	(1,271)
Non Domestic Rates (NDR) - Growth	(500)	(600)	(600)	(600)	(600)	(600)	(600)
New Homes Grant	(556)	(513)	(568)	(672)	(812)	(745)	(678)
General Grants - Other	(85)	0	0	0	0	0	0
Tariff / Top Up Adjustment	0	414	414	514	614	714	714
Interest & Investment Income Receivable	(150)	(100)	(50)	(50)	(50)	(50)	(50)
Collection fund (surplus)/deficit - Council Tax	(26)	0	0	0	0	0	0
	(2,381)	(1,895)	(1,933)	(1,971)	(2,046)	(1,915)	(1,885)
<u>Service Expenditure</u>	7,795	7,951	8,110	8,272	8,437	8,606	8,778
<u>New Pressures</u>							
Additional Pension Deficit Contribution	0	25	52	102	152	202	252
Council Elections - Fund from Reserves	0	70	0	0	0	70	0
Waste retender - Procurement Costs	0	0	75	75	0	0	0
Waste retender - Cost Change	0	0	0	0	0	0	0
Infrastructure Mitigation (ie HS2)	0	0	0	0	0	0	0
<u>New Savings</u>							
Planning Shared Service	0	(86)	(114)	(114)	(114)	(114)	(114)
Increased income from car parks	0	(90)	(90)	(90)	(90)	(90)	(90)
Increase income GX Car Park	0	0	0	0	0	0	0
Increased income from planning fees	0	0	0	0	0	0	0
Revs & Benefits - End of Northgate contract	0	0	0	0	0	0	0
Phase 3 Stronger in Partnership Savings	0	(200)	(250)	(250)	(250)	(250)	(250)

Medium Term Financial Projections (2)

	2018/19 BUDGET	2019/20 BUDGET	2020/21 BUDGET	2021/22 BUDGET	2022/23 BUDGET	2023/24 BUDGET	2024/25 BUDGET
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net additional income from Police Site	0	0	(129)	(276)	(285)	(285)	(285)
Net additional income from New Projects	0	0	(300)	(400)	(500)	(500)	(500)
	7,795	7,670	7,354	7,319	7,350	7,639	7,791
Other Expenditure							
Notional Interest Payable - Capswood	193	174	154	132	110	86	60
Borrowing Costs - Interest	0	161	640	840	915	965	965
Borrowing Costs - MRP Repayment (40 years)	0	131	415	654	695	745	745
	193	466	1,209	1,626	1,720	1,796	1,770
Contributions to / (from) Reserves							
Contribution to / (from) LDF Fund	(393)	(343)	(243)	(243)	(243)	(243)	(243)
Contribution to / (from) Economic Dev	(42)	(42)	0	0	0	0	0
Contribution to / (from) specific reserves	(5)	0	0	0	0	0	0
Contribution to / (from) general reserves	0	(70)	(75)	(75)	0	(70)	0
	(440)	(455)	(318)	(318)	(243)	(313)	(243)
Precept Required	5,167	5,786	6,312	6,656	6,781	7,207	7,433
	0						
COUNCIL TAX CALCULATION							
Tax base	32,703	33,003	33,303	33,603	33,953	34,203	34,453
Tax Rate (Band D)	158.00	163.00	168.00	173.00	178.00	183.00	188.00
Precept Collectable	5,167	5,379	5,595	5,813	6,044	6,259	6,477
Savings Required	0	(407)	(717)	(843)	(737)	(948)	(956)

Background – Context and Funding

- Members noted that the more housing growth in the District the more New Homes Grant would be awarded and this could be influenced by SBDC by encouraging economic development and having permissive planning policies. This would also lead to an increased business rate income.
- On 19 December 2017 the DCLG published a technical consultation on relative need. The Fair Funding Review sets out the Government thinking on updating the current needs assessment formulae.
- The Audit Commission reports that over £200m of Single Person Discounts may be inappropriately awarded nationally and as such impacting upon the already overstretched budgets of LA's all over the country. Some Councils are undertaking an evidence based Single Person Discount review, using a combination of Council data, third party data sources and specialist validation services. This is to remove ineligible or erroneous claims and increase revenue for the council.
- The importance of ensuring that effective scrutiny is carried out on the delivery of the budget, including income generation and saving plans was stressed by Members

Background – Housing

A previous Task and Finish Group looked at the management of homelessness and their recommendations were agreed by Cabinet. SBDC is now working with partner agencies to develop more advice and support tools to help prevent or relieve homelessness. In some cases this will involve using funding on a 'spend to save' basis as the money spent on preventing homelessness will be less than the costs that would be incurred by the Council. The options below were supported by Members.

Table showing comparative costs of various options for housing homeless families

2 bed property	Bath Road Depot	Acquisition Scheme	Paradigm Private Sector Leasing Scheme	Continued use of B+B nightly let
	£	£	£	£
Annual lease income to the Council	-3,750	-4,622		
Borrowing costs/annum £300k x 3%		9,000		
Management Fee to Housing association/annum			6,064	
Avoided B+B cost/annum	-16,425	-16,425	-16,425	
Annual rent paid to B+B owner by SBDC £70 x 365				25,550
Annual HB subsidy (£20/night)				-7,300
Individuals contribution (£5/night)				-1,825
Total	-20,175	-12,047	-10,361	16,425

Background – Housing

Members supported the investigating and purchasing of future sites (including commercial properties) for redevelopment as housing units and suggested that the volume of affordable housing stock be addressed through the Local Plan

	Bath Road Depot	Acquisition Scheme	Paradigm Private Sector Leasing Scheme	Continued use of B+B nightly let	£
Forecast cost of 38 units if all in B&B (£16,425 x 38)					624,150
Forecast cost if alternatives delivered					
Potential number of units	12 units	4 units	22 units		38
Potential cost **	-22,500	17,512	133,408		128,420
Saving					495,730

Background – Car Parking

Car parking – options considered by Members :-

- Increase car parking capacity
- Designated advertising space in car parks
- Increase prices
- Sunday and Bank holiday – introduce standard charges
- Pay by mobile on online
- One card scheme – offer preferential rates and in collaboration with local businesses offer discounts as par
- Electric charging points
- Remove recycling bins to increase parking capacity
- Introduce virtual permits for financial savings
- Hire car parks for community events

There have been legal challenges where car park charges have been increased solely to generate a profit.

Background – Waste

- The current SBDC waste contract expires end of October 2021 and there is no option to extend so a new contract will need to be procured. The current CDC/WDC waste contract with Serco ends in April 2020 but there is an option to extend.
- The Joint Waste Collection Committee are looking at whether a new combined contract would be desirable which may help to minimise future cost increases for all partners and share procurement costs.
- Other options were considered including reducing the frequency of collections, increasing charges for green bins, charging for new recycling containers, introducing commercial waste collections and charging schools for recycling collections

Background – Cemetery Income

- Some estimates suggest that by 2019 all 130 cemeteries in London and its outer areas will have run out of capacity. And it's not just the capital that is suffering.
- The shortage – and the fact that councils are strapped for cash – is pushing up burial fees
- A Sharif Mosque committee in Small Heath, Birmingham, have invested buying up £750,000 worth of Muslim burial plots on the site.
- There is opportunity of expanding capacity in Parkside, Holtspur and Stoke Poges Memorial Garden
- Based on charge comparisons with neighbouring authorities (some charge double the amount or more of SBDC) there is opportunity to increase income and trade from London, including meeting the needs of non-Christian communities

Background – Customer Experience, R&B and ICT Strategy

- £1.9 million per annum had been saved so far from shared services
- Customer Experience – the full business case is reflecting the savings expected from centralisation, increased efficiency and channel shift as £515,000 pa.
- Bringing the Revenue and Benefits Service in house will cost no more than the current service cost and savings are expected of £50,000 in 2020/21. There will be an opportunity to drive efficiency savings and additional income.
- With investment in the IT strategy, the cost of IT may increase in the future but will be offset by savings in other services.

Background – Planning

- It is now accepted that a Confiscation Order under The Proceeds of Crime Act 2002 ("**POCA**") can be applied for when someone fails to comply with the terms of an enforcement notice and financially benefits from their unlawful activity
- This has recently been applied to a case involving an illegally rented property. A family had been unlawfully renting out an annexe on their property, despite repeated enforcement action by Wycombe Council. Using POCA, the council was able to recover the £21,000 rental income that the defendants made from their criminal activity.
- Charging for Section 106 agreements could be used for income generation however there has been recent case history involving Oxfordshire County Council where it was clarified that matters should be considered on a case by case basis.

Background – Consilio

- An investigation by the Local Government Chronicle in October 2017 found that a third of the 265 responding councils had invested in property since 2010, with one-half of these being district councils from the South-East.
- There is a simple attraction to investing in commercial property. Local authorities can borrow funds from the Public Works Loan Board (PWLB), though other sources could be used – for instance, capital receipts or ‘internal borrowing’. PWLB loans are available at ‘sovereign rates’, at present typically around 2-2.5%.⁸ By contrast, annual return rates on commercial property may be in the region of 5-10%. The spread between the loan rate and the return rate on letting out the property governs the profit made by the local authority.
- Local authorities must prepare an investment strategy annually (or include the required details in their treasury management strategy). They must explain how their investments (including commercial property portfolios) relate to their core purposes.

Background – Consilio

- The investment strategy should set out the local authority's approach to risk assessment, including how it has assessed the market, what use has been made of external advisors.
- There has been a lack of expertise in council staff teams, leading to poor acquisition decisions.
- External property advisors are a good choice for authorities that are unable to afford to employ a whole property team, they can work hand in hand with the investment team to provide research, build the key criteria, complete property searches and assessments as well as negotiate the best deal and provide ongoing strategic advice. External advisors provide independent advice and always have their finger on the pulse of private property buying trends.

Glossary

- **Fair funding review** – Government review to address concerns about the fairness of current funding distributions. Changes are anticipated from 2020/21. The MTFS assumes that SBDC will be a net loser from the Fair Funding review as it will be considered a low need, high resource authority.
- **New Homes Grant** - this Grant rewards authorities for each new home by providing a grant equivalent to the national average Band D council tax. The Government has recently made changes to the Grant distribution methodology and there is a risk that the Government could change the scheme or abolish it. The Government has consulted on linking payments to authorities having in place an approved Local Plan.
- **Business rates** – local tax that is paid by the occupiers of all non-domestic/business property. SBDC currently collects £30m in business rates which is shared with the County Council, Government and Fire Authority. They then have to pay a **NDR tariff payment** to the Government as part of the national system to equalise need and resources.