

**EPPING FOREST DISTRICT COUNCIL
NOTES OF A MEETING OF RESOURCES SELECT COMMITTEE
HELD ON TUESDAY, 12 FEBRUARY 2019
IN COUNCIL CHAMBER - CIVIC OFFICES
AT 7.33 - 9.25 PM**

Members Present: A Patel (Chairman), , N Bedford, L Burrows, D Dorrell, J Jennings, J Lea, C P Pond, B Vaz and J H Whitehouse

Other members present:

Apologies for Absence: K Chana, I Hadley, A Mitchell and M Owen

Officers Present P Maddock (Assistant Director (Accountancy)), R Pavey (Service Director (Customer Services)) and A Hendry (Senior Democratic Services Officer)

40. SUBSTITUTE MEMBERS (COUNCIL MINUTE 39 - 23.7.02)

It was noted that there were no substitute members for this meeting.

41. NOTES OF PREVIOUS MEETING

Minutes

RESOLVED:

That the notes of the meeting of the Select Committee held on 4th December 2018 be agreed, subject to noting that Councillor Vaz had given his apologies for this meeting.

Matters Arising

(i) Quarterly Financial Monitoring quarter 1 (minute item 29 – 4.12.18)

P Maddock said that recycling credit income had shown an improvement but it had since fallen back. The Council should receive the income within 2 months of the deadline, but this was still haphazard. To be taken up with the County.

(ii) The Medium Term Financial Strategy had been updated and had gone to the Finance & Performance Management Cabinet Committee and then on to Cabinet and will eventually go on to full Council.

(iii) Financial Issues paper 2019/20 (minute item 29 – 4.12.18)

The fraud investigation team will report to the next meeting of this committee.

(iv) P Maddock had spoken to the insurers on indemnity insurance and was told that they did not provide this type of insurance and that insurance like this was not available. However, the Council did set aside a lump sum to cover any appeal pay-outs.

(v) Technology Strategy Update (minute item 29 – 4.12.18)

R Pavey reported that the satisfaction survey and the paperless agenda were moving forward and by May there should be further progress.

(vi) P Maddock was still to receive a response from P Maginnis on the ICT Service Level agreement. He will chase this up.

(vii) Fees and Charges (Minute item 29 – 4.12.18)

P Maddock had found out that HMO licences lasted for a period of 5 years.

(viii) Quarterly Financial Monitoring (minute item 34 – 4.12.18)

P Maddock noted that the proposed Council's Pods for the homeless would not be in operation until June 2019.

(ix) P Maddock commented on disabled adaptations and the low expenditure reported at the last meeting. There had been a bit of an increase recently but the budget would still be underspent by the end of the year. There were issues with staffing, primarily due to the county council side. However, the budget was reviewed on a regular basis.

Councillor Bedford asked if the underspend was ring-fenced. Mr Maddock said it was held in the repairs fund and could in theory be ring-fenced.

Councillor Bedford formally proposed that Cabinet be asked to ring-fence this money for future use. This was seconded by Councillor Whitehouse and agreed by the Committee.

RESOLVED:

To propose to the Cabinet that the budget for disabled adaptations be ring-fenced for future use.

(x) Corporate Plan 2018-2023 – Performance Report Quarters 1&2 (Minute item 37 – 4.12.18)

R Pavey noted that a review of the IT Services would be looking at the use of AI software to check forms more quickly.

(xi) Transformation Programme – Project Initiation Documents (Minute item 12 – 9.07.18)

Councillor Patel asked that any outstanding matters arising be completed at the Committees last meeting of the Civic year. He reminded the committee that at their July meeting they had requested P Maginnis to bring the 5 PID documents mentioned (that were in support of the Peoples Strategy) to their next meeting. This had not been done and Councillor Patel was now formally requesting that these documents be brought to their last meeting of the year in April 2019.

ACTION:

That Ms Maginnis brings the 5 PID documents supporting the Peoples Strategy (as requested at the July meeting) to the April 2019 meeting of this Committee.

42. DECLARATIONS OF INTEREST

There were no declarations of interest made pursuant to the Members Code of Conduct.

43. TERMS OF REFERENCE AND WORK PROGRAMME**(i) Terms of Reference**

The Committee noted their Terms of Reference.

(ii) Work Programme

Mr Maddock noted that item 4 of the work programme (Detailed Portfolio Budgets) had been dealt with by the January meeting of the Finance and Performance Management Cabinet Committee.

He also noted that item 22 (use of agency staff) would be going to the April meeting.

44. CORPORATE PLAN 2018-2023 - PERFORMANCE REPORT Q3 2018/19

P Maddock introduced the report on the Corporate Plan 2018-2023, Performance Report for Quarter 3 (2018/19). This combined report brought together the performance of the Council against the Corporate Plan on performance across the Council via the new benefits maps and performance indicator set.

The committee went through the corporate plan and noted that:

M2.2 – *Number of days to process benefits claims* – this indicator did achieve its target for Q3 and was inline to achieve it for end of the year.

M9.1 - *Workforce operational cost savings* – this had now exceeded its target for Q3 and should be classed as achieving its target by the end of the year. Councillor Jennings asked for an explanation of the statement that the “programme manager to realign the programme plan to realise the 2019 savings”. She was told that they had other targets that they could choose from and the manager had moved it to this target.

M9.6 – *Delivery of the Technology Strategy* – there was no detail in the comments section but they were predicting that they would hit their target by the end of the year.

P160 – *Service Accommodation Programme* – Councillor Jennings asked what was meant by “agile working”. She was told that it referred to the different ways that staff could work, e.g. home working or from different locations (mobile working) producing a more flexible organisation.

M10.2 – *Annual Council Tax collection* – it was predicted that this would hit its target by the end of the year.

RESOLVED:

That the committee reviewed and commented on the outturn position for quarter 3 2018/19 of the Corporate Plan for 2018-2023.

45. FAIR FUNDING REVIEW/BUSINESS RATES RETENTION

The Committee was taken through two consultations issued by the Ministry of Housing, Communities and Local Government (MHCLG); one on the Fair Funding Review and one on Business Rates Retention. The Fair Funding review was what the government thought we need to spend and the Business Rates Retention was on how we could raise the money. This also related to the transitional arrangements for the new funding regime.

Business rates would be the Council's new form of funding. The government was committed to giving local authorities control of their business rates (75% by 2021). However, people putting in appeals on their business rates was the biggest issue facing the council and therefore it had to maintain a contingency fund for this.

The Fair Funding Review

The Fair Funding Review looked at the relative needs of local authorities (presentation attached); this was the amount they needed to spend on services. They were also looking at relative resources, i.e. how much councils could raise locally, but not through the business rates. And, using various formulas worked out our funding needs.

The Committee made the following suggestions to put into the consultation response on relative needs:

- 1) Could we include the cost of 'flytipping' to the council, especially as we were a rural council close to London particularly prone to this and it was an increasing problem.
- 2) Could we also include the cost of pollution, especially now that we have the Special Areas of Conservation (SACs) in our area; could we get costs for this.
- 3) Could cost for the provision of services for an aging population be added, as we had a lot of people who move out here when they retire.

The Committee made the following suggestions to put into the consultation response on relative resources:

- 1) That we recommend that the government use the actual amount of our Council Tax figure rather than a notional amount.
- 2) Recommend that the government did not use a "one size fits all" formula, and have a variation of schemes across the country. We would like to have an adjustment based on our Council Tax level and not a general regional one.
- 3) We recommend that we go with an average collection rate.
- 4) That Fees and Charges not be taken into account, only Council Tax.
- 5) The Committee were happy with the 4 principles used, that of: Stable, Transparent, Time Limited and Flexibility.

The Committee had asked what period of time would this scheme last for. They were told that it would start in 2021 and probably be for a 4 year period. They went on to ask how would this would be paid and was told that it would probably be a fixed sum paid in 2021.

The committee noted that Councillor Mohindra would also be asked for his views on this scheme. There was a very tight deadline for getting our views back to the MHCLG. Hopefully with a 4 year assessment it would make long term planning easier.

Business Rate Retention

R Pavey took the Committee through the consultation on business rate retention. He noted that although we collected about £36million in business rates we only kept £3.2million. Responding to a question he said that we could not invest it in savings accounts due to the low interest rate and the quick turnover of the fund.

Asked if we could make recommendations to the government on how we can collect owed business rates from local failed companies, Mr Pavey said that this was a long standing problem. It took a long time to recover this money and the government was aware of this; but we were constrained by company law.

Asked if there was any transparency as to how the business rates were spent, Mr Maddock said that was difficult to answer as it went into a general account to fund council services, nothing specific could be pointed to.

R Pavey went on to say that the government wanted to reward economic growth and in 2020 our business rate position would be baselined and any growth would be measured from there and then be reset again after a year. However, some local authorities had lost a lot of their business rate income and the government was reviewing the levy and safety net arrangements. They would also be bringing in the concept of "Extraordinary Growth" but we were not aware of how this would work at present.

Mr Maddock noted that we had benefitted by the sum of £613k by currently being a member of the Essex Business Pool.

It was also noted that Business Rate appeals are funded out of the council's own funds but future appeal losses were unknown as the VOA IT system was problematic for appellants.

We would transition into the new system for 2020/2021 and the government had promised to work with us so the next consultation would be more useful.

Councillor Bedford thanked the officers for explaining all this to the committee. The Chairman asked the permission of the Committee to agree a draft response put together by officers which would then be sent out; this response would then be put into the Members Bulletin for information. This was agreed.

RESOLVED:

That the Chairman be authorised to agree a draft response to the consultations and that this response would be put into the Members Bulletin for information.

46. REPORTS TO BE MADE TO THE NEXT MEETING OF THE OVERVIEW AND SCRUTINY COMMITTEE

That the Chairman would give a short report on the consultations considered tonight.

47. FUTURE MEETINGS

It was noted that the next meeting of the Resource Select Committee would be held on 2 April 2019.

Fair Funding Review Consultation

Objectives for the consultation

- ❖ The intention of the Government is make the formula used to calculate the Relative Needs and Relative Resources of local authorities easier to understand and more transparent without significantly affecting accuracy. Also will look at something called the area cost adjustment and possible transition measures.
- ❖ Relative Needs - The amount an authority needs to spend on services. A number of costs are assessed that determine the need to spend and are weighted in the formula(s) based on importance.
- ❖ Relative Resources - This is an assessed amount of how much Council's can raise locally and is therefore deducted from the result of the relative needs assessed formula. This includes Council Tax and income from Fees and Charges but not Business Rates.
- ❖ Relative Needs - The Consultation is intended to seek views on what services should be included in specific formulas. Those not included in specific formulas would automatically default to the Foundation Formula.
- ❖ Relative Resources - The Consultation is intended to seek views on what resources to include in the formula.
- ❖ Area Cost Adjustment - This is to adjust for variations in costs due to geographical area and seeks views on what costs to apply the adjustment to. This relates to the Relative Needs only.
- ❖ Transitional measures - Where the change in formula leads to big swings in potential funding some form of transition is usually included to soften the affects for a couple of years or so.
- ❖ Achieving what the Government want will be extremely challenging.

Formula

$$\begin{aligned} \text{Final funding Position} &= \\ &\text{Relative Needs Share} \\ &- \\ &\text{Relative Resources Adjustment} \\ &+/- \\ &\text{Transitional Arrangements} \\ &+ \\ &\text{Actual Resources Income} \end{aligned}$$

Relative Needs

- ▶ Current Formula dates back to 2013/14 but much of the information goes back further. 15 relative needs formula with over 120 different costs assessed as part of the process.
- ▶ Current Proposal for 7 Specific Formulas:-
 - Adult Social Care.
 - Children and Young People.
 - Public Health.
 - Highways Maintenance.
 - Fire and Rescue.
 - Legacy Capital Finance.
 - Flood defence and Coastal protection.
- ▶ By definition everything else falls into the foundation formula. The biggest cost driver by far has been assessed as population Others include deprivation, rurality and fixed costs. Deprivation was not considered significant enough for the Foundation but intended to be used in 4 of the specific formulas.
- ▶ Other services considered for a specific formula but currently rejected by the government include Concessionary Fares, Waste Management, Homelessness and Fixed Costs.

Do you have views relating to the proposed structure of the Relative Needs Assessment?

Area Cost Adjustment and Weighting

- ▶ There is a precedent for considering the variation in local costs for local government funding settlements and indeed other national funding assessments. E.g. police and National Health Service. Reasons given for cost variation include cost of labour, property and geographical remoteness or indeed areas that are densely populated.
- ▶ Three factors proposed are:-
 - 1) Rates/Rents - To reflect variation from area to area.
 - 2) Labour Cost - To reflect the need to secure and retain skilled staff.
 - 3) Remoteness - To reflect separation from major markets.
- ▶ These are then weighted into a single index for each funding formula.
- ▶ Assuming 8 funding formulas it will be necessary to decide the overall funding allocated to each one. Traditionally government has used the year end returns for this which reports authority spending by service. This is likely to continue.
- ▶ Shire districts will be heavily dependant on the foundation formula as 95% of their costs fall within this area. Shire Counties this is under 20% and Unitaries and London Boroughs about 28%.
- ▶ Overall the needs assessment appears to be moving funding away from lower tier to upper tier authorities.

What are your views on the proposed approach to the area cost adjustment?

Relative Resources

- ▶ The Government believes it is important to take account of Council's relative ability to raise resources locally when allocating funding through the local government finance settlement.
- ▶ Main income streams include Council Tax and Fees and Charges but clearly Council Tax is the most significant and was assessed in the previous formula, Fees and Charges were not.
- ▶ Council Tax level will need to be assessed by, A measure of the Council Tax Base X a measure of the Council Tax level X a Measure of the collection rate X a measure of the tier split.
- ▶ The government is minded to continue to adjust for the various discounts and exemptions in their calculation of the Council Tax base.

Do you agree that the various discounts and income forgone should be used in the measure of the Council Tax base?

Do you agree that assumptions should be made around discretionary discounts and exemptions when measuring the Council tax base?

Do you agree that account should be taken of income forgone due to local council tax support for working age people?

Relative Resources

- ▶ There are two options for the Council Tax level either using the actual or a notional amount. This has been previous practice but could work against us as our Council tax level is lower than a lot of shire districts. The Government is minded to use a notional level.
- ▶ If a uniform tax level is assumed then all else being equal the authority with the higher needs assessment would have a higher funding allocation. Similarly all else being equal an authority with a higher actual council tax level would be in a better position.
- ▶ The inter relationship between the Relative Needs assessment and the setting of a higher or lower notional council tax is quite complex but it is very likely that a lower notional assumed council tax would be better for Epping Forest than a higher.
- ▶ It is also possible that if the notional Council Tax is set too high some authorities could end up with a 100% Business Rates Tariff effectively meaning they don't get to keep any business rates income which would seem counter to what the Government is trying to achieve?
- ▶ An actual or a notional collection rate could be used to apply to the formula as could an actual or notional tier split. The government have not expressed a preference.
- ▶ What about going forward should the Council tax income be adjusted or not. The government proposes not.

Should the Government take a notional approach to council tax levels in the Resources adjustment?

How should the government measure the Collection rate in the Resources adjustment?

How should the government determine the tier split in the Resources adjustment?

Should the Government apply a single measure of Council tax fixed over the period between resets?

Relative Resources

- ▶ The question of whether Fees and Charges in general and Car Parking income in particular should be assessed as part of the Relative Resources adjustment is also part of the consultation. Previously these haven't been included and the government is minded not to do so but asks for particular views on off-street parking income.

Do you agree that income from Fees and Charges should not be taken into account when assessing the relative Resources adjustment?

If the Government were minded to do so do you have a view on the basis for taking parking income into account?

Transitional Arrangements

- ▶ It is likely that calculating relative needs and resources using new formulas will create changes in funding levels the Council's actually receive. In common with previous funding changes it is proposed that transitional measures that unwind over time be introduced. Four principles the government intend to use for transitional measures. Stability, Transparency, time-limited and flexibility.
- ▶ The scale of transition will depend on the baseline it is measured from the proposal is to use 2019/20 information. Adjustments might be necessary and indeed previous changes to the formula have involved adjustments on transition.

Do you agree with the transition principles proposed?

Do you have any views on how the baseline is constructed for transition purposes?

Next steps/other comments

- ▶ The important thing to remember is that the overall settlement for the sector will be a fixed amount and the assessment for Epping Forest **relative to others** is the key rather than the assessment level itself. Or put another way It is the amount of the cake we get that is important.
- ▶ The outcome of the assessment will inform how much of our business rate income we get to keep. If the relative resources adjustment is too high we could end up not retaining any business rate income.
- ▶ It is proposed that the comments of this Committee and the Business Support Services Portfolio-holder be fed back to the MHCLG as part of the Council's response to this paper.
- ▶ This is the first of a number of consultations so there will be opportunity to comment further as proposals unfold over the next nine months or so. It is the Governments intention that by late autumn the review will be complete in time for the Local Government financial settlement in December 2019. It is again expected to be a multi-year settlement which at least makes medium term planning a bit easier.