CIPFA The Chartered Institute of Public Finance & Accountancy

CIPFA FAS – Latest MTFS funding model

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How the funding model fits into the wider CIPFA offer

Current and evolving – diagnostic & orientation options

- When did you last look at CIPFA's FM Model?
  - Your self-diagnostic of performance and road map to improve
- **Providing more clarity around the full resource options (our funding model) to help with MTFS**
- What will now be expected as good financial management in a new Code of Practice
- For those that struggle… a formal observation from the Institute by way of resilience index.

Why a funding forecasting model? (1)

Why a funding forecasting model? (2)

Before 2020…

- **Spending Review 2019**
  - Overall size of the cake

- **Fair Funding Review**
  - How the cake is distributed

- **75% Business Rates Retention**
  - Whether it can grow and how long for?

- **ASC green paper**
  - Funding of largest area of spend

Purpose of the model

The aim is:

- to develop a new simplified model for projecting local authority financial resources
- to aid officers responsible for drafting budgets and MTFPs during this period of uncertainty

By providing projections underpinned by robust informed assumptions

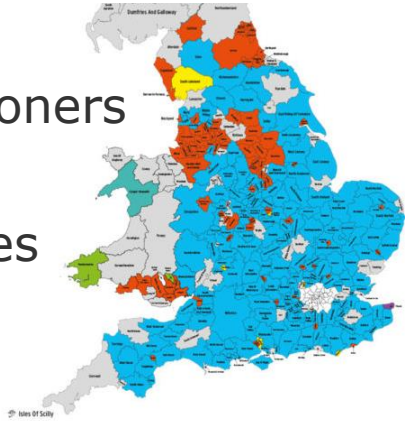
What the model **does** do (1)

- Projects forward 7 major resource/income streams between 2018-19 and 2024-25
  - Council Tax
  - Retained Business Rates
  - Grant income (incl. RSG, Police Grant, Grants inside AEF)
  - Interest & Investment income
  - Use of reserves
  - Sales, fees & charges
  - Other service income

- Provides 3 levels of assumption options
  - CIPFA central view (default)
  - Drop-down options (broad trends over the time period)
  - User input (ability to change each figure for each year)

What the model **does** do (2)

- Covers all local English local authorities including:
  - Counties
  - Districts
  - Unitary Authorities
  - Metropolitan Districts
  - London Boroughs
  - Fire & Rescue Authorities
  - Police & Crime Commissioners
  - National Park Authorities
  - Waste Disposal Authorities
  - Combined Authorities



- Provides the ability to compare against comparator groups
  - Authority type
  - Region
  - Nearest neighbours
  - User defined

What the model **does not** do

- Include grants outside AEF or schools funding
- Predict the outcome of the Fair Funding Review
- Predict the outcome of the 75% BRR scheme
- Profess to know what the Spending Review may hold in stall for local government
- Provide anything other than informed assumptions
- Provide *actual* funding figures (beyond 18-19)!

Assumptions – Council tax

- Relatively straightforward to project forward:
- Variables:
  - CT rate (%)
  - CT base (%)
  - ASC Precept (continue from 2020-21?)

- Base data will use CTR forms (latest 2018-19)

- CIPFA central assumptions:
  - ASCP ends in 2019-20
  - CT base growth continues at same rate as 2015-16 to 2018-19
  - rate increase is the same as latest available year – 2018-19

E.g. CIPFA Central Assumption- Council tax

Council Tax forecast

Select area:

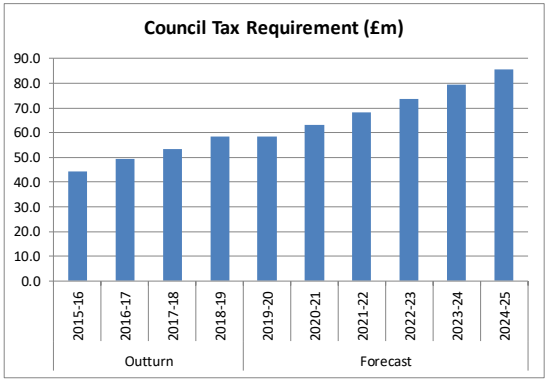
Authority X

Council tax

	Outturn				Forecast					
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
- CT main band D charge (£)	1,037	1,057	1,079	1,113	1,148	1,184	1,221	1,259	1,298	1,339
- ASC precept charge (£)	n/a	20.73	32.3	33.9	0.0	0.0	0.0	0.0	0.0	0.0
- Total CT charge (£)	1,037	1,078	1,132	1,200	1,148	1,184	1,221	1,259	1,298	1,339
- CT main rate change (%)	n/a	2.0%	2.0%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
- ASC precept rate change (%)	n/a	2.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Total CT rate change (%)	n/a	4.0%	5.0%	6.0%	-4.3%	3.1%	3.1%	3.1%	3.1%	3.1%
- Tax base (number band D equivalents for calculating	42,625	45,745	47,273	48,782	51,035	53,392	55,857	58,437	61,135	63,958
- Tax base growth (%)	n/a	7.3%	3.3%	3.2%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
- Tax base growth (number of band D equivalents)	n/a	3,120	1,529	1,509	2,253	2,357	2,466	2,579	2,698	2,823
Council Tax Requirement (£m)	**44.2**	**49.3**	**53.5**	**58.5**	**58.6**	**63.2**	**68.2**	**73.6**	**79.4**	**85.7**

Select assumptions method:

CIPFA central



CIPFA Assumptions

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Main CT rate change	*n/a*	*2%*	*2%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
ASCP rate change	*n/a*	*2%*	*3%*	*3%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Tax base change	*n/a*	*7%*	*3%*	*3%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*

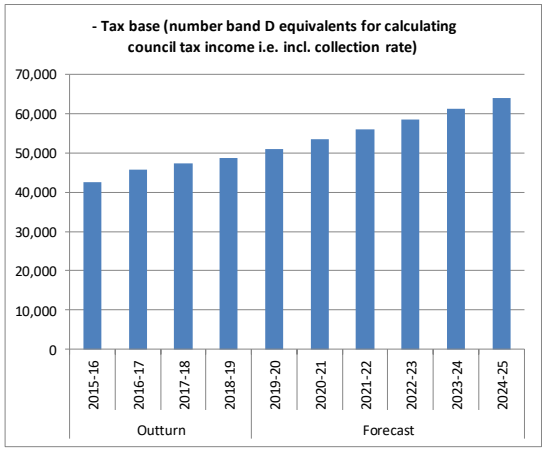
Select trend/forecast assumptions

	Select annual trend
Main CT rate change	2%
ASCP rate change	2%
Tax base change	4%

2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
2%	*2%*	*2%*	*2%*	*2%*	*2%*
2%	*2%*	*2%*	*2%*	*2%*	*2%*
4%	*4%*	*4%*	*4%*	*4%*	*4%*

User Assumptions:

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Main CT rate change	*n/a*	*2%*	*2%*	*3%*						
ASCP rate change	*n/a*	*2%*	*3%*	*3%*						
Tax base change	*n/a*	*7%*	*3%*	*3%*						



E.g. Drop down trend assumptions - Council tax

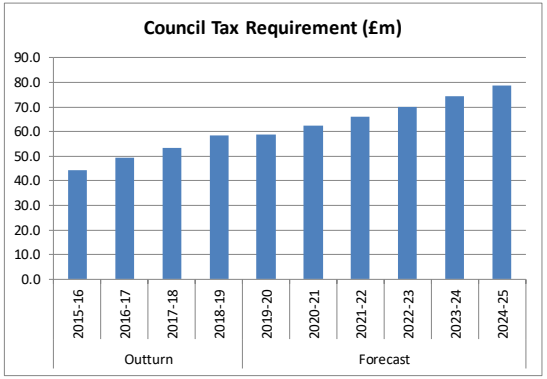
Council Tax forecast

Select area:

Authority X

Council tax

	Outturn				Forecast					
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
- CT main band D charge (£)	1,037	1,057	1,079	1,113	1,135	1,158	1,181	1,204	1,228	1,253
- ASC precept charge (£)	n/a	20.73	32.3	33.9	24.0	23.2	23.6	24.1	24.6	25.1
- Total CT charge (£)	1,037	1,078	1,132	1,200	1,159	1,181	1,204	1,228	1,253	1,278
- CT main rate change (%)	n/a	2.0%	2.0%	3.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
- ASC precept rate change (%)	n/a	2.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
- Total CT rate change (%)	n/a	4.0%	5.0%	6.0%	-3.4%	1.9%	2.0%	2.0%	2.0%	2.0%
- Tax base (number band D equivalents for calculating	42,625	45,745	47,273	48,782	50,734	52,763	54,873	57,068	59,351	61,725
- Tax base growth (%)	n/a	7.3%	3.3%	3.2%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
- Tax base growth (number of band D equivalents)	n/a	3,120	1,529	1,509	1,951	2,029	2,111	2,195	2,283	2,374
Council Tax Requirement (£m)	**44.2**	**49.3**	**53.5**	**58.5**	**58.8**	**62.3**	**66.1**	**70.1**	**74.4**	**78.9**



Select assumptions method:

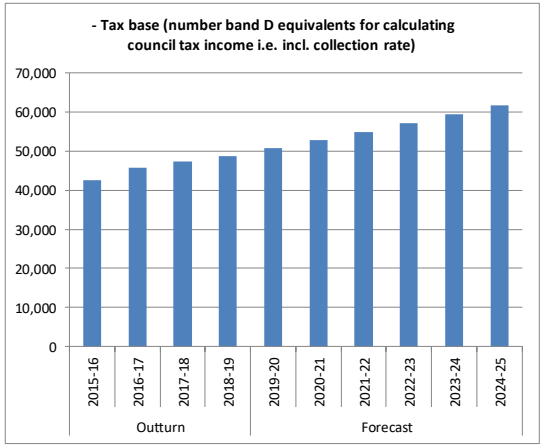
Trend options

CIPFA Assumptions

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Main CT rate change	*n/a*	*2%*	*2%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
ASCP rate change	*n/a*	*2%*	*3%*	*3%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Tax base change	*n/a*	*7%*	*3%*	*3%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*

Select trend/forecast assumptions

	Select annual trend	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Main CT rate change	2%	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
ASCP rate change	2%	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Tax base change	4%	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*



User Assumptions:

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Main CT rate change	*n/a*	*2%*	*2%*	*3%*						
ASCP rate change	*n/a*	*2%*	*3%*	*3%*						
Tax base change	*n/a*	*7%*	*3%*	*3%*						

E.g. User inputs own assumptions - Council tax

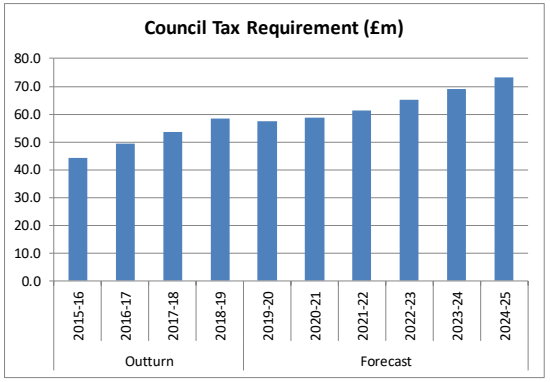
Council Tax forecast

Select area:

Authority X

Council tax

	Outturn				Forecast					
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
- CT main band D charge (£)	1,037	1,057	1,079	1,113	1,124	1,146	1,169	1,204	1,240	1,278
- ASC precept charge (£)	n/a	20.73	32.3	33.9	24.0	0.0	0.0	0.0	0.0	0.0
- Total CT charge (£)	1,037	1,078	1,132	1,200	1,148	1,146	1,169	1,204	1,240	1,278
- CT main rate change (%)	n/a	2.0%	2.0%	3.1%	1.0%	2.0%	2.0%	3.0%	3.0%	3.0%
- ASC precept rate change (%)	n/a	2.0%	3.0%	3.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Total CT rate change (%)	n/a	4.0%	5.0%	6.0%	-4.3%	-0.1%	2.0%	3.0%	3.0%	3.0%
- Tax base (number band D equivalents for calculating	42,625	45,745	47,273	48,782	50,002	51,252	52,533	54,109	55,732	57,404
- Tax base growth (%)	n/a	7.3%	3.3%	3.2%	2.5%	2.5%	2.5%	3.0%	3.0%	3.0%
- Tax base growth (number of band D equivalents)	n/a	3,120	1,529	1,509	1,220	1,250	1,281	1,576	1,623	1,672
Council Tax Requirement (£m)	**44.2**	**49.3**	**53.5**	**58.5**	**57.4**	**58.7**	**61.4**	**65.2**	**69.1**	**73.3**



Select assumptions method:

User input

CIPFA Assumptions

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Main CT rate change	*n/a*	*2%*	*2%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
ASCP rate change	*n/a*	*2%*	*3%*	*3%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Tax base change	*n/a*	*7%*	*3%*	*3%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*

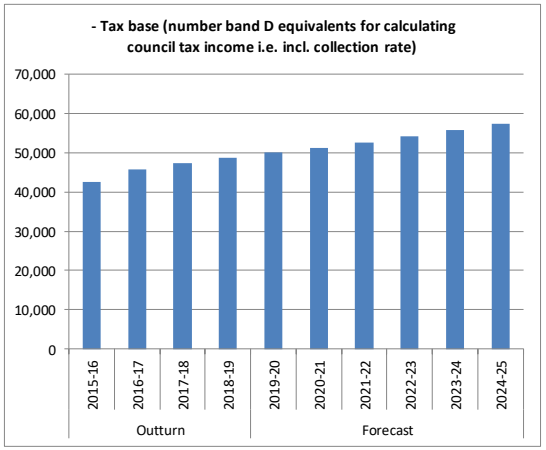
Select trend/forecast assumptions

	Select annual trend
Main CT rate change	2%
ASCP rate change	2%
Tax base change	4%

2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
2%	*2%*	*2%*	*2%*	*2%*	*2%*
2%	*2%*	*2%*	*2%*	*2%*	*2%*
4%	*4%*	*4%*	*4%*	*4%*	*4%*

User Assumptions:

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Main CT rate change	*n/a*	*2%*	*2%*	*3%*	***1%***	***2%***	***2%***	***3%***	***3%***	***3%***
ASCP rate change	*n/a*	*2%*	*3%*	*3%*	***2%***	***0%***	***0%***	***0%***	***0%***	***0%***
Tax base change	*n/a*	*7%*	*3%*	*3%*	***2.5%***	***2.5%***	***2.5%***	***3.0%***	***3.0%***	***3.0%***



Assumptions – Retained Business Rates

- Most difficult to project because of unknowns:
  - Uncertainty around pilots in 2019-20
  - FF Review - new funding baselines from 2020-21
  - Introduction of 75% retention from 2020-21
  - Actual growth (Brexit; CCA; online vs high street)
- Not proposed to model FFR/75% baselines in detail – but will give users options to vary based on local knowledge of population and tax base changes since 2013 e.g. 2%,5%,10% up or down
- Base data will use NNDR3 and NNDR1
- Likely CIPFA central assumptions:
  - Baselines – use current distribution but to a greater overall quantum from 2020-21 (i.e. 75%); use OBR's CPI forecast
  - Scheme - 5 year resets; levy/SN continue; pools continue(?)
  - Growth – will use historic trends using NNDR3 and 1 data

Assumptions - Grants

- Perhaps *the* most difficult to project because dependent on SR19 and other policy decisions e.g. ASC Green Paper
- Includes:
  - RSG (already known for 2019-20)
  - Police Grant
  - Special & Specific Grants (inside AEF)

- Base data will include RG/SG and LGF Settlement
- CIPFA central assumptions:
  - Judgements about whether each grant will continue
  - Where grants known to continue - use current distribution and assume cuts to overall quantum in line with changes to DELs
  - Requires an underlying model that makes assumptions about protected and non-protected departments at SR19

Assumptions – Investment Income

- Relatively small beer (c.£1bn in 2016-17)
- But growing in importance as central funding is cut
- Fairly (?!) straightforward to project

- Base data: RO forms
- Users can choose to link to different indices e.g. govt gilts, FTSE, etc
- Or input their own % change assumptions

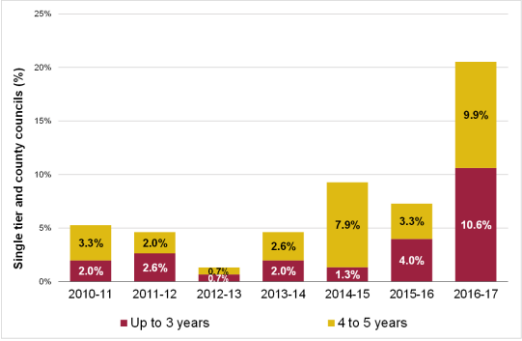
CIPFA central assumption:

- Project forward using trend over 15-16 to 18-19

Assumptions - Reserves

- Large increase in use of reserves in 16-17 (c.£1.0bn)
- Increasingly part of budget balancing strategies
- Base data: RO forms unallocated, PH, other earmarked (not schools)

- Users will be able to make own assumptions:
  - Select trends (x% each year)
  - Or input actual levels each year



CIPFA central assumptions:

- Project forward using trend in use of reserves between 2015-16 to 2018-19
- Assumptions about minimum level of reserves (x% total resources)

Assumptions – Locally generated income

- Sales, Fees & Charges and "other income" account for almost a third of gross income (c. £30bn nationally in 2016-17)
- CIPFA collects benchmarking data – but not available for all LAs
- Base data: RSX data as default but explore using CIPFA benchmarking data if possible
- Other income is defined in RO returns as "Other grants, reimbursements and contributions, or recharges (to internal users)"
- Users will be able to select set annual % changes
- Or able to input their own figures for each year

CIPFA central assumptions:

- Will project both streams in line with previous trends between 2015-16 to 2018-19
- This will be done at service level and aggregated up

Example of the main Summary Output

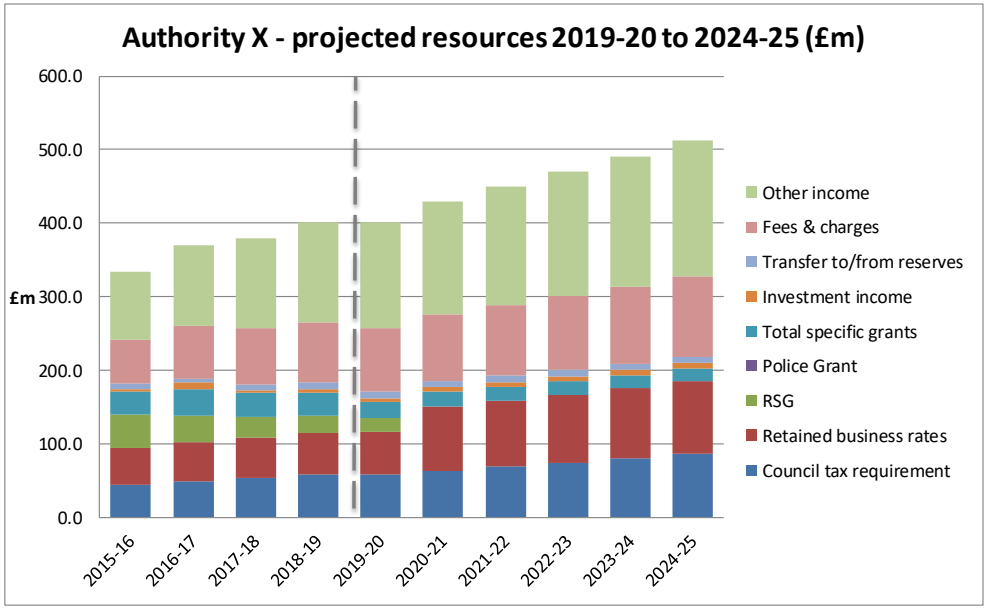
cipfa.org

CIPFA Revenue Resources model - Summary Output

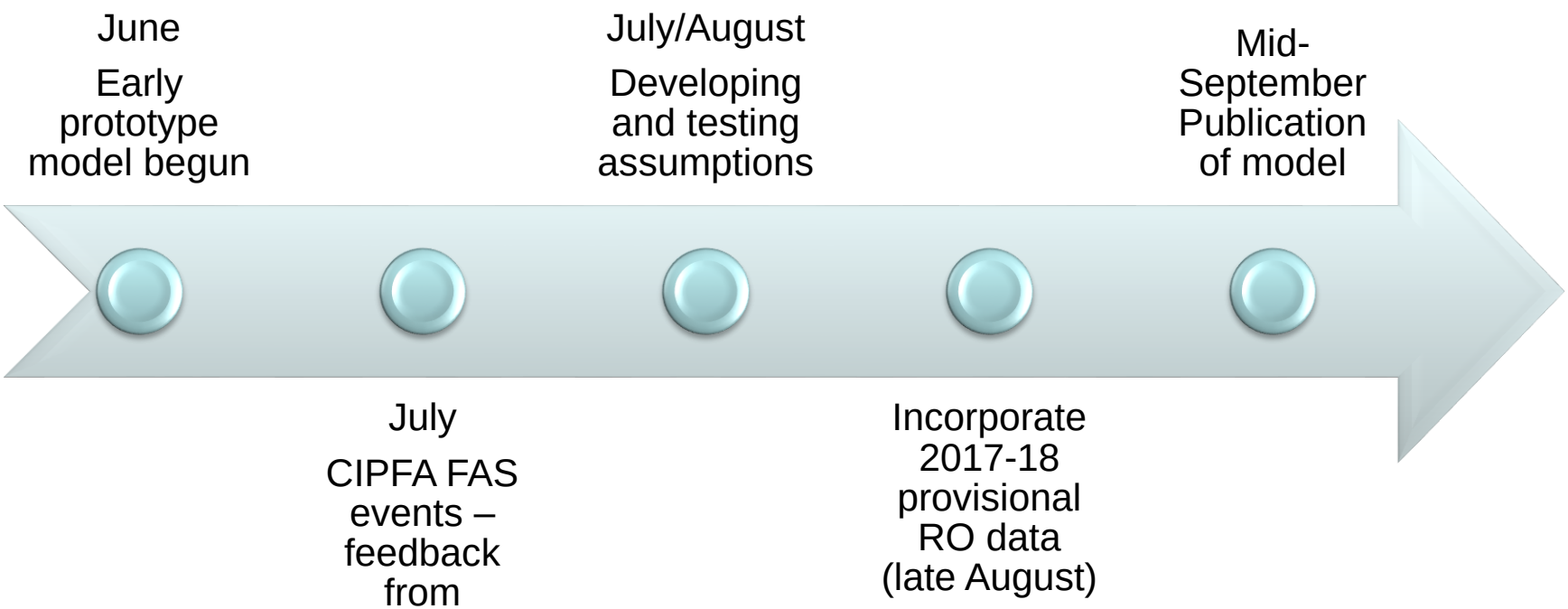
Select Authority:

Authority X

	Outturn				Forecast					
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Council tax requirement	44.2	49.3	53.5	58.5	58.6	63.2	68.2	73.6	79.4	85.7
Retained business rates	50.4	52.2	54.0	55.9	57.8	86.8	89.8	92.9	96.2	99.6
RSG	45.4	36.7	28.8	23.2	17.7	0.0	0.0	0.0	0.0	0.0
Police Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total specific grants	30.7	36.2	33.0	31.3	21.9	20.8	19.8	18.8	17.8	17.0
Investment income	3.7	9.0	2.4	5.3	5.5	5.8	6.1	6.4	6.7	7.1
Transfer to/from reserves	8.0	4.7	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Net Resources	**182.4**	**188.2**	**180.2**	**182.8**	**170.2**	**185.2**	**192.4**	**200.3**	**208.7**	**217.8**
Fees & charges	58.2	71.6	76.4	81.2	86.0	90.8	95.6	100.4	105.3	110.1
Other income	92.6	109.4	123.0	136.6	144.7	152.8	160.9	169.0	177.1	185.2
Gross Resource Envelope	**333.2**	**369.2**	**379.6**	**400.7**	**392.8**	**412.6**	**424.7**	**437.4**	**450.6**	**464.5**



Timeline for development of initial model



Key dates for ongoing development of the model over next year…

Date	Event	Impact
Oct 18	Conservative Party Conference (October 2018)	Possible government policy announcements
Nov 18	Publication of final Revenue Outturn data	Updated data
Nov 18	Publication of Council Tax base (CTB) data	Updated data
Nov 18	Budget	Policy/fiscal announcements & new data (OBR's Economic & Fiscal Outlook)
Autumn 18?	Possible consultation on the Fair Funding Review and 75% BRR scheme	More information to inform business rates assumptions
Dec18	Provisional LGF Settlement	2019-20 funding figures and policy announcements
Feb 19	Final LGF Settlement	2019-20 funding figures and policy announcements
Feb 19	2019-20 NNDR1 data published	Updated data
Mar 19	Spring Statement (March 2019)	Policy/fiscal announcements & new data (OBR's Economic & Fiscal Outlook)
Mar19	Possible Spending Review (March 2019)	Policy/fiscal announcements and new DELs
Mar 19	Council Tax Requirement (CTR data) published (27 March 2019)	Updated data
Jun 19	2019-20 Revenue Account Budget (RA) data published (June 2019	Updated data

Key questions for you…

- What is missing from the model?
- Are these all of the income streams?
- 3 levels of assumption – too much detail?
- Comparators - useful or not?
- Look and feel of the summary outputs?

CIPFA The Chartered Institute of Public Finance & Accountancy

Questions and Discussion ?

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