Council Finances Investigation

How to investigate local council budgets

This document is part of the Bureau Local Council Finances open resource folder.

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Overview

After a four-month investigation, the Bureau's work investigating local council budgets has produced these national stories:

- Is Surrey the next council in crisis?
- Councils on the brink as half plan spending cuts within children's services
- County councils in crisis: three more named as showing signs of financial distress
- Worcestershire buried report raising "urgent" concern over finances

This guide, plus the reporting recipes below, act as how-to guides to the stories above:

- Checking your council's financial health
- Checking your council's children's services spending
- Checking your council's service-level cuts
- Regional story leads and budget schedule
- Understanding council financial resilience reviews

For the project, Bureau Local read spending plans (draft budgets) published by 150 local authorities in England - those who had published their proposed plans by the end of Jan 2018 - to help build a council budget dataset.

Below is a short guide to help you find and interrogate these dense and complex documents.

Find out which local authorities are responsible for what services here - only some look after things like adult and children's social care, for example.

What are local council budgets?

Local authorities, which include county, district and unitary councils, as well as London boroughs and metropolitan boroughs, in England are legally obliged to set a balanced budget. Each year this budget is published in draft before it is voted on by a meeting of the full council. This meeting, usually held in February or March, is also where the following financial year's council tax rate is set.

Some authorities publish consultation documents months in advance of the final decision date to give the public the chance to respond to the proposals. Others reveal their plans at cabinet meetings (where the ruling party makes policy decisions) as little as a week before they are due to be voted on.

The documents contain details about:

- How much money the council needs to provide the services it is responsible for. The graphic below shows what each type of council is responsible for
- How much it expects to receive in funding or other money-raising activities in order to pay for these things
- How it intends to meet any shortfall between those two numbers

Where can I find local council budgets?

A council's budget proposals are first published online in the agenda of its cabinet (sometimes called executive) meetings. They are published, up to a week before the meeting is due to be held, in PDF format and are often accompanied by appendices that contain more granular detail. Sometimes they are published aside longer-term forecasts - called Medium Term Financial Plans - which lay out spending intentions over a longer period of time.

An example of a meeting where a draft budget was first published can be found here.

How do I find local council budgets and what are the documents called?

Visit the 'committees' section of the local authority's website and search the agendas of recent cabinet (or executive) meetings. Here are a few examples of what the files containing the 2018/19 local council budget plans could be named:

- 2018/19 budget
- Draft revenue budget and efficiency plan
- Financial prospects and budget strategy
- Initial budget proposals
- Council business plan
- The Medium Term Financial Forecast and Budget Strategy

Once you find the relevant file, make sure you save the document in case it is removed or changed in the future. Also ensure you read and save the appendices, which are usually listed under the main file name (some are simply added as links the bottom of the main budget proposal document).

An example of a draft budget document can be found here.

What should I expect to see inside the local council draft budget?

Draft budget documents vary in structure, length and detail from council to council. Generally they begin with a summary of key points, followed by a list of recommendations made by council officers who are employed as experts to advise on specific areas, outlining what they believe elected members should do to balance the budget. There follows a narrative that usually has this pattern:

- long term context

- changes to local government funding in the last year
- a summary of the council's position related to its main funding streams (council tax, business rates, etc)
- estimates of any new financial pressures facing council departments such as increases in the number of looked after children
- what the council is proposing to do in 2018/19 including a figure for the amount of cuts (also called savings or efficiencies) it needs to make in order to balance the budget
- Details about its capital expenditure (money spent on acquiring or maintaining fixed assets such as buildings or land)

How do I find this data in each of the columns in The Bureau's dataset?
You can find the Bureau's 'Data: Council draft budgets Investigation' spreadsheet here, which includes a 'Read Me' on the first tab explaining some of the coding used in the columns. The data referred to below can all be found in the Finance Summary tab.

Please note that different local authorities use different terminology to describe the same thing and they display this information in varying ways. The guide below gives more detail on the columns on the Finance Summary tab that contain complex information, or the Bureau's own calculations. If you're stuck feel free to contact garethdavies@tbij.com.

Council's net budget 2017/18 (column F): The sum of the council's incomings and outgoings, and the figure you need to put other information (such as level of cuts) in context. The figure in our spreadsheet is taken from the information submitted by councils to the Ministry of Housing, Communities & Local Government. However, it should also be included in most draft budgets, either in the main documents or the appendices.

Tip: the best way of finding it is to Ctrl+F 'net revenue budget' or '2017/18'.

Spending cuts planned 2018/19 (column G): the amount that a council says it must cut spending in order to balance its budget, due to changes in the funding it receives and the additional costs it has identified. This number is often but not always included in the summary at the top of the draft budget report.

Note: our figure is the total amount of cuts the council believes it has to make **before** any of the measures being proposed in the budget plan. Sometimes a council will summarise that it has a balanced budget, or needs to make x savings, but closer inspection shows this is only after making x amount of previously agreed cuts. To find this information Ctrl+F the following phrases: savings, efficiencies.

Note: not all councils will be in the situation where they are planning to make spending cuts. The number in the column will be + or - if it is not planning any spending cuts?

Unidentified cuts does this need 2018/19 (column H): this is the total amount of 'cuts', 'savings' or 'efficiencies' which, at the time of publication, the council has not been able to find within its various departments. It can mean the council may have to use its reserves, or other one-off measures, to balance its budget. This figure can be straightforward to find because some councils make it clear there is a gap they need to fill. Others may not be so specific and you may not be able to identify this figure without directly contacting the council in question.

Note: this can be a constantly changing figure and, like the others in our dataset, needs to be checked with each council before being published.

Contributions from reserves (column I): this is the amount of money council has said it will use from its reserves to balance the budget. These are one-off cash injections that do not create a recurring saving, as cutting a service would do. This means the same gap will exist in the budget next year.
To find this information Ctrl+F ‘reserves’.

Funding gap (column J): this is a Bureau calculation that represents the total amount of spending cuts being proposed, added to the total amount of reserves being used, to represent the full extent of the gap the council has had to fill.

Funding gap as a % of council’s net budget (column K): this puts the above amount in context by comparing it with the council’s total annual resources.

Budget general reserves 2017/18 (column N): The amount of money the council has in its general - or emergency - reserve. Strictly speaking these funds are supposed to be used only in unforeseen and serious circumstances (such as major flooding). However, councils have been using this money to balance their budgets. The figure in our dataset is taken from the data submitted to the government for 2017/18 and represents their estimate of what the amount of money the general reserve will contain at the end of the current year.

Tip: you should be able to find the council’s forecast for what the reserve will be in 2018/19 by searching the draft report and appendices for: ‘general reserves’ or ‘unallocated reserves’.

Budget general reserves as a % of budget (column M): the ‘budget general reserves 2017/18’ figure above as a % of the council’s net budget. While it is down to each council to decide what the safe level is, it is generally accepted across the sector that it is a serious risk for the general reserve to fall below 3% of the net revenue budget.

Additional interesting information
So far we have listed how to find the information in our Finance Summary tab of the ‘Data: Council draft budgets investigation’ spreadsheet in the Big Council Budget Hack Day folder. Below is a list of other key financial details contained in local council budgets and how you can find them.

Revenue Support Grant (RSG): the main source of funding provided to local authorities by the government. This has been cut significantly and all support of this kind is due to end by

2019/20. We found information on this area of funding in almost all of the draft budgets we read.

Tip: to find, Ctrl+F ‘Revenue Support Grant’, ‘RSG’.

‘Negative’ Revenue Support Grant (RSG): In 2019/20, some authorities (such as Cambridgeshire, West Sussex and Woking) face paying funding back to the government, referred to by authorities as ‘Negative RSG’.

Tip: some councils will mention this in the narrative of their draft budget documents, so the phrase can be searched for. But you can also find it by checking the Revenue Support Grant column of any financial summary tables within the reports, and looking for a ‘-’ figure (e.g. Woking’s RSG is -£991,000 in 2019/20). You can then compare this figure with the council’s net budget in column F (see above) to show the extent of the added pressure this causes.

Note: the government announced in December 2017 that it would review Negative RSG, with the results of this review expected in December 2018.

Business rates: local government is being moved towards a system of funding based on business rates. The government plans to introduce the new system, whereby councils retain a greater share of the funds they raise locally from businesses located in their area, by 2020/21. However, the potential to raise money this way varies hugely from council to council.

Tip:this data will be in the business rates section of the budget report, which can be found by searching that phrase, or alternatively ‘NNDR’.

100% business rates pilot: a small number of councils are taking part in a government scheme which sees groups of local authorities retain 100% of the business rates they collect. The latest authorities in the pilot are: Berkshire, Derbyshire, Devon, Gloucestershire, Kent and Medway, Leeds, Lincolnshire, Solent, Suffolk and Surrey. The council will have made it clear in the report if it applied to take part in this pilot, whether it was successful in joining and the potential impact.

Tip: ctrl+F: business rates pilot’

Council tax: the third and most prominent of the three main sources of local government funding alongside RSG and business rates. Local authorities can raise council tax by as much as 2.99% without the need for a local referendum (including an extra 1% announced in December). Councils with responsibility for social care (list) can raise it by a further 3% annually, but this money has to be ring-fenced for adult social care.

The budget plans will make clear (often in the summary at the start) what changes the council intends to make to council tax.

Budget cuts since 2010/11: It is estimated that local authority funding has been cut by 40% (not including money raised locally). Most councils provide this figure in the long term context section of the report.

New Homes Bonus: A non-ringfenced financial bonus awarded to local authorities by the government for building new homes or bringing disused ones back into use. This has become a major source of funding for district councils because the funding is a higher proportion of their budgets.

A cut to this funding was announced last year and most councils in our study of 150 draft budgets predict this funding will fall in 2018/19 and beyond. This information can be found if you Ctrl+F the phrase 'New Homes Bonus'.

Service-level changes: the budget reports contain information about proposals to increase or decrease funding for specific services. In most cases this detail is included in the appendices to the main report.

Current-year financial performance
So far this guide has suggested how you can look at past expenditure and future spending plans. But what about the current year?

Councils also publish financial performance updates. These are published either monthly or quarterly in the agendas of cabinet (or executive) meetings. An example of a meeting where these documents were published can be found here.

The name of the documents varies, including:
- Revenue Budget Performance
- Budget Control Report
- Performance Monitoring Report

An example of one of these reports can be found here.

What do these reports say?
These documents provide the latest estimate of final spend (or outturn) for the council's overall net budget, along with estimates for the final spend for each of its departments.

It starts with a summary, which usually includes the forecast of what the council's overall position will be at the end of the financial year, essentially showing whether the budget will be balanced, under-spent or over-spent.

The document will also include a narrative about the overall financial position of the council and then for each of the departments individually. Within these narratives there will be useful figures for the projected outturn in each year and an explanation of why the council is in that situation (i.e. if children's services is projected to overspend, the council may say it's because of an unexpected increase in the number of 'looked after children').

At some point in the document there will be a table of figures for all departments. The column to look out for is called ‘forecast variance’ (or something similar). This refers to the estimated variance - or difference - between a department’s budget and what it has spent by the end of the year. The way in which this is displayed can vary but, generally, a positive number means an overspend and a negative number means an underspend.

Table 2: Revenue forecast (Q2 2017/18)

Service	Original Budget £000	Revised Budget £000	Q2 Projected Outturn £000	Variance from Revised Budget Adv/(fav) £000	Variance from Revised Budget Adv/(fav) %
Adults and Communities	87,145	87,184	87,379	196	0.2
Assurance	5,859	6,096	6,375	279	4.6
Central Expenses	52,723	43,507	42,207	(1,300)	(3.0)
Commissioning Group	33,834	34,109	34,607	498	1.5
CSG	21,161	21,836	22,036	200	0.9
Education and Skills	6,525	6,715	6,774	59	0.9
Family Services	52,445	58,471	59,816	1,345	2.3
Housing Needs and Resources (Barnet Homes)	5,560	5,560	6,970	1,411	25.4
Re	(824)	326	429	103	31.6
Street Scene	12,881	13,395	13,809	414	3.1
Total	**277,309**	**277,199**	**280,402**	**3,203**	**1.2**

For example, the above table shows that the council is forecast to overspend by £1.345m on Family Services but underspend on Central Expenses by £1.3m.

Why does this matter?

If a council is overspending in a particular area, especially towards the end of the year, it may have to take additional measures to balance its budget. Usually this means the use of reserves or other one-off monies like?. These are finite resources which, if depleted substantially, can be a cause of financial concern, especially if the council regularly overspends.