

Cabinet & Policy Development Groups

4 January 2018

Budget 2018/19 - Update

| | |
|--|--|
| Portfolio Holder | Cllr Peter Hare-Scott |
| Responsible Officer | Director of Finance, Assets and Resources |
| Reason for Report: | To review the revised draft budget changes identified and discuss any further changes required in order for the Council to move towards a balanced budget for 2018/19. |
| RECOMMENDATION: | To consider and agree the updated General Fund budget proposals for 2018/19 included in Appendix 1 and the Capital Programme included in Appendix 2. |
| Relationship to Corporate Plan: | To deliver our Corporate Plan's priorities within existing financial resources. |
| Financial Implications: | Now the Council has received notification of its Formula Grant Settlement it is imperative that it matches current and ongoing expenditure plans to estimated sources of income/funding. |
| Legal Implications: | It is a statutory requirement for the Local Authority to set a balanced budget. |
| Risk Assessment: | Service managers and Finance staff have assessed volatility in income and large contractor budgets, taking account of current and estimated future demand patterns. This position has been revised based on an additional two months of financial monitoring information and the changes announced in the Formula Grant Settlement released on the 19/12/17. In addition prudent levels of reserves will also continue to be maintained. |

1.0 Introduction

- 1.1 On the 19 December 2017 the Council received formal confirmation of its Formula Grant Settlement. Our provisional formula grant award for 2018/19 amounts to **£2.7m**. However this figure includes the successful bid from the Devon Pool for the 1 year Business Rate Pilot and will require some more detailed analysis by finance officers over the next few weeks.
- 1.2 From the initial reading of the Settlement it appears previously proposed RSDG cuts are not being made in 18/19, however it appears likely that this is being assimilated in NNDR figures that require further review.
- 1.3 As part of the settlement the Council has also been given the freedom to raise its council tax by an additional 0.4% (from the current Budget draft approved on 26/10/17 at Cabinet) this means that rather than a maximum 2% or £5

(whichever the greater) Band D increase in Council Tax we can now increase by a maximum 3% without going to referendum. This additional 0.4% equates to an additional £22k for the authority in Council Tax Revenues.

2.0 2018/19 General Fund Budget - Revised Position

2.1 Since the first round Cabinet and PDG meetings the Finance team and service managers have been revisiting a range of budgets to deliver more savings or increase income levels. Please see summary table below:

Table 1 – Reconciliation of Major 2018/19 Budget Variances

| Variances | Amount £k |
|---|------------------|
| | |
| 18/19 Budget Shortfall (Cabinet Report 26/10/17) | 617 |
| | |
| Further Cost Pressures identified | 570 |
| Additional savings identified | (231) |
| | |
| 18/19 Revised Budget Shortfall | 956 |
| | |
| 2% Staff Pay award offer (1% previously built in) | 116 |
| Business Rate 100% Pilot bid accepted (1 year only) | (230) |
| Business Rate Growth (Solar & Benefit of Devon Pool) | (150) |
| Funding from sinking funds & reserves (ICT & Leisure) | (215) |
| Other additional savings identified | (174) |
| | |
| 18/19 Revised Budget Shortfall | 303 |
| | |
| No reduction in Rural Services Delivery Grant | (86) |
| 3% increase in C/Tax (2.6% previously built in) | (22) |
| | |
| Draft budget gap for 2018/19 | 195 |

3.0 The recent Funding Settlement

3.1 It would be fair to say that the settlement data received by the Council on the 19/12/17 is the most complicated set of figures received in recent years. The potential abolition of RSG (Revenue Support Grant), RSDG (Rural Services Delivery Grant) and significant revisions to Business Rate baseline funding levels, tariffs and levy rates which have been accompanied with detailed explanatory notes now makes finalising the funding element of the Council's budget far more challenging. Therefore the finance team is now undertaking further review of this data in conjunction with meetings with other Devon Authorities and the consultants who all worked on compiling the 100% Business Rate Pilot bid.

4.0 Conclusion

- 4.1 It is encouraging that the Council has managed to significantly close the budget gap of £617k discussed at earlier meetings, even after the potential pay award adding an additional £116k and new legislation relating to Homelessness Reduction adding circa £50k to the budget.
- 4.2 Moving forward Members and officers need to reflect on the Business Rate pilot only being a 12 month process and that we will potentially see the loss of a short term financial windfall when we return to the traditional grant settlement in 2019/20. Probably the biggest concern for the future is the new New Homes Bonus arrangements that have seen circa £0.7m removed from this funding source on an annual basis, coupled with the threat that further revisions may be made from 2019/20 onwards.
- 4.3 In order to conclude the statutory budget setting process, this updated draft budget position will go through Cabinet, another round of PDG's and Scrutiny, before being agreed at Full Council on the 21/02/18. During this period officers will continue to identify and examine further savings possibilities that can reduce the current budget gap.

Contact for more information: Andrew Jarrett – Director of Finance, Assets and Resources

Background Papers: Draft 2018/19 Budget Papers
Grant Settlement Email

File Reference:

Circulation of the Report: Leadership Team, Members & Relevant Service Managers