

Revenue Budget – Addendum to the Medium Term Financial Plan 2019-22

Cabinet Member(s): Cllr Mandy Chilcott – Cabinet Member for Resources

Division and Local Member(s): All

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Forward Plan Reference:	FP/18/11/05		
Summary:	<p>It is positive and encouraging to be able to update the Cabinet on the updated financial information released at the end of January 2019. This addendum reports the latest details, along with the reasons for the variances and the proposed changes to the Medium Term Financial Plan report for members' consideration at the meeting.</p> <p>For ease of understanding, the recommendations included in the main report are repeated below with tracked changes to guide readers to clearly see the changes.</p>		
Recommendations:	<p>That the Cabinet agree and recommend to Full Council to the amended recommendations as set out below including tracked changes highlighted :-</p> <ol style="list-style-type: none"> 1. Agree a gross revenue budget of <u>£780.181m</u> and a net revenue budget in 2019/20 of <u>£327.967m</u> 2. Agree the application of up to <u>£2.791m</u> in 2019/20 of capital receipts to fund the revenue costs associated with reforming services, subject to further development and review of business cases. 3. Delegate authority to the S151 Officer, in consultation with the Chief Executive and the Director for Corporate Affairs to review all business cases before agreeing to the use of capital receipts or the Invest to Save reserve. 4. Agree the replenishment of depleted reserves as follows: <ol style="list-style-type: none"> a. Create Invest to Save earmarked reserve of £2.852m to ensure resources are available to support further service reform; b. Addition of £2.000m to the General Fund, from the base budget provision, to bring the balance up towards a reasonable level for a Council of this size, and; 		

- c. Contribute an additional £3.389m to repay the Buildings Maintenance Insurance Scheme (BMIS) and Repairs & Maintenance Fund deficit reserves as the schemes have now ended;
 - d. Addition of £0.540m to the Insurance Fund to partially replenish the fund to enable it to support likely claims against the Council.
5. Agree the actions required to manage the gap to be reduced to £15.112m in 2019/20:
 - the reversal of previously identified savings and technical adjustments totalling £18.154m as set out in paragraph 4.5 and Appendix A
 - approve the revised Minimum Revenue Provision (MRP) statement and policy (Appendix B), which delivers a saving in 2019/20 of £3.714m;
 - the reduction of the corporate contingency by £0.575m to £7.226m for 2019/20;
 - the use of the additional one-off Adult Social Care grant of £2.498m to meet the requirements set out by Government for this grant;
 - the use of the additional one-off Social Care grant of £4.267m for social care pressures, and;
 - approve the removal of the staff unpaid leave saving of £0.454m following rejection of the proposal by the Unions.
6. Consider the proposed treatment of the minor funding changes following receipt of the Final Financial Settlement received on 29 January 2019 and the potential use of these additional resources as set out in Table 2 of this report.
7. Agree the proposals for change (as set out in Appendices D and E1-E5 – subject to any amendments agreed by recommendation 6 above) necessary to set a balanced budget for 2019/20, totalling £8.512m, and delegate the implementation to the relevant director(s) following due process.
8. Agree that due regards have been taken to any equalities implications identified and risk implications prior to any decision being taken in relation to the recommendations in this report, noting the initial equalities impacts as set out in Appendix C.
9. Agree that the savings target relating to Waste Disposal costs (£225k) is endorsed to the Somerset Waste Board to consider agreeing to make savings to this value as part of setting its 2019/20 budget.
10. Agree the Strategy for the Flexible use of Capital Receipts (CRF) as set out in this report, in section 4.40.
11. Agree to keep the Scheme of Members' Allowances unchanged for 2019/20.

12. Note that the Leader of the Council, Cabinet Member for Resources, Chief Executive and Section 151 Officer will oversee and monitor the delivery of the proposals for change and report on progress as part of the budget monitoring reports.
13. Delegate authority for the development of any additional alternative proposals for change that may be necessary to the Chief Executive in consultation with the Section 151 Officer and relevant Director(s).
14. Agree that the Cabinet and the Council have reviewed and confirmed that account has been taken of the Section 151 Officer's assessment of the robustness of estimates and adequacy of reserves as set out in section 6 of this report.
15. Agree the Reserves and Balances Policy Statement in Appendix K
16. Agree to increase the level of the general Council Tax by 2.99%, which will provide a further £7.073m to support the Councils expenditure.
17. Agree to increase Council Tax by a further 1% for the adult social care precept, which will provide a further £2.365m to support the growth in demand for services.
18. Agree to continue the Council Tax precept of £12.84 within the base budget for the shadow Somerset Rivers Authority (representing no increase). This results in a Council Tax Requirement of £2.547m
19. Agree to set the County Council precept for band D Council Tax at £1,239.73 which represents a 3.99% uplift. This is a rise of £0.91 per week for a Band D property, as set out in Appendix H.
20. Note that the amount of council tax payable for dwellings listed by valuation band, calculated in accordance with the proportion set out in Section 5(1) of the Local Government Act 1992, shall be as follows:

Valuation Band	Amount (£)
A	826.48
B	964.23
C	1,101.98
D	1,239.73
E	1,515.23
F	1,790.72
G	2,066.22
H	2,479.46

21. Agree that the district councils are requested to make payments totalling £245.955m to Somerset County Council of sums due under precepts calculated in proportion to their council tax Band D equivalents as follows:

District	Total Precept (£)
Mendip District Council	50,204,179.15
Sedgemoor District Council	50,839,974.83
South Somerset District Council	74,713,671.47
Somerset West & Taunton	70,196,974.55
Total	245,954,800.00

22. Note that the district councils are required to make payments of precept by equal instalments of the above sums on the following dates:

18	April	2019	18	October	2019
22	May	2019	18	November	2019
21	June	2019	17	December	2019
22	July	2019	20	January	2020
20	August	2019	18	February	2020
19	September	2019	18	March	2020

23. Additionally, note that payments be made by the district councils (or to them) in respect of the estimated surplus/(deficit) on their collection funds by the 31 March 2019*

*although the final value of both the Council Tax and Business Rates collection fund surplus/(deficit) have yet to be confirmed by districts, the Council has estimated a surplus of £3.000m for the council tax collection fund and a break-even (£nil) position for the business rates. Late changes to the funding levels for the Council are proposed to be reflected as set out elsewhere in this addendum.

24. Agree to maintain the Council Tax rate set above after the Final Local Government Settlement.

1. Reason for the amendments

- 1.1. Since the Medium Term Financial Plan report was published the Council has, as expected, received confirmation of a number of key pieces of information impacting on the total funding available to the Council for 2019/20.
- 1.2. To support effective decision making this addendum sets out the changes to give members maximum transparency as they determine the Council's budget for 2019/20.
- 1.3. The new information covers:
 - the Government's Final Financial Settlement for 2019/20 (confirmed on 5 February 2019);
 - the final, estimated council tax collection levels from district and borough colleagues (31 January 2019), and;
 - updated estimates of business rate retention (received and analysed on 4

February 2019).

- 1.4. The changes are explained below and summarised in Table 1.
- 1.5. The Final Financial Settlement was published by Government on 29 January 2019 and confirmed by Parliament on 5 February 2019. As expected there were only marginal change from the figures published in the Provisional Settlement in December 2018. The only change was to allocate funding of £0.087m to each council to assist with Brexit preparations. This funding has been allocated for the current financial year (2018/19) and 2019/20.
- 1.6. The County's district and borough councils (the collecting authorities) are required to confirm, by 31 January each year, the numbers of properties upon which council tax will be levied in the up-coming financial year. Estimates were used in the MTFP report and confirmed figures reflect an increased figure against Sedgemoor's estimate and confirmation of previous numbers for other districts. This amounts to an additional £0.534m of council tax for 2019/20 that will be on-going into future years.
- 1.7. The collecting authorities are also required to notify the County Council (the precepting authority) about their surplus or deficit on the level of actual council tax collected in a financial year (i.e. 2018/19) compared to their estimate from January 2018. Whilst they have helpfully shared estimates earlier, the final levels cannot be known until 31 January. Previous estimates, included in the MTFP, suggested a surplus of £3m would be achieved. In fact, this has amended marginally and is now confirmed as £2.802m, a reduction of £0.198m. This is a one-off sum that varies from year to year.
- 1.8. Finally, collecting authorities confirm their collection fund balance for business rate collection for the previous year alongside updating their estimates for the forthcoming financial year. As part of this they review their level of provisions for appeals by businesses against the assessment of their rateable value. The cumulation of these changes (£0.905m in Table 1) alongside further analysis of the implications of the County's business rate pilot position for 2019/20 is that the County as a whole, and the County Council in particular, has a further one-off benefit in 2019/20.
- 1.9. The business rates appeals provision has been revised downwards, which releases more funding to both the collecting and precepting authorities, while the BRR pilot means that we now have a further share of the Government's S31 Grants (£1.970m in Table 1); those grants that compensate local authorities for the discounts that the collecting authorities must apply to small and other qualifying businesses. The advisers who worked on the Somerset BRR bid have now modelled all of the information available to produce the updated figures set out in the table below. It is also noteworthy that the County Council will be responsible for holding the County-wide investment fund (estimated to be about £4m) resulting from the BRR pilot. This will be placed in an earmarked reserve to be drawn upon as required.

1.10. **Table 1: Summary of Funding Movements**

Movement	One-off £m	On-going £m	TOTAL £m
Brexit grant	0.087 *	-	0.087
Council Tax – precept	-	0.534	0.534
Council Tax – collection surplus	(0.198)	-	(0.198)
Business rates – retained	0.905**	-	0.905
Business rates – collection surplus	0.243	-	0.243
S31 Grants (excluding county-wide pot and rolled in pooling gain)	1.970***	-	1.970
TOTAL	3.007	0.534	3.541

* One-off in 2018/19 and 2019/20

** Additional NDR will be ongoing, but actual amount in futures years uncertain

*** Any gains are possibly on-going, but unclear at present (given uncertainty surrounding the BRR regime in 20/21)

2. Proposed Application of Additional Funds

2.1. A part of the narrative of the MTFP report despatched with the agenda comments on the need to build financial resilience of the Council when there is uncertainty for the financial years 2020/21 and beyond. In that context it is tempting to use the additional funds described above to only build further resilience. However, it is also recognised that some of the proposals for change already agreed or pending discussion are challenging in terms of service delivery. Hence it is suggested that some of the additional funding is applied to those proposals in order to alleviate some or all of that service impact. Proposed uses of the funding are set out in Table 2.

2.2. **Table 2: Proposed Application of Additional Funds**

Application of Funds	Ongoing £000	One-Off £000
Capacity to reinstate Gritting Routes, following review in April 2019 – original decision made in September 2018.	200	
Do not take forward proposal for reducing Gully Emptying – EC1920-01	80	
Do not take forward proposal for reducing Reactive Jetting – ECI1920-11	40	
Delay reduction in Flood and Water Management budget – EC1920-08		80
Delay the Pathway to Employment reduction – Corp1920-01		50
Delay the proposal to reduce Care Home Dementia support – Adults1920-08		100
Funding for preventative work, including for localised impact – detail to be worked up – new proposal		500

Opportunity to reduce pressure on Capital Receipts ¹ – new proposal		1,000
Further replenish negative earmarked reserves – BMIS ² and R&M ³ – new proposal - 2019/20 only	34	1,277
Additional contribution to Insurance Fund Reserve - 2019/20 only	180	
Totals	534	3,007

NB

1. Capital receipts are being used to support transformation; this sum would alleviate some of the pressure to release assets to fund transformation activity
2. BMIS = Building Maintenance Insurance Scheme – a now ceased scheme to support the maintenance of schools – overspend from previous years.
3. R&M = repairs and maintenance – overspend from previous years

3. Conclusion

- 3.1. The additional funds now available to the Council are to be welcomed. They will enable the Council to consider options for improved resilience and dealing with some of the more challenging proposals for change.