

2018/19 Medium Term Financial Plan, Capital Investment Programme and Provisional Local Government Finance Settlement

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Cabinet Member: Cllr David Hall - Cabinet Member for Resources and Economic Development
Division and Local Member: All

1. Summary

- 1.1. This report updates Members of the Scrutiny for Policies, Adults and Health Committee on the Medium Term Financial Plan, the 2018/19 Capital Investment Programme and includes an overview of the Provisional Local Government Finance Settlement.

Sections 2 to 5 and section 7 cover the general MTFP information which will be presented to all Scrutiny committees and Cabinet. Sections 6 and 7 specifically focus on those issues that relate to the Adults and Health budgets, including Public Health, for revenue and capital expenditure respectively.

2. Provisional Local Government Finance Settlement 2018/19

- 2.1. On 19 December 2017 the Secretary of State for Communities and Local Government Sajid Javid MP announced the Provisional 2018/19 Local Government Finance Settlement. The announcement set out provisional funding allocations for 2018/19 which were originally announced in December 2015 as part of the multi-year settlement offer.
- 2.2. The main announcements from the settlement are
- An “aim” to localise 75% of business rates from 2020-21 and implementation of the new needs assessment;
 - Confirmation of the continuation of the Adult Social Care precept including the additional flexibility to raise the precept to 3% this year but by no more than 6% over the 17-18 to 19-20 period;
 - Increased council tax referendum principle from 1.99% to 2.99% for 2018-19 and 2019-20;
 - Continuation of the Capital Receipts flexibility programme for a further three years until 2021/22;
 - Rural Services Delivery Grant reduction for 2018/19 has been cancelled,

providing a £500k increase in our expected funding;

- Revisions to the calculations for business rates baselines and New Homes Bonus that for SCC effectively reduce our available funding by £475,000;
- In addition to those already announced; ten 100% business rates retention pilots have been approved for 2018-19 but Somerset was not successful in its bid;
- Consultation in Spring 2018 on “fair and affordable options” to tackle negative Revenue Support Grant in 2019-20. This does not affect SCC but it does affect some district councils in Somerset.

3. Business Rates Pilot / Pool

- 3.1.** Along with the 5 Somerset District Councils, the County Council submitted a bid to government to be one of the pilots for 100% Business Rates Retention. A successful bid would have meant SCC could gain between £3.5m to £4.0m to support its revenue budget pressures. In addition, the pilot would create a fund to invest in economic development projects in Somerset of a similar amount.
- 3.2.** As part of the provisional finance settlement the successful pilots were announced and Somerset was not successful.
- 3.3.** Despite not being successful in the Pilot application, the County Council will be part of a Pool with the 5 Somerset District Councils and this should generate over half a million pounds towards our revenue gap.

4. Current Forecast Position

- 4.1.** The MTFP gap increases and decreases constantly as various factors affect our budgetary position. On the positive side, the increased levels of funding received via the Improved Better Care Fund along with a stabilisation of costs in Adult Social Care and Learning Disabilities have helped to reduce forecasted pressures in these services.

In terms of our funding, estimates have been received from District Councils for Taxbase numbers and collection fund surplus and these are sufficiently buoyant to include as an additional income of £0.550m regarding taxbase and £1m in terms of the collection fund.

- 4.2.** However, on the negative side, as part of the annual roll-over process of the MTFP, we have reviewed the existing and future delivery of savings agreed for the 2017/20 MTFP, and it is clear that some of those savings are no longer considered to be deliverable. In line with setting a robust budget we have taken these into account and had to re-adjust savings values required to balance the budget. In addition, the probable pay award pressure at 2% will add to SCC costs by approximately £2.2m and this has been included in our estimates at present. These factors have resulted in the overall gap in 2018/19 being £13m.

Recommendations to Cabinet will include increasing the basic council tax by 2.99% and increasing the Adult Social Care precept by 3%. This will help reduce the pressure to make sufficient savings and provide much needed funding to

Adult Social Care to meet service demand and increasing LD costs.

- 4.3.** The Band D charge last year for SCC was £1,124.79
The 2.99% increase for basic Council Tax will add £33.63
The 3% Adult Social Care precept will add a further £33.64

The total Council Tax bill will therefore be £1,192.16 for SCC. The £67.37 increase represents £1.30 per week.

All of the above figures are subject to slight variation when we finalise the Cabinet papers.

5. 2018/19 Revenue Budget Approach

- 5.1.** In July 2017, the Cabinet agreed to continue with the new approach adopted in February for 2017/18 of identifying savings across Themes. This is an outcome-led approach aimed at redefining services to meet resident's needs and maximise available resources for the Council's priorities. It remains critical that the Council takes a longer term, strategic approach, despite the fact that uncertainty over funding beyond 2020 makes that more challenging.
- 5.2.** The Council has taken a strategic approach to the development of savings proposals required to close the gap of £13m. The focus for delivering savings will be primarily through a comprehensive review of all existing and planned contracts reducing our third party spend.

Some of the savings in our contractual expenditure will be made via better procurement, working with our supply chain to reduce rates and unit costs but we must also try to reduce demand and the volume of activity put through those contracts. In some instances we will have the opportunity to revisit contracts about to expire and this provides the chance to rethink how we approach the market for the provision required and really examine what outcomes are most needed.

- 5.3.** The second area of focus will involve trying to identify a number of smaller projects that will manage demand or find efficiencies within services. This will entail looking at our staffing and particularly management levels throughout the organisation to see if we can use technology better to try and see where any further efficiencies can be made. Inevitably, with the pressures we face, having lost a further £10m in government grant with no permanent solution likely until 2020/21, we need to look to fund services through a combination of these savings and by increasing council tax to ensure we meet our statutory functions.
- 5.4.** Members of the committee are invited to comment on any individual matter arising from these papers. As in previous years, any alternative savings proposals the Committee would like to recommend to Cabinet would be considered in the context of achieving a balanced and robust Revenue Budget position.

6. Adults and Health Services Savings Proposals

- 6.1.** The total budget for Adults' Services is £137m and the proposed savings related to this budget will be £3.4m (2.5%), made across a number of activities.

The main way in which savings will be by continuing with the demand management approach adopted in the service model utilised in West Somerset in 17/18, and rolling this model out across Somerset. The approach to promote independence and enable the elderly to do more for themselves has reduced costs in West Somerset and is predicted to help deliver savings in all areas of Somerset.

Alongside this there has been a systematic review of costs for the service and we will seek to increase contributions to those costs from our partners.

We will review existing contracts including the contract for extra care housing in the next 12 months to see if anything can be done to identify savings while promoting the independence that is a fundamental principle in delivery.

- 6.2.** The SCC Public Health budget is £1.070m. The savings proposal for this budget is to reduce it by £107,000, through small reductions to a number of project budgets, including training. The initial view therefore is that this will only be a one-off saving for next year. This saving is considered to be achievable for the 2018/19 financial year but we will review subsequently whether other savings are possible.

7. Capital Investment Programme

- 7.1** The recommended capital investment programme at this stage includes only one item that relates to Adults and Health budgets.

It is proposed that a sum of £70,000 is included in the programme to fund Housing adaptations. These adaptations will help a number of people with complex learning difficulties who are currently placed out of county to both return to Somerset and to move to more appropriate accommodation.

- 7.2** On a more general note the capital programme includes for 2018/19 a significant investment in our schools. The funding of this investment is subject to further announcements by government either in our final settlement or separately as the DfE and other government departments reveal their capital allocations. It is not clear how much resource SCC will have towards funding its needs.

The scale of the schools programme is considerable but we do not know how much we can expect in DfE grant. We have also submitted a bid to the Housing Infrastructure Fund in conjunction with Taunton Deane and Sedgemoor councils that would fund around £80m of infrastructure projects supported by the three councils. If this bid is successful, the resources to support the capital investment programme for SCC could be increased by £15m.

- 7.3** At present, we have been advised of our highways grant at around £24m and some other smaller educational grants which gives a total known funding through grant of £29m. If we can secure further grant via the DfE for basic need and some specific projects and we are successful in our Housing Infrastructure Fund bid, we may have as much as £50m towards our investment needs. The range of possible funding is therefore considerable and so we will need to wait until we have more security of funding before we can allocate it to the evaluated bids.

- 7.4** The shortage of capital funds is a known issue for all county councils and representations have been made to DCLG through the consultations on the Fairer Funding Review last summer that government has to recognise the pressures on councils to meet the growing need.

The national push to increase the number of houses built is being addressed in Somerset but the consequence is a need to match this with highways and schools infrastructure. Of course, there is a lag between the investment required by councils and the additional council tax that ensues from the new housing. The increase in the taxbase may be as much as £2m if the scale of development proceeds as planned.

The developer contributions have never been enough to cover this up-front investment and it seems the viability in some developments is putting a downward pressure on their willingness or ability to agree to s106 contributions. This only serves to create a bigger pressure on SCC and other councils to meet the infrastructure costs themselves.

- 7.5** In summary, the likely scale of the capital investment needed will exceed our available resources but we have to await the outcome of announcements by government before we can gauge the real gap. The provisional programme may therefore be amended when presented to the February Cabinet and Full Council meetings.

8. Background papers

- 8.1.**
- County Council 15 February 2017: [Report of the Leader and Cabinet](#);
 - Cabinet 10 July 2017 [MTFP Development report](#)
 - Cabinet 15 November 2017: [Medium Term Financial Plan 2018/19 – Proposed Capital and Revenue Savings](#);
 - [Provisional local government finance settlement](#): England, 2018 to 2019.

Note For sight of individual background papers please contact the report author