

<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>13<sup>th</sup> December 2017</b>
<b>Subject:</b>	<b>Draft Budget Proposals 2018/19</b>
<b>Report of:</b>	<b>Chief Finance Officer</b>
<b>Cabinet member:</b>	Councillor Gill Mattock
<b>Ward(s):</b>	All
<b>Purpose of the report:</b>	To summarise the main elements of the emerging 2018/19 revenue budget that has arisen from the corporate and service financial planning process to date.
<b>Decision Type:</b>	Key Decision
<b>Recommendations:</b>	Members are asked to: <ul style="list-style-type: none"> <li>i) Agree the draft budget proposals for consultation.</li> <li>ii) Agree the approach to dealing with changes in the expected resources available for the 2018/19 budget as detailed in 5.3.</li> <li>iii) Agree that subject to there being no material change in the government settlement that Cabinet is minded to propose a council tax rise of 1.97% for 2018/19 to make a Band D charge £237.51 for Council services.</li> <li>iv) Note that there are a lot of announcements yet to be finalised by Government and that currently the proposed budget is showing a gap of £163k between the resources available and the draft budget.</li> <li>v) Agree the strategy to close the gap as shown in 5.3.</li> </ul>
<b>Reason for recommendations:</b>	To formally launch consultation on the 2018/19 general fund revenue budget.
<b>Contact:</b>	Alan Osborne, Chief Finance Officer, Tel 01323 415149 or internally on ext 5149

## **1.0 Introduction**

1.1 Each year the Council consults with a range of stakeholders on its detailed draft budget proposals for the following financial year. This follows consultation on the corporate plan and Medium Term Financial Strategy (MTFS), which is carried out

over the summer and autumn. The results of the corporate plan consultation are reported elsewhere on this agenda.

- 1.2 The Cabinet will consider initial responses to the consultations at this meeting and finally on 7 February 2018 in order to recommend a final budget for 2018/19 and revised capital programme to the Council on 21st February 2018.
- 1.3 The process of service and financial planning is an integral part of the corporate planning cycle that looks over a medium term horizon. The corporate change programmes principally the Joint transformation programme (JTP) pick up the challenge set by the MTFS.
- 1.4 The MTFS agreed in July 2017 modelled the overall reduction in Government support by a further 30 to 40% on top of a similar reduction in the period 2011 to 2016.
- 1.5 The Chancellors Autumn budget speech was delivered on 22nd November and whilst it has no direct impact on the Council's general fund budget there are some detailed announcements that may have an effect on the final budget. Any effects in respect of the Housing Revenue Account (HRA) will be factored into the HRA 2018/19 budget and 30 year rolling business plan.
- 1.6 Whilst the Council has elected to a fixed settlement for the period to 2020 DCLG has yet to announce figures for:
  - Business Rates Reset (last carried out in 2013)
  - New Homes Bonus (general reward allocation based on new homes)
  - Housing Benefit Administration Grant
  - Homelessness support grant
- 1.7 The Council is with other East Sussex authorities part of a single business rates "pool" which allows the Council to increase its business rates retention over and above the national scheme (worth approximately £200k per annum) The additional retention supports growth initiatives in the Council's capital programme.

## **2.0 Integrated corporate planning process**

- 2.1 In July 2017, the Council adopted its latest MTFS that set the platform for the service and financial planning process during the summer and autumn. The strategy set out a further 4 year rolling programme with savings targets of £3m recurring by 2019/20 (in addition to over £7m of recurring savings achieved in setting the 2011-2017 budgets)
- 2.2 The overarching JTP programme forms the basis of Councils efficiency agenda, which will deliver savings over the life of the current MTFS. The Council's move towards shared services and integration with Lewes District Council is set to contribute a further £0.7m of savings over the next three years. Together with savings from procurement, new income streams and channel shift provide the main emphasis of the programme. Performance against targets through the JTP and the budget is reported frequently via Cabinet.

2.3 The Service and financial planning process is a rolling three year period to reflect the MTFS is well developed to meet the overall target of £3m over the current plan to 2021.

2.4 Once the budget proposals have been adopted in February, service plans will be updated and resource allocations reviewed in the light of any changes required by corporate plan priorities or the budget. The performance management systems will be used to monitor progress with quarterly reports to Cabinet.

### **3.0 Background to the Budget Proposals**

3.1 The MTFS set out the principles for the budget of the following three years and models the financial impact of the strategy.

3.2 The main backdrop to the MTFS is the requirement to set a balanced budget and dealing with the effects on the Councils finances of the current economic downturn.

3.3 The current strategy set out a rolling three year plan to:

- Deal with the anticipated reduction in the Government support of a further 30% from the 2016/17 level.
- Integrate the service and financial planning process with the main change programmes under the JTP
- Deal with unavoidable growth in service demands
- Maintain front line services to the public
- Make further recurring savings of £3m per annum by 2020/21
- Maintain at least a minimum level of revenue reserves of £2m
- Use surplus reserves in the medium term for:
  - Invest to save projects
  - Smooth the requirement for savings over the cycle of the MTFS
  - Invest in one off service developments in line with the corporate plan
- Benchmark fees & charges and increase where possible
- Set council tax rises at or below the Government's level of target inflation (2%)
- Maintain a Strategic Change Fund to finance the transformation programme in order to increase efficiency
- Use borrowing to support the capital programme only on a business case basis
- Continue the process of priority based budgeting to target investment and differential levels of savings targets at services according to priority
- Identify new income streams to supplement diminishing resources

- 3.4 Whilst at the time of writing the settlement in respect of revenue support grant (RSG) and retained business rates for 2017/18 as well as numerous other grant announcements have not yet been made, the following are assumed in the draft budget.

<b>Year</b>	<b>2018/19</b>
	<b>£'m</b>
RSG	(0.4)
Retained Rates/section 31 grants	(4.1)
Other grants	(0.1)
New Homes Bonus	(0.6)
Council Tax	(8.5)
<b>TOTAL</b>	<b>(13.7)</b>

#### **4 The Draft Budget Proposals 2018/19**

- 4.1 The service and financial planning process started in July and has culminated in the four service areas presenting their plans to the Cabinet and shadow cabinet in November.
- 4.2 In response the challenge set out in the MTFs, the service and financial planning process has identified proposed savings of £1.16m (7% of net spend) shown in **(appendix 1)**

These are categorised as:

	<b>£'m</b>
Efficiency savings	(0.5)
Increases in income	(1.2)
Total	<b>(1.7)</b>

- 4.3 A total of £0.9m of growth is proposed categorised as follows **(appendix 2)**:

	<b>£'m</b>
Corporate inflation	0.4
Capital Financing	0.2
Other Growth	0.3
Total	<b>0.9</b>

- 4.4 The draft budget assumes a rise in Council Tax for 2017/18 of 1.97% consistent with the MTFs. The requirement to hold a referendum may apply if any proposed tax rise were 2% or greater (The Government may announce cap on Council Tax rises as part of settlement) or £5 per annum.

4.5 The proposal also includes £0.5m of non-recurring service investment to be financed directly from general reserves as well as £0.6m to be financed from the Devonshire Park Reserve (**Appendix 2**).

## 5.0 Summary of Revenue Proposals

5.1 The following is a summary of the effect of the proposed changes.

5.2

	<b>Proposal</b>
	<b>£'m</b>
Base Budget 2016/17	14.5
Growth (outlined in 4.3)	0.9
Savings (outlined in 4.2)	<u>(1.7)</u>
Net budget requirement	<b><u>13.7</u></b>
Funded By:	
Government Grants/Retained Rates	(5.2)
Council tax	<u>(8.5)</u>
Total Resources	<b><u>(13.7)</u></b>

5.3 Should the resources assumed by way of retained business rates and grants be more than assumed, the recommended strategy would be to make any additional resources available to the capital programme.

Should the resources available be less than the assumptions then the strategy should first reduce the contingency by up to £100,000 and beyond that, a further review of the service and financial plans will be required to identify additional savings/reduced growth. Changes will be reflected in the report to Cabinet in February.

## 6.0 Capital Programme 2018/21

6.1 The Council currently finances its capital programme from capital receipts and grants and contributions. There is currently c£0.4m of identifiable capital resources available for each of the next three years.

6.2 It is intended that should any revenue headroom be created by the 2018/19 revenue budget it will be reinvested in the Capital programme by increasing the capital financing budget further.

6.3 In addition to these resources, borrowing is permitted on a business case basis where savings or new income generated from a scheme can repay the capital costs.

6.4 Additional individual schemes to be added to the capital programme linked to priorities will be developed in December/January and contained in the final budget and capital programme proposals to be agreed by the Full Council in February.

6.5 It should also be noted that unlike the Council Tax, the capital programme can be varied at any time and that there are duties under certain schemes to consult with those affected before schemes are commenced. As well as schemes financed from internal resources, the corporate plan will include schemes financed from external resources.

## **7.0 Consultation**

Consultation on the financial plans is underway and includes Scrutiny, union and staff as well as partner organisations and the public

## **8.0 Conclusions**

8.1 The Council is placed to deal with the lasting effects of the current economic climate and subsequent reduction in support by The Government. Clearly however this has restricted choice in respect of any new services requiring recurring investment.

8.2 Should the budget proposals remain materially intact following consultation and further announcements, The Council will have continued to move its financial position towards longer term sustainability as outlined in the MTFS.

**Alan Osborne**  
**Chief Finance Officer**

### **Background Papers:**

The Background Papers used in compiling this report were as follows:

*Budget 2017-18*

*Cabinet Reports: – Finance Matters Each Cabinet Meeting*

*- Budget Setting February 2017.*

*- MTFS July 2017.*

*Audit Committee- Final Accounts- September 2017.*

To inspect or obtain copies of background papers please refer to the contact officer listed above.