

South Lakeland District Council
Overview and Scrutiny Committee
Friday, 11 January 2019
2019/20 to 2023/24 Draft Budget

Portfolio:	Finance Portfolio Holder
Report from:	Assistant Director Resources (Section 151 Officer)
Report Author:	Helen Smith – Financial Services Manager Lee Hurst – Chief Accountant
Wards:	(All Wards);
Forward Plan:	Budget and Policy Framework Decision included in the Forward Plan as published on 2 October 2018

1.0 Expected Outcome

1.1 This report presents the **2019/20 Five Year Draft Budget**. The expected outcome is that Council will be in a position to deliver the priorities set out in the Council Plan within its resources. This will enable the statutory requirement to agree a balanced budget and to set the appropriate Council Tax level for 2019/20. The final proposed revenue budget and capital programme, including any further amendments, will be put forward for approval by Council on 26 February 2019.

2.0 Recommendation

2.1 It is recommended that Overview and Scrutiny Committee:

- (1) consider the proposals contained in the report to achieve a balanced budget in 2019/20; and**
- (2) agree any comments to be taken forward for consideration at the meeting of Cabinet on 6 February 2019.**

3.0 Background and Proposals

3.1 The first draft budget was considered by Council on 18 December 2018. The report to Council is attached as **Appendix A** to this report. The remainder of this report gives an update on significant changes since the first draft budget was prepared. The final Draft Budget Report will incorporate the consideration of internal and external consultation and be presented to the 6 February 2019 Cabinet meeting and the 26 February 2019 Council meeting for ultimate approval.

Provisional Local Government Finance Settlement

3.2 The Government published the provisional Local Government Finance Settlement on 13 December 2018. It will be subject to consultation until 10 January 2019 and the final settlement for each authority is usually published soon after the conclusion of the consultation period. The majority of the settlement is in line with the 4-year settlement the Council accepted in 2016/17 and which is already reflected in the draft 2019/20 – 2023/24 budgets attached to this report. The main changes in the provisional settlement are set out below.

- 3.3 The Council Tax referendum thresholds remain at the levels set for 2018/19 for district councils with the maximum increase of the higher of below 3% or £5. For this Council this could potentially raise the maximum increase in Band D Council Tax from the £5 that is included in the draft budget to £5.72, which would generate an additional £32,800 of income from Council Tax. There are no limits on increases for parish councils but the Government expects parishes to take all available steps to mitigate the need for Council Tax increases.
- 3.4 As expected, the Government has chosen not to reduce local authority funding through reductions in business rate retention, a reduction which has been known as negative RSG. Under the original 4-year settlement the Council was expecting a reduction in funding of £613,000 for 2019/20. This decision by the Government was widely expected and had already been reflected in the draft budget proposals considered by Council on 18 December 2018.
- 3.5 Rural Services Delivery Grant was due to be frozen nationally for 2019/20 but the provisional settlement has increased the national funding from £65m to £81m. This Council's share of the grant will increase from £347,900 to £433,500. This is an extra £85,600 for 2019/20 only.
- 3.6 The Cumbrian authorities were not successful in the bid to become a business rate pool pilot. The pilot areas are Berkshire, Buckinghamshire, East Sussex, Hertfordshire, Lancashire, Leicestershire, Norfolk, Northamptonshire, North and West Yorkshire, North of the Tyne, Solent authorities, Somerset, Staffordshire and Stoke, West Sussex and Worcestershire. The draft budgets for 2019/20 to 2023/24 did not anticipate any additional income from the potential pilot pool. The existing Cumbrian pool is expected to continue for 2019/20.
- 3.7 The settlement also included some unexpected funding from the business rate levy account surplus. The Government collects a levy of up to 50% from authorities who collect more business rates than their baseline. This levy is used to fund a safety net for authorities who fall well below their baseline. This is the first time the levy has exceeded the safety net and the Government has £180m to distribute nationally. The Council's share is £34,000.
- 3.8 Finally, the Government confirmed the threshold for payment of New Homes Bonus will remain at 0.4% of taxbase for 2019/20. For this Council this requires a net increase in Band D equivalent properties on the council tax list of 211. The actual increase was only 132 properties so the level of New Homes Bonus due to the Council will be £141,000 lower than budgeted at £516,700. The table below shows the allocation of the New Homes Bonus for 2019/20.

New Homes Bonus allocation 2019/20	£000
Members Small Grants	51.0
Burton Heritage Scheme	35.0
Other LIPs grants	120.7
Total Locally Important Project Share (40%)	<u>206.7</u>
Use in Capital Programme (60%)	<u>310.0</u>
Total New Homes Bonus 2019/20	<u>516.7</u>

Next Steps

- 3.9 The draft budget figures to be included in the report to Cabinet on 6 February 2019 will include the impact of these proposed changes.
- 3.10 Council on 26 February 2019 will be asked to approve the budget, capital programme and Council Tax for April 2019 onwards. Council will receive an update of this report

reflecting any further announcements or changes which will affect the Council's financial position.

- 3.11 The final finance settlement, including the impact of any adjustments to business rates multiplier and tariff, will be reflected in the final budget proposals to be presented to Council on 26 February 2019.
- 3.12 The Government has already announced changes to the business rates funding system for 2020. The 50% central share of business rates retained by the Government will be reduced and the levy will be abolished but the system of tariffs, top-ups and safety nets will continue. As the proposals are to be fiscally neutral it is expected that other grants will be cut or local government will be given additional duties to offset the additional income from business rates. These developments will be monitored and fed into the MTFP as the details are clarified.
- 3.13 The current budgets are based on the existing staff establishment in December 2018 and known changes to fixed term posts. The Customer Connect programme is expected to materially change the establishment and therefore the staffing budgets. Currently a lump-sum is shown in the budgets for 2019/20 and subsequent years. During early 2019 it will be necessary to revise the staffing budgets to reflect the Customer Connect phase 1 staffing changes with further changes as part of the 2020/21 budget process to reflect phase 2 staffing changes.
- 3.14 The Medium Term Financial Plan will be updated during summer 2019. The updated MTFP will be reported to Cabinet and Council: it is expected that this will be during July 2019 and will include the Budget Strategy for 2020/21 – 2024/25.

4.0 Consultation

- 4.1 This report provides an opportunity for Overview and Scrutiny Committee to comment on the draft of the budget for 2019/20 to 2023/24.
- 4.2 Further reports on the budget will be produced including Lake Administration Committee, Planning Committee & Licensing Committee in January 2019.

5.0 Alternative Options

- 5.1 This report presents options in relation to potential budget pressures and savings, new capital programme bids, one off revenue growth bids and fees and charges. The proposals together meet the Council's statutory duty to set a balanced budget for 2019/20. An alternative option would be to reject some of the proposals; this would then require further work to ensure a balanced budget was set.

6.0 Links to Council Priorities

- 6.1 This report sets out a first draft budget that provides resources to implement the Council Plan. Setting a sound framework for budget preparation assists in the delivery of all corporate outcomes. This strategy has been developed within the context of the MTFP.

7.0 Implications

Financial, Resources and Procurement

- 7.1 The draft Budget aims to safeguard the Council's financial position and ensure a balanced budget for 2019/20 and an improved position in the years that follow.

Human Resources

- 7.2 This report has no direct impact on the staffing of the Council; individual savings and growth proposals may have direct staffing implications.

Legal

- 7.3 This report has no direct legal implications at this stage but individual proposals resulting from this report may have direct legal implications.

Health, Social, Economic and Environmental

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: This report contains proposals to set a balanced budget for 2019/20 which will be subject to further consultation. Specific issues that require HSEEIAs will be addressed within the final budget proposals presented to Council 26 February 2019.

Equality and Diversity

- 7.6 Have you completed an Equality Impact Analysis? No
- 7.7 If you have not completed an Impact Assessment, please explain your reasons: This report contains proposals to set a balanced budget for 2019/20 which will be subject to further consultation. Specific issues that require EIAs will be addressed within the final budget proposals presented to Council 26 February 2019

Risk

Risk	Consequence	Controls required
Failure to create a balanced and sustainable budget by February 2018	Includes: inability to deliver corporate priorities, inappropriate spending, and inappropriate reductions in services.	Identification of sound budget guidelines in an agreed strategy reduces the risk of an unaffordable budget and/or precipitate budget reductions. Monitoring of progress against the budget timetable reduces the need for last-minute budget adjustments.
Insufficient staff capacity to deliver on growth items within capital and revenue budgets	Inability to deliver services to expected levels or additional costs of temporary staff. Potential underspends and potential slippage in expenditure to subsequent years.	Review resources required to ensure growth bids are realistic and deliverable, including other unavoidable staffing pressures
Revenue budget and Capital Programme may not be integrated and aligned with Council Plan.	Resources not directed to achieving corporate outcomes, leading to inappropriate spending.	Both the revenue budget and the Capital Programme are now embedded in the corporate planning cycle. All revenue budgets and capital programme schemes are linked to Council plan priorities

Risk	Consequence	Controls required
Reduction in funding from Government is greater than estimated or announced too late for adjustments to be made to budgets	In-year budgetary pressure and potential overspending, jeopardising service delivery.	Close monitoring of Government announcements, potential short-term use of revenue contingency provision and General Reserve followed by review for following year.
Government proposals for piloting full localisation of business rates increase uncertainty of major income stream.	Income streams will be insufficient to fund service delivery.	Monitor Government proposals for changes in NNDR legislation. Maintenance of General Reserve as a buffer against unexpected changes in funding. Monitor changes in rateable values & proposals for new development / closures/ other changes.

Contact Officers

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Appendices Attached to this Report

Appendix No.	Name of Appendix
A	2019/20 to 2023/24 Draft Budget report to Council 18 December 2018

Background Documents Available

Name of Background document	Where it is available
Medium Term Financial Plan approved Council 24 July 2018	https://tinyurl.com/ya988w5b
The 2019-20 Local Government Finance Settlement Technical Consultation	https://tinyurl.com/y772s2zr
2019/20 Budget Update Report to Cabinet 31 October 2018	https://tinyurl.com/yaedogmo
National Pay Agreement 2018-20: New Pay Grades report to Human Resources Committee: 11 December 2018	https://tinyurl.com/yaboz97c

Tracking Information

Signed off by	Date sent
Legal Services	20/12/2018
Section 151 Officer	20/12/2018
Monitoring Officer	20/12/2018
SMT	N/A

Circulated to	Date sent
Assistant Director	20/12/2018
Human Resources Manager	N/A
Communications Team	N/A
Leader	21/12/2018
Committee Chairman	N/A
Portfolio Holder	21/12/2018
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	N/A
Council	N/A