

**Budget 2018/19
Report of the County Treasurer**

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect

Recommendations:

It is recommended that:

- (i) The lack of clarity over the timing of the Provisional Settlement be noted;
- (ii) The revenue spending targets for 2018/19 as set out in paragraph 5 are approved;
- (iii) Members agree that the Capital Programme is determined by Cabinet on 9th February 2018.

1. Introduction

- 1.1. At the time of writing this report, the Secretary of State for Communities and Local Government has not announced the Provisional Local Government Settlement for 2018/19. The exact date of the announcement is not known, but will need to be before the House of Commons rises for Christmas recess on the 21st December.
- 1.2. The level of Council Tax increase that will trigger a referendum is expected to remain at 2%.
- 1.3. The Adult Social Care Precept regulations are also expected to remain unchanged. In 2016/17, the Social Care Precept was capped at 2% per annum for the period 2016/17 to 2019/20. Members may recall that Government changed these regulations last year and allowed Authorities to increase the precept to a maximum of 3% per annum over the period 2017/18 to 2019/20 as long as the total increase over the three years did not exceed 6%. The Council increased the Adult Social Care Precept by 3% in 2017/18. If these rules remain and the Adult Social Care Precept is increased by 2% in 2018/19 then there can only be a 1% increase in 2019/20; if the Adult Social Care Precept is increased by 3% in 2018/19 then there can be no increase in 2019/20.
- 1.4. The timing of the Final Settlement is also not known but if events follow the same pattern as last year then the Final Settlement should be received in sufficient time for consideration at the scheduled budget meetings in February.

2. The Autumn Statement

- 2.1. The Chancellor of the Exchequer presented the Budget to the House of Commons on the 22nd November. As last year there was very little that was specific to Local Government other than:

2.1.1. Business Rates – the Chancellor has brought forward the change in the annual inflationary increase from RPI to CPI by two years to 1st April 2018. The narrative of the Budget states that Local Government will be compensated for the lost income. Although we won't know exactly what this means until the Devon Districts have received and completed the NDR1 form it is reasonable to take this at face value and leave our income assumptions unchanged; and

2.1.2. Empty Property Council Tax – the Government is to legislate to allow a 100% council tax premium to be charged on empty properties. There is no detail yet on when this will become effective but over the medium term could mean a small increase in Council Tax income.

2.2. Regarding the National Living Wage (NLW) – the Chancellor announced that from 1st April 2018 the NLW will be £7.83 per hour; this is 7p per hour less than expected. This reduces the NLW pressure next year by £643,000.

3. 2018/19 100% Business Rate Retention Pilots

3.1. In September the Department for Communities and Local Government invited Local Authorities to submit applications to become 100% Business Rates Retention Pilots in 2018/19. The Government's intention is that the new pilots will run alongside the five current 100% pilots which have been in operation since 1 April 2017. The current pilots, and the new wave in 2018/19, will help explore options, with Government, for the design of future local government finance reforms.

3.2. The Government's invitation required interested authorities to form pools and, with agreement in place from all authorities, to apply jointly for pilot status. The Government's thinking is that the opportunity to work together as a pool across a functional economic area will allow authorities to make coherent strategic decisions about the wider area and to jointly manage risk and reward.

3.3. The County Council along with all the Devon Districts and the two Unitary Authorities submitted an application, to become a Pilot area, to Government at the end of October.

3.4. It is not known how many new pilot areas the Government is looking for or what the selection criteria will be other than it will ultimately be Ministerial decision. What is known is that competition is fierce. Local Government Chronicle research indicates that at least twenty two applications have been submitted covering 180 Councils and it is highly unlikely that anything like that number will be successful; rumours suggest something in the region of four to six new pilots will go ahead.

3.5. The Government is expected to announce which applications have been successful at the time of the Provisional Settlement announcement sometime during December.

4. Additional Improved Better Care Fund Grant

4.1. As part of the Chancellors Spring Budget in March, additional funding for authorities with Adult Social Care responsibilities was announced. This took the form of an additional Improved Better Care Fund Grant. For the County Council it has meant, in round terms, and extra £15 millions in the current year, £10 millions in 2018/19 and £5 millions in 2019/20. These grants are one off and not cumulative or ongoing.

4.2. The Government requires these grants to be pooled in the Better Care Fund but used for Adult Social Care purposes. The Government has set out detailed improvements it expects to see including targets in relation to Delayed Transfers of Care (DToC). Indications are that if targets are not met then grants could be reduced or direction imposed on how they are to be spent. The Improved Better Care grant funding is included in the table below.

5. 2018/19 Targets

5.1. As the Provisional Settlement has not been received there is inherent uncertainty. As part of the 2016/17 budget process Councils were given funding figures for the four year period of 2016/17 to 2019/20. The 2017/18 settlement did not change from this; the Provisional Settlement will confirm whether the funding for 2018/19 remains in line with the announcement of three years ago. If it differs significantly then a further report may need to be brought to Cabinet in January.

5.2. The proposed targets are set out in the table below.

	2017/18 Adjusted Budget* £000	Inflation & Pressures £000	Savings & Additional Income £000	One-off Improved Better Care Fund £000	2018/19 Base Budget £000	
Adult Care & Health	214,769	11,337	(8,403)	10,148	227,851	+6.1%
Childrens Services	118,964	10,038	(3,515)		125,487	+5.5%
Community Health, Environment & Prosperity	35,530	1,034	(1,837)		34,727	-2.3%
Corporate Services	34,025	2,957	(2,364)		34,618	+1.7%
Highways, Infrastructure Development & Waste	56,204	3,227	(4,723)		54,708	-2.7%
	459,492	28,593	(20,842)	10,148	477,391	

* Adjusted for Permanent Virements

5.3. The Capital Programme for 2018/19 to 2022/23 will be presented to Cabinet at the February Budget meeting.

Mary Davis
County Treasurer

Electoral Divisions: All
Cabinet Member: Councillor John Clatworthy
Local Government Act 1972: List of Background Papers
Autumn Budget 2017
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