

**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 content of the Provisional Settlement be noted;
- (ii) The success of the Devon wide Business Rates Pilot application be noted;
- (iii) The revenue spending targets for 2018/19 approved at the December Cabinet meeting remain unchanged.

**1. Introduction**

1.1. On 19<sup>th</sup> December 2017, the Secretary of State for the Department for Communities and Local Government, Rt. Hon. Sajid Javid MP, made a statement to Parliament on the Provisional Local Government Finance Settlement for 2018/19. The main items of note are set out below.

**2. The Provisional Local Government Finance Settlement 2018/19**

2.1. Members may recall, that the 2016/17 local government finance settlement announced Core Spending Power figures for the four year period of 2016/17 to 2019/20. The Provisional Settlement for 2018/19 has confirmed the Core Funding figures at the expected level of £115.2 millions. There have however been other changes as set out below:

2.1.1. It had previously been announced that the national figure for the Rural Services Delivery Grant would be reduced in 2018/19 from £65 millions to £50 millions; this is not now going ahead and the grant will remain at the current level. This change means funding of £6 millions to the County Council, £1.4 millions more than expected. Due to the Business Rates Pilot outlined later in this report, this funding will not be paid as a separate grant in 2018/19 but will be rolled into Core Funding and increase the resources available to the Council from the £115.2 millions noted above to £121.2 millions.

2.1.2. The Government consulted earlier in the year on further changes to the New Homes Bonus Scheme. The Government has decided not to go ahead with the proposed changes and will instead keep the scheme unchanged from the current year except for a reduction in the number of years benefit from 5 years currently to 4 years. New Homes Bonus grant figures have been announced and the sum for the County Council is just under £300,000 more than anticipated, at £3.8 millions.

2.1.3. The Chancellor's Autumn Budget announced a change in the annual Business Rates inflationary increase from Retail Price Index (RPI) to Consumer Price Index (CPI). This change is effective from 2018/19 and will mean a reduction to Business Rates received by Local Authorities as part of Core Funding. The Government undertook to compensate authorities for this loss and the Provisional Settlement includes a grant to the County Council of £2.1 millions for this purpose and is included within the table below.

2.2. The table below sets out the grants notified at the time of writing this report, with the notable omission being the Public Health Grant that has yet to be received:

	<b>£000</b>
Dedicated Schools Grant	499,125
Compensation for under indexing of Business Rates	2,100
Independent Living Fund	2,705
New Homes Bonus	3,808
Lead Local Authority Flood Relief Grant	89
Improved Better Care Fund	20,396

2.3. The provisional settlement has set the Council Tax increase that will trigger a referendum, excluding the Social Care Precept, at 3% for 2018/19; an increase of 1%.

### **3. 2018/19 100% Business Rate Retention Pilots**

- 3.1. As noted in the December budget report to Cabinet, 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 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.
- 3.3. As part of Sajid Javid's statement to Parliament on the Provisional Local Government Finance Settlement he announced that due to the large number of pilot applications a total of ten have been accepted for 2018/19.
- 3.4. The Devon application is one of the ten successful bids. It is understood that at least three DCLG officials independently scored each pilot bid based on the application criteria originally set. This in combination with ministerial judgement and Treasury cost limits, led to Devon's success.
- 3.5. The success of the Devon wide bid brings with it not only an opportunity to help inform future local government finance reforms but a financial benefit to all of the authorities too. The pilot bid submitted estimated that for 2018/19 there could be a benefit of just under £17 millions to geographic Devon of which nearly £10 millions could come to the County Council. This is only an estimate and the final sums will not be known until the end of the Pilot year. It should also be noted that this benefit is currently for one year only.

#### **4. 2018/19 Targets**

4.1. The Cabinet meeting of 13<sup>th</sup> December approved the revenue spending targets for 2018/19. As the provisional settlement is no worse than anticipated the targets set at that meeting can remain unchanged.

**Mary Davis**  
**County Treasurer**

Electoral Divisions: All

Cabinet Member: Councillor John Clatworthy

Local Government Act 1972: List of Background Papers

Provisional Settlement 2018/19

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