

**REPORT OF: CHIEF FINANCIAL OFFICER**

**TO: POLICY AND RESOURCES**

**DATE: 18<sup>th</sup> SEPTEMBER 2018**

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## **BUDGET SAVINGS 2019/20**

### **PURPOSE OF REPORT**

1. The purpose of this report is to provide the Committee with an update to the Council's Medium Term Financial Plan and, in view of the forecast budget gap, present a number of saving proposals for consideration by the Policy and Resources Committee to recommend to Council in September for early approval in support of the Council's revenue budget for 2019/20.

### **RECOMMENDATIONS**

2. The Policy and Resources Committee is recommended:-
  - a) note the update the Council's Medium Term Financial Plan which shows a forecast budget deficit for the period to 2021/22 of £3.9m; and
  - b) to consider and approve the 2019/20 budget saving proposals outlined in this report for submission to Council in September 2018.

### **REASONS FOR RECOMMENDATION**

3. To seek early approval for a number of budget saving proposals in support of the requirement to save an estimated £3.9m by 2021/22. This is the projected amount of savings required as set out in the Council's Medium-Term Financial Plan covering the three year period 2019/20 to 2021/22.

### ***Background***

4. The Council has experienced significant reductions in its core revenue funding since 2010 and this trend is expected to continue throughout the current Parliament. The assumptions which underpin the latest revision of the medium-term financial plan (MTFP) were reported to Policy and Resources Committee in May 2018. This was developed using the four year settlement data provided by Government to local authorities in February 2016 covering the period from 2016/17 to 2019/20.

5. The current MTFP identifies a savings requirement of £3.9m over the 3 year period to 2021/22. The plan is maintained under regular review and the next key external milestone which may impact on the current plan will be the Government's Autumn Budget for the tax year 2019/20 which is to be delivered by the Chancellor in November 2018.
6. In addition to the Autumn Budget, the Provisional Local Government Finance Settlement is likely to be published week commencing 17<sup>th</sup> December. The latest information provided by Government suggests that, despite the original plan for it to be fixed for the four year period to 2019/20, some changes are being considered. A key issue for the Council is that the Government has signaled its intention to raise the threshold below which no New Homes Bonus will be paid. The threshold is currently 0.4% of the Borough's housing stock (equating to c120 properties) but, as yet, there is no indication what the new threshold will be. Given the expectation that the combined impact of new homes built and reduction in empty homes in the year to date will exceed the current threshold, normally resulting in payment of New Homes Bonus, any significant change is likely to mean the Council will receive no additional New Homes Bonus.
7. It should also be noted that the four year settlement period ends in 2019/20. Thereafter, the Government is proposing fundamental changes to the local government funding regime which include, for example:-
  - Business Rates Retention (BRR) – Move to 75% BRR;
  - ending of Revenue Support Grant – estimated receipt in 2019/20 being £1.1;
  - a Fair Funding Review – which will have the impact of resetting of the baseline needs of Councils which is a key determinant of how much Business Rates income is retained by the Council;
  - ending of the New Homes Bonus Scheme which has incentivised Housing Development and growth. It is not clear at this stage whether there will any replacement scheme and what form that might take.
8. The above should also be considered in the context that the MTFP currently assumes all of the Budget Support Reserve (BSR) is used in support of the budget. The contribution from this reserve in 2019/20 is estimated to be £1.1m alone. Adopting a budget savings plan in 2019/20 that reduces the commitment against the BSR would increase the financial resilience of the Council particularly against the backdrop of the uncertainty in future years' funding.

### **Updated Medium Term Financial Plan 2019/20**

9. As indicated above, the forecasted budget gap of £3.9m within the MTFP was reported to Policy and Resources in May 2018. The MTFP has since been reviewed and the table below provides a summary of the current forecast as at September 2018:-

**Table1: Movement in forecasted budget gap 2019/20 to 2021/22**

	2019/20 £000	2020/21 £000	2021/22 £000
Funding Gap	2,033	3,120	4,116
Use of Budget Support Reserve (BSR)	(1,100)	(1,060)	(150)
Use of Specific Reserves	(90)	(45)	(38)
<b>Total Use of Reserves</b>	<b>(1,190)</b>	<b>(1,105)</b>	<b>(187)</b>
<b>Residual Funding Gap</b>	<b>843</b>	<b>2,014</b>	<b>3,928</b>
<b>Year on Year Savings Required</b>	<b>843</b>	<b>1,171</b>	<b>1,913</b>

10. Overall, the MTFP is largely unchanged from the position previously reported. For 2019/20 specifically, the budget shortfall has reduced from £0.955m to £0.843m (after the use of reserves); the main change being an adjustment to the estimated contribution expected from the Council Tax Collection Fund. As ever, the MTFP remains under review and further updates will be provided the Committee in due course.

**Initial Savings Proposals for 2019/20**

11. Acknowledging the need for the Council to take early action to address the budget shortfall referred to above, work has been underway to identify savings proposals for the Committee to consider recommending to Council. The aim in reporting on these proposals is to try and secure agreement, where possible, to an initial package of savings so that progress can be made to allow more time focus on identifying further proposals to at least achieve the target savings for the year to avoid any further call on the Council’s reserves.

12. The proposals now submitted for consideration total £261k and are summarised below:-

**Table 2: Initial Savings Proposals 2019/20**

		<b>£000</b>
Staffing – Management of Vacant Posts	App A(i)	60
Grounds Maintenance – Contributions from Local Councils	App A(ii)	90
Accommodation Savings	App A(iii)	30
Waste Management – Reduction in Mechanical Sweeping	App A(iv)	81
<b>Total Proposed Savings</b>		<b>261</b>

13. For each of the proposals listed above, there is a pro-forma attached at **Appendix A(i) to (iv)** which provides more information. The Policy and Resources Committee is requested to endorse the proposals outlined in **Appendix A** and agree that these may be submitted to Council in September for formal approval and adoption in support of the Council’s revenue budget for 2019/20.

14. In addition to the savings summarised above, Councillors will also find elsewhere on the Agenda for this meeting a report on the annual Income Review which proposes changes to fees and charges. Subject to the Committee’s approval, these changes will generate estimated additional income of £155k. Taken together with the savings proposed in this report, and subject to the relevant approvals, this will contribute £416k (or c49%) towards the target savings of £843k for 2019/20.

**IMPLICATIONS**

**Policy**

15. This report outlines changes to aspects of current Council policy and will, subject to approval by the Policy and Resources Committee, be reported to Council for final determination.

**Financial**

16. The financial implications are as set out in the report.

## **Legal**

17. There are no legal implications arising directly from this report.

## **Risk Management**

18. The key risk is considered to be the failure to make savings on the scale required leading to a greater use of reserves than is currently planned. This could result in an increased call on the Budget Support Reserve forcing a higher savings requirement in subsequent years with less time to develop and implement the more strategic saving options (e.g. alternative service delivery models). It is considered that this risk is increasing given the degree of uncertainty in respect of significant core funding streams after 2019/20.

## **Health and Safety**

19. There are no health and safety implications arising directly from this report.

## **Sustainability**

20. There are no sustainability implications arising directly from this report.

## **Community Safety**

21. There are no community safety issues arising directly from the contents of this report.

## **Equality and Diversity**

22. No specific issues arise from the savings currently proposed.

## **APPENDICES**

Appendix A(i) to (iv) – Savings Pro-formas

**LIST OF BACKGROUND PAPERS:** None