

Taunton Deane Borough Council

Executive – 29 November 2017

2018/2019 Budget Options and Medium Term Financial Plan Update

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Jo Nacey, Financial Services Manager

1 Executive Summary

- 1.1 The purpose of this report is to provide Members with an update on progress with regard to Budget Setting for 2018/19; the latest Medium Term Financial Plan (MTFP) forecasts, and the areas to be finalised.
- 1.2 The Council's current MTFP projects that the estimated Budget Gap for 2018/19 is £99k, rising to £835k by 2022/23.
- 1.3 There remain a number of areas where budget forecasts are to be finalised therefore there is potential for the estimated Gap to change, and this will be reported to Members as the budget process progresses.

2 Recommendations

- 2.1 Executive is recommended to note the latest Medium Term Financial Plan forecasts, and the areas to be finalised.
- 2.2 Executive is requested to comment and offer any further suggestions for budget review/savings.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to set a balanced budget.	3	4	12
<i>The Council has options for 2018/19 to close the budget gap which include Council Tax and fees and charges increases.</i>	2	4	8

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic

Impact		
Likelihood of risk occurring	Indicator	Chance of occurrence
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background

- 4.1 At the Executive meeting on 3 August 2017 officers committed to reviewing the underspends identified at outturn for 2016/17 to establish if there are any ongoing savings which can help address the budget gap by simply realigning budgets rather than asking Budget holders to identify savings which may impact on service provision.
- 4.2 This exercise has been completed and the realignment of these savings are shown in the table in Section 5.2. These adjustments have been fed directly into the MTFP to realign the budget requirement to reflect the underlying costs and income in various services.
- 4.3 Overall, progress to addressing the gap has been positive and there are new savings which have emerged for 2018/19. Underlying the MTFP however there is significant risk in a number of areas and these are referred to in Section 10 to this report and in the ensuing narrative, therefore this is a “work in progress” at this stage.

5 2018/19 Budget Gap

- 5.1 As reported to Executive in August, the estimated Budget Gap for 2018/19 was £388k, rising to £1.118m by 2022/23 as can be seen below.

	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k
Budget Gap Increase	388	-16	166	233	347
Budget Gap Total	388	372	538	771	1,118

- 5.2 Since that report the budget gap for 2018/19 has been updated for detailed estimates related to service costs and funding based on information available to date. The table below summarises the changes to the Budget Gap, which is currently estimated at £99k, but which contains several unknowns at this stage of the process:

Summary 2018/19 Budget Gap Reconciliation

	£k	£k
2018/19 Budget Gap as reported to Executive Aug 2017		388
Service Cost Pressures:		
TDBC Assets – Void Pressure 10%	46	
SHAPE Contract	89	
DLO Trading – Reset Pressure (reduction from £101k)	51	
SWP loan interest delay? (£31k)	?	
Waste contract pressure (TBC)	40	
Transformation savings delay	?	
Subtotal – Service Cost Pressures		226
Service Cost Savings:		
PSAA audit fees reduction	-27	
Deane Helpline - Additional income	-20	
Council Tax Collection - Additional Court Fees	-100	
Recycling/Green Waste	-20	
Additional Investment Income	-250	
Bereavement services - Additional income	-48	
Street Cleansing saving	-50	
Council Tax £5 assumed increase (implication £86k)	?	
Subtotal – Service Cost Savings		-515
Fees and Charges (Possible £42k towards gap)	?	
2018/19 Latest Budget Gap Estimate 16 November 2017		99

- 5.3 A brief explanation of the pressures follows:

5.3.1 **The TDBC Assets – Void Pressure 10%** is an estimated pressure resulting from previously assumed rental income not being achieved. A prudent estimate of 10% of asset income has been used.

5.3.2 **The SHAPE legal services contract contribution** has remained unchanged since its start in 2015/16. Following the reassessment of the volume of work put through SHAPE over the last year we now expect that an increase in the charge is due. The Council gained during 2016/17 and we continue to be charged at the original rate for 2017/18. The re-assessed charge is still subject to agreement by officers and will not be applied until 2018/19.

5.3.3 From 2017/18 we have divided the **DLO operations** so that the Building service now sits outside of the trading unit and inside the core budget of the Council. It is therefore appropriate to re-evaluate the required profit from the

DLO trading operations. The arbitrary split has been approximately 50:50 between Building and Grounds and hence the trading budgeted surplus has been reduced to £50k. This will be assessed for its appropriateness at outturn.

- 5.4 As a result of the above changes the up to date estimated budget gap for 2017/18 stands at £99k, rising to £835k by 2022/23 as can be seen below.

	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k
Budget Gap Increase	99	-12	166	233	348
Budget Gap Total	99	87	254	487	835

6 Fees and Charges for 2018/19

- 6.1 A separate report is included on the agenda for this Committee. This contains proposals in respect of Fees and Charges for 2018/19 that, if approved, would add approximately £42k to General Fund income budget estimates for 2018/19.
- 6.2 Fees and Charges are due to be considered for approval by Executive on 29th November 2017 and Full Council on 12th December 2017, following review by this Committee.

7 Council Tax

- 7.1 Information provided with the four year funding settlement indicates that, as a shire district, TDBC will have the option to increase the Band D by a maximum of £5 each year in 2018/19 and 2019/20 if Members are minded. This will be confirmed each year by the Secretary of State.
- 7.2 If confirmed by the Secretary of State and if recommended by Executive, an increase of £5 on a Band D property would raise a further £85,610 compared to the 1.99% increase assumed in the MTFP, based on the current Taxbase estimate.

Council Tax Increase Scenarios for 2018/19

Assumes Tax Base of 41,558.0 per Indicative MTFP Estimate

Council Tax Increase	Band D Tax Per Year £	Band D Increase Per Year £	Basic Council Tax Income £	Additional Income £
0.00%	147.88	0.00	6,145,590	0
1.00%	149.36	1.48	6,207,100	61,510
1.99% (MTFP assumption)	150.82	2.94	6,267,770	122,180
3.38%	152.88	5.00	6,353,380	207,790

8 Areas Still to be Completed

- 8.1 The **Business Rates Retention** provisional estimates will be completed in the coming days. This is a complex calculation and subject to change following the Provisional Local Government Finance Settlement.

- 8.2 The **Council Tax base** provisional estimates will be completed shortly and these will be added to the forecast as soon as they can be verified.
- 8.3 Budgetholders have been asked to put forward their **Capital Bids** for 2018/19. These will be presented to Executive at the next meeting. We are mindful that although Capital in nature many schemes have revenue implications which may add to the Budget Gap.

9 Other Factors

- 9.1 **Business Rates 100% Retention Pilot** – The Somerset county area has presented a business case to DCLG to create a new Somerset Pool for business rates comprising the County and all five districts, and apply for Pilot status with the potential rewards that firstly pooling and then growth retention may produce. A separate report will be provided in this regard. We believe we have a robust business case and believe that by pooling with our district partners and the County Council we can achieve significant increases in retained business rates. We are one of a number of bids and we expect to hear whether we have been successful when we receive the Provisional Settlement in December. We will revisit our forecasts at this time.

10 Risk, Opportunities and Uncertainty

- 10.1 Ongoing risks and uncertainty for the budget at this stage include:

- **Local Government Finance Settlement (LGFS)** – following the Autumn Statement on 22 November, we await the Provisional Settlement in December. Whilst the multi-year settlement has been confirmed there may be other details released with the Provisional LGFS that we will need to reflect in our forecasts.
- **New Homes Bonus (NHB)** – The calculation of NHB was changed in the 2017/18 Finance Settlement and a “top-slice” of 0.4% of growth was introduced alongside the reduction from 6 years to 5 years. We anticipate a further reduction to 4 years for 2018/19 but there may be further nuances which will impact our NHB funding.
- **Council Tax** – MTFP is based on an officer assumption of a tax increase of 1.99% in 2017/18. The Executive is yet to indicate their Council Tax proposals for next year.
- **Fees & Charges** – Currently going through the committee process and therefore not yet been approved. The Report is included alongside this budget report.
- **Capital Programme** – options for a Draft Capital Programme are being compiled – any spending proposals could contain further revenue budget implications e.g. RCCO or borrowing costs.
- **Transformation Savings** – We are unclear at this stage of the timing of the delivery of savings which are included in the MTFP estimates for 2018/19, as the detailed planning is underway and not yet concluded. If there is a delay, then this will affect the budget gap and other funding sources will need to be found (ie other savings/reserves etc.) until the savings crystallise.

11 Housing Revenue Account (HRA)

- 11.1 The HRA Budget for 2018/19 is currently being developed, and shared with Tenant Services Management Board and Tenants Forum for comment.
- 11.2 Details of progress on the HRA Budget estimates will be included in the report to Executive in January. This will be presented alongside an updated overview of the 30-Year Business Plan.

12 Links to Corporate Aims / Priorities

- 12.1 The Council's MTFP underpins all Corporate Aims.

13 Legal Implications

- 13.1 S.32 of the Local Government Finance Act 1992 sets out in detail how the Council must calculate its budget by estimating gross revenue expenditure, net income, and the council tax needed to balance the budget; s.25 of the Local Government Act 2003 requires the Chief Finance Officer (Assistant Director/S151 Officer for this Council) to report on the robustness of the budget-setting estimates and the adequacy of the proposed financial reserves.

14 Environmental Impact Implications

- 14.1 None for the purpose of this report.

15 Equality and Diversity Implications

- 15.1 Members need to demonstrate they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process. The three aims the authority must have due regard for:
- Eliminate discrimination, harassment, victimisation
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

- 15.2 Equalities Impact Assessments are attached where appropriate.

16 Social Value Implications

- 16.1 None for the purpose of this report.

17 Partnership Implications

- 17.1 The Council's budget includes significant expenditure on services provided under shared services with West Somerset Council as well as by other key partners such as Somerset Waste Partnership, SHAPE and Somerset Building Control Partnership.

18 Health and Wellbeing Implications

18.1 None for the purposes of this report. Any relevant information and decisions with regard to health and wellbeing will be reported as these emerge through the financial planning process.

19 Asset Management Implications

19.1 None directly for the purposes of this report. The financial implications associated with asset management will be reflected within the Council's corporate and financial planning arrangements.

20 Consultation Implications

20.1 None for the purposes of this report.

21 Scrutiny Comments

21.1 Due to the timing of meetings, Corporate Scrutiny comments are not yet available.

Democratic Path:

- **Corporate Scrutiny – Yes**
- **Executive – Yes**
- **Council - Yes**

Reporting Frequency: **Ad-hoc**

Contact Officers:

Paul Fitzgerald
Assistant Director Strategic Finance and
S151 Officer
Tel: 01823 257557
Email: p.fitzgerald@tauntondeane.gov.uk

Jo Nacey
Financial Services Manager
Tel: 01823 219490
Email: j.nacey@tauntondeane.gov.uk