

Agenda Item 12

Budget Consultation Feedback

This report sets out the feedback from a range of budget consultation events occurring during January 2019. These include:

- Reports and presentations to Scrutiny Committees;
- Public Consultation on budget proposals via the Council's website; and
- Meeting with businesses, trade unions and other public bodies.

These comments will be considered by the Executive in recommending the budget for approval by County Council.

An update on the budget consultation feedback will be tabled / reported verbally at the meeting for feedback received after the deadline for this report.

Budget Comments from Scrutiny Committees

Adults and Community Wellbeing Scrutiny Committee – 16 January 2019

The Adults and Community Wellbeing Scrutiny Committee agreed to support the budget proposals for Adult Care and Community Wellbeing for the 2019/20 year.

The Committee focused on the funding for future years, in effect from 2020/21 onwards, as the Better Care Fund was due to cease in its current form at the end of 2019/20. Since 2016/17, the Council had received the following Better Care Fund support:

| Expenditure | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| Better Care Fund (BCF) | 16,825,000 | 15,900,000 | 16,186,200 | 16,461,365 |
| Improved BCF | - | 2,105,730 | 14,249,038 | 25,770,902 |
| Supplementary Improved BCF | - | 15,265,596 | 9,608,578 | 4,110,611 |
| 2019/20 Winter Pressures | - | - | - | 3,368,000 |
| Total | 16,825,000 | 33,271,326 | 40,043,816 | 49,710,879 |

It was confirmed to the Committee that there was an expected overall Council shortfall of funding of £46 million in 2020/21 and £55 million in 2021/22, based on existing assumptions. *(Please refer to note ¹ below)* Such shortfalls would clearly lead to a focus on the Council's discretionary services, although certain discretionary services could reduce demand on mandatory services.

There was an expectation that an equivalent to the Better Care Fund would be put in place for the year 2020/21 and future years, but this has not been confirmed. The arrangements for the future funding of adult social care are dependent on the publication by the

¹ After the Committee's meeting, advice was received that work had begun to look at ways to meet the funding shortfall and it was expected that the Council's overall shortfall of £18.6 million initially identified for 2019/20 would reduce. The projected £55 million shortfall in 2021/22 was a worst case scenario, with the shortfall likely to be closer to £40 million for this year.

Government of its *Green Paper on Care and Support for Older People* and the subsequent implementation of any proposals. As a complication, on 7 January 2019 the NHS published its *Long Term Plan*, in which there is an emphasis on community services, integration between health and adult social care, and prevention.

The Adults and Community Wellbeing Scrutiny Committee plans to include the *Green Paper* and the *NHS Long Term Plan* in its future work programme, at the appropriate times. The Committee is also offering to support the Executive in any review of services or service changes within its remit in the coming year, as a result of national requirements, and any consequential impacts on the County Council's budget.

Children and Young People Scrutiny Committee – 18 January 2019

The Children and Young People Scrutiny Committee agreed to support the proposed council tax increase of 4.95% for the 2019/20 year. The Committee also agreed to support the proposed budget for 2019/20 for Children's Services, including the rationale for the cost pressures identified in two of the commissioning strategy areas:

- Learn and Achieve Commissioning Strategy (£306,000); and
- Children are Safe and Healthy Commissioning Strategy (£1.194 million)

The Committee also referred to impact of the Government's comprehensive spending review, and the Council's *Fairer Funding* campaign, the outcomes of which are currently unknown. Given these uncertainties, the Committee's support for the council tax increase, which was above the rate of inflation, was difficult, but the pressures on the Council, including Children's Services, were genuine. It was also acknowledged that the County Council would continue to rely on reserves for the coming years.

Environment and Economy Scrutiny Committee – 15 January 2019

The Environment and Economy Scrutiny Committee considered budget implications for the commissioning strategies 'Protecting & Sustaining the Environment', 'Sustaining and Growing Business and the Economy' and 'Economic Infrastructure and Regeneration'.

The Committee endorsed the overall proposed revenue and capital budget proposals for 2019/20 and the proposed 4.95% increase in Council Tax.

The Committee highlighted support for the proposed (£2.000m) capital investment for the development of Business Units to safeguard employment, and endorsed officers working up detailed proposals to measure demand and supply across the County.

The Committee highlighted three key areas of future concern within this area to the Executive.

- The need for the County Council to take a leadership role in ensuring the vitality and viability of local High Streets, due to the rapid changes within this area and the possible impact on the wider economy,
- The potential impact on grants and funding delays from exiting the European Union and;
- The importance of the skills agenda in getting more adults into learning that will enhance careers as an important way to increase productivity.

Highways and Transport Scrutiny Committee – 21 January 2019

The Highways and Transport Scrutiny Committee considered budget implications for the commissioning strategy 'Sustaining and Developing Prosperity Through Infrastructure'.

The Committee highlighted support for returning to two full cycles for weed spraying (£0.150m); reinstating three rounds of safety grass cutting (£0.300m) and returning to a full cycle of gulley cleansing (£0.370m) as positive developments given the input of the Committee in these areas. The Committee also supported the funding for greater availability of additional Mobile Maintenance Teams (MMT's) to manage the peak in demand for pothole repairs over the autumn and winter period (£0.220m).

The Committee endorsed the proposed 2019/20 revenue and capital budget proposals for Highways and Transport; and the proposed 4.95% increase in Council Tax given the identified on-going budget pressures. The Committee also endorsed the proposed capital programme, as well as major schemes which stretch into future years.

Public Protection and Communities Scrutiny Committee – 22 January 2019

The Public Protection and Communities Scrutiny Committee considered the budget implications for the commissioning strategies Community Resilience & Assets, Protecting the Public and Sustaining & Heritage Services. The Committee endorsed the proposed 2019/20 revenue and capital budget and supported the funding of the known cost pressures identified within the proposals.

The Committee welcomed the proposals to re-instate a budget to support the core services of the Citizens Advice Bureaux (CAB) (£0.278m), after the service received support by use of reserves during the last two years.

The Committee acknowledged the limited options available to continue to effectively fund services going forward. The Committee supported the proposed 4.95% increase in Council Tax and welcomed comments from officers that Lincolnshire would remain in the lowest quartile for Council Tax in the Country.

Overview and Scrutiny Management Board – 31 January 2019

To follow.

Public Consultation – Comments received from Members of the Public

There has been one response from a member of the public, who generally commented that the level of service received from the Council did not reflect the amount of council tax paid. Specific examples of services which he felt ought to be improved were pothole repairs and the timing of road closures. A further comment was made about the increasing cost of road schemes and he suggested that the Council should work with the City Council to regenerate lower Lincoln High Street. He also questioned whether it would be more prudent to make savings sooner so as not to drain reserves.

Consultation Meeting with External Stakeholders Comments

A Budget Consultation meeting was held with external stakeholders on 25 January 2019.

The Leader of the Council, Councillor M J Hill OBE welcomed everyone to the meeting. Attendees were informed that this meeting was part of the normal consultation process which the authority undertook when setting its budget, and provided the opportunity for partners and other organisations to take part in the consultation. It was reported that the proposed budget was also examined by each of the County Council's scrutiny committees who would look in more detail at the budgets for individual service areas. Recommendations would then be made to the full Council at its meeting on 22 February 2019, where the budget would be formally approved.

David Forbes, County Finance Officer, gave a presentation on "Budget Consultation Meeting with Key Stakeholders, 25 January 2019", which was a consultation exercise led by the County Council to highlight the Council's current budget and financial outlook for public services over the coming year. The presentation highlighted the following main points:

- Adult Social Care was the biggest service area and had been the biggest pressure on the budget for the last decade. It included care for the elderly and people with physical disabilities. It was the biggest portion of the Council's budget. Children's Services was also becoming a significant budget pressure, but the government was starting to realise this. It was also noted that home to school transport was a large part of the Children's Services budget.
- A public consultation was undertaken in 2014 to determine the Council's priorities in terms of budget, and these priorities still remain in place at this time.
- The overall financial position of the authority in terms of income and expenditure was illustrated by a set of pie charts relating to the outturn position for the 2017/18 financial year. However, for 2018/19 the position was expected to remain broadly the same. The Council's budget was £936m, and it was noted that the revenue support grant was reducing year on year. It was expected to be around £20m by next year. Council tax accounted for £264m and was becoming a bigger aspect of the funding base. The biggest source of other income was from Adult Social Care from those who made contributions to their residential/domiciliary care etc.
- In terms of gross expenditure, adult social care accounted for almost £245m in 2017/18, and in relation to the schools budget, this funding just passed through the council, and the spending of it was determined by the schools.
- In terms of employee expenses (this related mainly to staff salaries), this was approximately 25% of the total spend excluding school staff.
- In terms of national local authority over and under spends (from 2011 – 2018) data had been published in October 2018. It showed that for the first five years of the decade local authorities had been collectively underspending, but for the past two years have collectively overspent. The level of spending for Adult Care was highlighted which demonstrated that in the first three years there had been underspends, followed by three years of overspending, but recently it had moved back to an underspend and it was believed that this could be attributed to the introduction of the Better Care Fund. It was also highlighted that local authorities had also consistently over spent on children's services for the last decade.

- In relation to data relating to levels of reserves, all types of authority had been able to add to their earmarked reserves for the last few years. However county councils had been able to add very little to their reserves. District councils had been able to add substantially to their earmarked reserved and it was likely that this was due to the distribution of New Homes Bonus. In terms of unallocated reserves, it was highlighted that authorities had been able to add very little to these reserves and that county councils were the only authority type to have to draw down their reserves.
- It was highlighted that the Revenue Support Grant was reducing, but some good news was the Rural Service Delivery Grant had increased slightly from the previous year. This grant was to help authorities like Lincolnshire which were predominantly rural.
- In 2018 a two year budget was set by the Council. Therefore a provisional budget for the coming year had already been approved. This current exercise will just update that provisional budget. Year on year, a lot of work on making savings had been carried out and the Council had also been able to use its reserves to balance the budget over past years. If the Council were to do nothing (which it will not do) , it would probably be fine for another two years, but reserves were finite, and once they were gone, that was it. It was confirmed that there would be a significant budget exercise within the next 12 months.
- Recent trends showed that the revenue support grant had reduced from £211m in 2011/12 to £20m for 2019/20. It was unknown what would happen from 2020/21 onwards. There had been approximately £311m of savings since 2011/12 but cost pressures had exceeded this amount by around £35m. Historic budgets were prepared based on that position. It was reported that for 2018/19 the Council may be able to balance its budget without having to draw on any reserves.
- In terms of the Provisional Local Government Grant Settlement there were some minor differences from the original deal. The Rural Services Grant had come in at £1.3m more than originally expected and confirmation had been received that the threshold for a referendum on a core council tax increase had been increased to 3% from 2%. The County Council was also able to add another 2% to cover some of the costs of its responsibility for adult social care. Additional funding of £3.4m for adult care winter pressures would also be received as well as further £5.8m to use at the council's discretion between adult care and children's services. It was noted this was the first time the authority had been allocated additional money which could be used for children's social care. It was also highlighted that almost £14m had been awarded for road infrastructure and maintenance in the current year.
- In terms of the revenue budget projections for 2019/20 it was reported that a lot had happened in the past few weeks that had changed the position for the predicted shortfall. It was now expected that the authority would only need to draw down £5m from reserves rather than £23m.
- The extra funding received by the Council included the £5.8m for adult and children's social care; additional Rural Services Grant; and a rebate from business rates. The County Council would also benefit from £2.7m from council tax collection fund surpluses. The council would be quite close to a balanced budget based on a 4.95% council tax increase.
- The authority was now benefitting from having carried out the savings initiatives over the past eight years.
- Unavoidable cost pressures included adult care due to its demography increasing every year and accounted for around half of the total adult care cost pressures (£7-8m). Children's care pressures grew between 5-8% every year nationally in relation to Children Looked After, Lincolnshire was at the lower end of this with around a 5%

increase. In terms of pay inflation, the public sector was now able to increase pay each year, and for 2019/20 it was assumed that there would be a 2% increase.

- There would be no real impact on front line services from proposed savings. There would also be a growth in the tax base of £4-5m on last year which was higher than expected.
- It was reported that some savings had arisen from the Council being able to in source some of its services such as supported accommodation following the transformation of the fire houses into accommodation for young adults.
- The Council had two types of reserves, general reserves which were funding for emergencies or unforeseen events and should not be allocated to service provision. The other type of reserve was earmarked reserves, of which the Council currently held £177m. This reserve included money which either did not belong to the county council (e.g. schools) or was a grant or other contribution for a specific purpose. However, it should be noted that the Council did not have discretion on what this could be spent on. This money had to be used for the specific purpose it was allocated for, otherwise it needed to be returned to the provider (eg. central government). There was £51m in the financial volatility reserve which was able to assist in balancing the budget. In addition £37m was earmarked for specific purposes such as insurance claims, adverse weather, health and wellbeing and transformational projects.
- In terms of the capital programme, there were no major changes, and the ongoing commitment remained to the Lincoln Eastern Bypass and the Grantham Southern Relief Road. It was expected that the Lincoln Eastern Bypass would cost an extra £26m, mainly due to the Carillion failure, and an extra £20m would also be required for the Grantham Southern Relief Road. However, the council would be able to get some of this money back from developer contributions in the long term.
- There was a £7.5m capital contingency fund for council priorities and for which service areas were required to produce a business case.
- Lincolnshire has consistently been one of the lowest English council tax county councils in the country, and was likely to maintain this position.
- The County Council had lobbied the government extensively for fairer funding and it was expected that costs of delivering services in rural areas would be factored into future funding.
- Lincolnshire's funding was currently based on its 2013 population, which would be extremely out of date, so it was expected to be recalculated based on current population levels and may also start to take account of population projections which would both be positive for Lincolnshire.
- The council was planning future budgets based on pessimistic assumptions and would need to wait to see how things would go over the coming year.
- The minutes from this meeting would be fed into the Executive report.

During the course of discussion, the following points were noted:

- Concerns were raised regarding the recent change of timescales for repairing a pot hole on an unclassified road from 28 days to 90 days, and it was queried whether this was due to underfunding. It was acknowledged that the roads were underfunded, but that this was a national issue affecting authorities throughout the country. Local government had long argued that the amount of money it was given was not enough to keep pace with the maintenance required for the roads. Although Lincolnshire had been awarded an extra £13.7m which was needed, this was a one off payment. No council was spending enough on repairing its roads and

were not repairing or replacing roads in sufficient time. The Highways Agency spent a lot more money proportionately maintaining the trunk road network than local authorities received for their roads.

- Lincolnshire had a programme to try and get all repairs done in a way that addressed the risk they posed. For example a pot hole on a major road would be repaired quicker than one on a farm track which did not get heavy traffic. Some of the additional money received would go towards repairing some of the more rural roads as well as the busier roads. It was also planned to carry out more surface dressing as this was a good way of protecting rural roads.
- It was reported that the Council's basic allowance for asset protection (roads) was around £25m, however, Lincolnshire was one of very few authorities to have a successful asset management programme and therefore were awarded an additional £5m. It was noted that officers had worked quickly to programme in the spending of the additional £13.7m.
- It was queried why the spend on adults and children's social care was so high, both nationally and locally. It was noted that that nationally there were some services which were ring fenced and protected. Also, schools were not part of the savings. Local government was not one of the services which had been protected at a national level. In terms of why the budgets were so high, it was noted that children were living longer with complex needs, as well as an increase in children with complex needs which was leading to some authorities over spending. It was also highlighted that various scandals around the country were raising the bar on what standards were acceptable. There had also been changes in relation to Special Guardianship Orders, and the Council now had to pay family members who took in children as if they were a foster carer.
- It was noted that Nottinghamshire had the highest level of council tax and it was queried how they were spending the extra money. It was noted that whilst a comment on how the money was spent could not be made, it was noted that Nottinghamshire seemed to be very traditional in how it did its business. One of the positives of having to make savings was that it challenged authorities to look at ways of delivering its services more efficiently. For example, Lincolnshire did a lot of preventative work with families.
- It was commented that Lincolnshire seemed to be well managed.
- It was queried whether there was any progress on joint working with North East and North Lincolnshire. It was reported that North Lincolnshire was very interested in looking at what could be done together, for example in terms of waste collection/disposal. It was also noted that work was underway on a regional alliance working with Nottingham, Derby and Leicester.
- Some authorities were taking advantage of low borrowing rates to buy properties which would generate an income. It was reported that the Council had recently appointed a Commercial Director as was recognised that this was something which needed further investigation. However, the initial priority for the authority would be spending on its capital programme, and there was a long list of schemes that people would like to see happen in the county. There would also be a need to invest heavily in dealing with waste as the EfW was almost at capacity. Therefore, the Council was not actively seeking out these investments, but if anything appropriate came up, it would need to be in Lincolnshire.
- It was also noted that the Council invested in various properties through the Pension Fund. It was highlighted that the authority did have an indirect investment in the St Marks Shopping Centre in Lincoln, as part of the pension fund was invested with Standard Life who funded the original development.

- There was also a proposal for the Council to set up its own property company, and social housing was something which may be looked at as part of this.
- It was noted that CIPFA would be looking at whole area of local authority borrowing and looking to tighten up the rules as there were some smaller councils who had borrowed a lot of money.
- It was queried what policy there was for replenishing the council's reserves. It was reported that the Council was not in a position to do this at the moment as over the medium term the reserves will be used to balance the budget. A resilience index was due to be published which would set out this information, but this was in the process of being refined by CIPFA prior to publication in the public domain later this year. It would also provide league tables of the financial resilience of local authorities. It was believed that Lincolnshire's financial standing may well be satisfactory. Once it was known what the funding regime would be after 2020 it may be possible to look at starting to replenish the reserves.
- It was noted that Lincolnshire made savings very early in 2010, and there had been a debate about what the right level of reserves to hold was. There was a need to have a considerable level of reserves in the event of any unforeseen circumstances, also in the event of any opportunities for investment arising, for the example the recent work at Lincoln Castle.
- The government were consulting on how the funding formula may look in the future, and it was noted that there was a possibility that deprivation may also include rural deprivation.
- In terms of strategy for dealing with the reduction in funding, the council would continue to look at commissioning and how its contracts were managed, as well as looking for investment opportunities. It was currently not clear what the final deal would be from government, but Lincolnshire would like to see a clear plan, ideally another four year deal.
- It was queried whether it was thought that there would be any impacts on districts with the service level reductions, and it was reported that there shouldn't be with these budget proposals. There would be some planning and modelling during the coming year to provide some variation on what may happen with funding in future years. All areas would be challenged on where they could make savings. No material new savings had been required for two years. One example of where savings could be made in future was through the advent of technology such as cloud technology which could help the authority reduce costs. Progress to improve the IT infrastructure was underway.
- The differences in costs of the different types of interaction between councils and the public had been highlighted in a national conference to local government.
- It was queried whether the recent work being undertaken by the LGA on funding for rural authorities meant that the Council would remain a member of the LGA. It was noted that Lincolnshire was under a rolling notice to leave, but this would be a decision that needed to be made soon, and a report would be taken to the Overview and Scrutiny Management Board.
- It was queried that in relation to Brexit, if the UK did leave as planned on 29 March 2019, then could a financial windfall to local government be expected. It was noted that there was a LGA working group doing what it could to lobby for money to go to local authorities. The LGA was being very clear that if there was any money coming back, then it needed to be spent by local councils.
- It had been agreed that £35m would be released by government for councils to carry out preparation work for leaving the EU and that it needed to be released immediately.

The comments made at today's meeting would be reported to the Executive at its meeting on 5 February 2019 and the final budget would be approved at the meeting of Full Council on 22 February 2019.

RESOLVED

That the points made at this meeting be submitted to the meeting of the Executive scheduled to be held on 5 February 2019.

Attendees

| Name | Organisation |
|-------------------------------|---------------------------------------|
| Councillor M J Hill OBE | Lincolnshire County Council |
| David Forbes | Lincolnshire County Council |
| Dave Simpson | Lincolnshire County Council |
| Michelle Grady | Lincolnshire County Council |
| Sue Maycock | Lincolnshire County Council |
| Councillor Mrs MJ Overton MBE | Lincolnshire County Council |
| Councillor T Smith | West Lindsey District Council |
| Jo Wright | Lincolnshire CCG's |
| Tracey Bircumshaw | West Lindsey District Council |
| Gillian Holder | Lincolnshire PCC |
| Steve Galjaard | Lincolnshire Co-op |
| Ken Rustidge | Lincolnshire National Education Union |
| Councillor R Cucksey | North Kesteven District Council |
| Councillor T Bridges | Lincolnshire County Council |
| Councillor R B Parker | Lincolnshire County Council |
| Sarah Loftus | Lincoln BIG |
| Rachel Wilson | Lincolnshire County Council |

A response to the budget consultation was received from a representative of The Woodland Trust, who was unable to attend the meeting. This is set out below:

Paragraph 1.106 on Environment and Economy contains some commitments to spending on highway projects. Woodland Trust is not opposed to these in principle but we would like to see a small portion of the available funding used to enhance and improve the natural environment alongside the new roads. In particular, we would like to see tree planting and woodland creation along the route of the new road, to help combat air pollution and absorb CO2 emissions, as well as providing a barrier to traffic noise for nearby residents. We would be very interested in working with the County Council and its contractors to enable this to happen. We recently had a very positive initial discussion with your cabinet member for transport about the proposed Grantham Southern Relief Road and we hope to have further conversations with him about that and possibly other highway projects in the County.

In paragraph 1.71 we note that you are intending to increase the frequency of grass cutting and to use more herbicide on grass verges to control weeds. We would urge you to consider, in appropriate locations, other methods of managing grass verges, particularly

the larger ones. In particular, we would like you to consider creation of small areas of woodland, perhaps as a shelterbelt along some of the grass verges. Research that we have published shows that creation of woodland on areas of intensively mown grass can deliver a range of environmental benefits but also significantly reduce the management costs of such areas. A summary of the research can be found in our Trees or Turf report at

<https://www.woodlandtrust.org.uk/publications/search/?Query=trees+or+turf&sortby=date&count=12> and we would be happy to discuss it further with council officers on request.

Nick Sandford

Regional External Affairs Officer

The Woodland Trust

FURTHER UPDATE TO THE COUNCIL BUDGET 2019/20

An update on the Budget 2019/20 was provided to the Executive on 18 December 2018 following the Provisional Local Government Finance Settlement. This is Appendix B to the Council Budget 2019/20 report on the agenda of the Overview and Scrutiny Management Board for 31 January 2019.

This briefing paper provides a further update to Members to take account of the following subsequent events:

- The decisions taken by the Executive on 18 December 2018.
- The Final Local Government Finance Settlement published 29 January 2019.
- Confirmation from District Councils of Council Taxbases.
- Confirmation from District Councils of Council Tax Collection Fund surpluses.
- Confirmation from District Councils of Business Rates Collection Fund surpluses.
- Confirmation from District Councils of Business Rates Section 31 grant funding.

Decisions of the Executive on 18 December 2018

The two amendments to the Budget 2019/20 agreed at the meeting were:

- to allocate budget of £1,018,571 to Heritage Services in order to maintain the budget at its existing level;
- to propose a Council Tax increase of 4.95% (instead of 3.95% as previously assumed in the Budget 2019/20).

Final Local Government Finance Settlement

The final settlement confirmed all of the funding for 2019/20 which had been notified to the Council in the provisional settlement and was largely in line with the allocations for the final year of the four year funding deal 2016/17 to 2019/20. There were some one-off gains for the Council and these are outlined in the previous Update briefing paper.

District Councils – Notifications relating to Council Tax

Council Taxbase:

The seven District Councils have notified the Council of their provisional taxbase figures, which will be confirmed on 31 January 2019. Collectively the taxbase for Lincolnshire will be 229,587.21 for 2019/20, an increase of 1.6% above the taxbase for 2018/19 which was 225,869.96. This will bring in additional council tax income next year of £4,804,274 assuming a council tax increase of 4.95% (to be confirmed).

Council Tax Collection Fund:

The District Councils have declared provisional Collection Fund surpluses and deficits. Collectively these amount to a surplus for the Council of £2,669,833.05 for

2019/20, an increase of 1% above the net Collection Fund surplus for 2018/19 which was £2,641,067.42. Collection Fund positions can be variable, so no surplus had previously been assumed in the Budget 2019/20.

District Councils – Notifications relating to Business Rates

Business Rates Section 31 Grant:

The Government compensates local authorities in full for Business Rates reliefs awarded by the Government such as the capping of business rates and small business rates relief. This compensation comes to the Council in the form of a section 31 grant from the Government with the amount calculated by the District Councils and confirmed on 31 January 2019. We have not yet received all of the Business Rates section 31 grant notifications for 2019/20 but the amount assumed in the Budget 2019/20 is £4,314,600. A verbal update on the total amount notified will be given at the meeting.

Business Rates Collection Fund:

Historically, the collective position for the Council's share of the District Councils' Business Rates Collection Funds has been a deficit (it was a deficit of £967,324 in 2017/18 and a deficit of £174,174 in 2018/19). One of the main reasons for this deficit position was the need for District Councils to set aside provisions for appeals. There have been two national revaluations of Business Rates in recent years, one in 2010 and another in 2017, and there were a significant number of appeals against the valuations submitted by Business Rates payers after the first revaluation. There are still appeals outstanding relating to the earlier revaluation, but it has been noted that numbers of appeals against the more recent revaluation exercise are considerably lower due to the introduction of a new appeals process. This has resulted in the District Councils re-evaluating the amount of provision to be set aside and reducing this sum. The reduction in the provision has, in turn, caused the Business Rates Collection Funds to be in surplus for 2019/20. At the time of writing, the provisional collective surplus position from six of the seven District Councils was £5,866,603 for 2019/20 (and this is expected to increase when the final notification is received) but this is a one-off gain based on a reassessment of an accounting estimate. There is still the potential for further successful appeals and it would be prudent to set aside the majority of this gain in a reserve earmarked specifically for Business Rates Volatility, which could then be used to offset Business Rates Collection Fund deficits in future years. We understand that some of the District Councils are also taking this prudent approach.

The Budget 2019/20 had assumed a Business Rates Collection Fund deficit of £250,000, which will now be set to zero with the remaining surplus transferred into an earmarked reserve as it is received next year.

Impact on Budget 2019/20

The table below was included in the report to the Executive 18 December 2018:

TABLE A

| SUMMARY REVENUE BUDGET | 2019/20 £m |
|---|-----------------------|
| EXPENDITURE: | |
| Base Budget | 457.104 |
| Cost Pressures (<i>including inflation</i>) | 25.317 |
| Savings | -18.138 |
| Other Movements (PH Grant & BCF Grant) | -5.437 |
| Total Expenditure | 458.846 |
| Use of Reserves | -23.292 |
| Transfer to/from General Reserve | 0.200 |
| Budget Requirement | 435.754 |
| INCOME: | |
| Business Rates Local Retention | 116.062 |
| Revenue Support Grant | 20.139 |
| Other Grants | 10.415 |
| County Precept | 289.138 |
| Total Income | 435.754 |

The changes since then and their impact on the Budget 2019/20 and the shortfall to be funded from the Financial Volatility Reserve are explained in the table below:

TABLE B

| | | 2019/20 |
|---|-----------------|----------------|
| | | £m |
| Funding Gap reported to Executive 18/12/18 | | -23.292 |
| Executive Decisions 18/12/18 | | |
| - Remove Heritage Service savings | | -1.019 |
| - Increase Council Tax by an additional 1% | | 2.783 |
| Final LG Finance Settlement (changes): | | |
| - Rural Services Delivery Grant | One-off funding | 1.370 |
| - National Business Rates Levy Account | One-off funding | 1.683 |
| - Social Care pressures | One-off funding | 5.754 |
| Other minor adjustments | | -0.088 |
| Sub-total for Executive Report 05/02/19 (para 1.14) | | -12.810 |
| District Council Provisional Council Tax | | |
| - Tax base increase | | 4.804 |
| - Collection Fund Surplus | One-off funding | 2.670 |
| Proposed Funding Gap for Executive Report 05/02/19 (para 1.18) | | -5.336 |
| District Council Provisional Business Rates | | |
| - Collection Fund Surplus | | 0.250 |
| - Section 31 Grant | | |
| Latest Funding Gap | | -5.086 |

NB: The table above has been annotated to show the elements of additional funding which are one-off i.e. for 2019/20 only. These total £11.477m. The increase in Council Tax income due to the taxbase increase and the additional 1% increase total £7.587m which will be incorporated into the base budget.

The summary revenue budget, after taking account of the changes shown above is:

TABLE C

| SUMMARY REVENUE BUDGET | | 2019/20 |
|---|--|----------------|
| | | £m |
| EXPENDITURE: | | |
| Base Budget | | 457.104 |
| Cost Pressures (<i>including inflation</i>) | | 24.324 |
| Savings | | -15.927 |
| Other Movements (PH Grant & BCF Grant) | | -5.437 |
| Total Expenditure | | 460.064 |
| Use of Reserves | | -5.336 |
| Transfer to/from General Reserve | | 0.200 |
| Budget Requirement | | 454.928 |
| INCOME: | | |
| Business Rates Retention Pilot | | 0.000 |
| Business Rates Local Retention | | 117.824 |
| Revenue Support Grant | | 20.139 |
| Other Grants | | 17.578 |
| County Precept | | 299.388 |
| Total Income | | 454.929 |

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