

Agenda Item 6

AGENDA ITEM: 6

31 JANUARY 2019

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 report is attached as Appendix B to the Council Budget 2019/20 report on the agenda of the Executive for 05 February 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 Tax bases.
- 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 taxbase figures. 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 £4,804,174 assuming a council tax increase of 4.95% (to be confirmed).

Council Tax Collection Fund:

The District Councils have declared 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. Due to Collection Fund positions being volatile no surplus had previously been assumed in the Council Budget for 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 part of the amount calculated by the District Councils and part calculated by the Government. The Business Rates section 31 grant for 2019/20 is £6,313,468 which is £1,998,868 higher than the amount of £4,314,600 previously assumed in the Budget 2019/20.

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 numbers 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 this has resulted in a reduction of this sum. The reduction in the provision has, in turn, caused the Business Rates Collection Funds to be in surplus for 2019/20. The collective surplus position is £6,156,613 for 2019/20 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, this will now be set to zero with the remaining surplus transferred into this 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 increase	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 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 Business Rates		
- Collection Fund Surplus		0.250
- Section 31 Grant		1.999
Latest Funding Gap		-3.087

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		-3.087
Transfer to/from General Reserve		0.200
Budget Requirement		457.177
INCOME:		
Business Rates Retention Pilot		0.000
Business Rates Local Retention		120.073
Revenue Support Grant		20.139
Other Grants		17.578
County Precept		299.388
Total Income		457.178

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