

Management Committee

31 October 2017

2018/19 Budget Update

For Decision

Brief Holder

Cllr Jeff Cant – Finance & Assets

Senior Leadership Team Contact:

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Statutory Authority

Local Government Acts 1972, 1988, 1992 and 2003

Purpose of Report

- 1 To provide an update on the latest budget forecast and to outline the process for setting the budget.

Officer Recommendations

- 2 That the Committee receives a report in February with the final budget proposals.

Reason for Decision

- 3 To enable the Council to balance the 2018/19 budget.

Background and Reason Decision Needed

- 4 The Budget report in February 2016 set out the financial forecast for the next three financial years with estimated budget gaps. Against this background the Councils Financial Strategy focused upon three strategic options, those being:-
 - Plan A – Unitary Council
 - Plan B – Single ‘super District’ Council
 - Plan C – Stay as a stand-alone Council
5. The proposals for Unitary Councils in Dorset were submitted to the Secretary of State in February and at the time of writing the report we have not received the outcome of this.

Summary of the Key Issue

6. The key issues can be summarised as:-
 - a. The budget gap across the decade is £10.693million.
 - b. The current year's budget is fully balanced and the latest Business Review reports shows a predicted underspend for the year due to savings being achieved ahead of scheduled.
 - c. The work that has already been done on the 2018/19 budget means that despite it being just under £900,000 we are very confident that will have a balanced budget for next year.
 - d. The Council has reserves over and above the risk based level.
 - e. The budget process will identify options for balancing the 2019/20 budget and will enable the Council to continue with its financial management approach of planning ahead and delivering savings early.
 - f. Overall the Council is now in a relatively strong financial position despite the environment being very challenging.

Decade of Change in funding and financing

7. Although the council has faced some difficult financial challenges in the past, the current decade represents the biggest financial challenge due to the combination of the austerity measures and changes in financing of local authorities.
8. The table below is a summary of other overall financial impact upon the councils funding. The table below shows the budget gap each year that has been or needs to be closed by either increasing income or reducing expenditure.

Year	Gap £'000s	Cumulative Gap £'000s
2010/11	1,109	1,109
2011/12	1,212	2,321
2012/13	827	3,148
2013/14	2,265	5,413
2014/15	900	6,313
2015/16	750	7,063
2016/17	529	7,592
2017/18	1,198	8,790
2018/19	897	9,687
2019/20	1,006	10,693

9. To help put this into context the Councils Budgeted Expenditure for the current year is £50.3million however out of this £30.7million is spent on Housing benefits over which the Council has no control. This leaves only £19.6million and means that there has to be some significant changes in how the council's finances are managed and services provided. The vehicle for doing this has been the unique Partnership between the three Councils which has delivered significant savings and increased income.

10. The decade has also seen significant changes in how Councils are funded and the introduction of 50% Business Rates retention scheme. However, with the Government still controlling the multiplier and the Valuation Office setting the values, the funding the Council actually receives is significantly less than it collects.
11. The table below shows the funding collected from business rates and the amount that the Council retains.

Total Business Rates collected	£14.7m
District 40% Share	£5.9m
Less Tariff Payment	(£4.6m)
Net Income	£1.3m
S31 Grant / Safety Net / Levy	£0.5m
Final Total Income	£1.8m
% of income collected	12%

Financial Forecast

12. Part of the key to having a strong financial position is to focus on the medium term rather than just the year ahead. This enables you to make strategic decisions and understand the longer term impact of them. The Medium Term Financial Forecast has been therefore been extended to cover 2020/21. It has been updated for the latest information available and will continue to be updated as further information becomes available such as the national pay award, council tax base, Dorset Waste Partnership budget etc.

	2018/19 £000's	2019/20 £000's	2020/21 £000's
Gross Budget Gap	897	1,006	537

Budget Process

13. Our approach to developing a successful and smooth budget setting process is based upon:-
- Members – having involvement through various briefings and reports from September to February
 - Head of Service / Corporate Managers – taking responsibility and accountability for their services
 - SLT – taking the strategic overview and holding the Head of Service / Corporate Managers to account
 - Finance – providing the key information and support

14. There are various elements to developing the budget proposals and the key ones are set out below.

Base Budget Review

15. This process has been very successful in identifying efficiency savings and increased income. It involves looking at every budget line (except pay), reviewing the outturn from 2016/17 and previous years to identify potential underspends or over achievement of income which can be built into future years budgets. As in previous years, the analysis and work will be undertaken by the Finance Team and the outcome discussed with the relevant budget holders.

Staffing Establishment Review

16. In addition to the monthly update of the establishment, a full Establishment Review will be undertaken by Finance. This generally identifies small savings, for example where a post on top of grade has been replaced by someone on a lower grade, but also provides Budget Holders with the opportunity to confirm their establishment posts and ensures that the establishment does not grow by 'stealth'.
17. The review will also consider changes to NI thresholds, pension changes and the pay award to be applied. There is no national pay award agreement in place for 2018/19 onwards.

Review of Previously Identified Savings / increased Income Options

18. As part of producing the current year's budget, Heads of Service spent a large amount of time both individually and collectively identifying options that could produce future savings. A number of these options were progressed and included within the final budget proposals that were approved by members.
19. These options need to be reviewed and refined. This will be completed during the autumn by SLT and Heads of Service. They will then be brought to Members as required.

Star Chamber

20. This approach will see the budget for a particular area being reviewed in detail by an 'independent' group with the Budget Holder being questioned about their service. This would bring together the work of the Base Budget Review, Establishment Review and previously identified options but would also look to identify any further options that might be available.
21. The Star Chamber process is good at getting 'under the skin' of a service and identify options that the budget holder wouldn't necessarily put forward themselves. The process can be quite resource intensive so a proportionate approach will be taken. This process will help identify options that could be incorporated into the 2019/20 budget and will continue the process of forward planning.

Outline Timetable

22. The outline timetable for the budget setting process is as follows.

Month	Activity
September	<ul style="list-style-type: none"> • Joint Member Briefing
September / October	<ul style="list-style-type: none"> • Report to Scrutiny Committees
October / November	<ul style="list-style-type: none"> • Star Chamber sessions • Decision Making Committees consider updated MTFP and approach to balancing the budget • Joint Scrutiny of the Budget
December	<ul style="list-style-type: none"> • Joint Member Briefing
January	<ul style="list-style-type: none"> • Member Budget Briefing
February	<ul style="list-style-type: none"> • Report to Scrutiny Committee • Management Committee consider budget proposals • Full Council set the budget

Capital Budget

23. The Council has an up to date Asset Management Plan which is a key document for future planning and helps clarify the future costs of maintaining the current assets. The partnership with PSP provides a commercial vehicle for taking forward a number of schemes which are likely to produce future capital receipts. Also the future sale of North Quay will provide a significant capital receipt which the Council will need to consider how it is used once this has been received.
24. The potential Peninsula Development scheme would be a very significant capital scheme and financial analysis of this is currently being undertaken.

Reserves

25. The Council holds earmarked reserves which are funding that has been set aside for a particular purpose. In effect they are the Council's equivalent of savings accounts but it should be remembered that they are once off sources of funding and when they have been spent they are gone.
26. General Reserves are funding that is set aside to cover unforeseen circumstances. There is a legal duty for the Chief Finance Officer (Section 151 Officer) to provide members with assurance that the level of reserves are adequate. In order to help provide this assurance, a risk based assessment of the minimum amount of general reserves is undertaken and has been set as £1,205,700.
27. The Budget Working Group has been actively reviewing reserves which has seen the following uses of them being agreed:-

Detail	£
Weymouth Community Governance Review	200,000
LGR Once off Project Costs	500,000
Grant to Portland Sculpture & Quarry Trust	20,000
Town Centre Manager	100,000
Pedestrianisation of Town Centre	5,000
Boxing Club	30,000
Accelerating home building	50,000
Weymouth Esplanade Illuminations	0
Public Toilets	400,000
Asset Management	150,000
Friends of Greenhill Garden	6,000
Radipole Park Gardens	30,000
Osprey Community Leisure Centre (Portland)	65,000
Grant to support community groups in the Borough	50,000
Information Governance	50,000
The Journey / MEMO project	50,000
Pavilion Grant - Capital	250,000
Local housing need schemes - Capital	450,000
Peninsular Development - Capital	500,000
Total	2,656,000

Weymouth Harbour

28. The Harbour Management Board has the task of producing the budget proposals for the Harbour Budget. These then come to Management Committee for approval and incorporation into the overall Council budget.
29. There is currently some work being progressed concerning Harbour Assets and the Harbour finances which may have a financial impact and will need to be incorporated into the final budget proposals.

Implications

Corporate Plan

30. The budget allocates the financial resources of the councils and therefore directly impacts upon the delivery of the corporate plan.

Financial

31. As the legally appointed Chief Finance Officer (Section 151 Officer) I have a legal duty to the Council to ensure that the budget proposals are robust and that there is a balanced budget for 2018/19.

Equalities

32. Any changes to Service Levels require an Equalities Impact Assessment which are considered as part of the decision making process.

Environmental

33. None directly from this report

Economic Development

34. None directly from this report

Risk Management (including Health & Safety)

35. The budget process should ensure that the budget estimates are robust. The council has general reserves to cover any unforeseen circumstances and the level of the reserves is assessed using a risk based methodology.

Human Resources

36. There are some the savings that have already been agreed and involve changes to staffing structures as a result of the partnership between the three councils. The agreed HR process for dealing with these have been followed.

Consultation and Engagement

37. There are a number of member and staff briefings on the budget. The budget proposals are subject to review by Scrutiny.

Appendices

38. None

Background Papers

39. Member Briefing to all Councillors on 6 September 2017 and report to September Scrutiny Committee.

Footnote

40. Issues relating to financial, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

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