

NOT FOR PUBLICATION

This report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (applies to Appendix D)

Report to: **Hub Committee**

Date: **31st October 2017**

Title: **Medium Term Financial Position 2018/19 onwards**

Portfolio Area: **Cllr P R Sanders - Annual Budget Setting Process**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Committee**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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Recommendations:

It is recommended that the Hub Committee:-

- (i) Considers the contents of the Member survey on the Budget Options attached in Appendix D
- (ii) Makes recommendations for officers for further work in order to set the Budget for 2018-19.

1. Executive summary

- 1.1 The Council's Medium Term Financial Position (MTFP) is based on a financial forecast over a rolling five year timeframe to 2022/23.

- 1.2 The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010.
- 1.3 Between 2009/10 and 2019/20, the Council's Core Government funding has reduced by £3 million.
- 1.4 West Devon has continued to work in partnership with South Hams District Council which has allowed West Devon Borough Council to achieve annual savings of £2.2 million and more importantly protect all statutory front line services.
- 1.5 Between both Councils the annual shared services savings being achieved are over £6 million. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending as outlined in the Comprehensive Spending Review.
- 1.6 West Devon Borough Council is currently forecasting a £1.1m budget gap by 2020/21, with South Hams forecasting a £0.8m budget gap for the same period.
- 1.7 Both Councils acknowledge that there is no single solution to addressing the reduction in funding while maintaining services across the two areas, and a number of initiatives are being considered in parallel.

2. OVERALL POSITION – BUDGET GAP

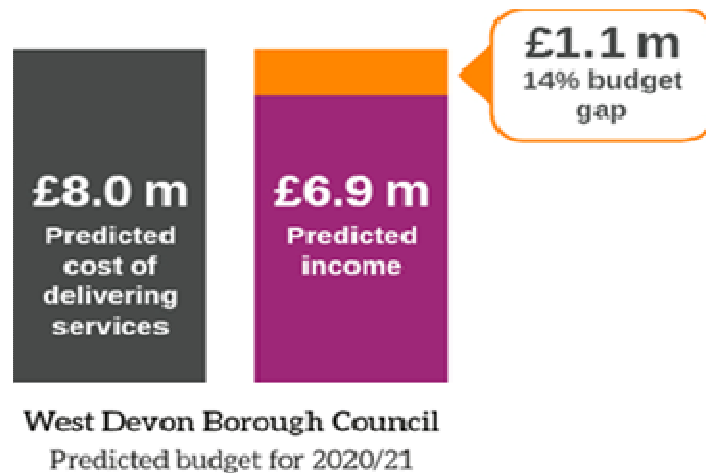
2.1 Appendix B illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £7.4 million in 2017/18. A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if the Council Tax is increased by £5 (shown in Appendix B).

2.2 The following table illustrates the predicted budget gap from 2018/19 onwards for the Council as shown in Appendix B:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£
Cumulative budget gap	701,360	1,009,001	1,093,743	1,166,987	1,007,980

This financial position (and Appendix A and Appendix B) is the same financial position that was set out in the report to the Hub Committee on 18th July 2017 in the report entitled 'Medium Term Financial Position 2018/19 to 2022/23'.

- 2.3 West Devon Borough Council is currently forecasting a £1.1m budget gap (14%) by 2020/21 as shown below:



- 2.4 The cost pressures, savings and additional income already identified for 2018/19 are shown in Appendix A. It is to be noted that this is the best estimate of the financial position at the current time and new items could arise and the report will be updated.
- 2.5 For example the current financial modelling budgets for an increase in the pay award of 1%. However if that figure were to increase, it would increase the cost pressures by £40,000 for each 1% above the 1% already budgeted for.

3 MEMBERS' BUDGET WORKSHOP

- 3.1 A Members' Budget Workshop was held on 10th October and the results of the Member survey are shown in Exempt Appendix D.
- 3.2 Members considered budget options that fell into the following categories such as:-
- i) further income generation
 - ii) external contracts
 - iii) Reductions in service levels
 - iv) financing options

3.3 **One-off Use of Unearmarked Reserves in 2018-19**

If Reserves were to be used to partially balance the budget in 2018-19, this only moves the budget shortfall (budget gap) back one year in terms of timing to address it. Unearmarked Reserves currently stand at £1.1 million and the minimum level of Unearmarked Reserves to be held is recommended to be £0.75 million.

A list of Unearmarked Reserves and Earmarked Reserves are shown in Appendix C.

3.4 **New Homes Bonus funding**

There is a further option to use an extra £150,000 more NHB in 2018/19 and future years to fund the Revenue Base Budget. The expected levels of NHB received will be in the region of £0.7 million (in 18/19). The Medium Term Financial Position currently assumes using £0.5 million for the Revenue Budget in 2018/19. However if more NHB is used in 18/19 Budget onwards, this would mean not putting any money into the affordable housing capital projects (so for example, not putting £100,000 into affordable housing for capital contributions each year).

4 **BUDGET TIMETABLE**

4.1 The Budget Timetable is shown in Appendix E.

5. **IMPLICATIONS**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Hub Committee is responsible for recommending to Council the budgetary framework. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of the Budget report is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p>

		<p>Since there is commercially sensitive information in Appendix D and discussions are at an early stage, there are grounds for the publication of this Appendix to be restricted, and considered in exempt session.</p> <p>The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in Appendix D.</p> <p>Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p>
Financial	Y	The financial implications are set out in Sections 2 and 3 of the report.
Risk	Y	Each of the budget options taken forward by Members will consider the risks of the option.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Budget pressures and savings

Appendix B – Summary of the Budget position

Appendix C – Schedule of Reserves (Unearmarked and Earmarked)

Appendix D (Exempt) – Results of the Member Survey

Appendix E – Budget Timetable

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A