

AGENDA ITEM 6(e) DRAFT REVENUE BUDGET 2018-19

ADDITIONAL INFORMATION

Introduction

The draft Local Government Finance Settlement for 2018-19 was published on the afternoon of the 19th December 2017. Unfortunately the details of this Settlement were too late to be included in the budget report for Cabinet which had to be finalized on the morning of 20th December. This note now provides additional information on the details contained in the Settlement.

Background

The Government has been progressively reducing the funding provided to local authorities in recent years, and it is expected that this period of austerity will continue until 2020. The Medium Term Financial Forecast (which was produced in March 2017) had estimated that there would be a reduction in grant funding of £1.120m in 2018-19. This position was based on an estimated reduction in Revenue Support Grant of £0.435m, a fall in New Homes Bonus grant of £0.650m, and a further £0.035m being taken out of our Housing Benefit administration grant. The Forecast also assumed a rise in the Council tax level of £5 at Band D, which was equivalent to a 2.6% increase. These assumptions were built into the calculation of the budget gap that has been reported to Members during the course of the year.

Key Settlement Results

The main features of the Settlement for 2018-19 were as follows:

- The Settlement confirmed the reduction of £0.435m in Revenue Support Grant funding as expected
- Details of Housing Benefit administration grant funding will not be published until January
- New Homes Bonus grant funding will be £1.172m next year, which is a £0.551m reduction compared to the current year's grant of £1.723m. This main reason for this reduction is that the government have changed the formula used to calculate the grant. The reduction was £99,000 less than the expected as a result of a greater number of new homes being built than forecast
- The rules on council tax increases were altered to allow district councils to increase their tax levels by the greater of 3% (rather than the previous 2%) or £5 at the Band D level. The Financial Forecast had assumed an increase of £5 at Band D, equivalent to a 2.6% rise. Consequently this change gives the potential to increase the tax level by a further 0.4% (3% - 2.6%) which would generate an additional £26,000 in 2018-19. If this approach of a 3% increase was adopted over the next 3 years it would generate an additional £96,000 by 2020-21

Impact on Budget Gap

Paragraph 4.3 of the report identifies a budget gap of £1.116m for 2018-19 before taking into account the Settlement. As a result of the better than expected position on New Homes Bonus funding this gap has reduced to £1.017m. This position does not take into account the potential for a higher level of council tax increase.