

PROVISIONAL SETTLEMENT 2019/20 AND BUDGET UPDATE

SUMMARY

The Government's funding for Local Government in 2019/20, known as the Provisional Settlement, was announced on December 6th 2018. It sets out the funding for specific and general revenue grants, as well as capital for next year.

RECOMMENDATIONS:

That the Cabinet note the Provisional Settlement and the effect it will have on the Council's 2019-20 budget, the resolution of which will be reported to the February Cabinet.

1. INTRODUCTION

- 1.1 To set out the effect of the Provisional Settlement on the Council's 2019-20 budget, which will be incorporated into the February budget proposals.
- 1.2 The Government have accepted recommendations to make planning more certain, by setting the dates for the Provision Settlement (Dec 6) and the Final Settlement (End January).

2. BACKGROUND

- 2.1 The Settlement announcement in December last year set out the direction of Local Government funding for 2019-20, the last year of a 4 year plan. It consisted of a small national overall increase, of +1.1%, a real terms reduction. However, two elements made up the Settlement, local taxation and central support. These moved in opposite directions, as follows:
 - a proposed increase in local taxation of +5.4%;
 - which essentially funded a reduction in central support of -5.1%.

Table 1: 2019-20 Proposed sources of Local Government funding

2018/19 Settlement data		2018-19	2019-20	Change	
Summary		£m	£m	£m	%
Central support - funding down by	-5.1%	18,526.5	17,574.7	-951.8	-5.1
Local Govt - LG taxation up by	+5.4%	26,600.2	28,047.4	1,447.2	+5.4
Total "Core Spending Power" up by	+1.1%	45,126.7	45,622.1	495.4	+1.1

Source: 2018-19 Settlement – fuller details at Appendix A

- 2.2 Whilst nationally there was a +1.1% increase in 2019-20 'Spending Power' [SP] over 2018-19, Rushmoor's 2019-20 SP was a -1.1% decrease, as funds were shifted between tiers to address the social care pressures.
- 2.3 The major reason for the reduction in Rushmoor's central funding between the two years was the replacement of a positive Revenue Support Grant of £190k in 2018-19, with a negative figure of a similar sum in 2019-20. Thankfully, the eventual response to the consultation was the scrapping of negative RSG for 2019-20, which has been reflected in our MTFS [medium term financial strategy].
- 2.4 The Government will be consulting on design principals for the 2019-20 Settlement, between December 6 and mid-January. Last year, the Government consulted on the following on 6 issues:
- Methodology
 - New Homes Bonus
 - Rural Services Delivery Grant
 - Business Rates Safety Net
 - Council Tax Referendum principles
 - Business Rates Revaluation
- 2.5 The MTFS of October 2018 noted a cumulative deficit of £950k over the forthcoming years. Subsequent changes have been incorporated.

Table 2: MTFS update

Revenue Forecasts 2019/22	2019/20 £000	2020/21 £000	2021/22 £000	Cum £000
1 MTFS Oct 16 (Surplus-)	171	27	752	950
2 Business rate refund SBRE	-111	-111	New scheme	-223
3 Re-Investments	-402	-402	-402	-1207
4 Leisure contract extension	-30	-30	New contract	-60
5 ZBB saving				
6 Less Revenue growth				
7 Less Govt grant reduction				
8 Revised MTFS	-372.57	-516.57	349.804	-539.34

3. DETAILS OF THE DECEMBER 6th PROPOSALS

Specific

- 3.1 The specific proposals will cover the central support to Rushmoor and consultation proposals that could impact on the Council. This section will expand following the provisional settlement announcement. For example, we are expecting an announcement on the Business Rates pilot that Hampshire submitted, that would improve funding to Rushmoor by some £1.6m.

General

- 3.2 The general effect on Rushmoor in 2019-20 will be changes in services in our area provided by other bodies, such as Health, the Police and the County Council. This will only come clearer after Christmas, when they have digested the Provisional Settlement figures, and responded with balancing measures.
- 3.3 Para 2.1 noted that 2019-20 is the last year of a four year settlement. The next four year settlement will not be announced until the summer/autumn of 2020, which is unhelpful for forward planning. As the next settlement will consider recasting the basis of distribution, it is even more important that Councils have a reasonable amount of time to lay their plans for, what could be, for the 'losers', a fairly daunting set of tasks.

Consultation

- 3.4 Once the details are known, the Council will seek views from the community, and the business sector.
- 3.5 The Cabinet considered the MTFS at its October meeting. It also considered two reports on the adequacy of reserves and the soundness of estimates at its November meeting.

4. IMPLICATIONS

Risks

- 4.1 This report, and the actions it will engender, will mitigate the risks and help deliver a balanced revenue budget for 2019-20.

Legal Implications

- 4.2 These will follow the December 6th announcement.

Financial and Resource Implications

- 4.3 These will follow the December 6th announcement.

Equalities Impact Implications

- 4.4 Informing residents of funding proposals for next year will enable them to participate in the process of budget formation.

5. CONCLUSIONS

- 5.1 The proposal is being made as part of delivering the Council's balanced 2019-20 Revenue budget.

BACKGROUND DOCUMENTS:

December 6 Provisional Settlement

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APPENDIX A

2018-19 Settlement data

CORE SPENDING POWER ¹						
Please select authority						
England						
Illustrative Core Spending Power of Local Government;						
	2015-16	2016-17	2017-18	2018-19	2019-20	
	£ millions	£ millions	£ millions	£ millions	£ millions	
Settlement Funding Assessment ²	21,249.9	18,601.5	16,632.4	15,574.0	14,397.9	
Compensation for under-indexing the business rates multiplier	165.1	165.1	175.0	275.0	374.8	
Council Tax of which;	22,035.9	23,247.3	24,665.8	26,600.2	28,047.4	
<i>Council Tax Requirement excluding parish precepts (including base and levels growth)</i>	22,035.9	22,858.5	23,701.6	24,902.6	26,166.0	
<i>additional revenue from referendum principle for social care</i>	0.0	381.8	948.2	1,661.2	1,824.4	
<i>Potential additional Council Tax from £5 referendum principle for all Districts</i>	0.0	7.0	16.0	36.4	57.0	
Improved Better Care Fund	0.0	0.0	1,115.0	1,499.0	1,837.0	
New Homes Bonus ³	1,167.6	1,461.9	1,227.4	947.5	900.0	
New Homes Bonus returned funding	32.4	23.1	24.5	0.0	0.0	
Rural Services Delivery Grant	15.5	80.5	65.0	81.0	65.0	
Transition Grant	0.0	150.0	150.0	0.0	0.0	
The Adult Social Care Support Grant	0.0	0.0	241.1	150.0	0.0	
Core Spending Power	44,666.5	43,729.3	44,296.3	45,126.7	45,622.1	
Change over the Spending Review period (£ millions)						955.6
Change over the Spending Review period (% change)						2.1%
Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Spending Power.						
¹ The figures presented in Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot authorities. For information about pilots please refer to the Pilots Explanatory Note. For the Settlement Finance Assessment figures after adjustments for pilots please see Key Information for Local Authorities.						
² 2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment.						
³ New Homes Bonus allocations for 2019-20 are for illustration purposes only. Actual payments will depend on housing delivery and are subject to change.						