

Report to: Council

Date: 21st February 2018

Report of: Borough Treasurer **Report No:**

Contact Officer: Sue Johnson **Tel No:** 1502

Report Title: **2018/19 Budget Report**

Non Confidential: This report does **not** contain information which warrants its consideration in the absence of the press or members of the public.

Purpose:

1. The final details of the 2018/19 Revenue Budget
2. To provide an update on the Council's proposed savings plan for 2017/18 & 2018/19
3. To consider the options for Council Tax in 2018/19

Recommendations: It is recommended that Council approve

1. The Budget for 2018/19
2. The Council Tax for 2018/19

Background Doc(s) Final local government finance settlement: England, 2018 to 2019 published 6th February 2018

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2018-to-2019>

1. INTRODUCTION AND CONTEXT

At its meeting on 10th October 2016 Cabinet re-affirmed the Council's priorities, namely;

- Protecting the most vulnerable in the Borough
- Supporting economic development

Taking the above into account, at its meeting on 7th November 2016 Cabinet approved the following budget strategy;

- Continue with a 2 year strategy covering 2017/18 and 2018/19
- Re-allocate up to £30m revenue reserves over those 2 years
- Monitor the impact of the economic development activity in the Borough to increase council tax and business rates yields and to mitigate against savings if required in 2019/20
- Within this was the requirement to find £12.5m of savings for 2017/18 and the use of reserves to balance both the 2017/18 and 2018/19 budgets.

This report sets out the updated position in respect of the final local government finance settlement on 6th February 2018

Cabinet 12th February 2018

At the meeting of the Cabinet on 12th February 2018, Cabinet agreed that in respect of the Revenue Budget 2018/19 to recommend to Council the following;

- That the council tax for 2018/19 be increased by 4.99% comprising;
 - The Adult Social Care precept at 2%
 - The general levy at 2.99%. This increase from 1.99% to 2.99% will make additional resources of £1m available to Children's Services
- As the government has permitted the Adult Social Care precept to rise by 6% over the years 2017/18 to 2019/20, the remaining 1% will be taken in 2019/20
- As a result of savings in the Waste and Transport contracts, to re-direct that resource to fund the 2018/19 pay award.

2. PROJECTED OUTTURN 2017/18

The projected 2017/18 outturn expenditure (excluding Schools and Parish Precepts) is £220.4m and as a consequence of this, available General Fund balances are expected to be approximately £10.66m at the 31st March 2018. The above projected 2017/18 figures also assume spending delegated to schools will be in line with the budget. School balances, as required by legislation, are carried forward for the sole use of schools.

3. GOVERNMENT SETTLEMENT

This did not alter the budget assumptions for 2018/19 but did allow for an additional 1% increase in council tax (up to 3%) without the need for a referendum. When the Final Settlement was published on 6th February 2018 this also included an additional one-off amount of £0.9m for "The Adult Social Care Support Grant."

4. BUSINESS RATES

Since 2013 business rates collected by the Council have been distributed 50% to Central Government, 1% to Fire with 49% retained by the Council. As part of the 2017/18 finance

settlement Bolton, along with the other GM authorities was given approval to be part of a 100% pilot scheme meaning that Councils retain 100% of their business rates with 1% passed to the Fire Authority.

After the June 2017 general election, no primary legislation was introduced into the Queen's speech to bring the 100% scheme onto the statute books, meaning legally the 100% scheme cannot currently continue beyond 2018/19. This report has been written on the understanding that for funding purposes it has been assumed that whichever retention scheme is used it will be fiscally neutral to the Council.

5. SETTING THE COUNCIL TAX

As stated above, Councils can raise the general council tax by up to 3% without having to hold a referendum. In the 2017/18 settlement government extended the flexibility around the Adult Social Care (ASC) precept. Councils are now able to increase their council tax without the requirement for a referendum by up to 3% per annum, but with a limit of 6% overall for the years 2017/18 to 2019/20, specifically for ASC. This is in addition to the 3% referendum requirement. The 2017/18 budget included a 3% precept for Adult Social Care and as Cabinet are recommending to Council this should increase by 2% in 2018/19 this means council tax can be increased by the following amounts for the next 2 years without the requirement for a referendum;

Year	Adult Social Care Precept (capped at 6% over 3 years)	General Levy
2018/19	2%	Up to 3%
2019/20	1%	Working assumption is up to 2%

A 1% swing in the rate broadly equates to a £1m gain or loss in council tax income. This budget has been prepared as follows;

- the Adult Social Care precept is set at 2%, as opposed to the maximum of 3%.
- the general levy is set at 2.99%. As outlined above this additional 1% of resources generated will be directed towards Children's Services

6. OTHER KEY ASSUMPTIONS

- Education Services Grant – this resource will be zero from 2018/19 as the general funding rate was removed in September 2017
- Inflation – the recently announced 2 year pay settlement has been incorporated into the figures. Whilst the headline rate was 2%, because lower pay grades received in excess of this, the overall increase for this settlement is 2.71% in 2018/19 and 2.8% in 2019/20. The council had initially built in 1% per annum, meaning the additional cost of the pay award is £2.0m in 2018/19 and £2.1m in 2019/20. The savings from the Waste contract will be re-directed to fund the pay award. A rate of 2% has been applied across all other categories (prices, income).
- Adult Social Care Support Grant – whilst this was initially a one-off resource in 2017/18, an additional £0.9m one-off was provided at the final settlement in February
- New Homes Bonus (NHB) – this was cut in 2017/18 by £1.3m (to £2.9m) but the Council received an equivalent amount in the Adult Social Care Support Grant above. The changes to the NHB Scheme have a further impact into 2018/19 as follows;
 - The number of year's payments received was reduced from 6 to 5 in 2017/18. For 2018/19 this has been reduced further to 4 year's payments.

- From 2017/18 the government has introduced a baseline, below which no funding will be provided. This has been set at 0.4%, meaning for Bolton approximately the first 400 houses brought back into use no longer qualify for NHB.
- As a result of the above changes NHB will be £1.5m in 2018/19

7. EXPENDITURE FORECAST

Taking into account the above, an updated expenditure forecast is shown for 2018/19.

	Original Budget 2017/18 100% Business Rates £000s	Original Forecast 2018/19 100% Business Rates £000s
Expenditure		
Previous Year's Budget	453,681	441,911
Additional Public Health Transfer	-557	-573
Schools DSG Change	-9,395	-25,358
Inflation	3,375	5,963
WDA/PTA	1,525	0
Other Corporate	0	1,330
Pensions	804	731
Children's Growth	0	1,036
Adult Social Care Precept	2,952	2,072
Adult Social Care Support Grant	1,396	869
Living Wage Supplement	130	0
Housing Benefit/ Council Tax Admin Subsidy Grants		200
Apprenticeship Levy	500	0
Savings to be identified	-12,500	0
Budget Requirement	441,911	428,181

Resources	Original Budget 2017/18 100% Business Rates £000s	Original Forecast 2018/19 100% Business Rates £000s
Direct Schools Grant	212,155	186,797
Public Health Funding	0	0
Education Services Grant	1,029	0
New Homes Bonus	2,905	1,506
Use of Reserves	3,989	14,223
Retained Local Business Rate (incl prev yrs balance)	76,968	85,183
Business Rates Top Up	37,806	29,930
Council Tax Contribution - Base Adjustment (incl Contribution from Collection Fund & prev yrs balance)	100,940	104,503
Council Tax Contribution - Adult Social Care	2,952	2,072
Council Tax Contribution - General Levy	1,771	3,098
Adult Social Care Support Grant	1,396	869
Revenue Support Grant	0	0
Total	441,911	428,181
Council Tax Increase (subject to Council approval)	4.80%	4.99%

Use of reserves is projected to be £18.2m covering 2017/18 and 2018/19. As reserves are only a one-off use of resources the current projected savings target for 2019/20 is £27.7m. Further details of expenditure and income can be seen in Appendices A & B. Appendix C contains details of the major movements on the Financial Arrangements account, which deals with the strategic transactions of the Council which fall outside the remit of any one service

8. SAVINGS 2017-19

Appendix D provides an update on the £12.5m savings target requirement

9. RESERVES

Appendix E outlines the current projected position on reserves as at 31st March 2018, split by category, and provides some information of the implications of not holding these reserves.

10. FORECASTING BEYOND 2019/20

As Members are aware the 4 year settlement period gives some financial certainty until 2019/20. However it is worth outlining key issues which will arise beyond 2019/20 and lead to some difficulty forecasting at this point in time;

Fair Funding Review (FFR)

As part of the 2016/17 finance settlement it was announced there would be a Fair Funding Review of authorities' funding needs, initially to be implemented in 2019/20. Due to the 2017 general election, in September 2017 it was announced that such a review would now be implemented in 2020. This in many ways ties in better as it will come after the current 4 year settlement period. Per the MHCLG terms of reference the FFR will;

- Set new baseline funding allocations for authorities

- Look at an assessment of needs and resources of authorities

It should be noted however that the Children’s Services review will not be completed until October 2019, some 6 weeks before the Autumn 2019 budget, which will be the 2020/21 provisional settlement. It is therefore likely that some form of transitional funding will be required for 2020/21

Business Rates

The government has announced that from 2020 business rates retention will be 75%. Whilst the overriding assumption is that any changes to business rates retention is fiscally neutral, it could mean differing retention levels over the next few years as is shown below;

Year	Business Rates Retention Level
17/18	100% pilot
18/19	100% pilot
19/20	50% (or 100% if the pilot can be extended)
20/21	75%

From 2020 it is likely there will also be a business rates re-set. This may take the form of either a full re-set or partial re-set. What this means is that any business rates growth above what the Council is expected to achieve over and above its baseline may either be fully taken or partially taken off the council. The government’s rationale is that the overall business rates growth since the previous re-set in 2013 will be circa £2bn (if it’s a full re-set), which it can then re-distribute to Councils. This makes forecasting business rates beyond 2019/20 extremely difficult to do. In addition it is not possible to project what the Council could receive in some form of re-distributed grant from the potential £2bn available.

11. FINANCIAL RISKS

Members will be aware that the Borough Treasurer has provided advice on the recommended level of Balances to be maintained previously. The full detail including an identification of financial risks is set out in Appendix F. However, in summary this advice is as follows.

Currently it is estimated that available Balances as at the 31st March 2018 will be £10.66m. The Borough Treasurer’s advice to Members is that, as a minimum, Balances of £10.0m or higher should be maintained based upon the Borough Treasurer’s understanding of the risks and financial issues facing the Council over the next 3 years and the proposals around the Budget, as identified in this report. Should Members wish to agree any additional items for growth or for savings not in this report, then the Borough Treasurer will need to advise Members as to whether or not those proposals would result in an increase in the financial risk facing the Council and therefore a need for a higher level of Balances to be set as a minimum.

12. PARISH PRECEPTS

The individual parish precepts are shown below with comparative figures for last year.

	2017/18	2018/19
	£	£
Blackrod	64,608	64,608
Horwich	185,836	185,836
Westhoughton	140,157	141,890

As required by the Local Government Finance Act 1992, the Parish Precepts need to be added to Bolton's budget requirement.

13. MAYORAL POLICE AND CRIME COMMISSIONER PRECEPT & MAYORAL GENERAL PRECEPT (INCLUDING FIRE SERVICES)

Greater Manchester Combined Authority (GMCA) took on these functions which were formerly the Police and Fire and Civil Defence Precepts from May 2017. There is an additional precept requirement to cover the Mayoral general function. These are estimated in the table below. Members will be updated should the final decision be different.

	Band A	Band D
	£	£
Mayoral Police and Crime Commissioner Precept	116.20	174.30
Mayoral General Precept (including Fire Services)	45.30	67.95

This equates to a £12.00 (7.4%) increase on a Band D equivalent property for the Mayoral Police and Crime Commissioner Precept. The Mayoral General Precept (Including Fire Services) comprises two components

- A 0% increase on a Band D equivalent property for the Mayoral General Precept (including Fire Services) remaining at £59.95 in 2018/19
- An initial £8 precept on a Band D equivalent property for the Mayoral general functions.

14. GREATER MANCHESTER WASTE

As a result of re-negotiating the Waste contract the forecast charges for 2018/19 will be around £2m lower than originally anticipated.

15. BUSINESS RATES

Whilst the Council is part of the Greater Manchester 100% pilot it should be noted that the government determine the rates to be collected, "the multiplier", and has set these at 48.0p in the pound for small businesses and 49.3p in the pound for large businesses

All non-domestic properties are usually revalued at five-yearly intervals. The '2015' revaluation was delayed and came into force on 1st April 2017.

The rateable value of a property is broadly equivalent to the annual rent that a property could be let for on the open market. These values are set by the Valuation Office Agency (VOA). A property's rates bill is calculated by multiplying its rateable value by the NNDR 'multiplier'.

Bolton Council's 2017 RV list is £224.7m. This is a reduction of 1.6% from its 2010 list (£228.2m). This compares to an increase of 9.6% in the RV list for England as a whole (£57.7bn in 2010, £63.2bn at 2017). The North West as a whole saw no significant change in list size, with the largest changes in London (23.7% increase from 2010 to 2017) and the South East (9.6% increase).

16. COUNCIL TAX

As stated above it is recommended that Bolton's basic council tax be increase by 4.99%, being 2% for Adult Social Care and 2.99% for the general levy. This equates to an additional 89p per week on Band A properties which are more than 40% of the properties in Bolton.

On the basis of a total budget requirement of £224.3m (i.e. total expenditure less Dedicated Schools Grant, New Homes Bonus and Use of Reserves) the balance to be raised from council tax is £109.2m as shown below:-

	2017/18 - 100% business Rates		2018/19 - 100% Business Rates	
	£000s	£000s	£000s	£000s
Bolton		218,291		224,285
Parish Precepts		392		392
Budget Requirement		218,683		224,677
Less				
Collection Fund		400		400
		218,283		224,277
Less Income				
Revenue Support Grant	0		0	
Business Rates Top-Up	37,806		29,930	
Non Domestic Rates	76,968	114,774	85,183	115,113
Balance to be raised from Council Tax		103,509		109,164

The council tax base for tax setting purposes in 2018/19 is 74,822 Band D equivalent properties.

The council tax bases for tax setting purposes for the Town Council areas are as follows:-

	Tax Base in Band D Equivalents
Blackrod	1,890
Horwich	7,317
Westhoughton	8,437

The resultant additional council tax in each Town Council area for Band A and Band D properties are as follows:-

	Additional Council Tax Band A	Additional Council Tax Band D
	£	£
Blackrod	22.79	34.18
Horwich	16.93	25.40
Westhoughton	11.21	16.82

The above figures relate to Band A and D properties. The table below shows the total council tax for all Bands in the various areas (i.e. including the Mayoral, Police and Fire precept components):-

	Parish of Blackrod	Parish of Horwich	Parish of Westhoughton	All other parts of the Council's area
	£	£	£	£
Band A	1,153.46	1,147.60	1,141.88	1,130.67
Band B	1,345.70	1,338.88	1,332.20	1,319.12
Band C	1,537.93	1,530.13	1,522.50	1,507.55
Band D	1,730.18	1,721.40	1,712.82	1,696.00
Band E	2,114.66	2,103.92	2,093.44	2,072.88
Band F	2,499.16	2,486.48	2,474.09	2,449.79
Band G	2,883.64	2,869.00	2,854.70	2,826.67
Band H	3,460.36	3,442.80	3,425.64	3,392.00

For information Appendix G sets out a comparison between the level of council tax in 2017/18 and 2018/19 (for those areas which do not include the Parish Council Precept) and the percentage of properties in each band.

The Council is also required to show on its bills the cumulative Adult Social Care Precept (i.e. 2016/17 to 2018/19). This detail is also shown in Appendix G for Band A and Band D properties for reference.

Around 45% of households will receive reduced council tax bills through the Council Tax Support Scheme and Personal Discounts. For council tax the maximum support for pensioners through the Council Tax Support Scheme is 100%. Working age customers receive a maximum reduction of 87.5% of their bills. As some households will, therefore, not pay council tax, this will be highlighted on their bill. Consequently at this stage it is not possible to give an average bill.

17. COUNCIL TAX BILLING

The Budget contained in this report assumes that the council tax is set at the Council meeting on the 21st February 2018. Should the Council not be able to set the council tax on

that day then a week's delay will put back the processing and distribution of council tax bills which will incur additional costs.

18. RECOMMENDATIONS

It is recommended that Council approve:-

- (a) The Budget for 2018/19
- (b) The Council Tax for 2018/19

A Draft Substantive Council Tax Resolution is set out in Appendix H.

19. APPENDICES

Appendix A	General Fund Summary
Appendix B	Subjective Analysis
Appendix C	The Financial Arrangements Account
Appendix D	Savings 2017-19
Appendix E	Review of Reserves
Appendix F	General Fund Balances/Financial Risks
Appendix G	Council Tax (Non Parish Council Areas)
Appendix H	Draft Substantive Council Tax Resolution

GENERAL FUND SUMMARY

	2017/18	2018/19
	Original Budget	Original Estimate
	£000	£000
Children's Services	257,239	235,347
Adult Services	67,037	67,083
Public Health	22,042	19,132
Environmental Services	23,188	21,847
Development & Regeneration	9,073	8,897
Housing	1,627	1,509
Property Services	4,598	6,077
Central etc	21,427	20,333
Financing and Investing	9,082	9,876
Levies	41,349	40,333
Miscellaneous	-2,251	-2,253
Savings	-12,500	0
Net Exp	441,911	428,181
Parishes	391	392
Sub Total	442,302	428,573
Income		
Direct Schools Grant	212,155	186,797
Retained local business rates	76,968	85,183
Council Tax Contribution - Base Adjustment	98,795	104,003
Council Tax Contribution - Adult Social Care	2,952	2,072
Council Tax Contribution - General Levy	1,771	3,098
Council Tax contribution - Parishes	391	392
Collection Fund Balance	2,145	500
Adult Social Care Support Grant	1,396	869
New Homes Bonus	2,905	1,506
Business Rates Top-Up	37,806	29,930
Revenue Support Grant	0	0
Education Services Grant	1,029	0
Reserves	3,989	14,223
		0
Total	442,302	428,573
Council Tax Increase	4.8%	4.99%

SUBJECTIVE ANALYSIS

	2017/18 Original Estimate	2018/19 Original Estimate
Expenditure		
Employees	261,742	241,015
Premises	34,314	30,321
Transport	17,823	18,187
Supplies and Services	71,328	88,753
Agency / Third Party	112,382	110,890
Transfer Payments	151,924	151,900
Capital Costs	11,751	16,581
Total Expenditure	661,264	657,647
Income		
Grants & Contributions	142,729	154,608
Customer & Client Receipts	67,776	63,123
Rent	6,122	6,134
Interest & Dividends	2,726	5,601
Total Income	219,353	229,466
Net Expenditure *	441,911	428,181
* Before Direct Schools Grant of	212,155	186,797

THE FINANCIAL ARRANGEMENTS ACCOUNT

	2017/18 Original £'000s	2018/19 Original £'000s	Comment
Corporate Financing Costs	10,795	14,189	
Transferred Debt	1,507	1,507	
Interest and Contributions	-750	-750	
Airport Dividend	-1,000	-3,600	
Airport Rents	-414	-414	
Airport Loan Interest	-1,076	-1,076	
Debt Management	20	20	
Total Financing and Investing	9,082	9,876	
Levies	41,349	40,334	
Former Employee Pensions	852	852	
Car Parks	-350	-350	
Miscellaneous	-2,753	-2,755	
Use of Reserves	-3,989	-14,223	Use of reserves to balance the budget
Education Services Grant	-1,029	0	
Adult Support Grant	-1,396	-869	
New Homes Bonus	-2,905	-1,506	
Total Miscellaneous	-11,570	-18,851	
Total	38,861	31,359	

SAVINGS 2017/18

Department	Review	Revised Target 2017-19	Delivered	In consultation	No report yet
		£'000	£'000	£'000	£'000
People	Review of Corporate Parenting Board Officer/ Virtual Schools Manager role	61.9	0	0	61.9
	Financial remodelling and efficiencies of children's residential and respite provision	75	75	0	0
	Review and redesign of the Leaving Care Service	53	53		
	Review of controllable budgets at Bolton Science Technology Centre	65	0	0	65
	Review and redesign of Connexions , Early Intervention & associated services	230	115	0	115
	Review and redesign of Secondary Education Improvement services	65	65		
	Review and redesign of Primary Education Improvement services	230	230		
	Development of an Asset Management traded service	50	50		
	Review and re-provision of Commissioned Day Services	200	200		
	Reconfigure and develop new partnership delivery model for Heaton Fold	150	0	0	150
	Develop a new Learning Disability Supported Housing Strategy and re-model provision	125	125		
	Review of the fairer charging policy; including the charging cap and weekly charges	550	550	0	0
	Review of Workforce Development	80	0	0	80
	Ongoing service delivery efficiencies - Bolton Council's provider services to deliver ongoing efficiencies in line with national requirements, some remodelling of care hours will be involved.	445	445		
	Income generation through remodelling to create discharge to assess capacity in line with national requirements	250	250		
	Review and re-provision of external extra care housing.	160	160		
	Review of Community Meals charges	100	100		
	Review of nursery service provision	40	0	0	40
	Review of Grants to the independent and voluntary sectors	180	180		
	Review of Positive Activities, free play service and youth service provision	300	0	0	300
	Review of Positive Activities Sport Development provision	115	115	0	0
	Creation of Integrated Commissioning & Provider Services	100	0	0	100
	Redesign and restructure of the back office support services within Policy, Planning and Resources	150	150		
	Review of business support including development of digitalisation options	300	0	0	300
	Management of Cash Limited budgets	185.1	185.1		
	ICT system rationalisation	100	100		
	Total People		4485	3273.1	0

Public Health	Review the early years intervention in Children's Public Health Services	545	0	0	545
	Review oral health prevention services	180	180		
	Review Council provided Public Health programmes	90	50	0	40
	Review / redesign Public Health workforce	269	0	0	269
	Review sexual health and contraceptive services	160	0	0	160
	Review / redesign smoking cessation provision	46	46		
	Review substance misuse service	100	100		
	Review / redesign local and GM voluntary sector services	80	30	0	50
	Review / reduce contribution to the Greater Manchester Public Health Network.	66	66		
	Review School Meals Subsidy.	75	75		
	Review Council contribution to Think Positive.	180	180		
	Review Food and Health Service	118	118		
Review community weight management service.	91	91			
Total Public Health	2000	936	0	1064	
Place	Service Review of Highways, Engineering and Parking	445	445	0	0
	Service Review of Regulatory & Neighbourhood Services	405	405	0	0
	Review of Neighbourhood Management and Area Working	266	0	0	266
	Review of Markets and Bereavement Services	236	236	0	0
	Asset Rationalisation Programme	166	100	0	66
	Review School Meal Subsidy	75	75		
	Review of Transport and Waste Services	53	53		
	Review of Economic Development and Regeneration	220	220	0	0
	Review of Procurement	122	122		
	Cross Cutting options which include a review of senior management and a review of cash limited budgets	812	412	0	400
Total Place	2800	2068	0	732	
Corporate/CEX	Review of Financial Services	420	220	0	200
	Customer Services and Revenues & Benefits	730	50	90	590
	Corporate ICT Procurement	150	150		
	Senior Council Officer, Business Support Reviews and Members Allowances	309	175	0	134
	Review of Policy and Communications	391	0	96	295
	Greater Manchester levy payments	1215	1215		
Total Corporate/CEX	3,215	1810	186	1219	
TOTAL		12,500	8,087	186	4,227
	Savings Achieved 16/17	8087.1			
	Remaining Savings	4412.9			
	Total Savings Achieved	12500			

RESERVES

Service	Opening 1/4/17	Activity in year 17/18	Closing Balance 31/3/18	Legal Requirements	Existing Commitments	To Cover Key Areas of Future Spend	To Cover Key Areas of Risk	Service General Contingencies	Available for Re-location
Adult and Public Health	10,128	-2,708	7,420	1,166	3,816	1,973	0	465	
Public Health	1,109	387	1,496			207		1,289	
Schools and DSG	9,962	-4,346	5,616	-903	6,519				
Children's Services	8,059	-2,367	5,692	2,863	997	1,450	382		
Chief Exec - Depart'l	751	-69	682		295	189	72	126	
Chief Exec - Corporate	9,583	-2,027	7,556		368	2,163	5,025		
Devel & Regeneration	10,274	-3,413	6,861	3,637	270	2,241	872		-159
Environmental Services	7,114	-3,364	3,750	153	2,309	97	877		314
Corporate Accounting	20,452	-2,330	18,122	18,122					
Financial Services	52,126	-16,627	35,499	138	8,297	22,243	4,821	0	0
General Fund	10,660	0	10,660	10,660					
Total Revenue	140,218	-36,864	103,354	35,836	22,871	30,563	12,049	1,880	155
Capital Reserves - People	14,710	15,058	29,768		29,768				
Capital Reserves - Place	19,067	-10,867	8,200		8,200				
Total Capital	33,777	4,191	37,968	0	37,968	0	0	0	0
Total of Revenue & Capital	173,995	-32,673	141,322	35,836	60,839	30,563	12,049	1,880	155

Revenue Impact of not holding key Reserves

If we were not to hold these Reserves then there would be a direct impact on the Revenue Budget in the order of £6m. This would be from having to provide a Contingency Budget to meet certain risks or additional costs that the Council will be facing in the future. These are set out below:-

	£m
ICT replacements (would need an annual contribution to meet these costs)	2.0
Redundancy/redeployment (if we did not hold Reserves we would have to capitalise these costs – if Government agree)	2.0
Equal Pay (if we did not hold Reserves we would have to capitalise these costs – if Government agree)	0.5
Corporate contingencies – Energy etc. (would need a specific Contingency provision)	0.5
Service contingencies (would need a specific contingency provision)	1.0

	6.0

APPENDIX F

Report to: Cabinet

Date: 12th February 2018

Report of: Borough Treasurer

Report No:

Contact Officer: Sue Johnson

Tele No: Ext 1502

Report Title: **General Fund Balances/Financial Risks**

Non -Confidential:

This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

Purpose:

To outline the Borough Treasurer's advice on the Financial Risks facing the Council and the appropriate level of Balances to be maintained

Recommendations:

That the minimum level of Balances for 2017/18 should be £10.0m or higher if possible.

1. INTRODUCTION

The Council maintains two types of revenue reserves, earmarked reserves and general reserves (Balances). Earmarked reserves are set aside for specific purposes/ commitments whereas general Balances are maintained to support the overall Council's cash-flow and meet any unforeseen contingencies/demands.

This report considers the current level of general Balances, evaluates the reasons why Balances are maintained (i.e. the general financial risks facing the Council) and provides advice on the appropriate level of Balances to be maintained by the Council in the light of Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). Appendix E sets out the Council's current position in respect of Reserves.

2. NEED FOR GENERAL BALANCES

Whilst the Council's annual Budget provides resources to meet any known liabilities or expenditure requirements, Balances are amounts which are set aside to meet unexpected changes in the Budget and to finance demands for resources which cannot be predicted and are assessed on the basis of the general financial risks facing the Council.

The requirement for Balances is acknowledged in statute with Section 32 of the 1992 Local Government Finance Act requiring Authorities to have regard to the level of Balances needed to meet estimated future liabilities when calculating their Budget requirement. The Chief Finance Officer has the responsibility to ensure that the Council maintains a balanced Budget with powers under Section 114 of the 1998 Local Government Finance Act to report to the Council should its liabilities be in danger of exceeding its resources. Equally, the External Auditor has a responsibility to review and report on the Council's financial standing. Further requirements within the 2003 Local Government Finance Act reinforce the above with additional monitoring and reporting responsibilities.

In drawing together the Council's capital and revenue budgets and the Medium Term Financial Statement, the level of general Balances and Financial Risks are always carefully considered. The provision of an appropriate level of Balances is therefore a fundamental part of prudent financial management.

3. MINIMUM LEVEL OF RESERVES

Authorities should maintain Balances equivalent to 3% of their Budget, for 2018/19 this would amount to approximately £13.9m. However, whilst this is recommended guidance, the decision on the appropriate level of Balances is one for the Council, with advice from its Borough Treasurer, to determine. There are several factors/financial risks that need to be taken into account in considering what is a prudent level of Balances:

i) Revenue Contingencies

The Council does not maintain a general contingency within its revenue budget but relies on in year savings and Balances to meet any unexpected demands. For example, a pay increase of 0.5% more than that allowed for in the Budget would cost approximately £0.6m, excluding Teachers. A price variation of 0.5% would cost approximately £1m.

ii) Interest

In recent years the Council has been successful in managing the interest that it pays out/receives and savings in this area have generally added to Balances. However given the current historic low level of interest rates, with no expectation of an increase in the near future returns on investments this cannot be guaranteed

iii) Capital

The Council's capital programme including the Town Hall Strategy is in the order of £160m per annum. Within the capital programme there are no contingencies and whilst the programme is actively monitored and managed, there is the potential for a demand on Balances from any capital overspend. In addition because of the economic climate there may be difficulties in generating the level of Capital Receipts assumed in the capital programme. For 2018/19 this has been included at £2m.

iv) Economic Climate

The challenging economic climate continues to create pressures for the Council in several ways. Demand for services, particularly those to support the elderly and looked after children is continuing to increase. In addition, several of the income/revenue streams may be affected by reduced demand/take up. Both the above items have been reflected in the budget but the change in demand cannot be absolutely forecast and therefore there may be changes in cost/income levels during the year. Brexit, whilst not having a direct effect in terms of grants received, continues to generate considerable uncertainty around the impact on Local Government which it is not possible to quantify at this stage.

v) Council Tax Support Scheme

From 1st April 2013 the Council introduced a Local Council Tax Support Scheme. The full risk of increasing numbers of claimants and greater individual claimant eligibility remains within the Council and is a risk to the Council's resources

vi) Local Business Rates

Prior to 2013, all business rates collected by local authorities were paid over to the Government. This money was distributed back to local authorities by the Government in the form of grants.

From 2013 local authorities could retain up to 50% of business rates collected (the 'local' share) with the remaining 50% (the 'central' share) paid to the Government. This central share was distributed back to council's in the form of reduced grants. The Government introduced a system of top-ups and tariffs to redistribute income between councils so that councils with higher needs or less capacity to raise their own business rates were compensated.

In April 2017, Greater Manchester local authorities formed the Greater Manchester 100% Business Rates Retention Pilot (with the expectation that all LA's will move to 100% rates retention by 2020). There was a

corresponding reduction in government grants to reflect the increase in retained business rates.

A move to a 100% retention scheme doubles the risk to a council of a loss of income due to non-collection. In the current economic climate this risk is significant. For 2017/18 Bolton Council's share of the provision set aside and charged against revenue is estimated at £2.5m, with a similar figure projected for 2018/19 (a doubling of the pre 100% pilot figure). The Government provides an overall safety net that is designed to protect councils if their business rates income falls significantly in the year – however the safety net is set at 97% of a council's baseline funding level (in the case of Bolton Council this represents a loss of approximately £3.5m) – the Council may potentially have to cover losses up to this amount from its General Balances.

vii) Un-predictable Demand Led Expenditure

Major parts of the Council's Budget, particularly in Social Care Services and Education are "demand led" and as we have seen in previous years, can create significant demands for increased expenditure during the year. Services maintain modest Reserves of their own, currently £2.2m to meet minor Budget variations.

viii) Emergencies

The Council is required to maintain provision to meet the cost of emergencies that cannot be met from main Budgets or by Insurance. Significant costs on emergencies are met by Central Government under the "Bellwin Scheme" but these are only triggered once the Council's expenditure has exceeded a pre-determined limit (0.1% of the revenue budget which is approximately £440k). Costs above this limit are covered by Central Government but only up to 85%.

ix) Unexpected Demands

Balances also need to provide sufficient resources to meet unexpected demands, particularly those that result from a legal decision, a change in Government legislation or a determination of Government legislation. In the past the Council has had to fund several major issues of this nature.

x) Service Deficits

Balances are also required to offset any Budget deficits carried forward or generated during the year by services as allowed under Financial Regulations.

xi) General Risks

It is also important to weigh up the general risks facing the Council and evaluate what any potential financial impact may result from these risks. The Borough Treasurer and the Head of Internal Audit and Risk have undertaken a review of these risks. The areas with a potentially significant financial impact are as follows:

Economic Climate
Changes in Government Funding

Potential Legal Claims
External Suppliers going into Administration
These have been taken into account in the overall evaluation of the minimum level of Balances to maintain.

4. REVIEW OF 2018/19 BALANCES POSITION

The last quarterly report estimated available Balances at 31st March 2018 at £10.7m. The review of the last 12 months does not suggest that there are any additional factors to take into account in 2018/19, other than those referred to in this note, although it is difficult to predict whether the economic climate will add further to the demands on the Council's services or reduce the income we receive. On this basis I am recommending that the current minimum level of Balances remain at £10.7m in 2018/19.

5. BOROUGH TREASURER ADVICE ON THE MINIMUM LEVEL OF BALANCES

Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Borough Treasurer) to report to the Council when it is setting its Budget/Council Tax on the "robustness of the estimates" and the "adequacy of the reserves".

Equally the Council should not hold usable Balances at too high a level as this would not be making the most effective use of the Council's overall resources when faced with significant demands for increased levels of service. Even allowing for a recommended level of Balances of £12.9m above, Balances at up to £18m would not be regarded as inappropriate.

At this point in time, bearing in mind the above and the size of the Council's Budget at approximately £430m, I would recommend that a minimum level of Balances for the Council to maintain would be £10m (but if possible should be at a higher level).

Use of Balances

Any future use of Balances above the recommended level is best used to support "one off" initiatives/investment. Any significant use of Balances to meet the on-going costs of services should only be considered on the basis of providing a Revenue contribution for the period of the Medium Term Financial Strategy.

6. SUMMARY

The report has set out the various factors that influence the level of Balances which must be maintained to meet any unexpected increases in expenditure or shortfall in income during the year. The Borough Treasurer's advice is that as a minimum Balances should be maintained at £10m but if possible should be at a higher level.

COUNCIL TAX (NON PARISH AREAS INCLUDING MAYORAL POLICE & FIRE PRECEPTS)

	Properties	2017/18	2018/19	Increase
	%			
Band A	43.85	1,071.28	1,130.67	5.54%
Band B	18.82	1,249.82	1,319.12	5.54%
Band C	17.22	1,428.37	1,507.55	5.54%
Band D	10.25	1,606.91	1,696.00	5.54%
Band E	5.50	1,964.00	2,072.88	5.54%
Band F	2.27	2,321.09	2,449.79	5.54%
Band G	1.86	2,678.19	2,826.67	5.54%
Band H	0.23	3,213.82	3,392.00	5.54%

The Mayoral Police and Crime Commissioner Precept in percentage terms equates to 7.4%

The Mayoral General Precept (including Fire Services) increase is represented by

- a 0% increase for the Fire Services component and
- an £8 initial precept for the Mayoral general component

The tables below show how the cumulative element of the Adult Social Care precept needs to be shown on council tax bills

APPENDIX G (cont'd)

Band A	Basic Council Tax	Adult Social Care Precept	Total	% Increase
2017/18 Council Tax Base (excl Precepts)	£879.66		£879.66	
2016/17 Adult Social Care Precept		£17.02	£17.02	
2017/18 Adult Social Care Precept		£26.43	£26.43	
2017/18 Council Tax Base	£879.66	£43.45	£923.11	
General Levy 2018/19	£27.60		£27.60	2.99%
Adult Social Care Precept Levy 2018/19		£18.46	£18.46	2.00%
Total 2018/19 (excluding Greater Manchester Combined Authority (GMCA) Precepts)	£907.26	£61.91	£969.17	
GMCA Precepts				
Mayoral Police and Crime Commissioner Precept			£116.20	
Mayoral General Precept (including Fire Services)			£45.30	
Total Charge 2018/19	£907.26	£61.91	£1,130.67	
	This will appear as an item on the Council Tax bill	This will appear as an item on the Council Tax bill		

Note 1 - On 8th May 2017 legislation came into force which gave the Mayor for Greater Manchester a range of powers including the role of GM Police and Crime Commissioner and delivery of GM Fire and Rescue Services. Greater Manchester Combined Authority is responsible for issuing precepts in 2018/19 on behalf of the Mayor. The GM Office of Police and Crime Commissioner and the GM Fire and Rescue Authority ceased to exist on 8th May 2017. Their 2017/18 precepts are provided below for information.

GM Office for Police and Crime Commissioner Precept	£108.20
GM Fire and Rescue Authority Precept	£39.97

Band D	Basic Council Tax	Adult Social Care Precept	Total	% Increase
2017/18 Council Tax Base (excl Precepts)	£1,319.49		£1,319.49	
2016/17 Adult Social Care Precept		£25.53	£25.53	
2017/18 Adult Social Care Precept		£39.64	£39.64	
2017/18 Council Tax Base	£1,319.49	£65.17	£1,384.66	
General Levy 2018/19	£41.40		£41.40	2.99%
Adult Social Care Precept Levy 2018/19		£27.69	£27.69	2.00%
Total 2018/19 (excluding Greater Manchester Combined Authority (GMCA) Precepts)	£1,360.89	£92.86	£1,453.75	
GMCA Precepts				
Mayoral Police and Crime Commissioner Precept			£174.30	
Mayoral General Precept (including Fire Services)			£67.95	
Total Charge 2018/19	£1,360.89	£92.86	£1,696.00	
	This will appear as an item on the Council Tax bill	This will appear as an item on the Council Tax bill		

Note 1 - On 8th May 2017 legislation came into force which gave the Mayor for Greater Manchester a range of powers including the role of GM Police and Crime Commissioner and delivery of GM Fire and Rescue Services. Greater Manchester Combined Authority is responsible for issuing precepts in 2018/19 on behalf of the Mayor. The GM Office of Police and Crime Commissioner and the GM Fire and Rescue Authority ceased to exist on 8th May 2017. Their 2017/18 precepts are provided below for information.

GM Office for Police and Crime Commissioner Precept	£162.30
GM Fire and Rescue Authority Precept	£59.95

DRAFT SUBSTANTIVE COUNCIL TAX RESOLUTION

- (i) That the following recommendations of the Cabinet on 12th February 2018 be approved:-
- (a) The Council be recommended to approve the Budget for 2018/19
 - (b) That the council tax for 2018/19 be increased by 4.99% comprising;
 - a. The Adult Social Care precept at 2%
 - b. The general levy at 2.99%. This will make additional resources of £1m available to Children's Services
 - (c) As the government has permitted the Adult Social Care precept to rise by 6% over the years 2017/18 to 2019/20, the remaining 1% will be taken in 2019/20
 - (d) As a result of savings in the Waste and Transport contracts, to re-direct that resource to fund the 2018/19 pay award.
 - (e) That the Cabinet recommends to Council the following in respect of the £1m unallocated resources for 2018/19
 - a. £0.100m to continue the work of Breakfast Clubs
 - b. £0.200m towards the LED Street Lighting programme
 - c. £0.300m for additional Highways maintenance work
 - d. £0.300m for the Waste Behavioural Change programme
 - e. £0.100m for Anti-Social Behaviour / Home Watch schemes
 - (f) The Council be recommended to approve the Corporate Capital Programme for 2018/19
 - (g) The Council be recommended to approve the Investment and Prudential Indicators and Treasury Strategies 2018/19 to 2020/21
- (ii) It be noted that on 6th November 2017 the Cabinet calculated
- (a) the Council Tax Base 2018/19 for the whole Council area as 74,822 (item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")); and
 - (b) for dwellings in those parts of its area to which a Parish precept relates as:

Parish Councils

The Parish of Blackrod	1,890	Band D equivalents
The Parish of Horwich	7,317	Band D equivalents
The Parish of Westhoughton	8,437	Band D Equivalents

being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax base for the year 2018/19 for dwellings in those parts of its area to which one or more special items relate.

- (iii) Calculate that the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish precepts) is £108,772,483
- (iv) That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act.
- (a) £224,277,817 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

- (b) £115,113,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £109,164,817 being the amount by which the aggregate at (iv)(a) above exceeds the aggregate at (iv)(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
- (d) £1,458.99 being the amount at (iv)(c) above (Item R), all divided by Item T ((ii)(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
- (e) £392,334.00 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act, each individual parish precept being:
- | | |
|--------------|----------|
| Blackrod | £ 64,608 |
| Horwich | £185,836 |
| Westhoughton | £141,890 |
- (f) £1,453.75 being the amount at (iv)(d) above less the result given by dividing the amount at (iv)(e) above by Item T (ii)(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
- (g) Part of the Council's Area
- | | |
|------------------------|-----------|
| Parish of Blackrod | £1,487.93 |
| Parish of Horwich | £1,479.15 |
| Parish of Westhoughton | £1,470.57 |

being the amounts given by adding to the amount at (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at (e) above divided in each case by the amount at (ii) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i) Part of the Council's Area

Valuation bands	Parish of Blackrod	Parish of Horwich	Parish of Westhoughton	All other parts of the Council's area
A	£991.96	£986.10	£980.38	£969.17
B	£1,157.28	£1,150.46	£1,143.78	£1,130.70
C	£1,322.60	£1,314.80	£1,307.17	£1,292.22
D	£1,487.93	£1,479.15	£1,470.57	£1,453.75
E	£1,818.58	£1,807.84	£1,797.36	£1,776.80
F	£2,149.24	£2,136.56	£2,124.17	£2,099.87
G	£2,479.89	£2,465.25	£2,450.95	£2,422.92
H	£2,975.86	£2,958.30	£2,941.14	£2,907.50

being the amounts given by multiplying the amounts at (f) and (g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands

(v) That it be noted that for the year 2018/19 the Mayoral Police and Crime Commissioner Precept and the Mayoral General Precept (including Fire Services) have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Valuation Bands	<u>Precepting Authority</u>	
	Mayoral General Precept (including Fire Services)	Mayoral Police and Crime Commissioner Precept
A	£45.30	£116.20
B	£52.85	£135.57
C	£60.40	£154.93
D	£67.95	£174.30
E	£83.05	£213.03
F	£98.15	£251.77
G	£113.25	£290.50
H	£135.90	£348.60

(vi) That, having calculated the aggregate in each case of the amounts at (iv)(f)(i) and (v), the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2018/19 for each of the categories of dwellings shown below:-

(i) Part of the Council's Area

Valuation bands	Parish of Blackrod	Parish of Horwich	Parish of Westhoughton	All other parts of the Council's area
A	£1,153.46	£1,147.60	£1,141.88	£1,130.67
B	£1,345.70	£1,338.88	£1,332.20	£1,319.12
C	£1,537.93	£1,530.13	£1,522.50	£1,507.55
D	£1,730.18	£1,721.40	£1,712.82	£1,696.00
E	£2,114.66	£2,103.92	£2,093.44	£2,072.88
F	£2,499.16	£2,486.48	£2,474.09	£2,449.79
G	£2,883.64	£2,869.00	£2,854.70	£2,826.67
H	£3,460.36	£3,442.80	£3,425.64	£3,392.00

(vii) That the Council's basic amount of Council Tax for 2018/19 at an increase of 4.99% is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.

(viii) That the Borough Treasurer be delegated authority to collect revenues and disburse monies from the relevant accounts.

(ix) That it be noted that the Government have set a National Non-Domestic Rate of 48.0p in the pound for small businesses and 49.3p in the pound for larger businesses for the financial year 2018/19.

(x) That the Council's current policy in respect of discretionary relief for charitable organisations, as approved by the Cabinet on the 12th February 2018, be reaffirmed and that the Borough Treasurer be delegated authority to determine applications for such relief.

(xi) That War Disablement Pensions and War Widows' Pensions be disregarded for the purposes of the Council Tax Support Scheme.

(xii) That Council approves the following definition for the 'minimum occupancy period' for Council Tax Discount Class C properties, to apply from 1st April 2018:
"For the purposes of Discount Class C, in considering whether a dwelling has been vacant for any period, any one period, not exceeding six weeks, during which it was not vacant shall be disregarded".

(xiii) That the minutes of the proceedings of the undermentioned Scrutiny Committee regarding their consideration of the budgets be noted:-

Corporate Cultural and External Issues 14th February 2018