

SUBJECT:	BUDGET & COUNCIL TAX REPORT 2019/20
RELEVANT MEMBER:	Portfolio Holder for Support Services
RESPONSIBLE OFFICER	Director of Resources
REPORT AUTHOR	Jim Burness (Jim.Burness@chilternandsouthbucks.gov.uk)
WARD(s) AFFECTED	All

1. Purpose of Report

- 1.1 This report provides information affecting the Council's revenue budget for 2019/20 in order for the Cabinet to make recommendations to Council on 26th February regarding the Council's budget and council tax for 2019/20.

RECOMMENDATIONS

Revenue Budget 2019/20

1. Approve the Revenue budget for 2019/20 as summarised in the table in paragraph 4.13, and recommend this to Council.
2. Agree the following use of earmarked reserves for 2019/20:

- Local Development Plan	£217k
- Planning Digitalisation	£81k
- Economic Development Reserve	£62k
- Waste Efficiency Reserve	£66K
- Leisure Fund	£50K
3. Agree the following additions to earmarked reserves for 2019/20:

- Capital – Funding replacement refuse vehicles	£394k
- Capital – Funding of capital programme	£189k
4. Agree the creation of a new earmarked reserve of £1,995k for unitary implementation costs. Part of this reserve will be drawn down in 2019/20 after approval by the Shadow Authority.
5. Approve a budget requirement of £10,910k, which will result in a District council tax of £186.30 for a Band D property.
6. Confirm the level of fees and charges for 2019/20 (Appendix C).
7. Note the advice of the Director of Resources (Appendix A).

Setting the Council Tax

8. Agree that this report be made available to all Members of the Council in advance of the Council Tax setting meeting on 26th February, and a final report is produced for the Council meeting incorporating the information from preceptors, and the final decisions of the Cabinet on the budget.

Medium Term Financial Strategy**9. To note the comments in the report on the Council's financial position in respect of the years following 2019/20.****2. Executive Summary**

- 2.1 It is the responsibility of the Cabinet to prepare a revenue budget for approval by the Council which will form the basis of setting the council tax.
- 2.2 The announcement of the decision to create a unitary authority in Buckinghamshire from 2020/21 does not affect the requirement on the Council to set a legal and prudent budget for 2019/20 that addresses the Council's aims and objectives.
- 2.3 It will be necessary at a corporate level to make provision within reserves for the transition costs to the new unitary authority.

3. Reason for Recommendations

- 3.1 The Cabinet is required to recommend to Council a budget as the basis of setting the District element of the council tax. The information within the report will be the basis for the whole Council taking the decisions on the council tax, and this is why the report will be made available to all members.
- 3.2 When considering its budget the Council needs to be mindful of the medium term financial position, and this is covered within this report.

4. Information

- 4.1 This report is divided into a number of sections that as a whole cover the various elements that need to be considered when setting the Council's budget for the coming year and the council tax for the District. Based on consideration of the information in the report, the Cabinet needs to make recommendations to the Council meeting in February where the total council tax, including the element relating to preceptors, will be decided.

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Section A - Financial Context and Base Budget position

- 4.2 On 11th December the Cabinet considered the draft service budgets and information available at that stage on the overall position related to Government funding.
- 4.3 On 13th December the Government announced the provisional Local Government financial settlement for 2019/20.
- 4.4 The following table shows the key figures for 2019/20 for Chiltern.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Business Rate Baseline	8,216	8,284	8,352	8,637	9,383
Business Rate Tariff	-6,861	-6,918	-6,958	-7,201	-7,914
Baseline Need	1,355	1,366	1,394	1,436	1,469
Revenue Support Grant	1,125	407	0	0	0
Transitional Grant	0	134	100	0	0
Total	2,480	1,907	1,494	1,436	1,469
Year on Year Change (£k)	-356	-573	-413	-58	+33
Year on Year Change (%)	-13%	-23%	-22%	-4%	+2%

- 4.5 The 19/20 figures are better than expected at the time of setting the 2018/19 budget as the Government had originally proposed an additional tariff payment "negative RSG" of £848k in 2019/20. However the Government subsequently decided to cancel the "negative RSG".
- 4.6 The Business Rate Baseline represents the Government's estimate of the amount of business rates it anticipates the Council will collect and retain. However income from Business Rates can be materially affected by appeals lodged by businesses with the Valuation Office. Successful appeals will reduce the business rates collectable.
- 4.7 Growth in business rates above the Baseline are subject to a 50% levy, with the levy being additional payments to the Government. The amount of the levy can be reduced if groups of authorities pool their business rates and payments to the Government. In 2016/17, 2017/18 and 2018/19 South Bucks, Chiltern, Aylesbury Vale and Bucks CC formed a pool in order to retain more of the growth. For 2019/20 the pool will be expanded to also include Wycombe under the Government's 75% Business Rates retention pilot scheme. This is expected to result in additional retained business in line with what has been achieved in recent years via pooling.

Section B - Investment Income, Borrowings and Grants

- 4.8 The Council's Treasury Management Strategy for 2019/20, which is also being considered at this meeting, sets out the approach aiming to deliver investment income for 2019/20 of £40k.
- 4.9 In 2017/18 the Council borrowed £10.8m in order to fund the extension of the Amersham Multi Storey Car Park.
- 4.10 In 2019/20 the Council may also incur borrowing costs, in order to fund the replacement of the aging Chiltern Pools, dependant on Members approving a detailed business case during the course of the year.

- 4.11 An important source of grant funding for the authority is the New Homes Grant that rewards authorities for each new home by providing a grant equivalent to the national average Band D council tax for a number of years following completion of the property. The cumulative funding the Council will receive in 2019/20 from this source is £700k, an increase on the current year of £82k.

Section C - Budget Requirement and Council Tax Issues

- 4.12 Since the December Cabinet meeting there has been one amendment to the draft budget as detailed in the table below:

Budget Changes	£'000
Reduction in HB Admin grant	30
Change in Net Cost of Services	30

- 4.13 The overall effect of these changes is summarised in the following table. The Budget Requirement of £10,910k will result in a council tax increase of 3% which is the maximum permitted for the Council by the Government.

Revenue Budget 2019/20	Cabinet report 11 Dec 18 £'000	Changes (see above) £'000	Current Figures £'000
Leader	664		664
Community, Health & Housing	1,805		1,805
Customer Services	1,374	30	1,404
Environment	1,391		1,391
Support Services	3,548		3,548
Sustainable Development	814		814
Net Cost of Services	9,596	30	9,626
Investment Income	-40		-40
Estimated Distribution of Chiltern Crematorium Surplus	-	-197	-197
Notional Interest on Refuse Vehicles	7		7
Borrowing costs	831		831
Funding of R&R Programme	100		100
Contribution to / from Reserves			
- To fund replacement refuse vehicles	394		394
- To fund capital programme	-	189	189
- From General Reserve	-108	108	0
Budget Requirement	10,780	130	10,910
Business Rates – Baseline	-1,479	10	-1,469
Business Rates – Growth – Effect of NDR Pilot	-300	-50	-350
RSG	0		0
New Homes Grant	-610	-90	-700
C/Tax Collection Fund Surplus	-60		-60
Precept on Collection Fund	8,331	-	8,331

- 4.14 The draft budget proposes using earmarked reserves as follows:
- Local Development Document (LDD) reserve, £216,717. This is to fund
 - the estimated costs in 2019/20 of progressing the joint Local Plan (£136,300),
 - the estimated cost of investigating setting up a Community Infrastructure Levy (£58,058), and
 - costs associated with the shared service implementation (£22,359).
 - Planning Digitalisation Reserve £80,672.
 - Economic Development Reserve £62,164.
 - Waste Efficiency Reserve for costs of waste procurement £66,080.
 - Leisure Fund for Leisure Operator Procurement £50,000.
- 4.15 In 2019/20 the Council is in the position of having a revenue surplus of £189k, and it is proposed to allocate this to the Capital Programme to ensure that the capital programme is able to be fully funded. The report on the Capital Programme on this agenda illustrates the capital position in more detail.
- 4.16 The latest budget monitoring information shows that the forecast level of general reserves at the end of the current financial year to be £6.2m. Section E of the report contains the Director of Resources advice on the level of reserves.
- 4.17 Consideration also needs to be given to earmarking some of the General Reserve balance to fund the implementation costs of the new unitary authority that will be incurred in 2019/20 and subsequent years. Although the total sum required will become clearer as the implementation process progresses the proposed initial budget based on the Bucks CC original proposal amended in the light of final Government decisions, is £22.2m, of which Chiltern's contribution would be £1.995m. Most of this provision would be required post 2019/20.
- 4.18 The draft budget has been discussed at the Resources Overview Committee and any comments received will be made known to members at the meeting.
- 4.19 Appendix C contains the schedule of the proposed fees & charges for the 2019/20 budget.

Section D - Medium Term Financial Strategy Update

- 4.20 The Council's medium term financial strategy which underpins the specific decisions taken on the budget, sets out show how the Council's corporate aims can be progressed within the likely level of resources available to the Council.

4.21 The following table sets out the current Medium Term Financial projections.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Income</u>							
Non Domestic Rates (NDR) - Baseline	(1,469)	(1,513)	(1,558)	(1,605)	(1,653)	(1,703)	(1,754)
Non Domestic Rates (NDR) - Growth	(350)	(250)	(250)	(250)	(250)	(250)	(250)
New Homes Grant	(700)	(387)	(99)	(94)	0	0	0
General Grants - Other	0	0	0	0	0	0	0
Impact of Fair Funding Review	0	0	0	0	0	0	0
Interest & Investment Income Receivable	(40)	(40)	(40)	(40)	(40)	(40)	(40)
Collection fund (surplus)/deficit - Council Tax	(60)	(30)	(15)	0	0	0	0
	(2,619)	(2,220)	(1,962)	(1,989)	(1,943)	(1,993)	(2,044)
<u>Service Expenditure</u>	9,626	9,915	10,212	10,518	10,834	11,159	11,494
Repairs & Renewals Programme Funding	100	100	100	100	100	100	100
<u>New Pressures</u>							
Additional Pension Deficit Contribution	0	111	111	111	211	211	211
Waste retender - Cost Change	0	150	150	150	150	150	150
Infrastructure Mitigation (ie HS2)	0	0	0	0	0	0	0
<u>New Savings</u>							
Planning Shared Service	0	(189)	(189)	(189)	(189)	(189)	(189)
Net additional income AMSCP expansion	0	(52)	(110)	(172)	(172)	(172)	(172)
Increased income from car parks generally	0	(25)	(50)	(50)	(50)	(50)	(50)
Phase 3 Stronger in Partnership Savings	0	(250)	(250)	(250)	(250)	(250)	(250)
Net additional income from new Chilterns Pools	0	(518)	(1,037)	(1,333)	(1,333)	(1,333)	(1,333)
Chiltern Crematorium Surplus - Current	(197)	(200)	(200)	(200)	(200)	(200)	(200)
Chiltern Crematorium Surplus - New Crem	0	(50)	(75)	(75)	(75)	(75)	(75)
	9,529	8,992	8,662	8,610	9,026	9,351	9,686

<u>Other Expenditure</u>							
Notional Interest Payable - Refuse vehicles	7	0	0	0	0	0	0
Borrowing Costs - Interest - Car Park	284	280	276	271	266	262	257
Borrowing Costs - Interest - Leisure Centre	277	878	870	862	854	846	838
Borrowing Costs - MRP Repayment - Car Park	270	270	270	270	270	270	270
Borrowing Costs - MRP Repayment - Leisure Centre	0	0	0	813	813	813	813
	838	1,428	1,416	1,403	1,390	1,378	1,365

<u>Contributions to / (from) Reserves</u>							
Contribution to Capital Prog - Refuse Vehicles	394	394	394	394	394	394	394
Contribution to Capital Prog - Other	189	0	0	0	0	0	0
	583	394	394	394	394	394	394

Precept Required	8,331	8,594	8,510	8,418	8,867	9,130	9,401
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COUNCIL TAX CALCULATION							
Tax base	44,716	44,966	45,216	45,466	45,716	45,966	46,216
Tax Rate (Band D)	186.30	191.89	197.65	203.58	209.69	215.98	222.46
Precept Collectable	8,331	8,629	8,937	9,256	9,586	9,928	10,281

Surplus / (Savings) Required	0	35	427	838	719	798	880
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- 4.22 Although this forecast will be superseded by the Medium Term Financial Forecast for the new unitary authority from 2020/21 onwards, it does serve to show that the District Council is expected to be in a healthy financial position at the point of its abolition. However the effect of the Governments fair funding review in 2020/21 cannot be quantified but is likely to result in a further reduction in funding levels for Buckinghamshire.
- 4.23 Furthermore as council tax becomes increasing the main source of funding for the Council that it can influence, decisions on the level of the tax become important to any medium term financial strategy.

Section E - Advice of the Director of Resources

4.24 The detailed advice of the Director of Resources as the Authority's statutory financial officer is set out in Appendix A. In summary the key points of the advice are as follows.

- The estimates for 2019/20 have been prepared in a thorough and professional manner.
- The key budget risks and sensitivities have been identified.
- The main financial risks to the Council for the coming year have been assessed as follows.
 - Shortfall on income targets (See Appendix B Sensitivity Analysis).
 - The cost of major planning inquiries, enforcement actions or responding to national infrastructure proposals that impact on the area.
 - The costs of temporary accommodation, and supporting housing solutions.

Specific earmarked reserves exist to cover some of these matters.

4.25 The suggested prudent level of general reserves for 2019/20 is £900k. The Appendix also sets out the estimated level of earmarked reserves at the end of 2018/19.

4.26 There are a number of key financial risks to be aware of in the medium term and these are set out in the following table.

Risk	Response
Managing the gap between cost increases the Council will face year on year, and the continued significant reductions in Government funding, and the limitation on council tax increases.	Key to managing this risk will be identifying further savings. In addition monitoring and forecasting council tax and business rate income will be important.
Shortfall in anticipated additional income from major investment projects.	Major investment projects are supported by business cases based on prudent income assumptions, and sensitivity analysis. Income levels will be monitored to assess actual income against expectations.
The costs of reaching and enforcing the Council's planning decisions, or responding to major national infrastructure proposals.	Proportional action needs to be taken and appropriate reserves maintained.

Section F – Reserve Adjustments

- 4.27 The Support Services PAG at its meeting on 23rd January will be reviewing the level and distribution of the Council's reserves and providing advice to the Portfolio Holder.
- 4.28 Members will be updated on any recommended changes to earmarked reserves.

5. Consultation

- 5.1 The draft budget has been considered by the Resources Overview Committee.

6. Options

- 6.1 The report sets out the position based on increasing the district element of the council tax to £186.30 (a 3% increase).
- 6.2 There is the option of not increasing the Council Tax, or increasing at a lower level. This would result in less resource being available and the funding gap increasing in future years.
- 6.3 There is also the option of increasing the Council by more than the referendum threshold of 3%. However it is not considered realistic to consider a local referendum due to the cost of organising a referendum, and the risk of voters not supporting any additional increase in Council Tax.

7. Corporate Implications

- 7.1 The strategic and financial risks facing the Authority are set out in the report.

8. Links to Council Business Plan

- 8.1 The Council's code of corporate governance highlights the importance of having in place clearly documented processes for policy development, review and implementation, decision making, and monitoring and control. Following from this is the requirement for sound financial management, being able to demonstrate resources are aligned to the corporate priorities of the Council, and that any material risks are assessed. Establishing a sound and sustainable financial base is important for delivering the Council's objectives.

9. Next Steps

- 9.1 This report and Cabinet's decisions will form the basis of the Council tax decision of the Council on 26 February.
- 9.2 A report will be produced for the Council meeting bringing together the precepts that have been notified to the Council, from parishes and the major precepting bodies. This will then enable the Council to set the overall council tax for the area.

Background Papers:	Draft Revenue Budget Report 2019/20 – Cabinet 11 December 2018
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