

SUBJECT:	DRAFT REVENUE BUDGET 2018/19
REPORT OF:	Leader of the Council
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WARD/S AFFECTED	All

1. Purpose of Report

1.1 To present the draft revenue expenditure budget for 2018/19.

RECOMMENDATIONS

1. The Cabinet considers the report and agrees that it forms the basis of the draft revenue budget for 2018/19, and is updated to reflect the outcomes of the Local Government Finance Settlement and related announcements.

2. Officers are instructed to examine options to reduce the planned use of the General reserves in the draft 2018/19 budget, and include these in the final budget report in February.

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. This report describes the progress to date based on:

- The financial outturn for 2016/17 and information from the current year's budget monitoring.
- The draft 2018/19 base budget built up using assumptions described in the report and which has been subject to discussion in PAGs

2.2 The draft budget is set within the context of the Medium Term Financial Strategy (MTFS).

2.3 The overall PAG expenditure budget reflects a 1.3% reduction on the current year's budget. The provisionally planned use of General reserves is £221k, but the intention is to reduce this figure.

2.4 The key points from the 2018/19 Autumn Budget are contained in Appendix C.

3. Reason for Recommendations

- 3.1 Members need to consider the service expenditure part of the budget, and that the overall budget is consistent with the MTFs. The overall budget will be finalised in February, and that will then lead to the confirmation of the level of council tax.

4. 2016/17 Outturn & Current 2017/18 Position

- 4.1 The revenue budget outturn for 2016/17 is summarised in Appendix A. The key points to note from the outturn is that the overall expenditure funded from the council tax (Budget Requirement) was £261k more than the original budget. Of this £169k related to expenditure approved in year to be funded from reserves, covering:

- * Expenditure related to the Modernising Local Government work. £41k
- * Strategic property review £72k
- * HS2 related costs £56k

Investment income was £96k under budget, and all the remaining operational services budgets overall were £4k under budget.

- 4.2 At the end of the year, the Council's usable General Fund reserve stood at £2.039m. In addition, the Council has earmarked reserves of £6.628m including £648k for the Local Plan Development, and £250k for the costs of service transformation. Within the overall figure is £4.967m in respect of s106 funding for affordable housing.
- 4.3 In the current year the forecast outturn position is shown below:

Portfolio Breakdown	Latest Budget £	Estimated Outturn £	Variance (EO-LB) £
Healthy Community	1,762,119	1,875,119	113,000
Environment	2,741,377	2,747,377	6,000
Planning and Economic Development	1,890,401	1,731,086	-159,315
Resources	1,518,051	1,631,495	113,444
Customer and Business Support	0	26,832	26,832
Net Cost of Services	7,911,948	8,011,909	99,961
Interest & Investment Income	-200,000	-150,000	50,000
Notional Interest Payable	210,654	210,654	0
Borrowing Costs - Interest	132,500	132,500	0
Transfer from LDD Reserve	-267,500	-202,500	65,000
Transfer from Specific Reserves	-5,000	-5,000	0
Budget requirement	7,782,602	7,997,563	214,961

4.4 The forecast overspend essentially relates to two factors:

- Higher costs of temporary accommodation, £150k
- Delay in letting Capswood 1, £108k

Both these items were identified as financial risks in the February Budget report setting the current year's budget.

5. Draft Revenue Budget 2018/19

5.1 The budgets have been prepared in accordance with the following inflation assumptions:

- Salaries inflation of 1%
- Contracts inflation 3.3% (unless different rate specified within contract)
- Business rates 3.3%
- Gas 0%, Electricity 7% and Water 3.3%
- Insurance 2%
- Other 0%

5.2 Investment income has been budgeted to reduce to £150,000 to reflect lower available cash balances. This estimate will be finalised when the Treasury Management Strategy is considered by the Cabinet in February.

5.3 The draft budget based on the information presented to PAGs is summarised in the following table. The draft budget has a working assumption of a £5 increase in Council Tax and a Council Tax Base figure of 32,703 (which is a 0.7% increase on the council tax base for 2017/18).

	2018/19 £k
Environment	1,811
Healthy Communities	1,258
Resources	2,770
Customer Services & Business Support	1,224
Planning & Economic Development	932
Total PAG Budgets	7,995
Capital Charges etc	193
Borrowing costs	217
Investment Income	-150
Use of Earmarked Reserves	
- LDD	-386
- Transformation/Infrastructure	-107
Use of General Reserve	-221
Budget Requirement	7,541

- 5.4 The total net expenditure across the PAGs, £7,995k represents a 1% increase on the equivalent figure for 2017/18. Appendix B shows the breakdown of the total budget by expenditure/income headings. The detailed budgets for each Portfolio area are contained in the reports to the various PAGs.
- 5.5 The draft budget makes provision for a 1% increase in pay. 2018/19 will be the first year that the Local Pay Mechanism takes effect. The Councils will formulate a proposal on pay in January, with a view to making a final decision before April. The final budget will be updated in February to reflect developments.
- 5.6 The borrowing costs in the draft budget are based on the financing of three major projects:
- Consilio Business Plan
 - Development of the Gerrards Cross Former Police Station site
 - Temporary accommodation property leasing programme
- 5.7 When finalising the budget in February one of the issues to consider will be the level of reserves, general and earmarked, should be. The draft budget assumes £221k use of the General reserve, to support the budget, but this will be reviewed as part of finalising the budget. This use of reserves is less than what was anticipated in the MTFs. Factors still to be reflected in the budget include any allowance for increase in parking charges, and also any uplift in planning fees.

6. Budget and Finance Settlement 2018/19

- 6.1 From this year the Government has replaced the Autumn Statement with the Autumn Budget. Appendix C picks out the main points in the budget that impact on district councils. The main overall point to note is that on the overall issue of funding of local authorities, with the exception of announcements on business rates retention pilots, the Chancellor made no announcements on business rates retention reform or the Fair Funding Review.
- 6.2 The Local Government Finance Settlement is expected before Christmas. As the Council had taken up the Government's Four Year Funding offer in 2016, the main new information relevant to the Council's budget will be the level of New Homes Grant and the changes to the methodology that determine the grant.

7. Risks

- 7.1 The key financial risks to be aware of in the medium term and these are set out in the following table.

Risk	Response
Uncertainty over impact of retention of business rates and the general level of future Government funding.	In the short term the Council's income from business rates is affected by the general state of the economy and by decisions of the VOA on valuation appeals. In the medium term any changes the Government may make to business rate retention could have material implications for the Council. Also the outcome of the Government's overall review of local authority funding ("Fair Funding Review") is likely to have a negative impact on finances. The MTFS makes an allowance for reduced resources which will be reviewed as more information emerges.
Growing mismatch between the local supply and demand of affordable housing increases pressure on temporary accommodation budgets.	Temporary accommodation budgets monitored, and options to provide temporary accommodation are explored including leasing arrangements with housing associations. Efforts made to identify sites for affordable housing developments. Funding made available via s106 agreements and other sources are effectively used. The issue Planning policies seek to narrow the supply and demand gap will be kept under review including issues of viability assessments.
Achievement of income targets assumed in the MTFS	An important part of the MTFS is income derived from the activities of the trading company (Consilio) set up by the Council. The Council needs to encourage the company to build up its property portfolio at a rate that will enable it to meet the targets in the MTFS.

8. Corporate Implications

- 8.1 This report sets out an initial draft Net Revenue Expenditure Budget for 2018/19. The draft budget will be combined with the information from the Provisional Local Government Finance Settlement to produce a final draft revenue budget in February for the Cabinet to consider.

- 8.2 It is a legal requirement that the revenue budget is balanced, and has been scrutinised by Members. The final draft budget that will be considered by the Cabinet in February will be scrutinised by Overview & Scrutiny Committee at the beginning of February.
- 8.3 The strategic and financial risks facing the authority are set out in the report. The Medium Term Financial Strategy financial information will be updated as part of the report to Cabinet in February 2018.

9. Links to Council Policy Objectives

- 9.1 The budget is essential to achieving all of the Council's objectives and priorities.

10. Next Steps

- 10.1 Government announces provisional funding details for 2018/19 before Christmas, and confirms final funding at the end of January 2018.
- 10.2 Budget for final consideration by Cabinet in February prepared and consultation undertaken with Overview & Scrutiny Committee on 30th January 2018.
- 10.3 Cabinet, 7th February 2018, makes recommendations on revenue budget and council tax level to Council, 27th February 2018.

Background Papers:	None
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