

<b>SUBJECT:</b>	<b>BUDGET &amp; COUNCIL TAX REPORT 2019/20</b>
<b>REPORT OF:</b>	<b>Leader of the Council</b>
<b>RESPONSIBLE OFFICER</b>	<b>Director of Resources</b>
<b>REPORT AUTHOR</b>	<b>Jim Burness (jim.burness@chilternandsouthbucks.gov.uk)</b>
<b>WARD(s) AFFECTED</b>	<b>All</b>

## 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 27<sup>th</sup> 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 4.11 and recommend this to Council.**
2. **Agree the following use of earmarked reserves for 2019/20.**

- Local Development Plan	£315k
- Economic Development Reserve	£45k
- National Infrastructure Reserve	£5k
3. **Agree the contribution of £300k to the Local Development Plan Reserve from the General Fund to support expenditure on the Plan in 2020/21**
4. **Agree the creation of a new earmarked reserve of £1,552k 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 £7,642k, which will result in a District council tax of £163.00 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 27<sup>th</sup> 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 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 12<sup>th</sup> December Cabinet considered the budget position in the light of the funding position facing the Council in the coming years, and agreed a draft budget. The draft Portfolio budgets had been considered by the Policy Advisory Groups. The overall approach aimed to follow the objectives of the Medium Term Financial Strategy of balancing income and expenditure and strengthening the Council's financial position.

4.3 On 13<sup>th</sup> December the Government announced the provisional Local Authorities financial settlement for 2019/20.

4.4 The following table shows the key figures for 2019/20 for South Bucks.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Business Rate Baseline	11,925	12,024	11,712	12,200	13,198
Business Rate Tariff	-10,921	-11,012	-10,680	-11,136	-12,110
Baseline Need	1,004	1,012	1,032	1,064	1,088
Revenue Support Grant	871	436	57	0	0
Transitional Grant	0	80	80	0	0
<b>Total</b>	<b>1,875</b>	<b>1,528</b>	<b>1,169</b>	<b>1,064</b>	<b>1,088</b>
Year on Year Change (£k)	-271	-347	-359	-105	+24
Year on Year Change (%)	-13%	-19%	-23%	-9%	+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 £414k 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 £100k. This is a significant reduction on historic figures and reflects the Council's strategic decision to undertake prudential borrowing as part of the funding strategy for its Capital Strategy and Medium Term Financial Strategy. The Council will therefore see a reduction in the level of cash available for external investment.
- 4.9 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 £429k, a reduction on the current year of £127k.

### Section C – Budget Requirement and Council Tax Issues

- 4.10 Since the December Cabinet meeting there have been two amendments to the draft budget as detailed in the table below:

Budget Changes	£'000
Reduction in HB Admin grant	20
Additional car parking income	-30
<b>Change in Net Cost of Services</b>	<b>-10</b>

- 4.11 The overall effect of these changes is summarised in the following table. The Budget Requirement of £7,642k will result in a council tax increase of £5 (3.2%) which is the maximum permitted for the Council by the Government.

Revenue Budget 2019/20	Cabinet report 12 Dec 18 £'000	Changes (see above) £'000	Current Figures £'000
Customer Services & Business Support	1,361	20	1,381
Environment	1,831	-30	1,801
Healthy Communities	1,171	-	1,171
Planning & Economic Development	510	-	510
Resources	2,859	-	2,859
<b>Net Cost of Services</b>	<b>7,732</b>	<b>-10</b>	<b>7,722</b>
Investment Income	-100		-100
Notional Interest on Capswood	174		174
Use of General Reserves			
- Waste Procurement	-60		-60
- Customer Experience	-94		-94
- Other	-55	55	0

Revenue Budget 2019/20	Cabinet report 12 Dec 18 £'000	Changes (see above) £'000	Current Figures £'000
<b>Budget Requirement</b>	<b>7,597</b>	<b>45</b>	<b>7,642</b>
Business Rates – Baseline			-1,088
Business Rates - Growth			-600
RSG			0
New Homes Grant			-429
Other Govt Grants			-66
C/Tax Collection Fund Surplus			-50
<b>Precept on Collection Fund</b>			<b>5,409</b>

- 4.12 The draft budget proposes using earmarked reserves as follows:
- Local Development Document (LDD) reserve, £315,351. This is to fund:
    - the estimated costs in 2019/20 of progressing the joint Local Plan (£198,700),
    - the estimated cost of setting up a Community Infrastructure Levy (£42,042),
    - costs associated with the shared service implementation (£16,191), and
    - Planning Digitalisation costs (£58,418).
  - Economic Development Reserve £45,016.
  - National Infrastructure Reserve £5,000.
- 4.13 The proposed 2019/20 budget does not require any use of the General Reserve to fund general expenditure. This is an improvement on the position reported to Cabinet in December.
- 4.14 The latest budget monitoring information shows that the forecast level of General Reserves at the end of the current financial year to be £3.6m. Section E of the report contains the Director of Resources advice on the level of reserves.
- 4.15 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 South Bucks' contribution would be £1.552m. Most of this provision would be required post 2019/20.
- 4.16 The draft budget has been discussed at the Overview & Scrutiny Committee and any comments received will be made known to members at the meeting.
- 4.17 Appendix C contains the schedule of the proposed fees & charges for the 2019/20 budget.

### **Section D – Medium Term Financial Strategy**

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

- The matching of expenditure and income in the medium term
- Optimising the use of Council assets to deliver or help finance Council priorities
- Aligning new expenditure to key Council priorities and to continue to provide value for money
- Having in place sound financial processes to control and monitor expenditure
- Awareness of the financial risks facing the Authority and using this to inform the Authority's level of financial reserves.

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

	2019/20 BUDGET	2020/21 BUDGET	2021/22 BUDGET	2022/23 BUDGET	2023/24 BUDGET	2024/25 BUDGET	2025/26 BUDGET
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Income</u></b>							
Non Domestic Rates (NDR) - Baseline	(1,088)	(1,121)	(1,155)	(1,190)	(1,226)	(1,263)	(1,301)
Non Domestic Rates (NDR) - Growth	(600)	(600)	(600)	(600)	(600)	(600)	(600)
New Homes Grant	(429)	(280)	(121)	(121)	0	0	0
General Grants – Other	(66)	0	0	0	0	0	0
Impact of Fair Funding Review	0	0	0	0	0	0	0
Interest & Investment Income Receivable	(100)	(50)	(50)	(50)	(50)	(50)	(50)
Collection fund (surplus)/deficit - Council Tax	(50)	0	0	0	0	0	0
	<b>(2,333)</b>	<b>(2,051)</b>	<b>(1,926)</b>	<b>(1,961)</b>	<b>(1,876)</b>	<b>(1,913)</b>	<b>(1,951)</b>
<b><u>Service Expenditure</u></b>	7,567	7,794	8,028	8,269	8,517	8,773	9,036
<b><u>New Pressures</u></b>							
Additional Pension Deficit Contribution	0	103	103	103	203	203	203
Waste retender - Procurement Costs	61	0	0	0	0	0	0
Waste retender - Cost Change	0	0	100	200	200	200	200
Temporary Accommodation costs	0	0	0	0	0	0	0
<b><u>New Savings</u></b>							
Capswood lease ends - Dec 2026	0	0	0	0	0	0	0
Planning Shared Service	0	(114)	(114)	(114)	(114)	(114)	(114)
Increased income from car parks	0	(60)	(60)	(60)	(60)	(60)	(60)
Increase income GX Car Park	0	0	0	(200)	(300)	(375)	(375)
Customer Experience Savings	94	(250)	(250)	(250)	(250)	(250)	(250)
Net additional income from Tatling End Housing	0	(129)	(276)	(285)	(285)	(285)	(285)
Net additional income from New Projects (Consilio)	0	(150)	(200)	(250)	(250)	(250)	(250)

	<b>7,722</b>	<b>7,194</b>	<b>7,331</b>	<b>7,413</b>	<b>7,661</b>	<b>7,842</b>	<b>8,105</b>
<b>Other Expenditure</b>							
Notional Interest Payable - Capswood	174	154	132	110	86	60	32
Borrowing Costs – Interest	0	231	571	591	591	591	591
Borrowing Costs - MRP Repayment (40 years)	0	260	512	553	558	558	558
	<b>174</b>	<b>645</b>	<b>1,215</b>	<b>1,254</b>	<b>1,235</b>	<b>1,209</b>	<b>1,181</b>
<b>Contributions to / (from) General Reserves</b>							
Waste Procurement	(61)	0	0	0	0	0	0
Customer Experience	(94)	0	0	0	0	0	0
	<b>(155)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Precept Required</b>	<b>5,409</b>	<b>5,788</b>	<b>6,620</b>	<b>6,706</b>	<b>7,020</b>	<b>7,138</b>	<b>7,335</b>
<b>COUNCIL TAX CALCULATION</b>							
Tax base	33,186	33,518	33,853	34,192	34,534	34,879	35,228
Tax Rate (Band D)	163.00	168.00	173.04	178.23	183.58	189.09	194.76
<b>Precept Collectable</b>	<b>5,409</b>	<b>5,631</b>	<b>5,858</b>	<b>6,094</b>	<b>6,340</b>	<b>6,595</b>	<b>6,861</b>
<b>Savings Required</b>	<b>0</b>	<b>(157)</b>	<b>(762)</b>	<b>(612)</b>	<b>(680)</b>	<b>(543)</b>	<b>(474)</b>

- 4.20 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 has a future funding gap that would need to be addressed primarily from 2021/22 onwards.
- 4.21 The Medium Term Financial Strategy identifies that the future funding gap can be addressed by a combination of:
- Maximising the return from the investment in income generating projects.
  - Optimising the major income streams by minimising costs and overheads, and having appropriate charging strategies.
  - Improve efficiency through the Stronger in Partnership Programme.
- 4.22 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 the Council's medium term financial strategy.

### **Section E – Advice of Director of Resources**

- 4.23 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 solutions to the temporary accommodation issue.
    - Letting income for the Capswood offices.

Specific earmarked reserves exist to cover some of these matters.

- 4.24 The suggested prudent level of general reserves for 2019/20 is £910k.
- 4.25 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.

<b>Risk</b>	<b>Response</b>
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.
Savings from income generating capital investment do not materialise to the	Sound business cases need to be prepared for each project within the overall programme of investment

Risk	Response
planned levels.	projects. External advice in place as appropriate to support the projects where in-house skills or capacity will not be sufficient. Financial capacity available to accommodate slippage or rephrasing of projects.
Growing mismatch between the local supply and demand of affordable housing increases pressure on temporary accommodation budgets.	Temporary accommodation budgets monitored. Funding made available via s106 agreements and other sources are effectively used. Planning policies seek to narrow the supply and demand gap.

## 5. Consultation

5.1 The draft budget has been considered by the Overview & Scrutiny Committee.

## 6. Options

- 6.1 The report sets out the position based on increasing the district element of the council tax to £163.00 (a £5 rise).
- 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 £5 or 3% (which for SBDC would be £4.74). 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 27<sup>th</sup> 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.

<b>Background Papers:</b>	<b>Draft Revenue Budget Report 2019/20 – Cabinet 12 Dec 18</b>
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