

SUBJECT:	DRAFT REVENUE BUDGET 2019/20
REPORT OF:	Leader of the Council
RESPONSIBLE OFFICER	Jim Burness – Director of Resources
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WARD/S AFFECTED	All

1. Purpose of Report

1. To present the draft revenue expenditure budget for 2019/20.

RECOMMENDATIONS

1. The Cabinet considers the report and agrees that it forms the basis of the draft revenue budget for 2019/20, and is updated to reflect the outcomes of the Local Government Finance Settlement and related announcements.

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. The recent development of 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. It will be necessary at a corporate level to make provision for the initial transition costs to the new unitary authority that will be incurred in 2019/20. This will be done when setting the final budget in February 2019 when there is more clarity around the transition process.
- 2.2 This report describes the progress to date based on:
 - The financial outturn for 2017/18 and information from the current year's budget monitoring.
 - The draft 2019/20 base budget built up using assumptions described in the report and which has been subject to discussion in PAGs.
- 2.3 The draft budget is set within the context of the Medium Term Financial Strategy (MTFS).

- 2.4 The overall PAG expenditure budget reflects a 5.12% increase on the current year's budget. The draft budget shows a provision planned use of General reserves as £55k, but the intention is to reduce this figure by the time the final budget is considered by Cabinet in February.

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 Medium Term Financial Strategy. The overall budget will be finalised in February, and that will then lead to the confirmation of the level of council tax.

4. 2017/18 Outturn & Current 2018/19 Position

- 4.1 The revenue service budget outturn for 2017/18 is summarised in Appendix A. The key point to note from the outturn is that the overall expenditure funded from the council tax (Budget Requirement) was £217k more than the original budget. The main variances were as follows:
- Costs of homelessness and temporary accommodation. +£310k
 - Increase business rates for Capswood offices and delays in subletting vacant space. +£210k
 - Costs related to increasing council tax and business rates income, income accrues to Collection Fund and this significantly exceeds the costs. +£168k
 - Additional planning income and salary savings -£181k
- 4.2 Investment income was £37k under budget, and there was a saving of £133k on interest costs as delays to certain major capital schemes resulted in no external borrowing being undertaken.
- 4.3 At the end of the year, the Council's usable General Fund reserve stood at £2,399k. In addition, the Council has earmarked reserves of £794k primarily for the Local Plan Development (£515k). In addition the Council has £4,448k in respect of s106 funding for affordable housing.
- 4.4 In the current year the forecast outturn position net for service expenditure is shown below:

2018/19 Portfolio Breakdown

	Original Budget	Latest Budget	Estimated Outturn	Variance (EO-LB)
	£	£	£	£
Healthy Community	1,748,216	1,748,215	1,852,165	103,950
Environment	2,851,158	2,851,158	2,813,658	-37,500
Planning and Economic Development	1,429,706	1,429,706	1,294,006	-135,700
Leader	7,932	7,931	8,141	210
Resources	991,380	991,379	1,080,999	89,620
Customer Services & Business Support	766,546	766,547	779,147	12,600
Net Cost of Services	7,794,938	7,794,936	7,828,116	33,180

4.5 The forecast overspend essentially relates to two factors:

- Higher costs of temporary accommodation, £270k
- Delay in letting Capswood office space, £63k.

Both these items were identified as financial risks in the February Budget report setting the current year's budget. As these two areas of overspend were identified at an early in the financial year, actions were taken to identify in year savings to offset the net overspend, which is now forecast to be £33k.

5. Draft Revenue Budget 2019/20

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

- Salaries inflation of 2%
- Contracts inflation 2.8% (unless different rate specified within contract)
- Business rates 2.8%
- Gas 0%, Electricity 6.5% and Water 2.8%
- Insurance 0%
- Other 0%

5.2 Investment income has been budgeted to reduce to £100,000 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 Council Tax Base figure is 33,186 which is a 1.48% increase on the council tax base for 2018/19. The draft budget is based on the working assumption that the budget will result in a £5 increase in council tax, which would be the maximum under the arrangements in place for the current year. This will be reviewed in February once the referendum limits for council tax in 2019/20 have been announced by the Government.

	2019/20 £
Customer Services & Business Support	1,361,371
Environment Portfolio	1,831,458
Healthy Communities Portfolio	1,170,745
Planning & Economic Development ¹	509,930
Resources Portfolio	2,858,702
Total PAG Budgets	7,732,206
Capital Charges etc	174,290
Borrowing costs	-

¹ Cost net of £285,760 use of LDF Reserve

	2019/20 £
Investment Income	-100,000
Use of Reserves (excl LDF)	
- Transformation	-93,788
- Waste Procurement	-60,600
Use of General Reserve	-55,431
Budget Requirement	7,596,677

- 5.4 The total net expenditure across the PAGs, £7,732k represents a 5.12% increase on the equivalent figure for 2018/19. This reduces to 2.7% when use of reserves is taken into account in arriving at the Budget Requirement. 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 2% increase in pay, as agreed by the Joint Staffing Committee under the Local Pay Mechanism. At this stage the draft budget does not include any allowance for increase in parking charges, a decision on these will be taken in February.
- 5.6 When finalising the budget in February one of the issues to consider will be the level of reserves, general and earmarked, should be. This will take into account any implications of the formation of the new unitary authority in 2020/21, primarily in respect of any provision for transition costs to be incurred in 2019/20.

6. Budget and Finance Settlement 2019/20

- 6.1 On 6th December the Government published the Provisional Local Government Settlement for 2019/20. 2019/20 is the last year of the 4 Year Settlement, therefore there were only a limited number of changes that would impact on the Council’s finances. Appendix C summarises the key points from the Settlement as they relate to South Bucks DC.

7. Risks

- 7.1 The key financial risks to be aware of in respect of 2019/20 are set out in the following table.

Risk	Response
The impact on the transition to the new Unitary District Council and the winding up of South Bucks DC on staffing levels.	Monitor staffing levels. Have in place policies/protocols across the affected authorities to manage staff recruitment and retention. Contingencies in place to organise as cost effectively as possible short term

Risk	Response
	agency/contractor arrangements to maintain essential services.
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 Budget	The major income areas of parking, planning and green waste are subject to external factors and therefore it is important to be regularly monitored and sufficient reserves held to offset any short term fluctuations.

8. Corporate Implications

- 8.1 This report sets out an initial draft Net Revenue Expenditure Budget for 2019/20. A final draft revenue budget will be produce 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 end of January.
- 8.3 The 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

- Budget for final consideration by Cabinet in February prepared and consultation undertaken with Overview & Scrutiny Committee on 29th January 2019.
- Cabinet, 6th February 2019, makes recommendations on revenue budget and council tax level to Council, 27th February 2019.

Background Papers:	None
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