

SUBJECT:	Portfolio Budgets 2019/20
REPORT OF:	Councillor Barbara Gibbs – Resources Portfolio Holder
RESPONSIBLE OFFICER	Jim Burness – Director of Resources
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WARD/S AFFECTED	All

1. Purpose of Report

- 1.1. To provide Members with information on the draft revenue budget for 2019/20, including the context of the overall financial position facing the Council for the coming year.
- 1.2. This report provides summary information on the budgets and highlights issues for consideration. The accompanying booklet presents the detailed information to assist Members in their decision making.

RECOMMENDATION:

Members are requested to advise the Portfolio Holder on the approval of the following items for onward submission to Cabinet:

- the 2019/20 revenue budget
- the 2019/20 fees and charges

2. Context to the 2019/20 Budget

- 2.1. At the start of the process to set the 2019/20 budget and council tax it is helpful to be aware of the context within which we will be taking decisions over the coming months.
- 2.2. The most significant recent development is the announcement of the decision to create a unitary authority in Buckinghamshire from 2020/21. This 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.

- 2.3. The Council's objectives that it continues to pursue are set out in the Council's Medium Term Financial Strategy. 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.
- 2.4. The Medium Term Financial Strategy identifies a potential funding gap. There are known issues such as homelessness and potential changes to the New Homes Bonus grant that will increase this figure unless further cost reduction/income generation measures are taken.
- 2.5. In responding to the position the Council recognised that there is no one single solution to deal with these service and financial issues. The Council is currently tackling the issue by embarking on a number of key projects or programmes, principally:
- Increasing the supply of temporary accommodation available to the Council in order to contain and then reduce homelessness costs.
 - Developing new income streams by acquiring and managing residential properties, and appropriate commercial property investments, via a company (Consilio) wholly owned by the Council. It is envisaged that the company will take over and manage the residential properties developed on the Gerrards Cross former Police Station site.
 - Reduce its operational costs by transforming service delivery with Chiltern DC through the Customer Experience Strategy which is aiming to improve customer service and increase efficiency, and through improvements to the Planning Service.
- 2.6. If these projects and programmes are progressed as planned then the Council should be able to continue to balance its finances and avoid significant frontline service reductions in the coming year, and contribute to a stable financial starting point for the new unitary authority in 2020/21.
- 2.7. The draft budgets do not include any proposals to expand services that would increase the Council's cost base.

3. Budget Assumptions

- 3.1. 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%

4. Summary Revenue Budgets

- 4.1. The draft budgets presented to Members at this stage represent the net direct running costs of services. They do not contain the apportionment of support services such as accommodation, IT, finance etc. These will be included in the final approved budgets, once the budgets for these support services have been set. The budgets reflected in this report are therefore the direct costs under the Portfolio Holder's control.
- 4.2. The budgets have been reviewed by the appropriate service manager for any material volume changes or changes related to maintaining current service standards.
- 4.3. The net budget figures for the Portfolio are shown below. A more detailed breakdown by service is shown within the booklet.

Actuals 2017/18 £'000	Budget 2018/19 £'000	Draft Budget 2019/20 £'000
3,067	2,735	2,929

- 4.4. The increase from the current year's approved budget to the 2019/20 draft budget is £194k (7.1%). The main changes are detailed below:

	£'000	Comment
2018/19 Budget	2,735	
Change in Salaries		
- Provision for pay increase	23	
- Joint Property Services	25	New post added to establishment
- Other Salary Changes	8	
Inflation		
- On expenditure	10	
- Non Distributed Costs	29	Increase in contribution to fund historic deficit
Unavoidable Increases		
- Elections	70	Elections due May 2019
- Corporate Management	10	Additional credit card fees as now accepting payment of council tax by credit card
- NNDR (Capswood)	11	Reduction in transitional relief received
- Members Allowances	27	Increase in members allowances
- South Bucks Country Park	28	Increase in maintenance contract
Transfers		
- Insurance	62	Charges moved to central pot
- Joint Property Services	-20	Transfer to Customer Services
- Comm, Performance & Policy	-34	Transfer to Customer Services

	£'000	Comment
Savings		
- Capswood	-55	Increase in rental and service charge income by letting Capswood1 and savings in supplies & services
- Democratic & Electoral Services	-7	Additional grant expected
- Investment Property Rental Income	-14	Uplift in rents due to reviews
Other Changes		
- Joint Facilities Service	17	Reduction in recharge income
- Chief Executive	-11	Increased recharges to Crem and Consilio & reduction in costs
- Insurance	15	Increase in premium and broker fees
2019/20 Draft Budget	2,929	

4.5. Further details of the budgets for each area are shown within the booklet.

5. Commentary on Budgets

Main Elements of the Budget

5.1. The main elements of this budget are as follows.

- Investment Properties – rental income and expenditure relating to the Council's non-operational investment property portfolio, including the Beaconsfield offices and Stoke Place.
- Environment / Operational properties - includes the cost of the joint property and facilities teams, the cost of the main Council offices at Capswood.
- Exec & Support – the Chief Exec and Directors, and the joint HR and Comms teams.
- Corporate Management Costs – bank charges, external audit fees, and other corporate costs.
- Non Distributed Costs – Contribution to the historical pension fund deficit, and other historical pension costs.
- Finance and Internal Audit – Joint Finance team and contract with TIAA for internal audit services.
- Legal, Elections and Democratic Services – Joint Legal Team and dealing with local land charges, organising local and national elections, and member and committee services.

Budget Priorities

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

Risks

5.3. When considering the proposed budgets for the coming financial year it is important to be aware of the risks within the budgets. For this Portfolio the main risk areas are:

- For property leases there are risks if void levels are higher than budgeted.
- In line with most authorities there is a historical deficit on the pension scheme and the Authority is required to make this good over future years. The contribution to the deficit will be reviewed in the light of actuarial advice.

5.4 The actions taken to mitigate or monitor these risks are as follows.

- Budget monitoring and regular meetings with the Portfolio Holder.
- Monitor performance of the Pension Fund via the Pension Fund Committee. Annual monitoring of the deficit position as part of final accounts process. Assess implications of increasing contribution levels as part of financial planning.

5.5. An overall review of the main risk issues for the 2019/20 budget will be undertaken once Cabinet has agreed a proposed budget. This review and proposed actions to mitigate the risks will be part of the final report to the Cabinet on the budget in February.

Task & Finish Group

5.6. In response to the budget gaps highlighted by the MTFS, the Overview and Scrutiny Committee formed a Task and Finish group in order to identify actions that needed to be taken.

5.7. The following recommendations were made which have been considered when forming these budgets for 2019/20:

<u>Recommendation</u>	<u>Action Taken</u>
All non-statutory fees and charges should be reviewed annually, to ensure that they fully cover the Council's costs, and are in line with the average charge or higher from neighbouring authorities.	There are only limited fees in the Resources Portfolio Area.
The Council need to put forward a case to Government regarding the Non Domestic Rate tariff payments as part of the Fair Funding consultation.	No firm proposals have yet emerged from the fair funding review

<u>Recommendation</u>	<u>Action Taken</u>
As part of the budget process O&S Members undertake challenge/scrutiny sessions with Portfolio Holders on their draft budget proposals.	O&S members will be invited to the PAG meetings when the draft budgets are considered.
The T&F group supports the development of Consilio, subject to appropriate safeguards being put in place to oversee its operation such as supporting the employment of a part time investment professional, the need to take considered risks to increase returns and the need to take advantage of market opportunities.	The Council continues to support Consilio. However the recent Unitary announcement reduces the scope for a longer term view.

Opportunities and Plans for Improvement

- 5.8. The next phase of joint working is focused on transforming ways of working and will seek to improve efficiency and customer service.

6. Fees and Charges

- 6.1. The Budget Booklet also contains the list of proposed fees and charges which the Portfolio Holder is asked to consider and approve.

7. Links to Council Policy Objectives

- 7.1 One of the primary purposes of the Council's budget process is to ensure that, as far as possible, resources are aligned to the corporate priorities of the Council and that any material risks are assessed.

8. Next Step

- 8.1 The Cabinet will consider the outcome of the PAG discussions at its February meeting when it will formulate a final draft of the overall 2019/20 budget for the Authority.

Background Papers:	None except as referred to in the report
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