

## COUNCIL

5 FEBRUARY 2019

### REPORT OF CABINET

#### **A.1 EXECUTIVE'S PROPOSALS – GENERAL FUND BUDGET AND COUNCIL TAX – 2019/20**

(Reference prepared by Richard Barrett)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

To present to Council the Cabinet's General Fund budget proposals including the Council Tax for District and Parish / Town Council Services for 2019/20.

##### **EXECUTIVE SUMMARY**

- The information and recommendations set out in this report reflect the Cabinet's budget proposals approved for submission to Council at their meeting on 18 January 2019.
- For 2019/20, the Cabinet's budget proposals set out a Council Tax requirement of **£7.955m** (total net revenue budget of **£13.557m**) and a General Fund capital programme totalling **£2.637m**.
- The overall revenue budget reflects a Band D Council Tax of **£167.64** in 2019/20, an increase of **£5** (3.07%).
- The budget recommended by Cabinet for approval by Council includes only the District and Parish elements of the Council Tax rather than those from the major precepting authorities. The formal approval of the 'full' Council Tax levy for the year, including the precepts from Essex County Council, Police and Fire, is delegated to the Human Resources and Council Tax Committee which is due to meet on 20 February 2019.

##### **RECOMMENDATION(S)**

**That having had regard to the Chief Finance Officer's (S151 Officer) report on the Robustness of Estimates and Adequacy of Reserves in accordance with the requirements under Section 25 of the Local Government Act 2003, and having taken account of the responses to the budget consultation process the Council approves the budget proposals (based on a £5 Band D council tax increase for district services) and agrees:**

- i) That the total General Fund net revenue budget for 2019/20 be set at £13.557m (a council tax requirement of £7.955m excluding parish precepts).**
- ii) That the General Fund capital programme be approved totalling £2.637m in 2019/20.**

- iii) That the detailed General Fund budgets be as per the Cabinet's budget proposals of 18 January 2019 as set out in Appendix D.
- iv) The calculation of the Council's Council Tax requirement, Special Expenses and Parish/Town Council precepts, as set out at Appendix F.
- v) The Council Tax for District and Parish/Town Councils' services as at Appendix I and that these are the amounts to be taken into account for the year in respect of the categories of dwellings listed in different valuation bands.
- vi) That subject to the above, if budget adjustments are required following the late notification of external / grant funding, then in consultation with the Finance and Corporate Resources Portfolio Holder, budgets are adjusted accordingly with no net impact on the overall budget or capital programme set out above.

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. At its heart, the 10 year approach to the forecast seeks to establish a sound and sustainable budget year on year through maximising income whilst limiting reductions in services provided to residents, businesses and visitors.

### **FINANCE, OTHER RESOURCES AND RISK**

#### **Finance and other resources**

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets, IT etc.

#### **Risk**

There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. There are a number of areas that could lead to additional expenditure being incurred, such as: -

- Economic environment / instability;
- Emergence of additional cost pressures;
- Changes to the local authority funding mechanisms such as the Government's fairer funding review that is proposed;
- New legislation placing unfunded duties on the Council or reducing the level of the Council's core funding;
- Local or national emergency;
- Income is less than that budgeted for, including business rate income retained locally.

However the forecast is based on relatively conservative estimates with no optimistic bias included.

As previously discussed, the Council's ability to financially underwrite the forecast is an important element of the 10 year plan. As with any forecast, some elements of income and expenditure will be different to that forecasted. It is fair to say that many may offset each other over the longer term. However, there are two important aspects to how this will be managed.

- 1) To date it is estimated that **£2.290m** will have been set aside by the end of 2018/19 within the Forecast Risk Fund to support the budget in future years. This is more than previous forecasts and excludes the additional contribution of **£0.717m** to fund initiatives aimed at supporting the long term forecast, which is also being held in the reserve. This money is available to be drawn down if the timings within the forecast differ in reality and the net position is unfavourable compared to the forecast in any one year.
- 2) The forecast will remain 'live' and be responsive to changing circumstances and it will be revised on an on-going basis. If unfavourable issues arise that cannot be mitigated via other changes within the forecast then the forecast will be adjusted and mitigating actions taken. Actions to respond will, therefore, need to be considered but can be taken over a longer time period where possible. In such circumstance the Council may need to consider 'topping' up the funding mentioned in 1) above if required in the early years of the forecast. This may impact on the ability to invest money elsewhere but will need to demonstrate that its use is sustainable in the context of the ten year forecast.

The 2019/20 position includes net savings of **£0.328m** which is slightly ahead of the current annual target of **£0.300m**. This figure will need to remain flexible and act as a counterbalance to other emerging issues as it is accepted that this figure may need to be revised up or down over the life of the forecast.

It is important to deliver against the forecast in the early years to continue to build confidence in the revised approach. This will, therefore, continue to need robust input from members and officers where decisions may be required in the short term or on a cash flow basis.

Another aspect to this approach is the ability to 'flex' the delivery of services rather than cut services. As would be the case with our own personal finances, if we cannot afford something this year because of a change in our income, we can potentially put it off until next year. There is a practical sense behind this approach as we could flex the delivery of a service one year but increase it again when the forecast allows.

In addition to the above it is important to note that the Council has already prudently set aside money for significant risks in the forecast such as **£1.609m** (NDR Resilience Reserve) and **£1.100m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary. The Council also holds **£4.000m** in uncommitted reserves which supports its core financial position.

## **LEGAL**

The arrangements for setting and agreeing a budget and for the setting and collection of

council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. The arrangements mean that there are lower tax bases for the district council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation providing the right of veto for residents on excessive council tax increases.

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (S151 Officer) must report to Council as part of the budget process on the robustness of estimates and adequacy of reserves. The proposed approach can deliver this requirement if actively managed and will be an issue that remains 'live' over the course of the forecast period and will be revisited in future reports to members as the budget develops.

In respect of special expenses that form part of the budget setting process, expenditure is classed as a Special Expense if it satisfies the requirements of the Local Government Finance Act 1992, Section 35. The only category relevant to this Council is contained within Section 35(2)(d) relating to concurrent functions with Parish and Town Councils. Under the Local Government Finance Act 1992, the Council must identify as its Special Expense, proposed expenditure on those functions which the Council performs in part of the district but which Parish or Town Councils perform elsewhere in the District. If, in the Council's view, a special expense should properly be charged over the whole of the district's area, the Council may pass an express resolution to this effect (known as a **contrary resolution**).

In order for expenditure to be a Special Expense, there are two conditions that must be fulfilled:

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;
2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

The proposals set out in this report are in accordance with the Council's budget and policy framework.

## **OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no other implications that significantly impact on the financial forecast. However, the ability of the Council to appropriately address such issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver the necessary savings.

Special expenses are based on the principle of ensuring there is equality across the district in levying Council Tax to residents based on services and facilities provided by Town and Parish Councils in specific areas that are also provided by the District Council.

## **PART 3 – SUPPORTING INFORMATION**

### **2019/20 BUDGET PROPOSALS**

On 18 January 2019 Cabinet considered the following report:-

#### **A.2 LATEST FINANCIAL FORECAST / FINAL BUDGET PROPOSALS 2019/20**

It was resolved that Cabinet approves (minute 100 refers):

*(a) The latest financial forecast set out in Appendix A;*

*(b) that if the financial position changes prior to Council considering the budget on 5 February 2019, delegation be given to the Deputy Chief Executive to adjust the forecast / budget, including the use of Reserves, in consultation with the Finance and Corporate Resources Portfolio Holder;*

*(c) that in consultation with the Leader and the Finance and Corporate Resources Portfolio Holder, the Deputy Chief Executive reports directly to Council in respect of the formal draft resolutions necessary to implement the Cabinet's budget proposals along with any late information or notifications received from the Ministry for Housing, Communities and Local Government etc.;*

*(d) that the Resources and Services Overview and Scrutiny Committee be thanked for the work they have undertaken and continue to undertake in supporting the development of the forecast / budget and agrees the comments of the Finance and Corporate Resources Portfolio Holder in response to those of the Committee as set out in this report;*

*(e) that in respect of the Treasury Strategy 2019/20, delegation be given to the Portfolio Holder for Finance and Corporate Resources to approve the Strategy for consultation with the Resources and Services Overview and Scrutiny Committee.*

***That subject to the above, Cabinet recommends to Full Council:***

*(a) That following the consideration of the comments from the Resources and Services Overview and Scrutiny Committee the following final budget proposals be made (based on a £5 increase in a Band D Council Tax for district services):-*

*i) that the detailed budgets as per Appendix D of this report be approved which provide for a Council Tax Requirement for 2019/20 of £7.955m (excluding parish precepts);*

ii) that the Council agrees and formally approves:

(b) the specific recommendations, calculations and other matters in respect of the Council's requirements – Appendix F; and

(c) the Council Tax for this Council's services – Appendix I.

#### CHANGES SUBSEQUENT TO THE CABINET'S PROPOSALS OF 18 JANUARY 2019

There have been no changes made to the forecast / budget that was considered by Cabinet on 18 January 2019.

At the time this report was printed, the final grant settlement from the Government had yet to be received. It is acknowledged that the Council may still receive notification of amended / additional grants from the Government or other funding bodies. A recommendation is set out above that provides a delegation to include such amounts in the budget as necessary.

#### GENERAL FUND BUDGET SUMMARIES

The revenue budget and capital programme are summarised below. In respect of the revenue budget, this is based on a Band D Council Tax increase of £5 (3.07%) for this Council's services in 2019/20.

**Table 1 – General Fund Revenue Budget – 2019/20 Original compared to 2018/19 Original**

	<b>2018/19 Original £m</b>	<b>2019/20 Original £m</b>
Net Cost of Services	17.403	18.205
Revenue support for capital investment	0.100	1.214
Financing items	(4.632)	(5.830)
<b>Net Expenditure</b>	<b>12.871</b>	<b>13.589</b>
Net Use of Earmarked Reserves	1.031	(0.032)
<b>Total Net Budget</b>	<b>13.902</b>	<b>13.557</b>
Business Rates (excl. S31 Govt. Grant funding)	(4.578)	(4.470)
Revenue Support Grant	(1.070)	(0.422)
Collection Fund (Surplus) / Deficit	(0.652)	(0.710)
<b>Council Tax Requirement (for Tendring District Council)</b>	<b>7.602</b>	<b>7.955</b>
Parish Precepts	1.697	1.874
<b>Council Tax Requirement (as per Requisite Calculations)</b>	<b>9.299</b>	<b>9.829</b>

**Table 2 – General Fund Capital Programme - 2019/20**

	<b>2019/20</b>
	<b>£m</b>
<b>EXPENDITURE</b>	2.637
<b>FINANCING</b>	
Government Grants	1.360
Capital Receipts	0.064
Direct Revenue Contributions	0.100
Earmarked Reserves	1.113
<b>Total Financing</b>	<b>2.637</b>

#### **ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES**

The report *Latest Financial Forecast / Final Budget Proposals 2019/20* considered by Cabinet on 18 January 2019 set out the Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves as required by section 25 of the Local Government Act 2003. The relevant extract from the report is attached at **Appendix K**. Taking into account all the relevant issues the estimates can be considered as robust and are supported by adequate reserves.

The formulation of the budget for 2019/20 is set against the context of the longer term forecast. The updated long term forecast presented to Cabinet in November 2018 set out the following expected annual position for each remaining year of the forecast:

<b>Year</b>	<b>Net Budget Position (including adjusting for prior use of reserves to balance the budget)</b>
2020/21	£1.167m (Deficit)
2021/22	£0.918m (Deficit)
2022/23	£0.664m (Deficit)
2023/24	£0.401m (Deficit)
2024/25	£0.133m (Deficit)
2025/26	£0.142m (Surplus)
2026/27	£0.424m (Surplus)

The deficit for 2019/20 was lower than originally expected which will have a favourable knock-on benefit to the position in future years. Although the figures set out within the table above will change as part of updating the forecast on a regular basis during 2019/20, there have been no issues that significantly increase the risks in future years, with the forecast position remaining broadly in-line with the amounts set out in the table above. As discussed last year, the savings target within the long term plan of **£0.300m** acts in effect like a 'safety valve' and it may therefore be necessary to increase this figure if a number of adverse issues emerge that need to be reflected within the forecast.

**BACKGROUND PAPERS FOR THE DECISION**

Working papers held in accountancy

**APPENDICES**

<b>Appendix A</b>	<b>Financial Forecast 2019/20</b>
<b>Appendix B</b>	<b>Net Savings 2019/20</b>
<b>Appendix C</b>	<b>Cost Pressures 2019/20</b>
<b>Appendix D</b>	<b>Detailed General Fund Revenue Estimates, Fees and Charges, Capital Programme and Reserves 2019/20</b>
<b>Appendix E</b>	<b>Special Expenses 2019/20</b>
<b>Appendix F</b>	<b>Requisite Budget Calculations 2019/20</b>
<b>Appendix G</b>	<b>Calculation of District and Parish / Town Council Taxes for All Areas 2019/20</b>
<b>Appendix H</b>	<b>Precepts on the Collection Fund 2019/20</b>
<b>Appendix I</b>	<b>District and Parish/Town Council Tax Amounts 2019/20. (excludes Council Tax amounts for County, Fire and Police services 2019/20 which will form part of the final Council Tax setting process via the Human Resources and Council Tax Committee)</b>
<b>Appendix J</b>	<b>Calculation of Estimated Surplus on the Collection Funds for 2019/20</b>
<b>Appendix K</b>	<b>Extract from Cabinet report 18 January 2019 setting out the Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves</b>