

## **POLICY & FINANCE COMMITTEE**

**21 FEBRUARY 2019**

### **REVENUE BUDGET - PROPOSED BUDGET 2019/20**

#### **1.0 Purpose of Report**

- 1.1 To enable the Policy & Finance Committee to consider spending proposals and make recommendations to Council for the 2019/20 Budget.

#### **2.0 Introduction**

- 2.1 This report sets out details of the proposed budget for the Council for the financial year 2019/2020. The budget proposals were formulated in accordance with the framework set out in the Council's Constitution and the budget strategy report approved by the Policy & Finance Committee on 20 September 2018.
- 2.2 The level of discretionary fees and charges for services provided by the Council are considered as part of the budget process rather than being implemented piecemeal throughout the year. This is considered later in the report. The fees and charges will be included in the electronic budget book and circulated to all Members for the Council meeting on 7 March 2019.
- 2.3 The Local Government Finance Settlement ("the Settlement") provides key figures for Government Grant that forms a part of the Council's budget. The draft settlement was announced on 13 December 2018 and was confirmed by MHCLG on 29 January 2019.
- 2.4 Members will be aware that the Council is part of business rates pool with other Nottinghamshire Authorities. A projection of available resources under Business Rates Retention has been completed.
- 2.5 Overall Business Rates income is expected to rise by £1,262,100 due to an increase in rateable value in the rating list. There have been several large changes in the rating list during the current financial year, which has increased the rateable value of the rating list by almost £1.9m rateable value. The Council's external consultants advised that due to various building works on properties within the district £1,059,700 rateable value should be billed for, together with new properties amounting to £831,050 in rateable value. As these properties have come into the list during the 2018/19 financial year, there is expected to be a surplus on the collection fund account at year end of £1,875,969 of which £750,388 will be distributed to the Council during 2019/20.
- 2.6 The level of appeals provision brought forward on 1/4/2018 is £7,128,981. It is estimated that by 31 March 2019, £849,548 will have been charged to this provision due to reductions in rateable values as a result of businesses that have appealed the 2010 list rateable value. £1,998,049 is expected to be added to the appeals provision in respect of the appeals against the 2017 list bringing the overall balance to £8,277,482. This gives a balance of £4,020,270 in respect of claims against the 2010 list and £4,257,212 in respect of claims against the 2017 list.
- 2.7 This report has been prepared by the Resources Directorate in conjunction with the appropriate Committees and relevant budget holders.

2.8 In accordance with the Constitution, all Members, Directors and Business Unit Managers have been involved with the preparation of the budget.

### **3.0 Proposed Budget 2019/2020 - Finance Settlement Figures**

3.1 The table below shows the figures for the years 2016/17 through to 2019/20. The key figure is the "Settlement Funding Assessment" which is part Revenue Support Grant and part retained Business Rates and forms the overall amount of funding receivable by the Council. It should be noted that funding for the Council Tax Support Scheme is no longer separately identifiable.

|  | 2016/17          | 2017/18          | 2018/19          | 2019/20          |
|--|------------------|------------------|------------------|------------------|
|  | £'000            | £'000            | £'000            | £'000            |
| Revenue Support Grant                      | 1,776,668        | 1,048,592        | 592,374          | 82,785           |
| Retained Business Rates                    | 3,365,803        | 3,434,519        | 3,537,702        | 3,618,775        |
| <b>Total Settlement Funding Assessment</b> | <b>5,142,471</b> | <b>4,483,111</b> | <b>4,130,076</b> | <b>3,701,560</b> |

3.2 The funding for 2019/20 is broadly consistent with that estimated and previously included in the Council's provisional estimates and no further savings need to be made as a result of the Settlement.

### **4.0 Council Tax Freeze Grant**

4.1 There has been no announcement of a Council Tax Freeze Grant for 2019/20. The final grant payable for 2015/16 and grants for previous years have been consolidated into the NNDR/RSG settlement figures for Government Grant. It is not anticipated that this grant will be a feature of future budgets.

4.2 Where Councils do increase Council Tax, the Council Tax Requirement is used to determine the level which would trigger a referendum. MHCLG have now issued the criteria for triggering a referendum which has not changed from the 2018/19 principles in that relevant basic amount of council tax for 2019/20 is 3% or more, or the greater of 3% up to £5 more than its relevant basic amount of council tax for 2018/19. Both options would allow the level of Council Tax to be increased by up to 2.99% should Members consider this appropriate.

4.3 Once again, for Newark and Sherwood DC the relevant basic amount for each year includes Internal Drainage Board levies.

### **5.0 Proposed Budget 2019/2020 - General Principles**

5.1 The draft settlement proposals for the last year of the four year settlement 2019/20 remain in line with the announcement in 2016/17 as a result of the Council accepting the 4 year settlement deal. There are also further proposals for the complete review of the local government finance system.

5.2 Reductions in Government grant are expected to continue and the Government are committed to phase out Revenue Support Grant but will continue to need Councils to contribute funding in order to meet the overall reductions in local government funding set in the Spending Review in 2016. Where this is the case the Government proposes to adjust the relevant Council's tariff or top up under the Business Rate retention scheme.

5.3 The appropriate bases agreed centrally and used in the preparation of the budget are:

- |   |           |  |
|---|-----------|--|
| (a) Average Interest Rate<br>re External Debt |           | <p>The Council does not currently have any General Fund borrowing. It is anticipated that during the course of the 2019/20 financial year, in order to deliver the actions in the Commercialisation Plan, it will need to borrow externally for General Fund related projects.</p> <p>This will be on the basis of prudential borrowing and the cost will depend on the prevailing rates at the time the funding is needed.</p>                              |
| (b) Capital<br>Charges                        | Financing | <p>Capital financing decisions that are made to borrow in order to fund capital projects incur capital charges in the form of Minimum Revenue Provision (MRP). MRP is a charge to the taxpayer in order to fund the borrowing decisions taken in previous financial years. This charge is calculated by taking the value borrowed for each asset that has been funded by borrowing and apportioning a charge over the expected useful life of the asset.</p> |
| (c) Employers<br>Superannuation               |           | <p>The actuarial review carried out as at 31<sup>st</sup> March 2016 increased the employers cost to 14.5% from 2017/18. This percentage covers future service only and the additional monetary amount (Line 9) is to cover historic deficits. This figure is reduced by a contribution from the HRA in respect of the pension earned by employees who transferred to NSH when the company was set up.</p>   |
| (d) Employees                                 |           | <p>The budget has been prepared based on the effects of the new pay and grading structure applicable from 1<sup>st</sup> April 2019 and 2% in future years to include pay, increments and all other salary costs. A vacancy provision of 3.5% of the total salary budget for 2019/20 has been made to allow for natural savings being made from posts remaining vacant before being filled. This amounts to £360,000 in 2019/20.</p>                         |
| (e) General Inflation                         |           | <p>Inflation is added in as appropriate but offset by savings elsewhere.</p>   |
| (f) Capital Charges                           |           | <p>Under the Accounting Code of Practice, Local Authorities are required to show capital charges for the use of their assets based on the current market value. Members will appreciate however that these amounts have been included within the estimates to show the true cost of delivering local services and that they are required to be reversed at lines 25 and 26 to ensure that the overall Council Tax is not inflated.</p>                       |

## 6.0 Proposed General Fund Budget 2019/2020 – Summary

6.1 The Council's annual general fund budget is shown in detail in the Appendices to this report. The overall position is summarised in Table 1:

| TABLE 1  | Estimate<br>2019/2020 |
|--|-----------------------|
|  | £                     |
| Total operating expenditure net of income        | 15,375,700            |
| Less capital reversals                           | (2,355,950)           |
| <b>Net Service Expenditure</b>                   | <b>13,019,750</b>     |
| Other net Expenditure                            | <u>(1,040,560)</u>    |
| <b>Net Budget Requirement excluding Parishes</b> | <b>11,979,190</b>     |

6.2 Post meetings at Committees during the January cycle there have been changes made to the budget based on a number of initiatives. The changes since the Committee reports are:

|                       | Original Report   | Proposed Budget   |
|-----------------------|-------------------|-------------------|
|                       | £                 | £                 |
| Policy & Finance      | 4,039,480         | 3,984,490         |
| Leisure & Environment | 3,628,970         | 3,615,970         |
| Homes & Communities   | 2,261,930         | 2,249,750         |
| Economic Development  | 1,096,290         | 1,280,100         |
| <b>Total</b>          | <b>11,026,670</b> | <b>11,130,310</b> |

6.3 The totals in the table above represent the Service budget total shown at line 5 of Appendix A less the capital charges and Revenue expenditure funded from Capital under Statute charges at lines 25 and 26.

6.4 The changes in the budget reflect:

- The recently approved Management restructure (this affects all Committee areas as various posts within the Council have been affected by this. A reapportionment of time has also been reflected due to the merging of previous functions into different Business Units)
- The purchase of the Buttermarket, and hence creating a revenue budget provision for the running of the Buttermarket
- The inclusion of a budget for a Town Centre study to inform the masterplan for Newark Town Centre. This will look to maximise the offer from within the town, to ensure the long term vibrancy of the town
- The creation of a budget to contribute to a County wide property Inspector team which will seek to increase the Rateable Values of properties within the District and County. This will then lead to an increase in Business Rates receipts.

## 7.0 Service Expenditure after Reversal of Capital Charges Appendix A

7.1 Service and other operating expenditure after capital charges have been reversed (Lines 25 & 26) shows an increase of £818,540.

| Line |   | 2018/19           | 2019/20           | Variance       |
|------|---|-------------------|-------------------|----------------|
| 5    | Total service budgets                                 | 12,690,480        | 13,486,260        | 795,780        |
| 14   | Other operating income & expenditure                  | 1,751,800         | 1,889,440         | 137,640        |
| 25   | Revenue Expenditure Funded from Capital Under Statute | (599,360)         | (599,360)         | 0              |
| 26   | Capital Charges                                       | (1,645,710)       | (1,756,590)       | (110,880)      |
|      |   |                   |                   |                |
|      | <b>TOTAL</b>  | <b>12,197,210</b> | <b>13,019,750</b> | <b>822,540</b> |

7.2 The main reasons for the increase in service expenditure are highlighted below:

- Inflation on overall staff costs, including the pay award and all newly created positions amounts to £605k.
- An increase in relation to Development Management an allowance has been made for the costs associated with development control, enforcement, appeals and appraisals has been included, rather than an annual usage of reserves which amounts to £145k.
- The budget for the commission of a District Wide Housing Needs study, subject to Committee approval, estimated at £32k partly funded by contributions from the HRA and Planning Policy.
- An increase of £15k in relation to the devolution arrangements to Newark Town Council due to the Council Tax base growth being lower than the estimated within the devolution agreement.
- Brunel Drive Depot has been assessed by the Asset Management Business unit in relation to works needed on this property. This has led to an increase of £12k in R&R contributions necessary to effectively maintain this building.
- An assessment of current fuel prices has meant that an additional £61k is needed within the budget as prices are expected to continue to increase.
- £208k has been included for a Town Centre study to inform the masterplan for Newark Town Centre. This will look to maximise the offer from within the town, to ensure the long term vibrancy of the town.
- An allowance of £100k for repairs and maintenance has been included for repairs to Leisure Centres. This has been offset by income from A4T to reimburse all expenditure.
- Overall increases in Business Rates amount to £70k with major increases for Newark Lorry Park (£25k), Newark Beacon (£22k) and Heritage, Culture and Visitors (£25k) with minor variances on other properties.
- The leasing budget of £135k, within Transport costs, in relation to the vehicles leased for Newark and Sherwood Homes has been removed as the decision has been made to purchase these rather than lease.
- Catering increases of £35k relate to Newark Beacon of £23k and £15k Lorry Park (offset by an income budget of £15k) with a reduction of £3k for bar supplies at the Palace Theatre.
- Equipment and Furniture increases relate to the anticipated purchase of more bins £37k (offset by additional income of £20k) together with increases in contracts relating to hardware maintenance (£18k) within ICT and a £10k budget for the Newark Beacon.
- The increase in Communications is mainly due to the Newark Beacon.
- Castle House energy costs have risen by an expected £33k, Newark Beacon accounts for £7k of the increase, together with an increase of £11k at the Palace Theatre, the Buttermarket £5k and Brunel Drive £4k.

7.3 The additional pressures identified in 7.2 have been offset by savings identified below:

- The one off budget for Arkwood Developments Limited set up costs of £114k during 2018/19 has been removed.
- A one off budget for costs associated with the Income Management system of £35k has been removed.
- The decision to bring the Newark Beacon back in house has generated an additional anticipated net income of £131k.
- A target of £250k savings has been set for the second year of the commercialisation strategy.
- Additional income is forecast for Garden Waste in relation to both additional customers and the bringing back in house of the administration function from Rushcliffe. This amounts to £53k additional income.
- Waste disposal income has increased by £41k, this is based on current volumes of disposal.
- Vacancy savings target has increased by £40k in line with the 3.5% savings target.

7.4 Officers and Members continue to work closely to look for savings in the provision of services including the maximisation of income where possible.

## **8.0 Employee Plan 2018 -19 (Appendix C)**

8.1 The Employee Budget for 2018/2019, produced early in 2019, predicted a full-time equivalents (FTE's) establishment of 354.67 FTE's at 31 March 2018. However the expected employee establishment for 2018/19 is now 353.09 FTE's.

8.2 The anticipated establishment at 31 March 2020, will increase to 354.09 with full establishment costs of £12.074m (2018/19: £11.430m).

## **9.0 Review of Fees and Charges**

9.1 A number of charges for services administered by the local authority are set by statute and the timing and review is therefore prescribed by Central Government. There remain however, a number of services where the Council does have the ability to review and if necessary amend its charges or charging regime.

9.2 In accordance with the Council's Constitution, each service area should consider the level of fees and charges to be implemented in the following financial year as part of the overall process of service planning and budget formulation.

9.3 The proposals for the levels of fees and charges to be implemented from 1 April 2019 are available on the Members' Extranet. The total estimates for fees & charges included in the 2019/20 budget are £4.677m (2018/19 £4.446m). These will be included in the electronic budget book circulated to all members at Council on 7<sup>th</sup> March 2019.

### **9.4 Building Control Fees and Charges**

9.4.1 Fees for Building Control are set by South Kesteven as part of the Building Control Partnership. Once they are set they will be advertised on the Council's web site.

- 9.5 Planning Pre-Application Advice: £872k (includes all planning fees)
- 9.5.1 The Council provides a comprehensive pre application advice service, which includes amongst other things consultation with key stakeholders. The aim of this service is to deliver wherever possible, timely, responsive, constructive and reliable advice so as to save significant resources by allowing an applicant not to pursue schemes which are unacceptable, or have to be modified once they've been submitted.
- 9.5.2 The scales of fees for pre-application advice are shown in **Appendix E**.
- 9.5.3 The charges for street naming and numbering can be seen in **Appendix K**.
- 9.6 Car Parking Fees and Charges: £806k + £384k Lorry Park
- 9.6.1 There are no proposals to increase car parking fees & charges.
- 9.6.2 The fixed charge for lorry parking also remains unchanged.
- 9.6.3 Car parking charges can be seen in **Appendix F**.
- 9.7 Markets Fees and Charges: £10.4k
- 9.7.1 The Newark Riverside market charges are set out in **Appendix G**. There is a proposed increase of £1 on both the market stalls and the pitch per linear metre.
- 9.8 Culture Fees and Charges: £638k
- 9.8.1 Fees and charges for the Palace Theatre, National Civil War Centre, Resource Centre and Collections can be seen in **Appendix H**. Proposals for increases are disclosed within the appendix.
- 9.9 Parks and Amenities Fees & Charges: £15.6k
- 9.9.1 Fees for hire of parks & playing fields and Newark Castle grounds and undercroft are shown in **Appendix J**. Proposals for increases are disclosed within the appendix.
- 9.10 Licensing Fees – General: £120k
- 9.10.1 **Appendix L** provides a list of the discretionary fees for all types of licensing functions under the responsibility of the Homes & Communities Committee – Safety, Hackney Carriage and Private Hire.
- 9.10.2 The discretionary fees under the Gambling Act 2005 are shown in **Appendix M**.
- 9.10.3 Fees set by Statute under the Gambling Act 2005 are shown in **Appendix N** and fees set under the Licensing Act 2003 are shown in **Appendix O**.
- 9.10.4 The proposed increases across these fees are disclosed within the appendices.

## 9.11 Environmental Health Fees and Charges: £90k

9.11.1 The Environmental Health Service has a range of services, some statutory and some discretionary, for which it imposes a charge. All charges are reviewed each year and where possible are compared to the other Local Authorities in the region and to the private sector if they are in competition as a direct service provider.

9.11.2 The tables set out in **Appendix Q** shows the current level of charges for licences and the proposed increase for 2019/20. Private water supplies and other miscellaneous Environmental Health charges are also set out in this **Appendix**.

9.11.3 Charges for the Dog Warden service (income £4k) are shown in **Appendix R**.

## 9.12 Trade Refuse Fees and Charges: £1.044m

9.12.1 Businesses within the district have to pay for the collection and disposal of the waste that they generate and the Council offers a competitive service. Costs, and therefore, charges are divided into collection and disposal, the latter of which is set by Nottinghamshire County Council as our Waste Disposal Authority.

9.12.2 Trade waste contract charges and charges for removal of bulky household waste are set out in **Appendix S**. Proposals for increases are disclosed within the appendix. An allowance has been requested for the discretion of the Business Manager to adjust fees to be able to respond to customer and market demands.

## 9.13 Other Fees and Charges

9.13.1 Local Land Charges fees (£140k) can be seen in **Appendix I**. There is no proposed increase to any of these charges.

9.13.2 Charges for advertising in the 'Voice' Magazine can be seen in **Appendix P**, for which there is no anticipated increase. Public Conveniences charges (£1.5k) can be seen in **Appendix T** and the charges for recovery action taken on unpaid Council Tax and NNDR (£272k) can be seen in **Appendix W**.

9.13.3 Proposals for room hire charges at Castle House are shown in **Appendix U**: £2.5k. Proposed increases are disclosed within the appendix.

9.13.4 Street naming and numbering (£1.3k) can be seen at **Appendix K**. There are no proposed increases to these fees.

9.13.5 Room hire charges at the Newark Beacon are shown at **Appendix V**. Proposed increases are disclosed within the appendix.

## 10.0 Capital Financing net of Interest Payable and Receivable (Line 18)

10.1 The capital financing costs are the best estimate at the time of writing this report. Due to the nature and composition of these charges, they are subject to change on a regular basis. This reflects movements in the financial markets as well as changes to the predicted cashflow.



- 10.2 The Council is proposing to borrow money from PWLB in order to support its cash flow position. During the previous financial years, decisions regarding capital expenditure have been taken to utilise internal resources and maintain an under-borrowed position against its Capital Financing Requirement. This is not uncommon across the Local Government sector, at a time when budgets have been squeezed, but reserves have existed. The Council is proposing to utilise elements of its reserves in the shape of various projects such as the Modular Pool at Ollerton and the contribution to the Robin Hood Hotel. This has meant that cash backed by these reserves has been utilised meaning that there is a need to borrow money to ensure that the Council has cash at hand to service its day to day costs.
- 10.3 There is a decrease in Capital Financing costs, of £82,080 shown at line 15 in 2019/20. This represents the cost of capital financing decisions taken in previous years where there hasn't been capital resources available to fund the capital spend. The decrease reflects the revised methodology of calculating the minimum revenue provision in line with regulations.
- 10.4 The Council's Treasury Strategy is the subject of a separate report which is being considered by Audit and Accounts Committee prior to its submission to Council on 7 March 2019.
- 10.5 The investment income increase in 2019/20 reflects the proposals set out within the Councils' approved Investment Plan which was approved at this Committee 21 September 2017. Working within the approved Treasury Management Strategy, the Council expects to increase investment income by creating a broader portfolio of investment assets in order to generate further interest income. Advice from the Councils' external treasury consultants will be sought prior to the investment of any funds to ensure maximum scrutiny is taken on any decision making.

#### **11.0 Contribution from/(to) Reserves (Line 27)**

- 11.1 Each year the Section 151 Officer of a local authority is required under Section 26 of the Local Government Act 2005 to review the amount of reserves and provisions that the authority holds. This review is carried out primarily to ensure that reserves and provisions are not allowed to be 'run down' to an imprudent low level, taking into account their purpose and likely use. In undertaking this review it is also necessary to ensure that for the level of reserves do not exceed requirement. With this in mind, a review of reserves held by the Authority has been undertaken by the s151 officer, in consultation with senior management and political leadership of the Council.
- 11.2 The Council's earmarked reserves at 31 March 2017, at 31 December 2017, forecast to 31 March 2018 and forecast to 31 March 2019 are set out below.

|                       | At 31 March 2018  | Forecast at 31 March 2019 | Forecast at 31 March 2020 |
|-----------------------|-------------------|---------------------------|---------------------------|
|                       | £                 | £                         | £                         |
| Council Reserves      | 20,759,097        | 21,677,215                | 12,220,109                |
| Grant Reserves        | 1,030,414         | 488,678                   | 420,675                   |
| Capital Reserves      | 8,798,784         | 8,054,913                 | 7,859,914                 |
| Ring Fenced Reserves  | 140,215           | 140,215                   | 140,215                   |
| <b>Total Reserves</b> | <b>30,728,510</b> | <b>30,361,022</b>         | <b>20,640,913</b>         |

11.3 A full list of reserves is provided at **Appendix D**.

## **12.0 General Fund Balance**

12.1 At its meeting in September 2017, Policy & Finance Committee approved a recommendation that the District Council should aim to maintain General Fund balances at 15% of Net Budget Requirement. Officers now recommend that a fixed amount of £1.500m would be a prudent balance to hold as the General Fund Balance in order to pay for exceptional items. By setting this as a fixed limit it reduces the burden of artificially having to amend this each year. This is then in line with the Councils' HRA which has a set fixed working balance. This balance will be kept under constant review to ensure the prudence of this value. This would potentially release £237k from the current balance of £1.737m (being the balance at the end of the 2017/18 financial year), which could be released into other reserves in order to fund Council priorities. In order to maintain the level of balances it is intended that other appropriate reserves will be used in the first instance to fund any one-off costs arising and balances will only be used when these reserves have been fully utilised.

## **13.0 Parish Precepts**

13.1 Parish/Town councils are required to 'precept' for their net expenditure from the District Council's General Fund. Because of this, the amount of Parish Precepts forms part of the District Council Tax Requirement.

13.2 The Local Government Finance Act 2012 brought in changes to the way that Council Tax benefits are paid – now treating them as a discount. The Council Tax base now needs to take into account the Local Council Tax Support Scheme and this reduces the Council Tax Base. This impacts on all classes of local authority including town and parish councils as well as the District Council and major precepting authorities.

13.3 The precepts for parish/town councils are not fully known at this time. However tables including the actual parish precepts and grant funding will be circulated at the Council meeting on 7<sup>th</sup> March 2019.

## **14.0 Revenue Support Grant and Non-Domestic Rates (NDR) (Lines 19 to 21)**

14.1 Under the NDR system, the Department of Communities and Local Government sets the rate in the pound payable. For 2019/20, the rate in the pound has been set at 50.4p (49.1p where Small Business Rate Relief applies).

14.2 For 2019/20, Newark & Sherwood District Council's retained business rates has been assessed as £3.619m and the Revenue Support Grant from central Government will be £83k, giving total funding of £3.702m. This does not include any additional revenue generated and retained by the Council, including any amount generated through the Nottinghamshire Business Rates Pool. An allowance for £610k has been included for renewable energy properties for which the Council retains 100% of the business rate income (£660k in 2018/19). The additional income relates to growth within the rateable value listing together with a reduction in the amounts to be put into the provision for appeals.

14.3 The Council is part of the Nottinghamshire business rate pool and an estimate of £1.756m has been made of the levy payable to the pool based on 2018/19 assumed growth. At this stage it is not possible to calculate how much of this growth will be returned to NSDC as this depends on the performance of all the other authorities within the pool. During 2017/18 this amounted to £461k.

14.4 As detailed in paragraph 2.6 the provision for NDR appeals reflects the risk of losses on appeals where the District Council's NDR base is made up of a small number of high value hereditaments such as Center Parcs and Knowhow.

14.5 In 2016/17 the government offered all authorities limited certainty of a four year settlement detailing the minimum amount of RSG they will receive each year from 2016/17 until 2019/20. Details of the Council's Efficiency Plan were submitted to government prior to the deadline of 14 October 2016, and it is available on the Council's website. <http://www.newark-sherwooddc.gov.uk/budgets/> It should be noted however, that for this Council, the certainty of funding only applies to Revenue Support Grant and Rural Services Delivery Grant, which in 2019/20 will only amount to a total of £121k. Confirmation of the 4 year funding was received from CLG on 16<sup>th</sup> November 2016.

#### **15.0 Council Tax Requirement**

15.1 The Newark & Sherwood District Council Annual Net Budget Requirement for 2019/20 is £11.979m as shown in Table 1 paragraph 6.1. This is offset by Government Grant of £121k in Revenue Support grant and Rural Services Delivery Grant and retained NDR of £5.128m. This leaves a net call on the Collection Fund before Parish Precepts are added of £6.730m (**Appendix A** Line 32).

#### **16.0 Subjective Analysis**

16.1 A subjective analysis showing the total service expenditure and income for 2019/2020 according to type is shown in **Appendix B**.

#### **17.0 Risk Assessment and Sensitivity**

17.1 Under Section 25 of the Local Government Act 2004 the statutory Section 151 Officer, the Director of Resources, is charged with reporting on the robustness of the estimates made. This section fulfils that statutory requirement.

17.2 In considering the overall level of budget proposed and the sensitivity of income and expenditure levels it should be noted that:-

- A 1% increase in Council Tax is equivalent to a sum of £67,300 net expenditure
- A £1 increase in Council Tax is equivalent to a sum of £38,770 net expenditure

17.3 As with all District Councils the costs of staffing make up a considerable part of the budget. As shown in paragraph 5.3 the budget has been prepared using the pay scales agreed with the trade unions for 2019/20. Future years budgets have been uplifted by 2%. To the extent that any future national agreement exceeds that figure the impact will need to be met from Council reserves. For every 1% increase in staffing costs a further £120,970 would require to be found from the Council's balances to the extent that other savings or staff reductions could not be made to offset the increase. It is not considered that this presents a significant risk for 2019/20.

- 17.4 A substantial part of the net budget is dependent on the buoyancy of income streams thus offsetting the expenditure falling to be met from the General Fund and hence Council Taxpayers. Account has been taken within the 2019/20 budget of the levels of income which are considered to be achievable. However, any significant under performance on income will give rise to a subsequent increase in the net expenditure in the year and therefore place an unbudgeted demand on the Council's revenue balances. A 1% drop in income from fees and charges across all service areas would be equivalent to an amount of £46,770 or a tax increase of £1.20 or 0.7%.
- 17.5 Income from most income streams is currently meeting budget targets. Areas of potential shortfalls are within the Asset Management Team, where an assessment of the time spent on capital projects has led to a reduction in the charge to capital against the budgeted income. An allowance for this has been made within the 2019/20 budget. Heritage, Culture and Visitors is also showing an under recovery of forecast income which is currently being contained by reducing expenditure. Allowances for this have also been made for the 2019/20 budget.
- 17.6 In 2019/20, it is essential that the incomes stream from all areas is monitored closely.
- 17.7 Within the 2019/20 budget it has been necessary to find savings in order to keep the level of expenditure (and hence Council Tax) to an acceptable level. Some of these items are highlighted in Section 7.3 above. In order to maintain the long-term financial stability of the budget and future viability of services it is essential that the savings projected in this budget are fully achieved.
- 17.8 At the time of constructing the budget a number of uncertainties exist which could cause significant variation to the projected levels of expenditure and income reflected within the budget. The most significant areas in addition to those identified as income above are:

#### 17.8.1 Interest Rates

The Authority receives a significant amount of interest as reflected in line 17 of **Appendix A**. It is proposed to borrow money during the course of the 2019/20 financial year, which will mean that interest will become payable from the General Fund as reflected in line 16 of **Appendix A**. These amounts have been calculated taking into account various factors such as cash flow, level of capital receipts available, levels of anticipated balances and reserves, and the anticipated interest rates achievable during the year. To the extent that variations occur in the above areas, the level of interest paid and received in the year may fluctuate from that anticipated.

The impact of a 1% interest rates change is not significant in terms of the Council's overall budget.

#### 17.8.2 General Inflation

Services are required to stand the impact of general inflation within their budget targets. Inflation rates were around 2.4% in September 2018.

Inflation puts further pressure on non-pay budgets and there is a risk that this will impact on the level of expenditure in 2019/20. It should be noted that the allowance for inflation covers

the period up to March 2020. At the time of writing this report the figure for CPI for January 2019 was not available; the figure for November 2018 was 2.3%.

#### 17.8.3 National Living Wage

The National Living Wage (NLW) will increase to **£8.21** per hour from April 2019 for workers aged over 25.

The Council currently pay a non-contractual Living Wage supplement bringing all employees' hourly rates up to at least £8.75 per hour. In November 2018 the Living Wage Foundation raised its rate for workers outside of London to **£9.00** an hour, thereby keeping a significant gap between this voluntary scheme and the compulsory NLW. Now that the Council and the Trade Unions have reached agreement on the 2019/20 NJC pay scales, the necessity to pay the non-contractual living wage supplement has ceased because the lowest scale point will be in line with the Living Wage Foundation's rate of £9.00 per hour as referenced above.

#### 17.8.4 Apprenticeship Scheme

In addition to the Apprenticeship Levy (**Appendix A** Line 7) the Council will be required to fund additional apprentices within the organisation. It is anticipated to utilise the training reserve by £0.025m in order to fund apprentices employed by the Council.

#### 17.8.5 Reserves and Provisions

As referred to at paragraph 11.1 above, in carrying out the statutory review of Reserves and Provisions now necessary under the Local Government Act 2005. The position is set out in paragraph 11.1 to 11.3 above.

#### 17.9 Provisional Local Government Finance Settlement

17.9.1 The Provisional Local Government Finance Settlement was issued on 13 December 2018.

17.9.2 As the Council accepted the multi-year settlement during 2016/17 for 4 years, the levels of RSG and retained Business Rates were already known to this authority as stated at paragraph 3.1.

17.9.3 Council Tax Referendum principles have been amended to keep in line with inflation. This means that Councils have the ability to increase Council Tax Band D by the higher of £5 or 2.99%, prior to triggering a referendum rather than the higher of £5 or 1.99% previously.

### 18.0 RECOMMENDATIONS

**It be recommended to Council on 7 March 2019 that:**

**(a) the Employee Plan shown in Appendix C be noted;**

**(b) the following amounts be now calculated by the Council for the year 2019/2020 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011:**

- (i) **£47,478,210** being the aggregate of the amounts which the Council estimates for items set out in Section 31A(2)(a) to (f) of the Act (the gross District Council expenditure for 2019/20);
  - (ii) **£35,499,020** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) of the Act (the gross District Council income for 2019/20); and
  - (iii) **£11,979,190** being the amount by which the aggregate at (a)(i) above exceeds the aggregate at (a)(ii) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Net Budget Requirement for the year;
- (c) the figures shown as (b)(i) and (b)(iii) above to be increased only by the amount of Parish Precepts for 2019/20;
  - (d) the budget figures included in the report be the Council's budget for 2019/20; and
  - (e) the fees and charges shown in Appendices D to W be implemented with effect from 1<sup>st</sup> April 2019.

#### **Reason for Recommendations**

To enable Policy & Finance Committee to make recommendations to full Council of the amounts to be calculated in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 for the purposes of setting Council Tax levels for the year 2019/20.

#### **Background Papers**

Summary of Discretionary Fees and Charges for 2019/20

For further information please contact Nick Wilson, Business Manager – Financial Services on extension 5317.

Sanjiv Kohli  
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