

Report to: **Council**

Date: **12 February 2019**

Title: **Budget Proposals 2019-20 onwards
update report**

Portfolio Area: **Cllr P R Sanders - Budget Setting Process**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny
Committee**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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RECOMMENDATIONS

It is **RECOMMENDED** to Council:-

- i) To set an increase in Council Tax for 2019/20 of 2.99% (Band D of £231.63 for 2019/20 – an increase of 13 pence per week or £6.72 per year). This equates to a Council Tax Requirement of £4,673,499 as per Appendix B.
- ii) That the financial pressures shown in Appendix A of £454,500 are approved
- iii) That the contributions to Earmarked Reserves of £120,000 and transferring the one-off 2019-20 budget surplus of £43,635 into the Future Financial Stability Earmarked Reserve to assist in meeting the predicted budget gap of £533,741 in 2020/21 are approved.
- iv) That the savings of £689,700 as shown in Appendix A are

approved.

- v) That £375,000 of New Homes Bonus funding is used to fund the 2019/20 Revenue Budget as set out in 4.6 of the report.**
- vi) That the recommendations of the Financial Stability Review Group on Earmarked Reserves (set out in 10.2 and 10.3) are approved.**
- (vii) To delegate to the S151 Officer, in consultation with the Leader and Deputy Leader to agree the final amount of New Homes Bonus funding for the Dartmoor National Park for 2019/20.**
- (viii) That a collection fund surplus of £84,000 is utilised in 2019-20.**
- (ix) That the Total Net Expenditure of the Council is £7,078,595 for 2019-20.**
- (x) That the Council Tax Support Grant paid to Town and Parish Councils is reduced by 8.6% for 2019/20 as per Appendix A.**
- (xi) That the fees and charges set out in Appendix D (Planning) and E (Environmental Health) for 2019/20 are approved.**
- (xii) That the recommendation of the Waste Working Group, to commence the garden waste subscription period from the 1st April 2019 instead of the current October renewal date is approved. (Current subscriptions will be extended until the 1st April 2020 without additional charge.) Any shortfall income from 2019/20 and 2020/21 whilst service growth is achieved should be covered from reserves (the Strategic Waste Earmarked Reserve) and paid back through increased income generated in future years. (This is set out in 4.21 to 4.26 of the report).**
- (xiii) That the level of reserves as set out within this report and the assessment of their adequacy and the robustness of budget estimates be noted (Section 10). This is a requirement of Part 2 of the Local Government Act 2003. It is also recommended to retain the minimum level of Unearmarked Reserves at £750,000.**

1. Executive summary

- 1.1** The Council approved its Medium Term Financial Strategy (MTFS) for 2019/20 to 2023/24 at Council on 25th September 2018 (Minute CM33). This is based on a financial forecast over a rolling five year timeframe to 2023/24. The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. Between 2009/10 and

2019/20, the Council's Core Government funding has reduced by £3 million.

- 1.2 West Devon has continued to work in partnership with South Hams District Council which has allowed West Devon Borough Council to achieve annual savings of £2.2 million and more importantly protect all statutory front line services.
- 1.3 Between both Councils the annual shared services savings being achieved are over £6 million. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.
- 1.4 ***West Devon Borough Council is currently forecasting a £533,741 budget gap by 2020/21. The report attached sets out proposals for the Council to achieve a balanced budget in 2019/20, as shown in Appendix B.***
- 1.5 The Draft Local Government Finance Settlement was published on 13th December 2018 and there has been an increase in the allocation of Rural Services Delivery Grant from £372,638 for 19/20 to £464,365 – an increase of £91,727. It is important to note that this additional funding for the provision of rural services has only been confirmed for one year (2019/20). This extra funding, alongside other changes to the budget position which was reported to the Hub Committee on 4th December (set out in Section 2), has resulted in a one-off budget surplus for 2019/20 of £43,635. This is recommended to be transferred to the Future Financial Stability Earmarked Reserve to assist in meeting the predicted budget gap of £533,741 in 2020/21.
- 1.6 It is important to note that the MTFs set out the budget strategy for the Council for the next five years, with annual reviews and updates when items are further known or are announced by the Government. The MTFs approved at Council in September 2018 was the starting point for developing a meaningful five year strategy that has set out the strategic intention for all of the different strands of funding available to the Council. The Council is now able to rely on this to inform future decisions.
- 1.7 A Cross Party Member Working Group (Financial Stability Review Group) was set up in November 2017 with defined Terms of Reference to look at the Medium Term Financial Strategy and to further look at options for securing financial stability for the longer term. The Group regularly reports to the Hub Committee and the Overview and Scrutiny Committee and has made recommendations on Reserves in 10.2 and 10.3 of this report.

2 CHANGES TO THE 2019/20 BUDGET REPORT SINCE THE HUB COMMITTEE MEETING OF 4th DECEMBER 2018

Draft Local Government Finance Settlement for 2019/20

- 2.1 On 13th December 2018, the Government announced the draft Finance Settlement for 2019/20 for consultation. Appendix C sets out an analysis of the finance settlement over the four years from 2016/17. Overall over the four year funding settlement from 2016/17 to 2019/20, it can be seen that West Devon Borough Council has had a 38.2% reduction in Government funding. This compares against 38.8% for the average for Shire District Councils. The key points from the Finance Settlement are below.
- 2.2 The Council Tax Referendum limits for District Councils will remain the same (the higher of £5 or 2.99%). For Police and Crime Commissioners the potential annual increase to their council tax will be increased to £24 per annum.
- 2.3 Negative Revenue Support Grant (RSG) for 2019/20 will be eliminated by the Government. There has been no news on what will happen to negative RSG from 2020/21 onwards and therefore the modelling in this report has assumed negative RSG will remain for 2020/21 onwards in some form (e.g. as part of the business rates baseline reset). It is currently estimated to be £293,000 per annum which would be deducted off the Council's business rates funding and represents negative Government grant (it is effectively the Council's further predicted funding cuts).
- 2.4 For 2019/20 there are no changes to the New Homes Bonus baseline of 0.4% (the previous concern was that this could be increased to 0.6%). The baseline is the proportion of housing growth which is deducted as 'natural growth as such' before New Homes Bonus is paid to a Council. The Council's New Homes Bonus allocation for 2019/20 has been announced at £500,595.
- 2.5 Rural Service Delivery Grant (RSDG) in 2019/20 will increase to £81m; an increase of £16m on the previously planned £65m allocation. This has increased West Devon's allocation from £372,638 for 19/20 to £464,365 – an increase of £91,727. This additional funding has only been confirmed for 2019/20 (so only confirmed for one year). It is not known how much RSDG the Council will receive for 2020/21 onwards and the same level of £464,365 has been assumed in the modelling.
- 2.6 Proposals for new 75% Business Rates Pilots in 2019/20 have been approved for 15 areas and these are in Berkshire, Buckinghamshire, East Sussex, Hertfordshire, Lancashire, Leicestershire, Norfolk, Northamptonshire, North and West Yorkshire, North of the Tyne,

Solent, Somerset, Staffordshire and Stoke, West Sussex and Worcestershire; Unfortunately Devon wasn't successful in being a Business Rates Pilot for 2019/20 but most of the Pilots announced are new Pilot areas for 2019/20. Devon is already a Pilot for 2018/19. This will mean that West Devon Borough Council will continue to be part of a Devonwide Business Rates Pool for 2019/20.

- 2.7 In addition to the local government finance settlement, two consultation papers have been published on the Fair Funding Review and Business Rates Retention. Officers have attended local seminars on this during January and February and will circulate a consultation response to all Members and our local MPs.
- 2.8 During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. The Council applied and was accepted for the four year agreement. From 2018/19 onwards, the Council has received no Government funding (Revenue Support Grant, RSG) and the Council will need to be self-sufficient. Although the four year settlement offered no Revenue Support Grant, it did guarantee the Council its allocations of Rural Services Delivery Grant over the four year period. The Finance Settlement for 2019/20 only covered the last year of the four year settlement. The point is being made by the Local Government Association (LGA) that Councils need more certainty of their funding longer term post 2020.
- 2.9 There is a one-off amount of £25,000 being paid to the Council from the surplus national business rates funding held in the Government Levy Account (WDBC's share)

Other updates to the Budget report since the Hub Committee meeting of 4th December 2018

- 2.10 On 4th December 2018, Council approved the recommendation of the Frontline Services Project Board to award a contract (Lot 3) for the waste collection, recycling and cleansing services (Minute CM42). This has generated a saving from a Lot 3 award of £254,000 per annum. It was also approved to contribute £50,000 per annum into a Vehicle Replacement Earmarked Reserve. Officers were also instructed to work with the successful bidder on the implementation of a three-weekly residual waste collection trial as soon as is practicable, subject to a report detailing potential savings and timescales being approved by the Hub Committee. (NB. the report will be presented within three months of the contract start date).
- 2.11 The TaxBase for 2019/20 was approved by the Senior Leadership Team on 17th December and has been confirmed at 20,176.57 – This is an increase of 58.72 Band D Equivalent properties. (The increase is less than the previously modelled assumption that the number of properties would increase by 160 per annum). The S151 Officer has

asked officers within the strategic planning team for the latest estimates from information from the Joint Local Plan.

- 2.12 The Draft Budget Proposals were considered by the Overview and Scrutiny Committee at their meeting on 15th January. A copy of the minute from their meeting is below:

*** O&S 81 BUDGET PROPOSALS 2019/20 ONWARDS UPDATE**

Members were presented with a report that asked for consideration of the draft Budget proposals for 2019-20 and onwards. The Leader of Council introduced the report and specifically highlighted the updates to the Budget position since the Hub Committee meeting had considered the matter at its meeting on 4 December 2018 (Minute HC *49 refers).

In the ensuing debate, particular reference was made to:-

- (a) confirmation that the monies allocated from the Better Care Fund were sufficient to finance Disabled Facilities Grants;
- (b) income from investments in Commercial Property. In response to a question, officers advised that the proposed £120,000 Year 4 (2022/23) income could consist of a combination of potential commercial development in the Borough and property acquisitions outside of West Devon;
- (c) delivery of rural services. The Leader informed that the Rural Services Network and Local Government Association continued to rigorously lobby Central Government to point out the distinct differences between rural and urban service delivery;
- (d) the waste collection service. The S151 Officer confirmed that trials would be needed to inform the level of savings achievable from a three weekly waste collection and a report would be presented to the Hub Committee by the end of June 2019;
- (e) the future Budget gap. Whilst the Council was facing severe challenges to fill its Budget gap, Members made reference to a number of the measures that had already been implemented. These, coupled with some of the future proposals and the findings of the recent Peer Review, left some Members confident that the Council would have options and the ability to close its future Budget gap;
- (f) the proposed Community Grant reductions. Whilst he would reluctantly support the recommendation, a Member did express his disappointment over the proposed grant reductions to some Community Groups. For clarity, it was

confirmed that there was currently no intention to recommend a reduction in grant awarded to Citizens' Advice.

It was then **RESOLVED:**

That, as part of the 2019/20 Budget Setting process, the Hub Committee take into account that the Overview and Scrutiny Committee support:

1. the proposed increase in Council Tax for 2019/20 of 2.99% (Band D of £231.63 for 2019/20 – an increase of 13 pence per week or £6.72 per year);
2. the proposed financial pressures of £420,000 (as shown in Appendix A of the presented agenda report);
3. the proposed contributions to Earmarked Reserves of £120,000 and transfer of the one-off 2019/20 Budget Surplus of £73,135 into the Future Financial Stability Earmarked Reserve to assist in meeting the predicted Budget gap of £504,242 in 2020/21;
4. the proposed savings of £684,700 (as shown in Appendix A of the presented agenda report);
5. the proposed use of £375,000 of New Homes Bonus funding to fund the 2019/20 Revenue Budget (as set out in Section 4.6 of the presented agenda report); and
6. the recommendations of the Financial Stability Review Group on Earmarked Reserves (as set out in paragraphs 10.2 and 10.3 of the presented agenda report) and agree that these should be recommended in the final Budget Proposals report for 2019/20 (to be presented to the Council meeting on 12 February 2019).

2.13 The Budget Proposals were considered by the Hub Committee on 29th January 2019 (Minute HC67 refers). The Leader advised Members that there were two updates since the publication of the report, being a proposal to increase the establishment by one Level 5 Planning officer and that Devon County Council (DCC) had confirmed that the Communities Together Fund (a Fund whereby DCC allocated £1 per resident and WDBC allocated 10p per resident) would cease. The result was a budget pressure for the WDBC allocation of the Planning officer post and a saving of approximately £5,000 from the Communities Together Fund, as the previous papers had included this allocation.

In light of the loss of the Communities Together Fund, and the difficulties Members faced in reducing grants to community groups and partnerships, Members discussed the possibility of creating a moderate fund (e.g. £500 per Member) for each Member to be able to allocate to a specific purpose within their ward. The rules of the

fund could enable pooling to create a larger grant. It was agreed that such a scheme should be proposed for consideration.

2.14 The table below shows the summary of changes:-

	Total (£)
Budget Surplus for 2019/20 reported to the Hub Committee meeting on 29th January 2019	(73,135)
This was recommended to be transferred to the Future Financial Stability Earmarked Reserve to assist in meeting the predicted budget gap of £533,741 in 2019/20	
<i>Additional Income/Savings</i>	
Cessation of Communities Together Fund	(5,000)
<i>Reduction in savings or income modelled</i>	
Addition of a Level 5 Planning Specialist post (wdbc share of costs = £19,000)	19,000
Member Locality Fund (£500 per Member)	15,500
Revised Budget Surplus for 2019/20 (reported February 2019) – This is recommended to be transferred to the Future Financial Stability Earmarked Reserve to assist in meeting the predicted budget gap of £533,741 in 2019/20	(43,635)

3 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

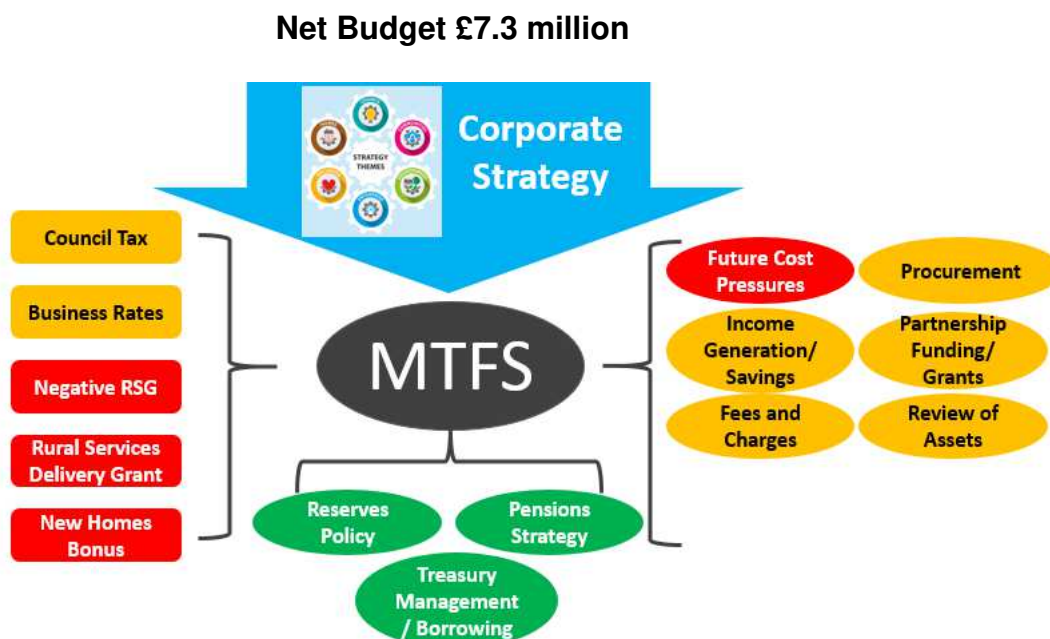
- 3.1 The National Employers made a final pay offer covering 1 April 2018 to 31 March 2020. The majority of employees (those on salaries starting at £19,430 p.a.) have received an uplift of 2% on 1/4/18 and a further 2% on 1/4/19, with those on lower salaries receiving higher increases. The cost of this was £85,000 in 2018/19 and a further £95,000 in 2019/20. This has been reflected in Appendix A. The Medium Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council.
- 3.2 This report assumes inflation will run at 2% over the five year period. The Consumer Prices Index (CPI) was 2.4% in October 2018.
- 3.3 The predicted interest rate forecast from our treasury management advisors, Link Services, is that interest rates will remain at 0.75% up to June 2019. By December 2020 the bank base rate is predicted to increase to 1.5%.
- 3.4 An increase in council tax of 2.99% for the next five years has been modelled for council tax purposes. This strategic principle was approved as part of the Medium Term Financial Strategy (Minute CM33). This would equate to a Band D council tax for West Devon of £231.63 in 2019/20 as shown in Appendix B (an increase of £6.72 for the year which equates to 2.99%).

3.5 It has been assumed that the number of properties within the Borough will increase by 160 per annum from 2020/21 onwards – this is an increase of approx. 0.8%. (see note 2.11 for the 2019/20 increase of 59 Band D Equivalent properties and Members may wish to decrease this estimate in the future).

4. THE COMPONENTS MAKING UP A MEDIUM TERM FINANCIAL STRATEGY (MTFS)

4.1 The Diagram below sets out all of the component parts which constitute the make-up of a Medium Term Financial Strategy. Appendix C of the MTFS report to Council on 25th September 2018 went through each of these components in detail and made recommendations where appropriate.

Items in Green denote those elements where the Council has a large degree of control over the setting of policies and strategies. Items in Amber denote those components of the MTFS where the Council has a degree of control. Red items signal components where the Council has hardly any control over funding allocations which are decided by the Government and future cost pressures which can largely be outside of the Council’s control or influence.



Council Tax

4.2 Council on 25th September 2018 (Minute CM33) has set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to endeavour to continue to deliver services. The actual council tax for any given year

will be decided by Council in the preceding February. (The council tax for 2019/20 will be set at this Council meeting on 12th February 2019).

Business Rates

4.3 The income from Business Rates which West Devon Borough Council retained in 2017/18 was the funding baseline of £1,538,973 plus the pooling gain of £82,000. Estimates have been made of the Baseline funding Level for 2019/20 onwards as set out in Appendix B. This is £1.62m for 2019/20 and £1.66m for 2020/21. Negative RSG of £293,000 per annum from 2020/21 has been assumed to be deducted from the business rates funding as set out in 2.3.

New Homes Bonus (NHB)

4.4 The Government has stated that 2019/20 represents the final year of NHB funding and from 2020 onwards they will explore how to incentivise housing growth most effectively and will consult on this issue. The financial modelling has included using £375,000 of New Homes Bonus funding for 2019/20 to fund the revenue base budget and this has then been reduced to £100,000 by 2020/21 and £50,000 by 2021/22 for modelling purposes.

4.5 For 2019/20 there are no changes to the New Homes Bonus baseline of 0.4% (the previous concern was that this could be increased to 0.6%). The baseline is the proportion of housing growth which is deducted as 'natural growth as such' before New Homes Bonus is paid to a Council. The Council's New Homes Bonus allocation for 2019/20 has been confirmed at £500,595.

4.6 The table below sets out the suggested use of New Homes Bonus funding for 2019/20:-

NHB	Amount (£)
New Homes Bonus 2019-20 allocation	500,595
Suggested allocation:-	
To fund the Revenue Base Budget	(375,000)
To fund the Capital Programme for 2019/20* (This is mainly a £50,000 allocation for affordable housing)	(80,000)
Dartmoor National Park allocation**	TBA
Amount remaining unallocated	45,595

*The Capital Programme Bids for 2019/20 are a separate report on this Council agenda

**Dartmoor National Park (DNP) – On an annual basis Dartmoor National Park request a share of the New Homes Bonus to reflect new homes delivered within the Park. The money is used to support a local community fund and, for example, joint work through the rural housing

enabler. Members consider this on an annual basis as part of the Budget process.

- 4.7 District Councils such as West Devon have also suffered a large reduction in their New Homes Bonus funding (£0.5 million in 17/18) due to the number of years payments being reduced from six years to five years in 17/18 and four years from 18/19 onwards. The New Homes Bonus funding being released is to contribute towards adult social care costs, a function carried out by Unitary and County Councils.

Pensions Strategy (Actuarial Valuation)

- 4.8 The Council has taken specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation), with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit. Options have been presented to the Council's Audit Committee on 22nd January and this work is being progressed by the S151 Officer.

Treasury Management and Borrowing Strategy

- 4.9 The Council has taken external treasury management advice on the Council's overall borrowing levels and debt levels. The Council set an Upper Limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £50 million. In March 2019, the Council will consider its Capital Strategy and Treasury Management Strategy which will contain the new requirements issued by MHCLG in February 2018 of the new guidance.

Partnership Funding/Grants

- 4.10 Following reports to both the Overview and Scrutiny Committee (26th June) and the Hub Committee, it has been approved by Council (Minute CM24 – Council 24th July 2018) to reduce funding to Partnerships by £14,000 for 2019/20.

Commercial Property and Review of Assets

- 4.11 The Invest to Earn Group are considering commercial property business cases within the Commercial Property acquisition strategy. A report on the funding for the initial years of the development projects has been presented to the Hub Committee. The recommendations have been made to Council in February 2019.
- 4.12 The Council's Asset Base is £22.3 million at 31 March 2018. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council's Assets.

Results of the Members' Budget Survey 2018

- 4.13 A Members' Budget Workshop was held on 8th October and the budget reductions which were supported from the results of the Members' Budget Survey (which were attached in Exempt Appendix C of the report to the Hub Committee in December 2018) have been reflected within the savings schedule of this budget report. The budget savings have been highlighted in grey in Appendix A.

Planning Fees and Charges for 2019/20

- 4.14 Appendix D sets out the Planning Fees and Charges for 2019/20. The first five fees/charges were introduced this year and to date take up has been very low, further consultation is taking place with the planning agents to ascertain why the service is not being used and whether the charge is a major factor. Given the low take up so far it is not proposed to alter the fees at this point.
- 4.15 Charging for the Duty Planning service was introduced in April 2018. A budget target of £6,500 was set based on a conservative forecast of income due to the unknown uptake. Uptake has been higher than predicted and together with a rise in the fee from £30 to £40 it is predicted that an income of £10,000 is achievable in 2019/20 (an increase of £3,500).
- 4.16 The fees for planning pre-application advice were revised at the beginning of this financial year with some of the fees significantly rising and the introduction of a fee for a scoping meeting for larger development. It was anticipated that the change in fee structure would be broadly neutral, however this year's projected income of £20,000 will be met. Given the rise in the pre-application fees last year (2018/19) it is not considered reasonable to raise them again this year.

Environmental Health Fees and Charges for 2019/20

- 4.17 Appendix E sets out proposals for Environmental Health Charges for 2019/20. Environmental Health charges were reviewed for 2016/17 to ensure that the Council charges were consistent across WDBC and SHDC and complied with the legislation in terms of the maximum charge being full cost recovery. The charges were changed to reflect this requirement and the review of charges for 2019/20 reflects the full cost recovery concept and the proposal is to increase most charges by

3% to reflect inflation and the additional cost to the Council of providing these services.

- 4.18 The setting of fees for the issuing of licences for Hackney Carriage and Private Hire Vehicles, as well as Private Hire operators is governed by the Local Government (Miscellaneous Provisions) Act 1976, this requires that where the fee set is proposed to be greater than £25 the Council must advertise these changes for a period of 28 days, and publish a notice in the local newspaper. Due to the cost of the advertisement of fees it is not economically beneficial to the local authority to increase these fees by inflation each year. Fees for these licences will be reviewed on a 3 yearly basis to ensure that the Council is not subsidising the delivery of the service substantially.
- 4.19 In terms of additional income, the changes to existing Environmental Health and Licensing charges shouldn't be significant since the increases are merely incremental.
- 4.20 The new charge for ECO declaration certification is an administrative charge for the processing of applications, this is in line with other Councils who charge for the Council's administrative costs of the scheme. The estimated additional income from the proposed new fee is £10,000 and this has already been built into this Council report.

Garden Waste Service

- 4.21 The opt-in garden waste service began on 31st July 2017 and the subscription year was set at October to September. This was due to the timetable for decision making with a Spring service start date always being the preferred option.
- 4.22 The participation and subscription rates were based on that experienced by other Councils with similar demographics and set at 35% and £40 respectively. From this, the net income forecast was £67,500 in the first year with £190,000 for each subsequent year. In 2017-18, and in the current financial year, the actual number of subscriptions was around 20%. Currently the target net income has been met in both years, largely due to savings on forecasted expenditure - the lower subscription rate has meant fewer sacks and deliveries were required. However, currently no surplus is left for future replacement of sacks and the Council misses the opportunity of boosting income considerably on an ongoing basis if a higher subscription target can be met.
- 4.23 Officers have carried out a range of promotions to boost subscriptions and are currently updating the payment system and associated webpages to make the process more customer-friendly. However, the number of actual subscriptions has remained consistent with no significant increase achieved. Trends from other Councils would

indicate this to be linked to the subscription year starting in October which is at the end of the growing season.

- 4.24 A number of options have been considered, and it is the request of the Waste Working Group that the subscription year is moved from 1 October to the 1 April with effect from 1 April 2019. This is expected to increase participation by aligning with the start of the growing season and ensure a greater level of income from the service in the future. Residents currently subscribing (October 2018 – September 2019) year would have their service extended for 6 months to align from 1 April 2020 without additional charge. A dual subscription year, i.e. 1 April 2019 – 31 March 2020 running in tandem with a 6 months subscription from 1 October 2019 – 31 March 2020 has been considered, however this increases both operational and administrative complexity ongoing.
- 4.25 The proposal will mean a fall in income for the 2019-20 financial year. If the original target of 35% participation (which was based on the uptake in other similar local authorities and has been exceeded by many) is met, the loss of income in 2019-20 would be around £20,000. However, the uptake of new subscribers is difficult to accurately predict as some non-subscribing residents may have made other arrangements over the past year of charging, such as home composting. Projections are therefore based upon a 2 year recovery and growth period.
- 4.26 This approach for garden waste was considered by the Hub Committee on 29th January and is recommended to Council.

5 BUDGET PRESSURES, SAVINGS AND INCOME GENERATION

- 5.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 5.2 **Appendix A** to the Medium Term Financial Position sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. ***These figures in Appendix A show the changes to the existing base budget.***

(As set out in Appendix A)	2019/20	2020/21	2021/22	2022/23	2023/24
Cost Pressures	£454,500	£465,000	£260,000	£260,000	£335,000
Contributions to Earmarked Reserves	£120,000	£120,000	£120,000	£120,000	£120,000
Savings and additional income	(689,700)	(266,200)	(171,200)	(391,200)	(1,200)

6. OVERALL POSITION – BUDGET GAP

6.1 Appendix B illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £7.3 million in 2018/19. A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if the Council Tax is increased by 2.99% (shown in Appendix B).

6.2 The following table illustrates the predicted budget gap from 2019/20 onwards for the Council as shown in Appendix B:

Cumulative Budget Gap	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	Total Aggregated Budget Gap £
Modelling as set out in Appendix B (See Note 1 below)	Nil – A balanced Budget is set out in these budget proposals	533,741	445,232	77,104	172,840	1,228,917

Note 1 - The Draft Local Government Finance Settlement was published on 13th December 2018 and there has been an increase in the allocation of Rural Services Delivery Grant from £372,638 for 19/20 to £464,365 – an increase of £91,727.

It is important to note that this additional funding for the provision of rural services has only been confirmed for one year (2019/20). This extra funding, alongside other changes to the budget position which was reported to the Hub Committee on 4th December (set out in Section 2), has resulted in a one-off budget surplus for 2019/20 of £43,635. This is recommended to be transferred to the Future Financial Stability Earmarked Reserve to assist in meeting the predicted budget gap of £533,741 in 2020/21.

6.3 In the Modelling in Appendix B, the total budget gap is £533,741 in 2020/21 and this is predicted to decrease to £445,232 in 2021/22 (the £445,232 assumes the budget gap in 20/21 of £533,741 has not been closed). The aggregated Budget Gap is £1.29 million.

7 FINANCIAL SUSTAINABILITY AND TIMESCALES

7.1 The Council is progressing various options for closing the budget gap for 2020/21 onwards, to achieve long term financial sustainability. The table below sets out a timescale for those options and the various strands that the Council is exploring.

Option	Possible Budget Impact	Timescale
<p>Public Conveniences A budget saving of £50,000 in 2019/20 has been included within the total budget savings modelled.</p>	£50,000	A further update report was on the Hub Committee agenda for the 29 th January 2019.
<p>Pensions Strategy (Actuarial Valuation) The Council has received specialist pensions advice on its Pensions position (informing the actuarial valuation). Options were reported to the January Audit Committee and the S151 Officer is progressing this work.</p>	To be quantified (could be up to £100,000 or more)	Report to the Audit Committee 22 nd January 2019.
<p>Waste Procurement The savings (£254,000 per annum) from the waste procurement are now included within the modelling within this budget report. As per Council Minute CM42 (4th December 2018), Officers were also instructed to work with the successful bidder on the implementation of a three-weekly residual waste collection trial as soon as is practicable, subject to a report detailing potential savings and timescales being approved by the Hub Committee. (NB. the report will be presented within three months of the contract start date).</p>	To be quantified	By the end of June 2019
<p>Council Tax Reduction Scheme The grant to Town and Parish Councils has been reduced by 8.6% over the four year period of the finance settlement. Members have</p>	£59,000 for 2020/21 onwards	To be considered as part of the 2020/21 Budget process - Early

Option	Possible Budget Impact	Timescale
an option over whether to withdraw funding in 2020/21.		consideration by Summer 2019
<p>Asset Review The Invest to Earn Group are considering commercial property business cases within the Commercial Property acquisition strategy. A report on the funding for the initial years of the development projects was presented to the Hub Committee on 29th January 2019.</p>	To be quantified	29th January 2019 – Recommendation made to Council.
Funding Options		
<p>Negative Revenue Support Grant (RSG) The draft Finance Settlement published in December 2018 confirmed the Government's intention that negative RSG will be withdrawn in 2019/20.</p> <p>This budget report has already factored in that there will be no negative RSG for 2019-20. It is assumed that negative RSG of £293,000 per annum will continue to happen for 2020/21 onwards.</p> <p>See Section 2.3 for more explanation</p>	Negative RSG of £293,000 for 2020/21 onwards has been built into this budget report.	<p>The draft Finance Settlement for 2019/20 has only confirmed that negative RSG will be withdrawn for 2019/20 only.</p> <p>The position for 2020/21 onwards is not known and it is assumed that negative RSG of £293,000 per annum will be in place.</p>
<p>New Homes Bonus allocations for 2020/21 onwards</p> <p>The Government has stated that 2019/20 represents the final year of NHB funding and from 2020 onwards they will explore how to incentivise housing growth most effectively and will consult on this issue.</p>	To be assessed	Awaiting further announcements from the Government

Option	Possible Budget Impact	Timescale
<p>New Homes Bonus allocations for 2020/21 onwards (continued)</p> <p>The financial modelling has included using £375,000 of New Homes Bonus funding for 2019/20 to fund the revenue base budget and this has then been reduced to £100,000 by 2020/21 and £50,000 by 2021/22 for modelling purposes.</p> <p>This remains a risk for the Council.</p>	<p>It is not known what NHB allocations (or a similar scheme) will be in future years when the NHB scheme is replaced.</p>	
<p>Use of Reserves as a temporary measure</p> <p>The Council could temporarily utilise Reserves to balance an element of the 2020/21 budget, whilst longer term solutions are being implemented.</p> <p>This would be a very short term solution though.</p>	<p>To be assessed</p>	<p>To be decided as part of the Budget Process</p>

7.2 Through the Financial Stability Review Group, further measures are being considered to balance the 2020/21 onwards budget positions.

- 7.3 The diagram below shows the Government timetable of key dates. The key dates will be in May 2019 when more details will be known about the Funding Reform and Spending Review 2019. In November 2019, the baseline funding for business rates and the impact of the transitional arrangements will be known.



8 CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

- 8.1 The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing. There is a separate report on this Council agenda for the Capital Programme Bids for 2019/20, totalling £6,053,000.
- 8.2 **Commercial Property Acquisition Strategy** – The Council has agreed a commercial property acquisition strategy of up to £37.45 million. To date, four investment properties have been purchased with a value of £22 million in aggregate. Purchases made within the strategy will be capital expenditure. The Invest to Earn Group are considering commercial property business cases within the Commercial Property acquisition strategy. A report on the funding for the initial years of the development projects was presented to the Hub Committee on 29th January 2019.
- 8.3 **Prudential Borrowing** - The Council will consider the use of prudential borrowing to support capital investment to deliver services and will ensure that the full costs of borrowing are taken into account when investment decisions are made.

9. Sensitivity analysis and risk analysis

9.1 The Council carries out sensitivity analysis and risk analysis of its Budget Proposals and this is shown in Appendix H.

10. Earmarked and Unearmarked Reserves

10.1 The current levels of Reserves are £1.2 million Unearmarked Reserves and Earmarked Reserves of £3.2 million. The Council's Net Budget is £7.3 million for 2018/19. Therefore Unearmarked Reserves equate to 16% of the Council's Net Budget. A full list of Reserves is attached in Appendix F. It is recommended to retain a minimum level of Unearmarked Reserves at £750,000.

10.2 The Financial Stability Review Group has reviewed the Earmarked Reserves and has identified several historic lower value Earmarked reserves which have no current commitments and no recent expenditure. These are listed below and they total £84,937. It is recommended that this amount is allocated instead to the ICT Reserve which is currently depleted and has no resource remaining.

- W0901 – Grounds Maintenance Reserve - £49,068
- W0909 – Millwood Homes Reserve - £15,000
- W0923 – CLG Assets Community Value - £7,855
- W0898 – Landscaping - £5,220
- W0907 - New Burdens Reserve - £3,294
- W0908 – World Heritage - £4,500
- **TOTAL £84,937**

10.3 The annual contributions to Reserves of £25,000 to the Planning Earmarked Reserve and £25,000 to the ICT Reserve were supported by the Financial Stability Review Group (FSRG). The FSRG were also of the opinion that the cost pressure for Elections of £50,000 could be removed, in light of the amount held in Reserves of £24,000 for Elections. It was agreed to remove the £50,000 cost pressure in 2019/20 and replace this with an annual contribution to the Elections Earmarked Reserve of £20,000.

10.4 On 4th December 2018 (Minute CM42), Council approved a contribution of £50,000 per annum into a Vehicle Replacement Earmarked Reserve for the waste collection, recycling and cleansing services contract.

10.5 **Budget Monitoring** – The latest Quarter 3 Budget Monitoring report shows the actual net revenue expenditure is forecast to be under budget by £65,000 when compared against the total budget set for 2018/19. This is mainly due to additional planning income following the receipt of several large planning applications in the second quarter of 2018/19.

11 **NEXT STEPS**

- 11.1 This MTFS is the starting point for developing a meaningful five year strategy that sets out the strategic intention for all of the different strands of funding available to the Council. This was approved at Council in September 2018. The Council is now able to rely on this to inform future decisions.
- 11.2 Officers will continue to work with the Cross Party Member Working Group (Financial Stability Review Group) and the results of this will be incorporated into future Budget reports. Section 7 sets out the potential timescales against the areas identified.
- 11.3 The table below shows the budget timetable for the budget meetings in 2019 for the 2019/20 Budget.

29 th January 2019	Hub Committee recommended Final Budget Proposals to Council for 2019/20
7th February 19	Date which Council Procedure Rule 16 applies
12th February 19	Full Council – To approve Final Budget Proposals for 2019/20 and set the WDBC share of the Council Tax
19th February 19	Council Tax Resolution Panel – to agree the Council Tax Resolution for 2019/20 (This is WDBC share plus all other precepting authorities share).

Note 1- Council Procedure Rule 16 states that ‘Where a member intends to move a motion or amendment in relation to the Budget, the text of that motion or amendment must be put in writing and submitted to the Head of Paid Service by 9am on the third working day before the meeting, in order that officers may have sufficient time to consider and advise the Council of the financial implications of any such motion or amendment’. As per the timetable above, this would need to be submitted by 9am on Thursday 7th February 19.

12. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Hub Committee is responsible for recommending to Council the budgetary framework. It is the role of the Overview and Scrutiny Committee to scrutinise the Budget proposals being proposed by the Council. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of the Budget report is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p>
Financial	Y	In the Modelling in Appendix B, the total budget gap is £533,741 in 2020/21 and this is predicted to decrease to £445,232 in 2021/22 (the £445,232 assumes the budget gap in 20/21 of £533,741 has not been closed). The aggregated Budget Gap is £1.29 million.
Risk	Y	Each of the budget options taken forward by Members will consider the risks of the option.
Comprehensive Impact Assessment Implications		
Equality and Diversity		Equality Impact Assessments are completed for the budget proposals.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Budget pressures and savings

Appendix B – Modelling of the Budget Position

Appendix C – Local Government Finance Settlement analysis

Appendix D – Planning Fees for 2019/20

Appendix E – Environmental Health Fees for 2019/20

Appendix F – Revenue Reserves (Earmarked and Unearmarked)

Appendix G – Draft Revenue Budget Proposals for 2019/20

Appendix H – Sensitivity Analysis