

Chichester District Council

THE CABINET

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Budget Spending Plans 2018-2019

1. Contacts

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2. Executive Summary

Full Council approved the Five-Year Financial Strategy in January 2018. The key financial principles in the Financial Strategy offer guidelines for making financial decisions over the next few years, and will assist Chichester District Council in achieving balanced budgets over the medium term.

As the Council signed up to the government's four-year multi-year offer, the provisional settlement for the core funding elements were unchanged except for the New Homes Bonus that was slightly lower, but offset by a small increase in the Rural Services Delivery Grant (RSDG) to the figures included in the Council's Financial Strategy considered by Council in January 2018.

The government has announced that as a low taxing authority, Chichester District Council can raise its council tax by £5 or 3% whichever is the greater; £5 equates to 3.32% and would generate an additional £264,000 per year. No council tax freeze grant is being offered for 2018-19. Any proposal to increase council tax by more than £5 would require a referendum.

Full Council will set the budget and council tax in March 2018. This report concentrates on the budget spending plans which are a robust financial estimate of the resources required to deliver council services and the Provisional Local Government Finance Settlement.

3. Recommendations

3.1 That the Cabinet recommends to the Council:

- (a) That a net budget requirement of £12,988,300 for 2018-19 be approved.
- (b) That Council tax is increased by £5 from £150.81 to £155.81 for a band D equivalent in 2018-19.

- (c) That the Investment Opportunities Reserve is increased by £820,200
- (d) That, should the final settlement differ from the provisional settlement, any increase or decrease be dealt with by adjusting the transfer to the Investment Opportunities Reserve above.
- (e) The capital programme, including the asset renewal programme (Appendix 1c and 1d).

3.2 That the Cabinet further considers:

- (a) The current resources position (Appendix 2).
- (b) The budget variances included in the Draft Budget Spending Plan as set out in Appendix 1b including growth items.

4. Background

- 4.1 The report considers the position on the annual budget within the context of the financial strategy which guides the management of the Council's finances during a period of reducing government financial support.
- 4.2 The draft budget preparation process is all-inclusive with the budget managers working with the accountants under the leadership of the Corporate Management Team (CMT). The result is a robust process of ensuring financial resources match service delivery priorities.
- 4.3 The Council's Overview and Scrutiny and Corporate Governance and Audit Committees also nominated members to review the process and progress on the draft budget.

5. Outcomes to be Achieved

- 5.1 The draft spending plans are formulated in accordance with the financial principles of the Financial Strategy as adopted by Council. This results in a robust financial estimate of the resources needed to deliver council services in 2018-2019.
- 5.2 To seek Cabinet approval on the draft spending plans, and to make appropriate recommendations to Council to determine the council tax at its meeting in March.
- 5.3 To set a balanced budget; which is a statutory requirement.

6. Proposal

- 6.1 The purpose of the report is to consider the draft budget spending plans ahead of the Council meeting in March when the council tax and budget will be set for the forthcoming year. The plans, if adopted, will set the spending parameters of services and officers for 2018-2019.

- 6.2 The draft spending plans are based on opting for a Council Tax increase of £5 per band D property; this will generate an additional £264,000 per year for the Council. This will assist the Council to meet its long term objective of protecting public services.
- 6.3 If there is any change in the final settlement, it is recommended that this should be dealt with by adjusting the amount transferred to the Investment Opportunities Reserve.

7. The Provisional Settlement

- 6.1 As the Council accepted the government's multi-year funding offer, the provisional settlement was generally as expected; with the exception of the new homes bonus which was £76,000 lower, and the temporary funding of rural services delivery grant (RSDG) which is anticipated to be slightly higher than the funding set out to Cabinet in December 2017 in the Financial Strategy. As the national RSDG allocation was increased by £15m by government, potentially increasing the allocation to the Council by £35,000.
- 6.2 No further changes were implemented to the new homes bonus scheme as proposed in a recent DCLG consultation paper. So the current arrangements remain with rewarding development that exceeds the baseline set at 0.4% and legacy payments for 4 years. The amount of NHB allocated in the provisional settlement was £2.314m compared to £2.390m in the Financial Strategy, but as this funding is not used to support the revenue budget, instead is set aside to fund capital investment or one off projects so will have a small effect on the resources available, and no impact on the revenue budget.
- 6.3 The provisional settlement for retained Business rates 2018-19 was as reflected in the Financial Model at £2.170m, so no change. There are proposals to amend the top-ups and tariffs to take account of the 2017 revaluation, and compensation for under-indexing the business rate multiplier from a 2% cap to using CPI for 2018-19. For future years, it is currently assumed an additional tariff of £620,000 from 2019-20 and beyond will reduce funding but more detail is awaited on this from the government.

8. Council Spending - Budget for 2018-2019

- 7.1 The Council has a statutory duty to prepare a balanced annual revenue budget, and it is also good financial management to do so within the context of its medium term financial strategy. The key variables in achieving a balanced financial position for 2018-19 are levels of income from fees and charges, budget pressures in some service delivery areas, less predictable income from business rates and use of council reserves.
- 7.2 The revenue estimates for 2018-19 are shown in the summarised Comprehensive Income and Expenditure Statement (CIES) in Appendix 1a. This summary provides the net cost of each Cabinet portfolio and also for the main services within each portfolio area.

- 7.3 The 2018-2019 budget has the Council's Corporate Plan as a central focus. The fact that the budget has been balanced without the use of reserves, or use of the New Homes Bonus, is a credit to the members, staff and management team in, what has proved again to be, a challenging budget round.
- 7.4 The Council's estimated budget requirement for 2018-19, as shown in Appendix 1a, is £12.988m (£10.674m excluding NHB). This represents a spending increase of 5% (or a 14.9% increase when excluding NHB) over the base budget for 2017-18. An analysis of the major movements can be found in Appendix 1b.

Council Tax

- 7.5 The Financial Strategy objective is to set a realistic increase in council tax over the medium term, accepting that such an objective is linked to the continued withdrawal of funding from central government.
- 7.6 The government has confirmed that the threshold increase for Chichester before triggering a referendum is the higher of either 3% or £5 (which equates to an increase of 3.32%). No council tax freeze grant was offered for 2018-19.
- 7.7 Whilst the draft budget shows a contribution to the investment opportunities reserve of £820,200 for 2018-19, the projections for future years in the Financial Strategy model shows that this contribution by 2022-23 will reduce to £44,000, underlining the need to achieve the savings and additional income streams built into the model. Government funding is only known up to 2019-20, after which the model is based on officer's considered projections and estimates based on information currently available. This will change as more detailed information is obtained, especially in relation to the fair funding review and the future of localised business rates, which will change in 2020-21 as the share is expected to change from 50% to 75%. The top-up and tariff mechanism to redistribute retained business rates may also change.
- 7.8 The Cabinet and the Senior Leadership Team (SLT) will continue to work on the delivery of the current approved deficit reduction plan, to ensure that the budget is balanced.

Income from Fees, Charges and Rents

- 7.9 The Council currently receives £16.4m of income each year from fees and charges for services e.g. car parking, trade waste, estates' rents, planning and building control fees. Some income streams have performed well during recent years, but are now finding that the general uncertainties in the economy are having an impact, and some services have in the past struggled to pass on inflationary increases. These issues were highlighted in the Financial Strategy, and a prudent estimate of these income streams has been built into the 2018-19 budget.

Use of Reserves

- 7.10 The Financial Strategy seeks to avoid the use of reserves to support the revenue budget on a recurring basis. Due to the change required in the budget

to mitigate the impact of the accounting standard IFRS 9 the previous allocation of a £1.3m reserve to support the revenue budget has now been repurposed and added to the general fund reserve as approved by Full Council in January 2018. The 2018-2019 budget has been balanced without the need to use reserves, however if the deficit reduction plan or new income streams are not delivered as expected in the Financial Strategy, or further action taken to address any funding gap, then in the medium term the Council will struggle to balance its budget without the use of reserves.

- 7.11 Both SLT and budget managers are required to adhere to robust proactive financial management principles to protect the Council's financial position, including monitoring both in year budgets and considering the medium term financial strategy which is reviewed on a regular basis. This ensures that the Council is able to be proactive rather than reactive to securing the financial stability over the medium term.

Spending

- 7.12 The draft budget requirement is based on revised service levels following the detailed budget process and approved commitments. During this budget cycle a number of cost pressures were identified, amounting to £523,000 which is detailed in Appendix 1d as growth items.

- 7.13 The draft budget requirement is calculated after deducting income from fees and charges. The remaining balance has to be financed from Council Tax, Retained Business Rates, and other Government Grants.

9. Council Spending – Forecast Outturn for 2017-2018

- 9.1 At this point in time, the forecast for 2017-2018 suggests there will be an under-spend of approximately £0.37m against the original budget. This is primarily due to additional income from a new investment property, car parking charges, green waste service and the Careline. Furthermore there is investment income arising from the use of three new external pooled mixed asset bond funds in accordance with the Council's approved Treasury Management Strategy and Investment policy.

- 9.2 The Council has a good track record of managing its finances and controlling budgets.

10. Capital Programme and Asset Renewal Programme (ARP)

- 10.1 The current Capital programme is set out in Appendix 1c. This is based on upon schemes previously approved by Cabinet or Council.

- 10.2 Appendix 1d sets out the next 5 years asset renewal projects. These are funded via contributions from the Council's revenue budget into a reserve set up for this purpose. This ensures the Council is able to fund its replacement assets on a recurring basis. The annual contribution to this fund is now £1.332m in line with the Financial Strategy. All schemes funded from this source will be subject to approval in the normal way as defined in the Council's

Constitution and in the project management process i.e. those over £50,000 will be subject to a Project Initiation Document (PID).

10.3 The anticipated spend on infrastructure projects in accordance with the approved Infrastructure Business Plan (IBP) are contained within Appendix 1c. These projects will be subject to approval in accordance with the Community Infrastructure Levy (CIL) governance arrangements agreed with the Corporate Governance and Audit Committee and adherence to the Council's Constitution.

11. Reserves

11.1 The current Resources Statement is detailed in Appendix 2. This indicates that the Capital Programme and Asset Renewal Programme remain fully funded. This can be read in conjunction with Appendix 3 which is the position statement of the reserves held by the council at 31 March 2017. This statement sets out the different reserves held; their purpose and the authorisation required to spend against those reserves.

12. Capital Prudential Indicators and Minimum Revenue Provision (MRP) Policy

12.1 As part of the budget process the Council needs to ensure that all of its capital and investment plans and any borrowing are prudent and sustainable; taking into account its arrangements for repaying any debt, through its Minimum Revenue Provision (MRP) policy, and consideration of risk and the impact on the authority's overall fiscal sustainability.

12.2 The Council's Treasury Management Strategy and Policy for 2018-19 is set out elsewhere on this agenda, which is linked to the Council's spending plans and the management of its cash flows and investments decisions required of the surplus funds available.

12.3 Appendix 4 sets out the statutory capital prudential indicators and the Council's MRP policy for the coming financial year. It should be noted that the indicators may need to be revised in light of the requirement to develop a new Capital Strategy following guidance recently issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) plus any further guidance which is awaited from the Ministry of Housing, Communities and Local Government (MHCLG).

13. Alternatives Considered

13.1 The Council is legally required to set a balanced budget, hence no alternative to that requirement has been considered, however, the level of Council Tax is a local determination. The criteria set by the Government before triggering a referendum is that Council Tax can be increased by the higher of 3% or £5, therefore members could forego some of the movement to the investment opportunity reserve by reducing the level of increase currently incorporated in the budget proposed for 2018-19. No increase or a lower increase will reduce the Council tax base for future years and so potentially has a long term impact on the tax base.

14. Resource and Legal Implications

- 14.1 The primary objective of this report is to determine the budget spending plans for 2018-19 against a background of ever-tightening financial constraints on public services. The estimates represent robust financial projections for the provision of council services and adhere to the statutory obligation to set a balanced budget.
- 14.2 Section 25 of the *Local Government Act 2003* requires the Section 151 officer ie the Head of Finance and Governance Services to report to members on the robustness of the estimates and the adequacy of reserves when considering the budget and council tax. This is so that members have authoritative advice available to them when making decisions on a budget that sets out estimates of what they plan to spend on each of the services. It is the view of the Head of Finance and Governance that the processes followed are sound and well established, the resultant estimates are robust, and reserves are at an adequate level. Regular monitoring reports are brought to members covering revenue budgets, the capital programme and asset replacement programme, and updates to the Financial Strategy and plan include analysis of the resources and the affordability of the capital programme.
- 14.3 The Head of Finance and Governance is satisfied that the estimates used for Business Rates (the NNDR1) are robust and prudent. This annual return is required by the end of January and therefore will have been submitted to government before the date of the Cabinet meeting. As in previous years this return is required by the MHCLG to be authorised by the Council's Section 151 officer ie the Head of Finance and Governance Services.

15. Consultation

- 15.1 As with last year's budget, the revenue budget spending plans were considered by a task and finish group set up jointly by the Overview and Scrutiny and Corporate Governance and Audit Committees. This enabled earlier involvement with variance reports in December. The debate was very useful in terms of testing the changes in budget from base 2017-18 to draft 2018-19 and issues surrounding the budgets and government funding were explored.
- 15.2 The Draft Budget Spending Plan has been made available via the Council's website at <http://www.chichester.gov.uk/annualbudget> to encourage feedback on the budget and the balance of spending against taxation. This gives an opportunity for any interested party to state their opinion on priorities and resource allocation. Any comments received will be made available to members either at Cabinet, or at Council before the Council Tax and budget are set.

16. Community Impact and Corporate Risks

- 16.1 Where services have been reduced through the council's deficit reduction programme, those services will have assessed the community impact and that will have been reported separately as part of Cabinet's consideration at that time. This report represents the culmination of those previous decisions.
- 16.2 The resources statement currently indicates a surplus of resource after taking into account all commitments. However this statement includes a number of

assumed capital receipts that are not yet secured. These receipts are subject to certain conditions, and therefore there is a risk that they may not be received, or be received at their forecast amount.

17. Other Implications

	Yes	No
Crime and Disorder		✓
Climate Change		✓
Human Rights and Equality Impact		✓
Safeguarding and Early Help		✓

18. Appendices

- 18.1 Appendix 1 Draft Budget Spending Plan 2018-19
(Incorporating appendices 1a to 1d)
- Appendix 1a Draft Summarised Income and Expenditure Account.
- Appendix 1b Analysis of major budget variations
- Appendix 1c Capital and Projects Programme 2018-19 to 2022-23
- Appendix 1d Asset Replacement Forecast 2018-19 to 2022-23
- 18.2 Appendix 2 Capital Programme Resource Statement
- 18.3 Appendix 3 Reserves Statement
- 18.4 Appendix 4 Capital Prudential Indicators and MRP Policy

19. Background Papers

- 19.1 None