

Chichester District Council

THE CABINET

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Budget Spending Plans 2020-21

1. Contacts

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2. Executive Summary

The Financial Strategy was approved by Full Council on 3 December 2019, which included the key financial principles and 5 year Financial Model that underpin the Council's approach to financial planning for the medium term.

In preparing for the 2020-21 annual revenue budget any major variances identified in this current year, which are also expected to have an ongoing impact, have been reflected in the draft budget. The draft budget also takes into account any service delivery changes, service cost pressures and other funding pressures that are in line with the Council's key priorities. The key major variances are set out in appendix 1 of this report.

The draft budget assumes a £5 council tax rise.

Full Council will set the budget and council tax in March 2020. This report concentrates on the proposed budget spending plans, which are a robust financial estimate of the resources required to deliver council services and reflects the Provisional Local Government Finance Settlement for 2020-21.

3. Recommendations

3.1 That the Cabinet recommends to the Council:

(a) That a net budget requirement of £14,235,800 for 2020-20 be approved.

(b) That Council Tax be increased by £5.00 from £160.81 to £165.81 for a Band D equivalent in 2020-21.

- (c) That the uncommitted revenue budget of £483,900 be transferred to the General Fund Reserve to mitigate the deficit expected in 2021-22.**
- (d) Should the final settlement differ from the draft settlement, the sum in 3.1 (c) above be adjusted accordingly.**
- (e) The capital programme, including the asset renewal programme (appendix 1c and 1d of the agenda report) be approved.**

3.2 That the Cabinet further notes:

- (a) The current estimated resources position set in appendix 2 of the agenda report, and**
- (b) The budget variances included in the Draft Budget Spending Plan as set out in appendix 1b of the agenda report.**

4. Background

- 4.1 This report sets out the proposed annual budget for revenue spending for the forthcoming financial year 2020-21 and the rolling 5 year capital and asset replacement programmes. The detailed revenue budget builds upon the work undertaken for the Financial Strategy, which was considered by the Cabinet at its November 2019 meeting and by the Council in December 2019.
- 4.2 The draft financial settlement from the Government was broadly as anticipated. Effectively the 2020-21 settlement is an extension to the previously agreed four-year settlement that covered the period 2016-17 to 2019-20 due to Government Funding reforms being delayed until 2021-22.
- 4.3 Whilst the provisional settlement was broadly in line with the assumptions reflected in the Financial Strategy's 5 year Model, one major change is that the proposed budget reflects a council tax increase of £5 instead of the 2% that was used in the strategy. This generates additional income of £270,667 per year, rather than £174,104 which a 2% increase would have generated. Another difference is due to lower retained business rates of £3.421m instead of the £3.659m reflected in the 5 year model. The impact of this and other changes means that the projected surplus has reduced from £759,000 down to £483,900.
- 4.4 As anticipated the New Homes Bonus scheme (NHB) announced as part of the provisional financial settlement for 2020-21 will be for one year only rather than a four year grant. This underlines the Government's intention that this scheme will be phased out by 2023-24. For 2020-21 the Council has been awarded in total £1.585m of NHB which was broadly in line with the assumption of £1.540m within the 5 year Financial Strategy.
- 4.5 The Financial Strategy is broadly balanced by 2023-24, although it currently anticipates a deficit in 2021-22 and 2022-23 of £302,000 and £200,000 respectively. Surplus funds from the 2020-21 budget could therefore be utilised to address these anticipated deficits and avoid otherwise necessary service reductions.

4.6 The draft budget process is an all-inclusive process with the Divisional Managers and service budget managers working with the accountancy team, under the leadership of the Strategic Leadership Team (SLT). The result is a robust process ensuring financial resources match service delivery priorities.

5. Outcomes to be Achieved

5.1 A robust financial estimate of the resources needed to deliver council services in 2020-21.

5.2 To seek the Cabinet's approval on the draft spending plans and to make appropriate recommendations to the Council to determine the council tax at its meeting on 3 March 2020.

5.3 To set a balanced budget, which is a statutory requirement, and to maintain adequate reserves to be able to address any budgetary fluctuations in the short term, bearing in mind the anticipated deficit in 2021-22 and 2022-23.

6. Proposal

Council Spending – Budget for 2020-21

6.1 The purpose of this 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 financial year. The plans, if adopted, will set the spending parameters for services and officers for 2020-21.

6.2 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 2020-21 are the levels of income from fees and charges, budget pressures in some service delivery areas, income from business rates and the use of council reserves.

6.3 The revenue estimates for 2020-21 are shown in the summarised Comprehensive Income and Expenditure Statement (CIES) in appendix 1a. This summary provides for the net cost of each Cabinet portfolio and also for the main services within each portfolio area.

6.4 The draft spending plans are based on opting for a council tax increase of £5 per Band D property; this will generate an additional £270,667 per year for the council. This will assist the authority to meet its long term objective of protecting public services to its community. The council tax referendum principles for shire district councils were set as the higher of either 1.99% or £5 (which equates to an increase of 3.1%).

6.5 The draft budget requirement is calculated after deducting income arising from fees and charges; the remaining balance has to be financed from council tax, retained business rates and other government grants. Currently the Council receives around £16.8m of income each year from fees and charges for services e.g. car parking, trade and green waste, estates rents, planning and building control fees.

- 6.6 The draft budget requirement includes a number of service cost pressures and service delivery changes identified during this budget cycle, the details of which are set out in appendix 1b along with growth items amounting to £75,000.
- 6.7 The draft budget shows a net surplus of £483,900 for 2020-21. The expectation reflected in the Financial Strategy is that in future years the Government's funding review will reduce funding to shire district councils further. This combined with cost pressures and uncertainty concerning some of the Council's income streams means that officers currently anticipate a shortfall in resources in the following two years. It is therefore prudent to reserve the 2020-21 surplus by transferring it to the Council's General Fund Balance in order to off-set future deficits and avoid un-wanted service reductions.
- 6.8 Members and officers are currently working with the LGA to help focus members' priorities for future years. This may ultimately require some resource reallocation within the base budget, or from reserves, to ensure identified priorities can be delivered. In the meantime reserving the 2020-21 surplus will assist in that process.
- 6.9 If there is any change in the final settlement for 2020-21, it is recommended that this should be dealt with by adjusting the amount transferred to the General Fund Balance.
- 6.10 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. This ensures that the Council is able to be proactive rather than reactive to securing the financial stability over the medium term.

Capital Programme and Asset Renewal Programme (ARP)

- 6.11 The current Capital Programme is set out in appendix 1c. This is based on schemes previously approved by the Cabinet or the Council.
- 6.12 Appendix 1d sets out the projects within the five-year Asset Renewal Programme. 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 now stands at £1.423m following a detailed review of the services' asset requirements as part of the budget process. Under the Council's Constitution and in accordance with the project management process (i.e. those over £50,000) will be subject to a Project Initiation Document (PID) before funds are released.
- 6.13 The anticipated spend on infrastructure projects is based on the latest approved Infrastructure Business Plan (IBP), which are contained within appendix 1c. These projects will be subject to approval in accordance with the Community Infrastructure Levy (CIL) governance arrangements, and the adherence to the Council's Constitution.
- 6.14 Linked to the spending plans of the Council are the Capital Strategy and the Treasury Management and Investment Strategies. These are also on this meeting's agenda for Cabinet to consider, taking into account the spending plans contained in this report.

Reserves

- 6.15 The current Resources Statement is detailed in appendix 2. This indicates that the Capital Programme and Asset Renewal Programme remain funded from the Council's own resources. This should be read in conjunction with appendix 3 which sets out the different reserves held by the Council as at 31 March 2019, their purpose and the authorisation required to fund expenditure against those reserves.
- 6.16 The minimum level of reserves was agreed by Council in December to remain at £6.3m.

Capital Prudential Indicators and Minimum Revenue Provision (MRP) Policy

- 6.17 As part of the budget process the Council needs to ensure that all of its revenue and capital expenditure and any borrowing are prudent and sustainable. This includes taking into account its arrangements for repaying any debt, through the Minimum Revenue Provision (MRP) policy.
- 6.18 The Council's Treasury Management Strategy and Policy for 2020-21 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.
- 6.19 Appendix 4 sets out the statutory capital prudential indicators and the Council's MRP policy for the coming financial year and the Council's plans detailed in the Capital Strategy.

7. Alternatives Considered

- 7.1 The Council is legally obliged to set a balanced budget, and the draft budget has therefore been prepared on that basis. However, the level of council tax is a local determination, taking into account the government's criteria and expectation of tax increases before triggering a local referendum. The criteria announced as part of the provisional financial settlement in December 2019, was that council tax can be increased by the higher of 1.99% or £5; therefore members could forgo some of the in-year surplus by reducing the level of increase currently incorporated in the proposed budget for 2020-21. However, foregoing an increase impacts all subsequent years as well. With a deficit anticipated for the following two years this option is not recommended.
- 7.2 Members could choose to allocate the surplus resources in 2020-21. Any recurring expenditure would however, worsen the already anticipated deficits in 2021-22 and 2022-23. Even allocating the surplus to one-off expenditure items would mean that the currently anticipated deficits, which still need to be met, may have to be funded by reducing services in some areas. Retaining the 2020-21 surplus gives members greater flexibility in reviewing their priorities going forwards, and in balancing budgets over the forthcoming years.

8. Resource and Legal Implications

- 8.1 The primary objective of this report is to determine the budget spending plans for 2020-21 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.

- 8.2 Section 25 of the Local Government Act 2003 requires the Section 151 Officer i.e. the Director of Corporate 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 Director of Corporate Services that the processes followed are sound and well established, the resultant estimates are robust, and reserves are at an adequate level.
- 8.3 Regular monitoring reports are brought to members covering revenue budgets, the capital programme and asset replacement programme, along with updates to the Financial Strategy and plan including analysis of the resources and the affordability of the capital programme. The Director of Corporate Services having considered the risks associated with the Council's capital investment plans is of the view that they are affordable, having taken into account the measures that the authority has in place for mitigating against those risks. These measures include ensuring the adequacy of reserves to be held, regular monitoring of expenditure against the capital programme, and the expected resources available to fund those capital investment plans as detailed in the Capital Strategy.
- 8.4 The Director of Corporate Services is satisfied that the estimates used for Business Rates (the NNDR 1) 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 Ministry of Housing, Communities and Local Government (MHCLG) to be authorised by the Council's Section 151 Officer i.e. the Director of Corporate Services.

9. Consultation

- 9.1 In line with previous years, 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 is a very useful debate in terms of testing the changes in the budget from 2019-20 to the draft budget for 2020-21.
- 9.2 The Draft Budget Spending Plan has been made available via the Council's website at [Annual budget: Chichester District Council](#) to encourage feedback on the budget and the balance of spending against taxation. This gives the 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 the Cabinet or the Council before the council tax and budget are set.

10. Community Impact and Corporate Risks

- 10.1 Where services have been changed or reduced through the Council's deficit reduction programme, the community impact will have been minimised as far as possible. Any significant impact to the community will have been assessed as part of the Cabinet's decision process at that time. General service efficiencies which do not impact on the community are managed by the Council's management team in

consultation with the Cabinet members. This report represents the culmination of those previous decisions.

- 10.2 The growth items included in the proposed budget takes account of increased service delivery demands, service delivery changes and other budget pressures which are linked to the Council's key priorities.
- 10.3 The resources statement currently indicates a surplus of resource after taking into account all commitments. However, this statement includes a number of capital receipts that are not yet secured. In considering the risks associated with the proposed spending plans, the potential liquidity risk (cash flow) is considered within the Treasury Management and Investment Strategies included elsewhere on the Council's agenda.
- 10.4 Following the recent general election future government funding may become clearer as the sector is awaiting further consultations on the outcome of the Fair Funding Review, the localisation of business rates and the Comprehensive Spending Review. These are expected later this year.
- 10.5 Due to the potential impact on the economy as a result of Brexit and the new Government's view on public service spending there remains a great deal of uncertainty, which may have an impact on the Council's financial stability in the medium term. These risks will need to be monitored closely as further detailed information is obtained.
- 10.6 The Council's own reliance on income generating services may be adversely affected by economic uncertainty which could impact the community that uses the council's discretionary services. The impact of this risk has been considered in the draft budget as £200,000 of income has been removed from the car parking income target for 2020-21 reflecting a reduction in use of car parking being experienced in the current year.

11. Other Implications

	Yes	No
Crime and Disorder		✓
Climate Change and Biodiversity		✓
Human Rights and Equality Impact		✓
Safeguarding and Early Help		✓
General Data Protection Regulations (GDPR)		✓
Health and Wellbeing		✓

12. Appendices

12.1 Appendix 1 - Draft Budget Spending Plan 2020-21 (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 2020-21 to 2024-25
- Appendix 1d Asset Replacement Forecast 2020-21 to 2024-25

12.2 Appendix 2 - Capital Programme Resource Statement

12.3 Appendix 3 – Reserves Statement

12.4 Appendix 4 – Capital Prudential Indicators and MRP Policy

13. Background Papers

13.1 None