



**WYCOMBE**  
DISTRICT COUNCIL

Report For:	Cabinet
Date of Meeting:	Cabinet 17 December 2018
Part:	Part 1 - Open Report with Part 2 Appendices
If Part 2, reason:	Para 3 - Information about the financial or business affairs of any particular person (including the authority holding that information).

<b>SUMMARY</b>	
<b>Title of Report:</b>	<b>DRAFT REVENUE BUDGET 2019/20</b>
Cabinet Member:	Councillor David Watson
Officer Contact: Direct Dial: Email:	David Skinner 01494 421322 David.Skinner@wycombe.gov.uk
Wards affected:	All
Reason for the Decision:	The Council has a statutory requirement to set a balanced budget for 2019/20 and this report forms a key part of the budget setting process by setting out the likely Revenue expenditure for that year.
<b>Proposed Decision:</b>	<b>That:</b>  <b>(i) the draft budget proposals for 2019/20 and financial planning assumptions set out in this report be noted;</b>  <b>(ii) it be noted that the draft budget for 2019/20 will be refined and updated for Cabinet in February 2019, to be recommended for approval at Full Council meeting in February 2019 to set the Budget and Council Tax for 2019/20;</b>  <b>(iii) it be noted that the updated Medium Term Financial Strategy (MTFS) 2019/20 to 2022/23 will be presented to Cabinet for review in February 2019; and</b>  <b>(iv) it be noted that the detailed budget proposals would be submitted to the Budget Task and Finish Group to provide feedback by 12<sup>th</sup> January 2019.</b>
Sustainable Community	The approval of the Council's budget is key to the

Strategy/Council Priorities - Implications	<p>delivery of the Council's Vision and Priorities.</p> <p>Risk: The key financial risks relating to the 2019/20 budget are set out in the main body of the report and cover the following key risks:</p> <ul style="list-style-type: none"> <li>• Council Tax Support</li> <li>• Business Rates Income</li> <li>• Homelessness –</li> <li>• Volatility of material income streams</li> <li>• Inflation</li> <li>• Brexit</li> <li>• MLG</li> </ul>
Monitoring Officer/ S.151 Officer Comments	<p><b>Monitoring Officer:</b> None</p> <p><b>S.151 Officer:</b> This is a Section 151 Officer report.</p>
Options:	The Council will be considering a number of options for Council Tax as set out in the report.
Next Steps:	<p>The Improvement and Review Commission's Budget Task and Finish Group will be consulted during November and December on the draft 2019/20 budgets.</p> <p>The Budget and Council Tax proposals, along with the updated Medium Term Financial Strategy, will be presented to February Cabinet on 04 February 2019.</p>
Background Papers:	<p>2018/19 Revenue Budget and Council Tax Setting report to Cabinet on 06 February 2018.</p> <p>The 'Medium Term Financial Strategy Refresh' report to Cabinet on 09 July 2018.</p>
Abbreviations:	<p>MTFS - Medium Term Financial Strategy</p> <p>MHCLG - Ministry of Housing, Communities and Local Government</p> <p>RSG - Revenue Support Grant</p> <p>SFA - Settlement Funding Assessment</p> <p>BFL - Baseline Funding Level</p> <p>NHB - New Homes Bonus</p> <p>CPI - Consumer Price Index</p> <p>RPI - Retail Price Index</p> <p>MLG - Modernising Local Government</p>

Appendices to this report are as follows:

APPENDIX A: DRAFT BUDGET SUMMARY 2019/20 – ANALYSED BY PORTFOLIO HOLDER

APPENDIX B: DRAFT BUDGET SUMMARY 2019/20 – ANALYSED BY SUBJECTIVE CATEGORY

APPENDIX C – FEES & CHARGES TEMPLATES

## Detailed Report

### 1. Executive Summary

- 1.1 This report provides latest updates for Members on the 2019/20 Budget and enables Cabinet to evaluate, develop and initiate budget proposals before Council finalise the budget and sets the Council Tax for 2019/20 in February 2019.
- 1.2 This report details the outputs of a comprehensive refresh of the Council's 2019/20 draft budget which assumes there will be no Council Tax Increase. The Key elements are savings and growth proposals, fees and charges proposals, and funding changes. Final decisions are still required in key strategic areas including Parking Services and tariffs.
- 1.3 Savings proposals detailed here represent initiatives to close the 2019/20 funding gap of £331k reported to Cabinet in the MTFs Refresh paper in July 2018. The savings requirement over the life of this MTFs (2019/20 to 2022/23) is £2,153k. The draft capital programme does not require borrowing and therefore the MTFs is built on the basis that there will be no borrowing cost to fund the programme.

### 2. Background

- 2.1 The budget for 2019/20 is being prepared following on from the Medium Term Financial Strategy (MTFS) that was approved by Cabinet in July 2018 and set out in detail the planning assumptions for the next four years. The budget being presented for consideration in this report is the latest position based on the key assumptions in the MTFs and updated for growth and savings submitted by service managers and Portfolio Holders.
- 2.2 The budget has been prepared to deliver the Council objectives in line with the council's current Corporate Plan. The vision of the Council is to be economically strong and the place to live, work and visit. This vision is supported by four key priorities as detailed below:

A great place to be – our Place priority

Strong communities – our People priority

Growth and prosperity – our Prosperity priority

Efficient and effective – our Progress priority
- 2.3 The Council has already signed up to the 4 year multi-year settlement funding offer made by the Ministry of Housing, Communities and Local Government (MHCLG). The purpose of this offer is to help local authorities prepare for the move to a more self-sufficient resource base by 2020 and the devolution of business rates. The multi-year settlement is intended to provide funding certainty and stability for the sector that will enable more proactive planning and support strategic collaboration with local partners.
- 2.4 The draft 2019/20 budget proposal is modelled for indicative purposes on the basis of no Council Tax increase and the assumption that MHCLG will honour the agreed settlement. The final settlement will be announced on 6<sup>th</sup> December and any major changes will be reported to the Cabinet at the earliest available opportunity

if there are material differences from the planning assumptions set out in this report and the July 2018 Medium Term Financial Strategy.

- 2.5 The draft budget has been developed in line with the assumptions used in the MTFS reported to Cabinet in July 2018.

### **3. Revenue Budget 2019/20**

- 3.1 The draft 2019/20 budget builds upon the current year (2018/19) budget, so this year's monitoring position provides useful context, as it highlights and manages many of the challenges expected in the new financial year. In addition, assessment of progress on delivery of existing savings targets is of vital importance in considering both the feasibility of future savings initiatives, and the potential need to identify alternative measures where planned savings cannot be secured.

- 3.2 The movement from the 2018/19 base budget to the 2019/20 draft budget requirement is summarised in Table 1 below.

Explanations of significant adjustments are given in paragraph 3.3.

Objective analysis is provided in **Appendix A** and Subjective analysis in **Appendix B**. Details of proposed fees and charges for 2019/20 are in **Appendices C and D**.

The proposed draft budgets reflect the current position and incorporate movements since the MTFS Refresh paper to Cabinet in July 2018, when the funding gap for 2019/20 was estimated to be £331k.

Key Budget changes include:

(i) Savings

£506k total staff efficiency savings

£466k efficiency reductions in Supplies & Services spend

£2,208k additional income generated

(ii) Growth

£166k staffing

£4,030k increases to Supplies & Services

**TABLE 1**

<b>2019/20 Budget Summary by: Portfolio Holder</b>	<b>Re-stated Budget</b>	<b>Movements</b>	<b>Draft Net Budget</b>
	<b>2018/19</b>	<b>2019/20</b>	<b>2019/20</b>
	£k	£k	£k
Community	2,183	(70)	2,113
Youth	78	-	78
Economic Development and Regeneration	(5,276)	434	(4,842)
Environment	5,299	(1,074)	4,225
Housing	1,870	57	1,927
Digital Development and Customer Service	6,192	(80)	6,112
Strategy and Communications	3,093	24	3,117
Planning	1,498	(452)	1,046
Finance and Resources	2,093	3,526	5,619
<b>Net Cost of Services</b>	<b>17,030</b>	<b>2,365</b>	<b>19,395</b>
			-
Interest Receipt	(539)	(390)	(929)
Capital Financing Charges	(2,193)	176	(2,017)
Net movement to/(from) Earmarked Reserves	(587)	(791)	(1,378)
Revenue Contribution to Capital Outlay	685	(25)	660
Payment to Parishes	94	(94)	-
<b>Corporate items</b>	<b>(2,540)</b>	<b>(1,124)</b>	<b>(3,664)</b>
<b>Budget Requirement</b>	<b>14,490</b>	<b>1,241</b>	<b>15,731</b>
Funded by:			-
Collection Fund Surplus	(261)	122	(139)
Business Rates	(3,225)	(1,365)	(4,590)
Revenue Support Grant	(117)	117	-
New Homes Bonus	(1,560)	25	(1,535)
<b>Net Expenditure before Council Tax</b>	<b>9,327</b>	<b>140</b>	<b>9,467</b>
Council Tax Base	68,084	1,021	69,105
Council Tax Band D	£136.99	£0.00	£136.99
<b>Demand on the Collection Fund</b>	<b>(9,327)</b>	<b>(140)</b>	<b>(9,467)</b>

**NOTE** - Re-stated Budget position is after removal of Internal Recharges

3.3 Explanation of significant movements and main assumptions are detailed below:

3.3.1 **Council Tax :**

- (i) **Band D:** The draft budget is modelled for indicative purposes that there will be **NO** increase in Council Tax, which means that the average Band D will remain same as 2018/19 at £136.99.
- (ii) **Council Tax Base:** There has been a steady housing growth in the District and improvement in collection rate which has been reflected in the increase in tax base by 1.5%. This gives an increase of approximately 1,021 Band D-equivalent

properties in 2019/20, generating approximately £140k additional income. A detailed explanation is included in a separate technical paper on this agenda.

**3.3.2 Business Rates:** The current Business Rates Retention Scheme allows Councils to retain 50% of the business rates growth above the base line. From historic experience, the Council's share of this growth for 2019/20 is budgeted at £1,300k. There is also a minor movement of £16k in baseline which is part of the four year settlement that Council has signed up to. Details of Business Rate Pooling options were presented to Cabinet in September 2018.

**3.3.3 Revenue Support Grant (RSG):** The movement reflects the four year settlement which the Council has signed up to. The Council is in a 'Negative RSG' position of £462k in 2019/20. This situation occurs when an authority's Settlement Funding Assessment (SFA) is lower than its Baseline Funding Level (BFL), which means that the Government then reduces the income retained from Business Rates. The total reduction from 2018/19 is £579k.

During July 2018, the Ministry of Housing, Communities and Local Government (MHCLG) consulted on 2019/20 settlement and one of the proposal is eliminating negative RSG. The draft budgets for 2019/20 incorporates the proposal which means the Council will not have to pay MHCLG £462k. This assumption will be reviewed when the final settlement is announced on 6<sup>th</sup> December 2018.

**3.3.4 New Homes Bonus:** During 2017/18 and 2018/19, two major changes were implemented: introduction of national baseline for housing growth of 0.4% and moving to 5 year payments in 2017/18 and then down further to 4 years in 2018/19. The Government has retained the option of making adjustments to the baseline in future years to reflect significant additional housing growth and to remain within spending limits set at Spending Review 2015.

The proposed budget assumes there will be no further changes to the operation of NHB. The estimated NHB for 2019/20 is £1,535k (£1,560k 2018/19) which is a reduction of £25k. Within the draft budgets £875k is allocated to support revenue budget and the remaining £660k will be set aside to fund the capital programme.

**3.3.5 Pay Inflation:** This is assumed at 2% (National pay rise).

**3.3.6 Price Inflation:** The Consumer Price Index for October was 2.4% and the Retail Price Index was 3.3%. Overall price inflation has not been allocated to budgets and services are expected to manage any increase through general efficiency. However, the following items were inflated as detailed below:

- Utilities 17.5%
- Business Rates as per the 2018 valuations
- Major contract inflation as per the contract agreement.

**3.3.7 New Growth and Cost Pressures:** The total new growth is £4,636k. A full listing is shown in Table 2 below. Significant items are discussed here:

(i) **Feasibility Study:** The Council has an ambitious capital programme of £131.7m over the six year period from 2018/19 to 2023/24. The detailed draft Capital programme is a separate item on this agenda. Due to the nature of some projects there are risks such as cost overruns, delays, interdependency, economic risks, etc. To ensure all these risks are mitigated, a feasibility study is essential. The aim of the feasibility study is to evaluate the project's potential for success which is conducted

with an objective, unbiased approach to provide detailed business case which can be considered by Members for making informed decisions. The total estimated budget requirement for feasibility work for the period of the capital programme is approximately £4.8m, which represents around 3.5% of the total programme. The budget requirement of £170k for 2018/19 has been funded from the earmarked reserve set aside for feasibility work. The budget requirement for 2019/20 of £1.2m is included in the base budget.

(ii) **MLG Implementation:** With the need to resource an implementation plan a key consideration for the new shadow authority and the need to manage staffing costs across the transition period then it is prudent to set some money aside to cover these costs. An estimate of the likely costs to the council based on the business case submitted by BCC has been estimated at £750k to £3m (depending on the apportionment basis) based on the implementation costs of £18m. The detail of the implementation costs covering specialist resource to manage and support the work streams required in a major change programme is still to be determined so this cost is likely to change. This funding will be met from reallocation from within existing reserves and will be reassessed as more information is validated and agreed. There is a range of unknown factors that will influence the final costs for the Council, and therefore this area of the budget remains uncertain at this time. It will be kept under review and reported to Cabinet and Council once the costs become more certain.

**TABLE 2**

<b><u>Growth /Cost Pressures</u></b>		
<b><u>Portfolio Holder</u></b>	<b><u>Description</u></b>	<b><u>£</u></b>
Community	Prevent support	60,960
Community	ASB Street wardens	105,262
Environment	Fly tipping recharge	15,000
Environment	PCN income	125,000
Environment	Parking review	70,000
Finance and Resources	MLG Implementation	3,000,000
Finance and Resources	Revs & Bens Grants	90,000
Housing	Housing Strategy (5 yrly cycle)	(70,000)
Housing	Asbestos Review Red Kite	175,000
Planning	Reversal of Fit For investment	(150,000)
Planning	Feasibility - Wycombe Area Action Plan	200,000
Economic Development and Regeneration	Feasibility - Eastern quarter, Strategy & work arising	950,000
Economic Development and Regeneration	Broadband funding	50,000
Strategy and Communications	Ward member budgets	15,000
		<b>4,636,222</b>

3.3.8 **New Savings / Income:** The total new savings / income is £3,202k.  
See Table 3 below.

**TABLE 3**

<b><u>Savings</u></b>		
<b><u>Portfolio Holder</u></b>	<b><u>Description</u></b>	<b><u>£</u></b>
Community	Service review	(50,000)
Community	General efficiencies	(9,000)
Community	Museum	(12,000)
Community	Devolved grounds maintenance fees to some parishes	(12,000)
Digital Development and Customer Service	FM repairs - reassessment	(20,000)
Digital Development and Customer Service	Miscellaneous efficiencies	(2,000)
Digital Development and Customer Service	HR Software	(35,000)
Digital Development and Customer Service	Capita contract	(77,210)
Environment	Reduce agency	(70,000)
Environment	Parking Services Review	(250,000)
Environment	Food Safety service efficiencies	(5,000)
Environment	Reduced Parking Operating fees	(90,000)
Environment	Waste Client team efficiencies	(30,000)
Environment	Public conveniences Business rate relief	(25,000)
Finance and Resources	Revs & Bens restructure	(20,000)
Finance and Resources	Print savings	(2,000)
Finance and Resources	Reduced risk management software	(3,600)
Finance and Resources	Treasury advice	(10,000)
Planning	Fit for Competition efficiencies	(200,000)
Planning	Restructure	(41,000)
Strategy and Communications	Temp Accommodation allowance	(2,000)
Strategy and Communications	Miscellaneous efficiencies	(28,100)
		<b>(993,910)</b>

<b><u>New Income</u></b>		
<b><u>Portfolio Holder</u></b>	<b><u>Description</u></b>	<b><u>£</u></b>
Community	New Crematorium income	(239,000)
Community	Reduced Insurance premia	(10,000)
Environment	Licensing fees	(8,000)
Environment	Sale of waste bins	(25,000)
Environment	Increased Parking tariffs	(900,000)
Environment	Parking review	(70,000)
Housing	HMO Licences	(50,000)
Housing	Additional Temporary housing units	(30,000)
Planning	Fit for Competition new income	(300,000)
Economic Development and Regeneration	New Estates Rental income	(572,000)
Strategy and Communications	Review legal charges	(4,000)
		<b>(2,208,000)</b>

### 3.3.9 Corporate Items: Net movement of £(1,124)k, as detailed below:-

(i) **Interest Receipt:** The increase in investment income of £390k is due to higher cash balances due to re-profiling of 2018/19 capital programme and higher interest rates.

(ii) **Capital financing charges:** The increase in budget of £176k has resulted from the review of accounting and funding cost of Higginson Park Trust.

(iii) **Net Movement to Earmarked Reserves:** The breakdown of movement of £(791)k is summarised below:

Description	2018/19 £k	Movement £k	2019/20 £k
Repairs and Renewals	(526)		(526)
Land Charges Digitalisation	20		20
Planning Reserve	(81)	81	0
Business Rates growth over baseline		1,300	1,300
Negative RSG elimination to RDR		462	462
Feasibility funding from RDR		(1,150)	(1,150)
MLG work funding (GF, RDR, Business Rates)		(3,000)	(3,000)
Contribution to MLG reserve		1,516	1,516
<b>Total</b>	<b>(587)</b>	<b>(791)</b>	<b>(1,378)</b>
RDR = Revenue Development Reserve			

## 4. Business Rates Retention Pilot

4.1 The Council is part of a Buckinghamshire wide bid as approved by September Cabinet to take part in the Government's proposed 75% Business Rates Retention Pilot commencing 1 April 2019. It is estimated that the Council will be able to retain a potential additional £1.2m business rates if the Buckinghamshire bid is successful. It is not known at this stage when the successful bids will be announced. Cabinet will be updated at the earliest available opportunity following the announcement.

## 5. Medium Term Financial Strategy (MTFS)

5.1 During December and January, further work will be carried out to update the funding and demand-led pressures going forward which will be incorporated in the MTFS.

5.2 In addition to this, the government funding announcement and the outcome of Business Rates Retention pilot will enable the officers to review the impact of Revenue Support Grant, Business Rates and New Homes Bonus on the MTFS.

5.3 The Heads of Services will work with Finance to identify efficiency savings and opportunities to maximise income to address the funding gap going forward and this will be reported to the Cabinet in February 2019 as part of the Council Tax setting process.

## 6. Options

6.1 The Council has 5 options in relation to Council Tax for 2019/20 as follows:

- **0% Increase in Council Tax** as assumed in the Council's Medium Term Financial Plan and the basis of how the proposed budget for 2019/20 has been compiled.

- **Increase Council Tax by £5 per Band D Property (3.77%)** as assumed by Central Government's spending power reduction. This would increase the amount of Council Tax raised by £0.348m.
- **Increase Council Tax by £2.73 per Band D Property (1.99%)** which would generate an additional amount of Council Tax of £0.190.
- **Increase Council Tax by an amount between £0 and £5 per Band D Property.**
- **Increase Council Tax by above £5 per Band D Property (3.77%)** and seek a referendum – this is not recommended.

6.2 In considering the above 5 options, Cabinet will need to take cognisance of the precept recommendation levied by High Wycombe Town Committee (HWTC). As this is an unparished area with Special Expenses, the precept paid to HWTC is part of the overall expenditure when calculating Band D Council Tax for Wycombe District Council.

6.3 The Council has one of the lowest levels of Council Tax in England for a District Authority at £136.99pa (£2.63 per week) for a Band D property, which is also the lowest in Buckinghamshire.

6.4 Members will also need be aware that any decision on Council Tax levels in 2019/20 may have a bearing on the council tax harmonisation process that will occur for the 2020/21 financial year as part of the new unitary district council.

## 7. **Conclusions**

7.1 As the level of financial risk that the Council faces continues to increase, particularly given the changes to local government finance, further saving programmes will need to be identified. The option of increasing Council Tax is an important consideration in aiming for a balanced budget over the period of the Medium Term Financial Strategy.