

## **REVENUE AND CAPITAL BUDGETS AND COUNCIL TAX 2018/19**

**Submitted by:** Executive Director (Resources and Support Services)

**Portfolio:** Finance and Resources

**Ward(s) affected:** All

### **Purpose of the Report**

To enable the Cabinet to recommend the 2018/19 General Fund Revenue Budget and the 2018/19 Capital Programme to Full Council, meeting on 21 February 2018, following consideration of comments received from the Finance, Resources and Partnerships Scrutiny Committee of 24 January 2018 and following a review of the Council's balances and reserves.

### **Recommendations**

- a) That the 2018/19 General Fund Revenue Budget as detailed in this report and in the report to Cabinet dated 17 January 2018 be recommended to Full Council for approval.
- b) That the Capital Programme 2018/19 as detailed in the report to Cabinet dated 17 January 2018 be recommended to Full Council for approval together with the funding of £80k redundancy and associated costs in 2017/18 from the current year's capital programme, funded from capital receipts, as set out in section 5 of this report.

### **Reasons**

To enable the Cabinet to recommend a robust and affordable budget for 2018/19 to the Council meeting on 22 February 2018.

## **1. Background**

- 1.1 The 2018/19 Revenue Budget and the Capital Programme 2018/19 were considered by Cabinet on 17 January 2018, following which these were submitted to the Finance, Resources and Partnerships Scrutiny Committee, on 24 January, for consideration.

- 1.2 A Summary of the overall Revenue Budget is as follows:

	<b>Estimated Expenditure</b>	<b>Rate of Council Tax (Band D)</b>
	<b>£</b>	<b>£ p</b>
Borough Council requirements –		
Total Net Expenditure	11,193,840	304.08
Less: External Support	(4,183,000)	(113.63)
	<b>7,010,840</b>	<b>190.45</b>

- 1.3 The Borough's Band D council tax levy of £190.45 is an increase of £5.00 from the 2017/18 amount (an increase of 2.70 per cent), which is within the maximum increase permitted without triggering the requirement for a referendum in accordance with the excessive council tax legislation. This was the Cabinet's proposal that was resolved at its meeting on 17 January 2018.

## 2. **Finance, Resources and Partnerships Scrutiny Committee**

- 2.1 At its meeting on 17 January 2018 Cabinet approved the Revenue and Capital Budgets for 2018/19, recommending an increase in Band D Council Tax of £5.00.
- 2.2 The report and the recommendations were referred to the Finance, Resources and Partnerships Scrutiny Committee for review on 24 January 2018. The only issue that the committee wanted to raise with the Cabinet was the inclusion of £150k for the replacement of waste bins in the capital programme for 2018/19. They wanted more information on the Council's policy and how many bins are replaced each year.
- 2.3 In response the Head of Recycling and Fleet Services states the following:

"We currently have in excess of 100,000 wheelie bins in service, some of which are approaching 30 years of age. As time goes forward a larger proportion of these bins will fail as the plastic degrades and they split. Newer bins have an element of recycled polymer in them, and they are not lasting anything like as long as the original bins which were supplied made from 100% virgin polymer, therefore the replacement rate is still likely to increase.

Over the last few years we have been replacing around 4,000 bins due to failure or damage, and another 1,000 to new properties. We employ a designated operative, together with a van to make deliveries, which is a full time role.

We are now repairing more existing bins in service, if the issue is to do with wheels, or hinge pads on the lids, which will help. Additionally, we will be commencing charging developers of new properties for the supply and delivery of wheelie bins and recycling boxes".

## 3. **Final Finance Settlement Notification**

- 3.1 The Council has accepted the government's offer of a four year funding settlement, which provides it with provisional allocations for the next two years, 2018/19 and 2019/20. The final funding allocation for 2018/19 should be announced in February 2018, and should not differ from the provisional amount which the Council has accepted under the four year offer.

## 4. **Savings and Funding Strategies**

- 4.1 There have been a small number of changes to the savings and funding strategy since it was considered by Cabinet on 17 January. These are set out below. The revised strategy incorporating these changes is shown at Appendix A.

Ref.	Description	Amount (£000's)
S3	Minor restructure of Environmental Health Service – actual savings £9,000 more than previously estimated	9
A5	Council Tax Increase – an increase of £5 per Band D equivalent (2.7%) property in line with the Cabinet's proposal, as opposed to the maximum 2.99% permitted	(20)
A7	Additional revenue generated through the Business Rates System – actual savings £7,000 more than previously estimated	7
A8	Reduction of contributions to the Cremators and Jubilee 2 equipment replacement funds – reduction in contribution increased to 50% from 40%	16
O1	These include payment of town centre CCTV costs by the Business Improvement District and savings associated with the Council's Digital Delivery project – savings to be £70,000	(12)

## 5. **Capital Programme**

5.1 Owing to the impending move to Castle House, some of the Council's cleaning staff became redundant and as a result costs of around £80k will be incurred in 2017/18 in relation to redundancy payments and associated costs.

5.2 It is proposed to capitalise the above costs and fund them from capital receipts. This is permitted as a result of the government's rules in relation to the flexible use of capital receipts. These were brought into effect by a Direction made by the Secretary of State for Communities and Local Government in December 2015 that allows local authorities to treat as capital expenditure, expenditure which is incurred that is designed to generate ongoing revenue savings and to use capital receipts to fund that expenditure. Subsequently issued statutory guidance for local authorities in applying the Direction lists criteria for qualifying for capitalisation in this way. These include the following, which are relevant to the Council's case:

- Sharing back office and administrative services with one or more other council or public sector bodies
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation

There will be sufficient capital receipts available to fund this additional expenditure.

5.3 The statutory guidance states that decisions to apply the flexible capital receipts rules to particular projects must be disclosed to Full Council to enable transparency and refers to the annual budget setting process as being an appropriate means of doing this. Accordingly it is recommended that Cabinet approves the capitalisation of £80k of redundancy and associated costs to be funded from capital receipts as permitted by the flexible capital receipts rules and recommends Full Council to add this project to the 2017/18 capital programme to be funded from capital receipts.

## 6 **Balances and Reserves and Risk Assessment**

6.1 The Council's Balances and Reserves Strategy for 2017/18 is that there should be a minimum General Fund balance of £1.2m and a minimum balance on the Contingency Reserve of £100,000. The Council currently holds these reserves.

6.2 A review of all the Council's Balances and Reserves together with a risk assessment has been carried out and details are shown in Appendices B and C.

6.3 The review and risk assessment indicate the following:

- Overall, reserves are still adequate to meet normal levels of expenditure.
- The level of minimum balances required after considering the risk assessment remains at £1.3m.

## 7. **Earlier Cabinet Resolutions**

Medium Term Financial Strategy 2018/19 to 2022/23 (Cabinet 18 October 2017);  
Budget Report (Cabinet 17 January 2018)

## 8. **Appendices**

Appendix A: Savings and Funding Strategies

Appendix B: Actual and Estimated Reserves at 31 March 2017 to 31 March 2019

Appendix C: Risk Assessment

**2018/19 Savings and Funding Strategies**

Ref	Service Area	Description	£000's	% of Budget Line(s)	Detail
<b>Procurement</b>					
P1	Communications	Multi-Functional Devices	50	67.6%	Rationalisation of number of devices following the move to Castle House, and entering into a new contract
			<b>50</b>		
<b>Staffing Related Efficiencies</b>					
S1	All	Flexible Retirements	190	1.2%	Employees approved for flexible retirement
S2	Environmental Health	Health and Safety	12	28.7%	Replacement of Health and Safety Officer post with shared resource (South Staffordshire District Council)
S3	Environmental Health	Restructure	52	5.5%	Minor restructure of Environmental Health section
S4	Finance	Car Leasing Scheme	36	42.4%	Car leases not renewed following expiry
S5	Waste & Recycling	Restructure	20	6.5%	Minor restructure of Waste Strategy section
S6	Streetscene	Restructure	150	8.4%	Restructure of Streetscene, Community Wardens and Parks Attendant Service. This net saving of £150,000 allows for additional resources to be spent on tree work. It also includes full cost recovery from Staffordshire County Council in respect of Highways Ground Maintenance.
S7	Central Services	Staffing	10	9.6%	Minor change following the retirement of the Mayor's Secretary
			<b>470</b>		
<b>Good Housekeeping/General Other Savings/Changes in Base Budgets</b>					
G1	Finance	Subscriptions	20	17.1%	Reductions in corporate subscriptions including CIPFA service for revenues and benefits and the Co-Operative Councils Innovation Network membership
G2	Assets	Public Sector Hub	37	TBC	Remainder of revenue savings from occupation of new public sector hub when compared to occupation of Civic Offices
G3	Assets	CCTV	20	33.3%	Reduction in costs of monitoring and equipment maintenance
G4	Business Improvement & Partnerships	Grants	37	50.0%	Balance of grants budget following the introduction of a Borough lottery to replace current grants process, with proceeds distributed to local good causes and charities
G5	Customer & ICT Services	Reduction in Computer Software Costs	20	4.8%	Reduction in budgetary requirement for computer software costs
G6	Central Services	Council 2018	66	21.6%	Reduction of the number of elected members and reduction in Cabinet members from 7 to 6
G7	Leisure & Cultural	Community Centres	14	25.9%	Reduction in grant given by the Council and reduction in repairs and maintenance following grant of full leases to Community Centre committees, agreed as part of the 2015/16 budget setting process

G8	Leisure & Cultural	New Victoria Theatre Grant	10	14.9%	Phased reduction of grant given over a 5 year period agreed as part of the 2015/16 budget setting process
G9	All	Good Housekeeping Savings	50	TBC	Reductions in budgetary requirements for supplies and services
G10	Central Services	Members Expenditure	15	50.0%	Savings re. reduction in Mayoral Allowance of 25% and discontinuation of members' IPAD's scheme
			<b>289</b>		
Alternative Sources of Finance/Other					
A1	Corporate	Superannuation Lump Sum	137	7.9%	Negotiation of contribution rate and discount for payment to the Pensions Actuary in advance of superannuation lump sums
A2	Corporate	Capitalisation	160	TBC	Capitalisation of anticipated equipment purchases
A3	Corporate	Council Tax Base	48	0.7%	Increase in Council Tax Base (forecast increase of 260 residential properties)
A4	Corporate	New Homes Bonus contribution	157	9.7%	Further additional New Homes Bonus funding to be received in 2018/19.
A5	Corporate	Council Tax Increase	184	2.7%	Assumed increase of £5 per Band D equivalent property (£184,000)
A6	Corporate	Parish Council Section 136 Contributions	15	25.0%	Reduction of 25% of the 2016/17 payment made to Parish Councils for concurrent functions as agreed as part of the 2017/18 budget setting process
A7	Corporate	Business Rates	50	1.2%	Additional revenue generated through the Business Rates Retention system
A8	Corporate	Contributions to Earmarked Reserves	66	50.0%	Reduction of contributions to the Cremators and Jubilee 2 equipment replacement funds by 50%
			<b>817</b>		
Other Areas of Savings					
O1	Corporate	Other Areas of Savings	70	TBC	These include payment of town centre CCTV costs by the Business Improvement District and savings associated with the Council's Digital Delivery project
			<b>70</b>		
<b>Grand Total</b>			<b>1,696</b>		

**Actual and Estimated Reserves at 31 March 2017 to 2019**

<b>Reserve</b>	<b>Actual Balance at 31/3/17 (£000's)</b>	<b>Estimated Net Movement in 2017/18 (£000's)</b>	<b>Estimated Balance at 31/3/18 (£000's)</b>	<b>Estimated Net Movement in 2018/19 (£000's)</b>	<b>Estimated Balance at 31/3/19 (£000's)</b>	<b>Purpose</b>	<b>Notes</b>
General Fund Balance	1,200	-	1,200	-	1,200	Working balance to cover unforeseen adverse events affecting the budget	Approved minimum balance to be £1,200,000, as confirmed by risk assessment
Contingency Reserve	135	(35)	100	-	100	To meet cost of unforeseen contingencies or for any other purpose approved by the Council	Approved minimum balance is £100,000
Equipment Replacement Fund	481	114	595	85	680	To pay for the replacement of certain items of plant and equipment	
Renewals & Repairs Fund	2	-	2	-	2	To meet the cost of repairs and maintenance of Council owned buildings and structures	
ICT Development Fund	68	56	124	(15)	109	To meet the cost of new IT requirements	Balance committed to finance capital expenditure
Budget Support Fund	269	(119)	150	(35)	115	To support the General Fund revenue budget or to meet the cost of specific items approved by the Council	
Revenue Investment Fund	105	(105)	-	-	-	To fund projects in accordance with corporate priorities	
Conservation & Heritage Fund	45	(5)	40	-	40	To provide grants to owners of historic buildings to maintain their repair	
Museum Purchases Fund	64	-	64	-	64	To purchase exhibits and to conserve and enhance the display of exhibits	
Maintenance Contributions	75	(15)	60	(15)	45	To fund maintenance costs in respect of land transferred to the Council	Sums are received from developers to pay for a period of maintenance costs following transfer of land to the Council
Standards Fund	6	-	6	-	6	To ensure the Council meets its responsibilities under the ethical and other standards frameworks	
Deposit Guarantee Reserve	36	-	36	-	36	To hold balances relating to rent guarantees	
Business Reserve	442	-	442	(25)	417	To hold surpluses of business rates received per the revenue account and to pay subsequent deficits on the collection fund	
Keele Master Plan Reserve	139	(57)	82	(43)	39	To meet the costs of the Keele master planning exercise	

**Risk Register****Project – Budget Forecast 2018/19 – Required Balances/Contingency Reserve**

<b>Impact (I)</b>	<b>Likelihood (L)</b>	<b>Score</b>	<b>Risk rating</b>
5 - catastrophic >£1m	5 - Frequent / very likely	16 - 25	Extreme Risk
4 - critical <£1m	4 - Probable	9 - 15	High Risk
3 - serious <£250,000	3 - Possible	3 - 8	Moderate Risk
2 - Marginal <£50,000	2 - Remote Chance	1 - 2	Low Risk
1 - Negligible <£25,000	1 - Extremely Unlikely		

Note: All these risks relate to the following Business Objective: To set a balanced, affordable and achievable budget.

**All of the risks fall into the “Finance” Category**

<b>Item No.</b>	<b>Risk</b>	<b>Potential Consequences</b>	<b>Risk Score I * L</b>	<b>Risk Rating</b>	<b>Specify Existing Control Measures</b>	<b>Final Score I * L</b>	<b>Final Risk Rating</b>	<b>Further Action Required</b>	<b>Owner</b>	<b>Target Date</b>
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
2	Income cannot be collected because of non-availability of service (e.g. through closure of facilities for repairs)	Shortfall in income leading to overspends	3 x 3	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
3	Income falls short of Budget because of general change in market conditions and demand fluctuations (e.g. recycling and waste)	Shortfall in income leading to overspends	3 x 5	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
4	Bad debts reduce the Council's income	Shortfall in income leading to overspends Need to top up Bad Debts Provision	3 x 4	High	The Council has a bad debts provision (£191k balance at 31/03/17). £30k contribution to provision included in the base budget.	3 x 3	High	Increase monitoring of collection performance	Exec Dir Resources	N/a

Item No.	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
5	Employee budgets – The budget is discounted on the assumption there will be vacancies. The impact of 1% vacancy is about £160,000	Vacancies do not occur leading to additional costs	3 x 3	High	The budget assumes a vacancy factor of 2.0%. This is realistic compared with experience from previous years.	3 x 3	High	None	Exec Mgt Team	N/a
6	Employee Budgets - The 2018/19 employee pay settlement results in an increase higher than included in the budget.	Additional unbudgeted costs	3 x 1	Moderate	Balances sufficient to deal with any additional costs, plus reduced job security in economy.	3 x 1	Moderate	None	Exec Mgt Team	N/a
7	Problems with staff recruitment/retention result in significant use of agency/interim staff at extra cost or the payment of market supplements	Additional unbudgeted costs	3 x 3	High	Situation subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a
8	Council becomes liable to pay compensation or legal fees or other unforeseen commitment arises.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
9	Inflation relating to supplies and services exceeds the allowance in the budget.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
10	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 2	Moderate	Budgets subject to checking at several levels. Preparation of standstill budget for comparison.	3 x 2	Moderate	None	Exec Mgt Team	N/a
11	Fall in interest rates reduces income to the Council.	Investment income targets not met	4 x 4	Extreme	Rates are very low now. A decrease would make only a relatively small difference. Included in calculation of prudent minimum balances	2 x 3	Moderate	None	Exec Mgt Team	N/a
12	Profile of capital spend differs adversely from that assumed in the investment interest calculation	Investment income targets not met	3 x 3	High	Capital Budgets have been realistically set. Due to low interest rates investment income is no longer significant.	2 x 3	Moderate	None	Exec Mgt Team	N/a



Item No.	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
13	Fuel costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Dir Op Serv	N/a
14	Energy costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Mgt Team	N/a
15	Unforeseen major repairs needed to Council properties.	Additional unbudgeted costs	4 x 3	High	Planned maintenance programme in place and stock condition survey.	3 x 2	Moderate	None	Exec Mgt Team	N/a
16	Insurances – unexpected increases in premiums.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Chief Exec	N/a
17	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances. Insurance Provision established.	3 x 3	High	Monitor level of Insurance Provision	Chief Exec	N/a
18	Government increase NI rates during 2018/19. An increase of 1% adds about £160,000 to the Council's costs	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Dir Resources	N/a
19	Loss of VAT Exempt Status	Additional unbudgeted costs	3 x 3	High	None	3 x 2	Moderate	Continue to monitor position regularly	Exec Mgt Team	N/a
20	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 3	High	None	Exec Mgt Team	N/a
21	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
22	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	3 x 3	High	Monitor partnership activities and ensure carried out according to agreements.	3 x 3	High	None	Exec Mgt Team	N/a
23	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme should meet 85% of cost	4 x 2	Moderate	None	Exec Mgt Team	N/a

Item No.	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
24	Investment Counterparty (including own bank re current account, etc) fails to meet its financial commitments	Loss of interest due Ongoing loss of interest owing to loss of capital	4 x 3	High	Use of credit rating agencies Counterparty list based on minimum ratings with CDS overlay. Limits to investments with one counterparty (£7m)	3 x 3	High	Frequent reviews of investment strategy	Exec Dir Resources	N/a
25	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	4 x 4	Extreme	MMI Provision	4 x 3	High	Consider increasing amount of provision if reports from administrator indicate it to be necessary	Exec Dir Resources	N/a
26	Localised Council Tax Support Scheme is oversubscribed	Additional unbudgeted costs	3 x 3	High	Local scheme	3 x 3	High	None	Exec Dir Resources	N/a
27	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff	3 x 3	High	None	Exec Mgt Team	N/a
28	Failure of Banking Services provider	Frozen Funds Additional unbudgeted costs	5 x 3	High	Business Continuity Plan	2 x 3	Moderate	None	Exec Dir Resources	N/a
29	Members act against officer advice resulting in cost to the Council	Additional unbudgeted costs	3 x 3	High	Agenda pre-meetings. Liaison with members	3 x 3	High	None	Exec Mgt Team	N/a

