

WEST OXFORDSHIRE DISTRICT COUNCIL

CABINET:

WEDNESDAY 13 FEBRUARY 2019

BUDGET AND COUNCIL TAX 2019/20

REPORT OF THE CHIEF FINANCE OFFICER

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(The Cabinet's decisions (a)(i) to (a)(xi) will be recommendations to Council)

I. PURPOSE

The purpose of this report is to consider revenue budget proposals for 2019/20, the Council's Capital Programme for 2019/20 to 2028/29 and the level of Council Tax for 2019/20. In addition, the requirements of the Local Government Act 2003 relating to the Council's Treasury Management and Prudential Capital Finance System and the duty of the Chief Financial Officer to report on the robustness of estimates and the adequacy of the Council's reserves are incorporated. A risk assessment of budgets is also included.

2. RECOMMENDATIONS

- (a) That Council be recommended to approve:
 - (i) The updated Medium Term Financial Strategy in Appendix A;
 - (ii) General Fund revenue budgets as summarised in Appendix B;
 - (iii) The Capital Programme for 2019/20 to 2028/29 as set out in Appendix D;
 - (iv) Fees and charges for 2019/20 as set out in Appendix E;
 - (v) The Council's Pay Policy Statement as set out in Appendix F;
 - (vi) The Council's Capital Strategy 2019/20 as set out in Appendix G;
 - (vii) The Council's Investment Strategy 2019/20 as set out in Appendix H;
 - (viii) The Council's Treasury Management Strategy 2019/20 as set out in Appendix I;
 - (ix) The Prudential Indicators as set out in Appendix N;
 - (x) The level of District Council Tax for 2019/20 for a Band D property of £99.38;
 - (xi) The planned contribution of £3,789 to General Fund balances in 2019/20;
- (b) That the NNDRI form as set out in Appendix L, and the Parish precepts and tax levels set out in Appendix M be noted

3. SUPPORTING INFORMATION

- 3.1 The latest positions in respect of the 2019/20 base budget and Capital Programme for 2019/20 and onwards were approved by Cabinet in draft form on 16 January 2019 and Council 23 February 2019.

Revenue Budgets

- 3.2 Appendix A incorporates all changes previously considered by Cabinet and includes the final grant settlement details.

Net Expenditure Adjustment

There have not been any changes to the budget since the last meeting.

Funding Adjustment

- 3.3 Officers submitted the NNDR1 Business Rates return and these figures are reflected in the overall funding position of the Council. The business rates income estimated for 2019/20 has increased by £323,798.

- 3.4 The funding movements since reported on 16 January 2019 are as follows:

Funding Adjustment

| | |
|-----------------------------------|------------------|
| Collection Fund Surplus (NNDR) | (285,399) |
| Increase in Business Rates Income | (38,399) |
| Total Funding Adjustment | (323,798) |

Use of Reserves

| | |
|--|------------------|
| Use of General Fund Balances as at 16 Jan 19 | 50,009 |
| Net Movement in contribution from / (to) GF Reserves | (323,798) |
| Total Contribution to - General Fund Balances | (273,789) |

- 3.5 The increase in business rate income is unlikely to be sustainable due to the reset of business rate funding due to be implemented in April 2020. This improved revenue position therefore needs to be considered as a windfall gain. It is proposed to set aside £270,000 to fund one-off initiatives which support economic growth in the District and increase business rates yield in future years.

- 3.6 The schedule of proposed fees and charges is attached at **Appendix E**, and Council is requested to approve these.

Capital Programme

- 3.7 The Council's revised Capital Programme 2018/19 and proposed programme 2019/20 to 2028/29 is attached at **Appendix D**. The overall Programme total for schemes between 2019/20 to 2028/29 has remained at £64,435,000.

Prudential Indicators

- 3.8 From 1 April 2004, the system of credit approvals for controlling local authority capital expenditure was replaced by a prudential system of self regulation. Authorities are now able to borrow on the basis of need and affordability which they have to demonstrate through compliance with the Prudential Code as developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code has been given statutory force by government regulation. The new system replaces the Local Government and Housing Act 1989 in terms of local authority capital finance.
- 3.9 The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable, as well as being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal. In order to achieve these key objectives there are a number of Prudential Indicators.

These indicators provide data about the Council's overall capital expenditure, affordability, prudence, external debt and treasury management. The indicators must be approved by the Council when setting its budget for the forthcoming year. The impact of capital investment decisions should be demonstrated in terms of revenue and council tax implications for the Council.

- 3.10 CIPFA published its new 2017 editions of Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes and the Prudential Code for Capital Finance in Local Authorities just before Christmas 2017. In response to these changes, the Council will consider a Capital Strategy, an Investment Strategy and the Treasury Management Strategy for 2019/20.
- 3.11 The Finance and Management Overview and Scrutiny Committee considered the draft Strategies on 30 January 2019. The Committee recommended that the Investment Strategy should include an additional indicator showing the proportion of the net revenue budget funded by investment income. This additional indicator has been incorporated within the Investment Strategy accordingly. The strategies are attached at **Appendices G, H and I** respectively.
- 3.12 The Council is planning to borrow from internal resources and external borrowing to fund the Capital Programme. The Prudential Indicators incorporate the impact of borrowing in terms of affordability and authorised borrowing limits.
- 3.13 The timing of such borrowing will initially depend on the Council's cash flow position, but at some point the Council will need to undertake both short and long term borrowing throughout the period of the Capital Programme. The Prudential Indicators at **Appendix N** reflect the latest revenue and capital proposals.

Core Funding Streams

- 3.14 The final settlement figures for 2019/20 are still to be confirmed. A summary of all Core Funding is set out below after appropriate business rates calculations have been completed including Collection Fund implications:-

| | 16 Jan report (£) | Latest position (£) |
|--------------------------|-------------------|---------------------|
| Revenue Support Grant | 77,568 | 77,568 |
| Business Rates Retention | 3,880,490 | 4,204,288 |
| New Homes Bonus | 1,763,143 | 1,763,143 |
| Rural Funding Grant | 126,956 | 126,956 |
| Collection Fund Surplus | 54,886 | 54,886 |

Business Rates Retention Scheme

- 3.15 The Business Rates Retention scheme is within the sixth year since the new arrangements began.
- 3.16 The Council's share of the Business Rates Collection Fund Surplus for 2018/19 is estimated at £285,399 and represents growth in business rates yield in 2018/19. However, it should be noted there are still outstanding appeals from rateable values of approximately £20m in respect of the 2010 rating list, which can incur refunds of up to 7 years rates. There is provision of £2m to cover this Council's share of the liability, however the risk to the Council is that this figure is either under or over stated in terms of the level of reduction these appeals will eventually be awarded. There is an additional provision of £2.1 million for appeals against the 2017 list.

- 3.17 The calculation of the rates income for 2019/20 is within the NNDR. Below is a breakdown of these new figures and for comparative purposes the 2018/19 figures are shown to explain where there has been growth or reduction between the years. Attached at **Appendix L** is the NNDR I.

| | 2018/19 | 2019/20 | Movement |
|--|-------------|-------------|-------------|
| Rateable Value | 97,600,127 | 98,749,961 | 1,149,834 |
| | £000 | £000 | £000 |
| Estimated Rates Income (Part I Line 13 NNDR I) | 37,912 | 37,665 | (247) |
| | | | |
| WODC Share 40% | 15,165 | 15,066 | (99) |
| Plus : S3I Grant | 1,236 | 1,821 | 585 |
| Less: Tariff Charge | (11,555) | (11,842) | (287) |
| Sub Total: Equals Pre-Levy Income | 4,845 | 5,045 | 199 |
| | | | |
| Less: Levy to Central Government | (1,201) | (1,346) | (145) |
| Plus : Renewables Income | 226 | 220 | (6) |
| Plus/(Less) Collection Fund Surplus/(Deficit) | (66) | 285 | 351 |
| TOTAL: Revenue Budget Business Rates | 3,804 | 4,204 | 400 |
| | | | |
| Growth forecast in MTFS | | | (76) |
| Difference in budget from January | | | 324 |

Business Rates Pooling

- 3.18 In December 2013 the Secretary of State approved the Council's bid to join a business rates pool with Cherwell District Council and Oxfordshire County Council. The Council is continuing with this arrangement including the distribution of gains (and losses should this occur) with other Oxfordshire Councils. The continued impact of being in the pool is to reduce the levy rate to zero for 2019/20 and consequently a saving in the region of £1.2m will be made through this approach. The budget for 2019/20 includes the use of £0.2 of savings / distribution of pooling gain to fund operational costs. The budget has been adjusted for one-year only, in recognition of changes to the Retained Business Rates System which are due to come into effect in 2020/21. Any savings in excess of £0.2 m will be dealt with as one off revenue at year end;

Council Tax Collection Fund Surplus

- 3.19 A surplus is forecast for the Council Tax Collection Fund of £551,600 of which £54,886 is allocated to this Council; £440,424 to the County Council; and £56,290 to Thames Valley Police and Crime Commissioner. This is attached at **Appendix C**.

Investment Income

- 3.20 Investment income in 2019/20 was updated in the January budget papers and the forecast remains unchanged at £635,820.

New Homes Bonus

- 3.21 The amount of New Homes Bonus earned is £1,763,143, all of which has been taken into the Revenue Account.

Council Tax and Use of Balances

- 3.22 The Localism Act requires any 'excessive' tax rises to be subject to approval at a referendum by the electorate. The Secretary of State has determined that a 3% rise or £5 (whichever the higher) will be the limit above which a rise would be deemed excessive for 2019/20. This Council falls under the criteria to allow a £5 increase in Council Tax and all budget proposals put forward have assumed such an increase for 2019/20.
- 3.23 Appendix A shows that the Council will plan to contribute £3,789 to general fund balances for 2019/20.
- 3.24 If all the budget proposals are agreed and the level of council tax is increased by £5 to £99.38 for a Band D property, this increase will have raised £217,970 in Council Tax and is a significant funding source towards achieving a balanced budget in future years and not requiring general fund balances to deliver its services. This is the on-going aim of the Council's MTFS.
- 3.25 Before reaching a final decision on the level of Council Tax to be recommended for next year, the Cabinet is asked to consider the details below and appropriate Appendices, particularly regarding the Adequacy of Reserves.

Robustness of Estimates, Adequacy of Reserves and Risk

- 3.26 The Local Government Act 2003 requires the Council's Chief Financial Officer to report on the robustness of the estimates and the adequacy of reserves when considering its budget and council tax. The Council must have regard to this report when making its decisions. The formal report is attached at **Appendix K**.
- 3.27 A risk analysis of the key areas of financial risk is also included at **Appendix K** to provide members with an assurance of the potential areas of volatility in the budget for next year.

Budget Consultation

- 3.28 In terms of consultation on the proposed budget all Scrutiny Committees have endorsed the budget approach of minimising cuts to frontline services in spite of the significant Revenue Support Grant (RSG) reduction.
- 3.29 An on-line budget consultation has been running with regard to the core principles of the budget strategy. The council received 146 (144 online and 2 paper) responses. Graphical presentation of responses to the consultation questions are set out at **Appendix J** together with comments submitted.
- 3.30 With regard to council tax, 50% of respondents felt the council tax was "about right" and over 30% felt it was 'too low'. There were mixed views regarding council tax increases: 22% strongly agreed, 25% agreed and 17% were neutral regarding a £5 increase for 2019/20. There was a mixed response to the option of a lower council

tax increase with reduced spending on services, 35% of respondents were supportive and 40% were against.

- 3.31 Around 80% of respondents supported or were neutral to the proposed increases in discretionary fees and charges.
- 3.32 With regard to the Local Council Tax Support Grant for Town and Parish Council, overall the feedback was against the reduction of proposed reduction in grant.
- 3.33 Other comments from respondents are included in Appendix J.

Pay Policy Statement

- 3.34 Sections 38 to 43 of the Localism Act 2011 relate to “Pay Accountability”. Under the provisions of those sections, the Council is required to adopt a Pay Policy Statement for the following financial year by no later than 31 March every year. The revised statement for 2019/20 is attached at **Appendix F**.

Tax Base and Parish Council Taxes

- 3.35 Although the January Cabinet approved the Council’s tax base it did not include the full Parish / Town Precept positions. The District Council has now received all the precept proposals from town and parish councils and a full schedule of those precepts and tax levels are shown in **Appendix M**.

4. ALTERNATIVES/OPTIONS

The Cabinet is free to make any changes it wishes to proposed revenue and capital budgets before making recommendations to Council.

5. FINANCIAL IMPLICATIONS

The recommendations of the Cabinet regarding the Council’s budget and Council Tax for 2019/20 will be incorporated within the formal resolution for Council. This will also incorporate budget requirements / council taxes for Town and Parish Councils, the County Council and the Thames Valley Police and Crime Commissioner.

6. REASONS

The budget proposals reflect the Council’s Aims and Objectives of being recognised as a leading Council that provides efficient, value for money services.

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Date: 28 January 2019

Background Papers

None