


Agenda Item No:	9	
Committee:	Council	
Date:	21 February 2019	
Report Title:	General Fund Budget 2019/20 and Capital Programme 2019-22	

### 3. Recommendations

- **It is recommended by Cabinet that:**

- (i) the General Fund revenue budget for 2019/20 as set out in Section 8 and Appendix A be approved;
- (ii) the Medium Term Financial Strategy as outlined in this report and Appendix B be adopted;
- (iii) the Capital Programme and funding statement as set out in Appendix D be approved;
- (iv) the adoption of the Business Rates Retail Relief scheme detailed in paragraphs 5.6 – 5.8 be approved;
- (v) the expenses detailed in Section 10 be approved to be treated as general expenses for 2019/20;
- (vi) the Port Health levy for 2019/20 be set as shown in Section 11;
- (vii) the adoption of additional Council Tax premiums on Long Term Empty Properties as detailed in Section 12 be approved;
- (viii) the Treasury Management, Capital Strategy Minimum Revenue Provision, Investment Strategy, Prudential and Treasury Indicators for 2019/20 as set out in Section 15 and Appendix E be approved;

**(ix) one of the following two options proposed in respect of Fenland District Council's Band D Council Tax is agreed for 2019/20:**

**(a) Council Tax be set at £265.59, an increase of £5.13 (1.97%) on the current year (2018/19) requiring no contribution from General Reserves or unidentified savings to set a balanced budget ;**

**or**

**(b) Council Tax be set at £260.46, the same level as the current year 2018/19 (no increase) and if Council approves this option then a contribution of £150,720 is made from General Reserves in 2019/20 to secure a balanced Budget.**

**Substitute S.151 Statement for the Report: Cabinet Agenda Item 6 and Council Agenda Item 9.**

**18.5 The Corporate Director and Chief Finance Officer (Section 151 Officer) makes the following statement:**

The robustness of the Budget estimates and the adequacy of the reserves are largely dependent on the levels of risk and uncertainty. There is an element of judgement as budget estimates of spending and income are made at a point in time and may change as circumstances change.

This statement on the robustness of estimates cannot give a 100% guarantee about the budget but should give the Council reasonable assurance that the budget has been based on the best information and assumptions available at the time.

The principal financial assumptions made in the Budget are noted in this report and attached at Appendix C. Budget monitoring throughout the year will be an important tool in identifying, at an early stage, potential issues so appropriate action can be taken.

The delivery of the planned savings including all those of CSR1 in 2019/20 and major business projects **is critical** to the successful delivery of the Council's budget strategy. Current activity provides adequate assurance as to the deliverability of the 2019/20 budget with future year projections representing realistic planning assumptions which will be subject to review as part of the annual budget setting process.

The Budget has been prepared reflecting known service pressures and following thorough review by Service Managers of planned savings.

A risk based approach to consideration of the level of reserves is a component of the Council's overall risk management framework. Operational risks should be managed within Services' bottom line budgets and thus will not normally result in a call on the Council's General Balances, as detailed in Section 16 above.

My assessment of the process that has been undertaken is that the calculations used in the preparation of the estimates for the Budget for 2019/20 are fair and robust and that reserves are adequate to reflect known circumstances and to be able to manage the stated uncertainties and risks as far is known at this time. All earmarked reserves are held for the purpose for which they are set up and are considered to be adequate to meet the requirements of those purposes when called upon based on the best information available as at the time of writing.

**On the basis of the planned 1.97% increase on the 2018/19 level in Council Tax (£5.13 per annum per Band D property) there are no 'unidentified' savings still to be identified within the balanced Draft Budget 2019/20. However, there are deficits forecast over the period of the MTFs which in 2023/24 is at £0.845m. (Paragraph 14.7 Table 5 of the report**

**If the Band D Council Tax is frozen at the current level of £260.46 (2018/19) then a contribution of £151,720 is required from General Reserves to balance the budget in 2019/20. Additionally it will add to the forecast deficits in the MTFs which in 2023/24 will increase to £1.015m. (Paragraph 14.7 Table 5 of the report).**

## Summary of Revenue Estimates

	Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 £
<b>Service Summary</b>			
Growth & Infrastructure	1,563,495	1,609,795	1,275,560
Housing, Environment, Leisure & Community	4,395,640	4,513,370	4,270,720
Resources & Customer Services	6,123,340	6,113,910	6,360,638
Planning, Policy & Governance	1,703,960	1,699,010	1,905,920
<b>NET COST OF GENERAL FUND SERVICES</b>	<b>13,786,435</b>	<b>13,936,085</b>	<b>13,812,838</b>
<b>Corporate Items</b>			
Contributions to/ (from) Earmarked Reserves	-1,046,187	-919,427	-1,157,380
Revenue Funding of Capital Expenditure	1,297,000	1,063,000	470,000
RTB/VAT Sharing Income	-90,000	-90,000	-40,000
Financing Charges - <i>Interest/Minimum Revenue Provision</i>	658,795	658,925	824,000
Investment Income	-155,000	-170,000	-180,000
New Homes Bonus	-1,426,180	-1,426,180	-1,294,000
Council tax Support - <i>Payments to Parish Councils</i>	29,750	29,750	0
Brexit Preparation Grant	0	-17,500	-17,500
A14 Contribution	0	0	32,000
Allocation of Levy Account Surplus	0	0	-55,883
Contingencies:			
Extension of Recycling Contract	0	15,000	30,000
Re-modelling of Pay Grades	0	0	30,000
Business Rates - net additional income above baseline <i>(government grants for reimbursement of reliefs, growth less levy payment)</i>	-1,699,698	-1,688,738	-1,289,185
Corporate Adjustments	<b>-2,431,520</b>	<b>-2,545,170</b>	<b>-2,647,948</b>
<b>Net Expenditure before further CSR savings</b>	<b>11,354,915</b>	<b>11,390,915</b>	<b>11,164,890</b>
<i>CSR Savings identified not yet implemented</i>			<b>-103,000</b>
<b>Net Expenditure after further CSR Savings</b>	<b>11,354,915</b>	<b>11,390,915</b>	<b>11,061,890</b>
<b>Contribution from General Fund Balance</b>	<b>0</b>	<b>0</b>	<b>-150,720</b>
<b>NET EXPENDITURE after use of balances/reserves</b>	<b>11,354,915</b>	<b>11,390,915</b>	<b>10,911,170</b>
<b>Core Funding</b>			
Revenue Support Grant	-443,802	-443,802	0
Business Rates Baseline Funding	-3,560,925	-3,560,925	-3,642,529
<b>Council Tax Collection Fund Surplus(-)</b>	<b>-110,000</b>	<b>-110,000</b>	<b>-59,319</b>
<b>Business Rates Collection Fund Deficit(+)</b>	<b>168,682</b>	<b>168,682</b>	<b>442,988</b>
<b>Council Tax</b>	<b>-7,547,870</b>	<b>-7,547,870</b>	<b>-7,652,310</b>
<b>Surplus(-)/Shortfall(+)</b>	<b>-139,000</b>	<b>-103,000</b>	<b>0</b>

**APPENDIX B**

*(0% Council Tax increase in 2019/20)*

<b>Medium Term Financial Strategy</b>	Projected 2018/19 £000	Estimate 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
<b>Expenditure</b>						
<b>Service Expenditure</b>						
Gross Service Expenditure	25,057	22,466	21,816	22,239	22,661	23,227
Fees and Charges	-7,458	-6,020	-6,093	-6,176	-6,265	-6,349
Grants and Contributions	-2,834	-1,768	-1,053	-1,021	-991	-986
Recycling Credits	-829	-865	-883	-903	-923	-943
<b>Total Net Service Expenditure</b>	<b>13,936</b>	<b>13,813</b>	<b>13,787</b>	<b>14,139</b>	<b>14,482</b>	<b>14,949</b>
<b>Corporate Items</b>						
<b>Corporate Expenditure/Savings</b>						
Council Tax Support Grant - Parish Councils	30	0	0	0	0	0
Financing Charges - Interest on External Borrowing	507	533	565	556	556	556
Financing Charges - Current Capital Programme - MRP	152	250	387	407	407	407
Financing Costs - Leisure Contract Capital Schemes	0	41	268	268	268	268
Savings from Prepayment of Pension Lump Sum			-35	-35	-35	-35
A14 Upgrade - contribution	0	32	32	32	32	32
CSR Savings identified but not yet implemented		-103	-238	-238	-238	-238
<b>Contingencies</b>						
Extension of Recycling Contract (subject to negotiation)	15	30	50	75	75	75
Re-modelling of Pay Grades (subject to negotiation)		30	100	120	150	180
	<b>704</b>	<b>813</b>	<b>1,129</b>	<b>1,185</b>	<b>1,215</b>	<b>1,245</b>
<b>Corporate Income Items</b>						
RTB/VAT Sharing Income	-90	-40	-40	-40	-10	-10
Investment Income	-170	-180	-200	-210	-200	-200
New Homes Bonus	-1,426	-1,294	-1,050	-1,080	-950	-1,000
Brexit Preparation Grant	-18	-17	0	0	0	0
Allocation of Business Rates Levy Account Surplus	0	-56	0	0	0	0
Contribution to(+)/from(-) Earmarked Reserves	144	-688	50	50	50	50
Business Rates - net additional income above baseline	-1,689	-1,289	-1,318	-1,347	-1,380	-1,411
<b>Contribution from General Fund Balance</b>	<b>0</b>	<b>-151</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>-3,249</b>	<b>-3,715</b>	<b>-2,558</b>	<b>-2,627</b>	<b>-2,490</b>	<b>-2,571</b>
<b>Total Corporate Items</b>	<b>-2,545</b>	<b>-2,902</b>	<b>-1,429</b>	<b>-1,442</b>	<b>-1,275</b>	<b>-1,326</b>
<b>Gross Service/Corporate Expenditure</b>	<b>25,761</b>	<b>23,279</b>	<b>22,945</b>	<b>23,424</b>	<b>23,876</b>	<b>24,472</b>
<b>Gross Service/Corporate Income</b>	<b>-14,370</b>	<b>-12,368</b>	<b>-10,587</b>	<b>-10,727</b>	<b>-10,669</b>	<b>-10,849</b>
<b>Net Budget Requirement</b>	<b>11,391</b>	<b>10,911</b>	<b>12,358</b>	<b>12,697</b>	<b>13,207</b>	<b>13,623</b>
<b>Funding - RSG/NNDR/CT</b>						
Revenue Support Grant	-444	0	0	0	0	0
Business Rates Baseline Funding	-3,561	-3,643	-3,715	-3,790	-3,865	-3,943
Business Rates Collection Fund Deficit	169	443	0	0	0	0
Council Tax Collection Fund Surplus	-110	-59	-50	-50	-50	-50
<b>Council Tax (increases of 0% in 19/20 and 1.98% p.a 20/21 onwards)</b>	<b>-7,548</b>	<b>-7,652</b>	<b>-7,885</b>	<b>-8,122</b>	<b>-8,365</b>	<b>-8,615</b>
<b>Total Funding - RSG/NNDR/CT</b>	<b>-11,494</b>	<b>-10,911</b>	<b>-11,650</b>	<b>-11,962</b>	<b>-12,280</b>	<b>-12,608</b>
<b>Surplus(-)/Shortfall(+)</b>	<b>-103</b>	<b>0</b>	<b>+708</b>	<b>+735</b>	<b>+927</b>	<b>+1,015</b>

<b>Summary</b>						
<b>Total Gross Expenditure</b>	<b>25,761</b>	<b>23,279</b>	<b>22,945</b>	<b>23,424</b>	<b>23,876</b>	<b>24,472</b>
Funded by:						
Fees and Charges	-7,458	-6,020	-6,093	-6,176	-6,265	-6,349
Grants and Contributions	-2,834	-1,768	-1,053	-1,021	-991	-986
Recycling Credits	-829	-865	-883	-903	-923	-943
New Homes Bonus	-1,426	-1,294	-1,050	-1,080	-950	-1,000
Other - Investment Income, VAT/RTB, Reserves	-134	-981	-190	-200	-160	-160
<b>Contribution from General Fund Balance</b>	<b>0</b>	<b>-151</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Revenue Support Grant	-444	0	0	0	0	0
Retained Business Rates	-5,081	-4,489	-5,033	-5,137	-5,245	-5,354
<b>Council Tax</b>	<b>-7,658</b>	<b>-7,711</b>	<b>-7,935</b>	<b>-8,172</b>	<b>-8,415</b>	<b>-8,665</b>
<b>Total Funding</b>	<b>-25,864</b>	<b>-23,279</b>	<b>-22,237</b>	<b>-22,689</b>	<b>-22,949</b>	<b>-23,457</b>
<b>Surplus(-)/Shortfall(+)</b>	<b>-103</b>	<b>0</b>	<b>+708</b>	<b>+735</b>	<b>+927</b>	<b>+1,015</b>

## **Assumptions built into Budget and Medium Term Financial Strategy (MTFS)**

Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although the aim is to mitigate these risks as detailed in section 17 of the main report.

The main assumptions are as follows:

- **0% Council Tax increase for 2019/20** and 1.98% p.a. thereafter;
- 1.38% increase in Council Tax base in 2019/20 (Tax base 29,380) and 1.00% thereafter (increase of 300 Band D properties per annum);
- 2% pay award per annum for 2019/20 and thereafter;
- Allowance for pay increments;
- Continuing impact of increases to the National Living Wage from April 2018;
- Forecast increase in Employer's Pension Contributions (as determined by the latest triennial valuation of the Cambridgeshire Pension Fund in 2016). The current years' contribution takes the form of a percentage of pay (17.4%) together with a lump sum payment of £825,000. For 2019/20, the percentage of pay remains at 17.4% with the lump sum payments increasing to £865,000. For 2020/21 onwards, following the next triennial valuation, a further 0.4% increase in the percentage paid has been assumed;
- Inclusion of the Apprenticeship Levy at an annual cost of around £34,000;
- Inclusion of a vacancy factor over the MTFS, equivalent to a reduction in staff costs of around 2.5%;
- 0% general inflation for the period of the MTFS;
- Specific allowance for inflation for business rates, external contracts, energy and water, drainage board levies;
- Investment interest rates to stay at current rates until second quarter of 2019 when market rates are forecast to begin rising slowly to reach 2% by first quarter of 2022;
- Continuing impact of 2018/19 in year income pressures;
- Assumptions regarding forecast income levels from fees and charges have been included. These are a combination of fee increases (where applicable) and review of activity levels;
- The New Homes Bonus for 2019/20 onwards has been included as detailed in paragraph 4.4 of the report;

**EARMARKED AND GENERAL RESERVES - Revised 2018/2019 and Estimated 2019/20**

**APPENDIX G**  
(0% Council Tax increase in 2019/20)

Reserve Name	Balance 01.04.18 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2018/19 £	Revised Balance 31.03.19 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2019/20 £	Estimated Balance 31.03.20 £	Comments / Conditions of Use
Travellers Sites	282,698		-5,050	277,648		53,600	331,248	Can only be used for specific future maintenance liabilities.
Station Road, Whiteley - Maintenance	8,400		2,800	11,200	-12,000	2,800	2,000	Required for future road maintenance.
CCTV - Plant & Equipment	104,533		6,190	110,723	-20,000	10,000	100,723	Available for future CCTV maintenance & replacement liabilities.
Invest to Save	120,521			120,521	-47,000		73,521	To provide resources for schemes which will deliver future efficiencies. £50k committed to energy efficiency schemes match funded by Salix Finance, as part of the Council's 'Keen to be Green' strategy.
Conservation	54,124	-50,000		4,124			4,124	Available for the purchase, renovation and subsequent re-selling of difficult properties of local importance where intervention by this Council is seen as the only solution.
Management of Change	1,319,946	-145,000	-43,663	1,131,263	-185,000		946,263	Available for the effective management of any organisational changes required to meet the Council's future priorities.
Neighbourhood Planning Reserve	185,156			185,156			185,156	Available to assist the Council with delivering the 'Neighbourhood Planning' objective and delivery of the Core Strategy.
Specific Government Grants (received in previous years)	1,038,782		-248,770	790,012		-241,110	548,902	Available to fund specific spending commitments in future years.
Personal Search Fees	115,524			115,524			115,524	Available to off-set restitution claims associated with the revocation of the personal search fees of the local land charges register.
Community Projects Reserve	12,431			12,431			12,431	Available for small-scale community projects. Previously used to assist Parish/Town Councils to fund Diamond Jubilee Celebrations.
Business Rates Equalisation Reserve	500,000		500,000	1,000,000		-500,000	500,000	Available to assist the Council in smoothing out volatility in the business rates retention system.
Capital Contribution Reserve	1,246,647	-838,000		408,647	-54,000		354,647	Available to fund specific spending commitments in future years.
Port - Bouy Maintenance	147,319			147,319			147,319	Available for future bouy maintenance to service windfarms.
Pilots' National Pension Fund	451,178		-451,178	0			0	Liability repaid to PNPf. Balance on reserve transferred to Local Plan Reserve as approved by Cabinet on 13.12.18
Local Plan Reserve	0		451,178	451,178			451,178	Available to assist the Council with reviewing the Local Plan.
Repairs and Maintenance	542,684	-30,000	-38,664	474,000	-152,000		322,000	Available to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.
Property Development Fund	1,000,000			1,000,000			1,000,000	Available to enable progression of future development and property schemes.
Heritage Lottery Fund (HLF) - Wisbech	191,260		-46,730	144,530		-30,170	114,360	To manage the Heritage Lottery Funded scheme in Wisbech.
Brexit Preparation Reserve	0		17,500	17,500		17,500	35,000	Available to mitigate any potential short-term impact of Brexit.
<b>TOTAL EARMARKED RESERVES</b>	<b>7,321,201</b>	<b>-1,063,000</b>	<b>143,573</b>	<b>6,401,774</b>	<b>-470,000</b>	<b>-687,380</b>	<b>5,244,394</b>	
General Fund Balance	2,421,818			2,421,818		<b>-150,720</b>	<b>2,271,098</b>	Unallocated general reserve required for various and unplanned contingencies, to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.
<b>TOTAL RESERVES</b>	<b>9,743,019</b>	<b>-1,063,000</b>	<b>143,573</b>	<b>8,823,592</b>	<b>-470,000</b>	<b>-838,100</b>	<b>7,515,492</b>	

NB: In accordance with the Council's Financial Rules and Scheme of Financial Delegation ( Part 4, Rule 6 of the Constitution), paragraphs B57 - B60 delegates authority to the Chief Finance Officer to approve expenditure from these reserves in accordance with their approved use as detailed above.