

**REPORT TO:** Cabinet

5 February 2020

**LEAD CABINET MEMBER:** Councillor John Williams,  
Lead Cabinet Member for Finance

**LEAD OFFICER:** Trevor Roff, Interim Director of Finance

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## Summary General Fund Revenue Budget 2020/2021

### Executive Summary

1. To consider the summary General Fund Revenue Budget for 2020/2021 and to recommend the Revenue Budget to Council.
2. This is a key decision because it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's overall budgets.

### Recommendations

3. That Cabinet is requested to consider the report and, if satisfied, to:
  - (a) Take into account the detailed budgets presented at Appendix B (white pages), and summarised at Appendix A (blue page), with an estimated General Fund Gross Operating Expenditure for 2020/2021 of £65.899 million, estimated Gross Operating Income of £41.617 million and estimated General Fund Net Operating Expenditure of £24.282 million;
  - (b) Acknowledge the key factors which have led to the proposed General Fund Revenue Budget, with service pressures summarised at Appendix C (green pages) and offsetting efficiency savings/policy options summarised at Appendix D (yellow pages);
  - (c) Acknowledge that the 2020/2021 General Fund Revenue Budget gross expenditure is covered by forecast income sources (assuming no change in Government grant) and, therefore, any addition(s) to expenditure that are made by the Cabinet or Council will need to identify matching savings and/or additional income if the proposed level of Council Tax is not to change;
  - (d) Approve the 2020/2021 General Fund Revenue Budget taking into account the statement by the Chief Finance Officer on the risks and robustness of the estimates as required under Section 25 of the Local Government Act 2003 (reproduced at Appendix F);
  - (e) Set the Council Tax Requirement for 2020/2021 at £9,562,361;
  - (f) Approve an increase in the District element of the Council Tax of £5 per annum, giving an average Band D Council Tax of £150.31, plus the relevant amounts required by the precepts of the Parish Councils, Cambridgeshire County Council, Cambridgeshire Police & Crime Commissioner and the Cambridgeshire Fire Authority;

- (g) Authorise the Head of Finance, on the basis of the proposals set out in the report, to prepare the formal Council Tax Resolution for presentation to Council at its scheduled meeting on 20 February 2020;
- (h) Approve the estimates of the amounts required to be made under the Non-domestic Rating (Rates Retention) Regulations 2013 as set out in paragraphs 31 to 34;
- (i) Approve the acceptance of any grants made during 2019/2020 by the Government under Section 31 of the Local Government Act 2003 in respect of Business Rates;
- (j) Approve the use of the additional income from the Business Rate Pool, estimated at £1,100,000 in 2020/2021, for transfer to the established Renewables Reserve for priority projects;
- (k) Subject to any changes to the recommendations above, recommend to Full Council:
  - (i) The 2020/2021 General Fund Revenue Budget based on known commitments at this time and planned levels of Service/functions resulting in a Budget Requirement of £24.329 million;
  - (ii) The District Council Precept on the Collection Fund (Council Tax Requirement) of £9.562 million in 2020/2021 (based on the Provisional Government Settlement) and a Band D Council Tax of £150.31.

## Reason for Recommendations

4. To enable the Cabinet to recommend to Full Council the 2020/2021 General Fund Revenue Budget.

## Details

### (A) Prospects for Local Government

5. This report sets out the draft revenue budget proposals for 2020/2021 that have been prepared in the context of a significantly changing financial landscape for local government, particularly the significant scrutiny and changes to how local government is funded and the detailed provisions of the Local Government Finance Settlement.
6. The 2019 Finance Settlement was expected to be a pivotal year for local government as 2019/2020 was the final year of the four-year funding settlement. Major changes in local government funding had been expected, including an increase in the local business rate share to 75% (from 50%), a business rate baseline reset, a Fair Funding Review, and other changes to key funding streams, such as social care and New Homes Bonus. The Government, however, confirmed on 4 September 2019 that there would be a one-year spending review for 2020/2021. The Comprehensive Spending Review – which was due to be delivered in the autumn – will now be held in 2020 and will apply from April 2021.

7. A detailed refresh of the Medium Term Financial Strategy (MTFS) was considered by Cabinet, at its meeting on 6 December 2019, and this provided (i) an assessment of the resources available to the Council over the medium term and (ii) an assessment of spending pressures based on existing levels of service delivery and known policy/legislative changes. The determination of the 2020/2021 revenue budget has, therefore, been informed by the MTFS financial forecasts, together with established and effective budget monitoring arrangements that have created a sound foundation for the management of the Council's financial resources.
8. The financial landscape requires a reliance on an effective budget strategy and sound medium term financial planning to ensure that the Council's limited resources are targeted to priority services and outcomes.

## **(B) Economic Outlook**

9. The UK economy has recovered since the financial crisis in 2008/2009 but growth slowed towards the end of 2018. The Office for Budget Responsibility (OBR) economic and fiscal outlook report, prepared in March 2019, judged that the economy was operating slightly above potential in the fourth quarter of 2018 – by 0.2 per cent, little changed from the margin assumed in October 2018. GDP growth in 2019 has, however, been reduced from 1.6 to 1.2 per cent, which pushes the output gap into negative territory in 2020. The downward revision is in part due to slackening momentum in 2018 and OBR judgement that this will continue into early 2019. As Brexit uncertainty begins to dissipate, and productivity growth gradually improves, OBR expect GDP growth to pick up to 1.4 per cent in 2020 and to 1.6 per cent a year thereafter as the small margin of spare capacity is absorbed.
10. The Bank of England has maintained the UK bank rate at 0.75% since August 2018 and is anticipated to remain at low levels throughout the remainder of 2020/2021 and 2021/2022. The anticipated path of any base rate change reflects the fragility of the recovery and this will continue, therefore, to have a significant impact on the investment return achieved by the Council. There will be a revenue impact from the increase in interest rates from the Public Works Loan Board (PWLB) by one percentage point from 8 October 2019, meaning a typical rate for a loan is now 2.8% instead of 1.8%, and this will need to be factored into the borrowing cost projections associated with capital programme projects and investments.
11. Inflation used to drive expenditure and income assumptions in revenue budget planning have been based on the Bank of England and OBR forecasts; the percentage applied in the MTFS and in the proposed budget is 2% reflecting the Government target for the Community Price Index (CPI). Inflation, measured in terms of CPI, was 1.9% in June 2019 and 1.7% in September 2019, a little below the Bank of England's target of 2%.
12. The housing market remains flat and, in May 2019, the Bank of England downgraded its forecasts for both mortgage lending and the housing market. The expectation was for less lending for house purchases, and house price falls rather than rises. It had expected growth of 0.25% per quarter but revised forecasts indicated that house prices were likely to fall by 1.25% during 2019. An excess of supply of housing in some regions, Brexit-related uncertainties and affordability constraints have been cited as reasons for the revised expectations. Changes to the buy-to-let market, including the surcharge in Stamp Duty and lower mortgage interest relief, have reduced demand. The definite slow-down in the property market has an impact on the growth aspirations for the area and, to a limited extent, the Council's capital programme in so far as potential funding of capital investment from capital receipts.

**(C) Budget Formulation**

13. In looking specifically at the 2020/2021 Revenue Budget, the Council needs to be mindful of the financial backdrop and will need to ensure that any proposals, in particular around efficiencies and policy options, need to be realistic and above all sustainable. The financial landscape will, therefore, require reliance on an effective budget strategy and sound medium term financial planning to ensure that the Council's limited resources are targeted to priority services and outcomes.
14. The Revenue Budget has been prepared in accordance with the Council's MTFS approved by Cabinet on 4 December 2019. The clear message is that budget setting and medium term financial planning will be tough over the duration of the MTFS (to 2025) and, as such, the financial objectives identified at paragraph 54 below have helped guide the budget process. In determining the 2020/2021 revenue budget, due and proper regard has been given to its ongoing sustainability and the observance of a number of overarching principles. This has involved:
- (a) An overall commitment to endeavour to increase annual income sources and reduce annual expenditure without materially reducing front line services provided by the Council;
  - (b) A comprehensive review of the base budget to provide greater assurance for the future. The review has been based upon regular established monitoring processes, and has incorporated a review of the alignment between the original budget and service activity;
  - (c) The commitment, in response to the financial challenges, to an ambitious 4-year plan to transform service quality, realign financial resources to business plan priorities and improve customer service.
  - (d) A positive commitment to achieve better value for money for the service areas whilst maintaining quality, accessible front line services and the adoption of a Value for Money Strategy by the Cabinet on 4 September 2019.
  - (e) The continued review and tight control of the capital programme given the impact of borrowing on the revenue budget.
15. The resulting draft 2020/2021 revenue budget sets out the Council's finances and the efficiencies required to produce a balanced budget in the light of the ongoing reduction in Government grant funding and other pressures.

**(D) Provisional Settlement – Funding Sources**

16. The provisional finance settlement announcement, on 20 December 2019, made no significant changes to the funding allocations compared to 2019/2020. Whilst this benefits the Council in 2020/2021 compared to existing MTFS forecasts, in overall terms there are very significant risks to the funding level from 2021/2022 for District Council's with the expectation that the Council will lose a significant share of its funding as a result of the funding changes – the business rate baseline reset is particularly damaging. There is, however, likely to be some form of damping support from 2021/2022, although it would be phased out over time.

17. The key headlines in relation to the Provisional Local Government Finance Settlement are as follows:

- (i) Council Tax referendum principle of the higher of 1.99% or £5 per dwelling for 2020/2021;
- (ii) Continuation of the existing Business Rate Retention Scheme for a further year, with revised proposals to be introduced from 2021/2022;
- (iii) Continuation of the Rural Service Grant of £131,000 for a further year in recognition of the additional cost of providing services in sparse rural areas, pending implementation of the Fair Funding Review;
- (iv) Continuation of New Homes Bonus (NHB) but the allocation in 2020/2021 of £1,346,012 will be for one year only, plus legacy payments (which will continue for a further two years only). There is a clear indication that NHB will be replaced with details subject to usual consultation processes during 2020.

18. The spending power of the Council, based upon the provisional settlement, can be summarised as follows:

	2019/2020 £'000	2020/2021 Provisional £'000	Change %	2021/2022 £'000
Settlement Funding Assessment (SFA):				
- Business Rates Baseline	2,605	2,647	1.6%	2,699
- Revenue Support Grant (RSG)	-	-	-	-
<b>Total SFA – Per 2020/2021 Settlement</b>	<b>2,605</b>	<b>2,647</b>	<b>1.6%</b>	<b>2,699</b>
- Rural Services Grant	131	131	-	-
- Transition Grant	-	-	-	-
New Homes Bonus (NHB) Grant	2,473	2,767	11.9%	1,008
Council Tax Income	9,093	9,562	5.2%	10,042
<b>Core Spending Power</b>	<b>14,302</b>	<b>15,107</b>	<b>5.6%</b>	<b>13,749</b>

19. While the level of Settlement Funding Assessment (SFA) for 2020/2021 remains stable as a result of the one-year settlement, there is considerable uncertainty relating to the SFA for 2021/2022, 2022/2023, 2023/2024 and 2024/2025. The outcome of the Fair Funding Review, a probable baseline reset, and a review of NHB create further uncertainty.

20. The key elements of local government funding, some of the assumptions made for the period from 2021/2022 and local prospects were outlined in the refresh of the MTFs reported to Cabinet on 4 December 2019. These are outlined in more detail in the “Funding the Budget Requirement” Section below.

**(E) Spending Baseline, Spending Pressures and Savings**

21. The table below sets out headline movements from the 2019/2020 approved budget. Detailed analysis by service area is outlined in **Appendices A and B**.

	<b>Increased Resource</b>	<b>Reduced Resource</b>
<b>Resources</b>	<b>£m</b>	<b>£m</b>
Council Tax	465,000	-
Business Rates	4,979,000	-
Rural Services Grant	-	-
New Homes Bonus	295,000	-
<b>Net increase in Resources</b>	<b>5,739,000</b>	
	<b>Reduced Spending/ Funding changes</b>	<b>Increased Spending</b>
<b>Spending</b>	<b>£m</b>	<b>£m</b>
Environmental Services		1,718,000
Housing Services		128,000
Planning Services	924,000	
Corporate Services	757,000	
Interest Payable		2,119,000
Investment Income	2,533,000	
Other Levies & Contributions		327,000
Capital Financing & MRP		5,877,000
Contribution to General Fund		826,000
Contribution to General Fund	1,042,000	
<b>Spending Adjustments</b>	<b>5,256,000</b>	<b>10,995,000</b>

22. The most significant of these are set out below:

- (a) The “Net Increase in Resources” is set out in more detail at Section “G” below (paragraphs 30 to 41). The increase in Council Tax is based upon a £5 increase on 2020/2021 levels.
- (b) Spending pressures and growth bids were originally considered by Cabinet, at its meeting on 4 December 2019, and have subject to further refinement. These are summarised at **Appendix C** and include the following:
- Environment pressures – these predominately relate to the additional costs of the waste collection service in line with housing growth and recycling disposal contracts, together with an investment in measures aimed at improving recycling performance, accelerating the implementation of air quality monitoring and deterring fly-tipping in the District (in line with Business Plan priorities).
  - Community services – reflecting the Business Plan commitment to (i) provide Community Liaison Forums and (to ii) achieve, on a phased basis, District wide coverage of effective mobile warden partnerships to ensure support for elderly and vulnerable people across the area who currently have limited or no access to this service.
  - Zero Carbon Community Fund – a base budget allocation of £100,000 to support community renewable projects that have, to date, relied upon funding from the earmarked Renewables Reserve.

- Economic Development – the commitment to provide, in line with approved Business Plan priorities, a Business Support Service with dedicated resource to support local businesses and the specific needs of the rural area (including rural inward investment, the organisation of business events and effective promotion of the area).
  - Project Management – the creation of core professional capacity in the organisation to deliver large capital investment projects (such as Northstowe Civic Hub) and other commercial investment projects.
  - Corporate services – predominately relate to the provision of essential ICT capacity, additional internal audit coverage, health and safety support and additional capacity for Member training and development.
- (c) Pay and prices incorporate a pay increase of 2% and an assessment of contracted service inflation.
- (d) Funding changes (e.g. incorporating the additional S31 grants related to business rates and additional income from the Council’s investments).
- (e) Capital financing charges to support the forward capital programme (see separate report on the agenda).
- (f) Savings proposals are set out in more detail at Section E below (paragraphs 25 to 29) and **Appendix D**.
23. It has been established practice to identify, as part of the budget determination process, areas at risk of further expenditure being incurred during the year with funding released at year end, when the financial implications are known. The 2019/2020 revenue budget included the sum of £75,000 for the following “precautionary items” that were identified during the budget process in 2019/2020:

	<b>£'000</b>
Homelessness - additional accommodation	60
Waste MRF Contamination	100
Potential cost of Holiday/Overtime back pay claims	70
District By-Election	10
National Assistance Burials Act	10
<b>TOTAL</b>	<b>250</b>

24. It is more appropriate to maintain a prudent level of revenue contingency to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding during the financial year. The draft 2020/2021 revenue budget includes the sum of £250,000 for this purpose, which represents approximately 1% of the net operating expenditure.

**(F) Proposed Savings**

25. The Council has embarked on an ambitious 4-year plan to transform service quality, realign financial resources to business plan priorities and improve customer service.
26. A range of savings proposals, including income generation opportunities, were originally considered by Cabinet at its meeting on 4 December 2019 and covered the period from 2020/2021 to 2023/2024. These have been subject to further refinement and consultation with employees and other stakeholders and the schedule of proposals, at **Appendix D**, have been included in the 2020/2021 Revenue Budget.

27. The profile of savings is influenced by deliverability and lead in times and an analysis by years is shown by workstream below (excluding HRA related savings):

Workstream	2020/2021		2021/2022		2022/2023		2023/2024		Total
	£000s	%	£000s	%	£000s	%	£000s	%	£000s
Workforce Operating Model	0.375		0.207		0.137		0.100		0.819
Alternative Ways of Working	0.065		0.096		0		0		0.161
Business & Growth	1.028		0.635		0.990		0.990		3.643
Managing Demand Better	0.272		0.107		0.025		0.025		0.429
<b>TOTAL</b>	<b>1.740</b>	<b>34</b>	<b>1.045</b>	<b>21</b>	<b>1.152</b>	<b>23</b>	<b>1.115</b>	<b>22</b>	<b>5.052</b>

28. There has, in addition, been a great deal of work undertaken, in consultation with Heads of Service on budget challenge, in order to identify other savings on budgets sufficient to reduce the level of costs to the level of resources available, or to ensure that budgets are appropriately aligned. This has resulted in budget adjustments being made in the context of maintaining the relationship between resource allocation and the Council's Business Plan priorities.
29. In relation to partnership arrangements, the implementation of a "recharge model" for existing shared services has been a priority in order to ensure that recharges are fair and consistently applied and that taxpayers in one area are not subsidising services provided in another. This has resulted in an adjustment in the level of recharges that will be phased over a three year period. The adjustments result in a saving to the Council in 2020/2021 and this has been factored into the revenue budget. It is expected that further savings will be made in 2021/2022 and 2022/2023.

### **(G) Funding the Budget Requirement**

30. Funding the Budget Requirement incorporates:
- (i) Revenue Support Grant/Business Rates
  - (ii) Other Specific Grants
  - (iii) Council Tax
- (i) Revenue Support Grant/Business Rates Retention
31. The Business Rate Retention Scheme (BRRS) was introduced in April 2013 to provide Councils with stronger financial incentives to support property development and boost the economy in their local area. It means that Councils bear a proportion of the real-terms change in business rates revenues in their area: gaining when revenues grow in real terms, losing when they fall. The proportion was initially set at 50% across England. In two-tier areas, like Cambridge, 40% is retained by the District and 9% is retained by Cambridgeshire County Council and 1% by the Cambridgeshire Fire Authority. It is now expected that the introduction of the new funding model for Local Government, predicated on changes to BRSS to enable a 75% retention of Business Rates, will be introduced effective from 2021/2022 and this will influence the forward financial forecasts. It is expected that most, if not all of the 25% increase, will go to authorities with adult social care responsibilities.
32. The Provisional Local Government Finance Settlement was announced on the 20 December 2019 and sets out the Council's SFA for 2020/2021. This is identified in the table below, together with the other factors relevant to determining the Business Rates Yield for 2020/2021:

	2019/2020 £'000	2020/2021 Provisional £'000	Change %	2021/2022 £'000
Settlement Funding Assessment (SFA):				
- Baseline Funding Level	2,605	2,647	1.6%	2,699
- Tariff	26,058	26,482	1.6%	27,012
- Business Rates Baseline	28,663	29,129	1.6%	29,711
- Section 31 Grants	3,006	3,175	5.6%	-
<b>Total SFA – Per 2020/2021 Settlement</b>	<b>2,605</b>	<b>2,647</b>	<b>1.6%</b>	<b>2,699</b>
Safety Net Threshold	2,409	2,449	1.7%	-
Levy Rate (p in £)	£0.50	£0.50		£0.50

33. Specifically, in relation to the preparation of the 2020/2021 Revenue Budget:
- (a) The net Business Rates Yield has been estimated at £92,116 million for 2020/2021 as set out in **Appendix E**. The Council's share of this together with the deficit set out in Appendix E equates to £38,207 million compared to a Business Rates Baseline of £29.129 million as set out in the table above. The forecast is based on the number and rateable values of non-domestic properties currently shown in the valuation list. The Business Rates forecast is predicated on the following assumptions:
- Where growth or decline in the tax base, i.e. new developments, can be predicted with reasonable certainty this is reflected in the forecast yield.
  - There will be no significant changes to the overall value of reliefs, e.g. empty property rate relief or charitable rate relief over the course of the financial year.
- (b) The Council is entitled to a number of Section 31 Grants in relation to Business Rates to compensate for yield that is foregone due to national government policy, for example, the extension to eligibility for Small Business Rate Relief. These Section 31 Grants are included within the Council's net expenditure (at Appendix F).
- (c) One of the key issues in relation to forecasting the Business Rates Yield is the volatility arising from settlement of valuation appeals. This needs to be considered in terms of previous "2010 List" and the current "2017 List". Nationally the estimated eventual loss arising due to appeals is 4.5%, however, based on analysis of appeals since 2017 under the new Check Challenge Appeal process it would seem that the level of appeals has reduced. A revised attrition rate of 3.1% has, therefore, been applied in respect of the appeals provision.
34. Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. The Council successfully applied to be the lead authority of a consortium which also includes Cambridgeshire County Council, Peterborough City Council, Fenland District Council, East Cambridgeshire District Council and Cambridgeshire Fire Authority. The formal designation of the pool was confirmed on 18 December 2019 and it is estimated that the Council will benefit from an additional income in excess of £1.1 million. It is proposed that the sum is transferred annually to top up the Renewables Reserve to fund priority projects determined by the Council.

(ii) Rural Services Grant

35. The Council currently receives a Rural Services Grant in the sum of £131,000 in recognition of the additional cost of providing services in sparse rural areas. It is expected that, in future years, that this will roll into the Baseline Funding Level (BFL) because the Council's RSG will be nil from 2021/2022.

(iii) New Homes Bonus

36. New Homes Bonus (NHB) funding is currently based on the following:
- (a) NHB is payable on housing growth over a threshold of 0.4% of the Tax Base;
  - (b) Payments are based on a rolling 4 year period.
37. Housing growth has been significant for this Council area and, as such, the Council has benefited from high levels of NHB. The future of NHB, however, looks very precarious and the expectation is that it will be phased-out and that authorities will only receive "legacy" payments. The recent consultation paper gives a clear signal that there will be only two years of "legacy payments" in 2021/2022, and only one in 2022/2023. The additional year that is "earned" in 2020/2021 is only a one-off and will only be paid for one year (with NHB ceasing to exist from 2023-2024 onwards).
38. The Council has been a major beneficiary of NHB, with the grant level peaking at £5.2 million in 2016/2017. The initial reforms of NHB reduced payments to £2.473 million in 2019/2020, and an allocation of £2.767 million included in the 2020/2021 revenue budget. 30% of NHB is set aside as a contribution to the Greater Cambridge Partnership Investment and Delivery Fund and this equates to £830,000. The draft 2020/2021 budget has assumed this continued level of contribution but, given the proposed NHB reforms and forward financial forecasts, the level of contribution is being reassessed and an alternative contribution may apply from 2021/2022.

(iv) Council Tax

39. Council Tax remains the most predictable and stable element of Local Government funding. This source of income is predicted to yield £9.562 million in 2020/2021 based upon an assumed £5 increase in Council Tax (the maximum level of permitted by Government) and an increase in tax base based upon the housing trajectory.
40. The Local Government Finance Act 1992 requires the Council to set its Council Tax Base for the ensuing financial year by 31 January preceding the start of the new financial year and to notify precepting bodies of the Tax Base that will apply to their area. The Council Tax base for the financial year 2020/2021 has been set at 63,617.6 Band D equivalent properties (an increase of 1.6% (1,041.3) compared to the 2019/2020 Tax Base of 62,576.30).
41. The proposed increase in Council Tax for 2020/2021 is 4.1%. This proposal equates to an increase of £5.00 on the average Band D property giving a Council Tax of £150.31 based upon the 2020/2021 Council Tax base of 63,617.6 Band D dwellings. The proposed 4.1% increase in Council Tax, results in a total yield from Council Tax of £9.640 million (including £0.078 million Collection Fund surplus).

**(H) Review of Reserves**

42. A detailed review of Reserves has been made as part of the budget setting process and a separate report is included on the agenda for the meeting.

## **(I) Capital Programme**

43. A review of the capital programme has been undertaken in conjunction with lead officers to ensure that proposed investment is prudent, sustainable and affordable and a separate detailed report to the Cabinet proposes a revised profiled capital programme. The Capital Financing implications of the proposed capital programme are reflected in the proposed General Fund Revenue Budget. In the event that all changes are approved, and the latest forecast capital receipts are forthcoming, a forecast borrowing requirement of £340.103 million will be needed to support the total capital programme to 2024/2025. This is an increase of £214.907 million compared to the original capital programme set in February 2019 but, of course, this was prior to the adoption of the Investment Strategy.
44. The revenue implications of the Capital Programme have also been taken into account in the draft 2020/2021 revenue budget and are detailed at **Appendix A**.
45. Given the financial challenges the Council is currently facing at this time, and the need for prudent financial management, the capital programme has been further scrutinised and, where possible, reduced funding for rolling programme projects (i.e. those areas of service which the Council invests in on an annual basis) has been made. It is considered prudent at this time to transfer expenditure to a value of £55,000 to the revenue budget (due to the shorter length of life of such schemes), either as part of the base revenue budget or by way of revenue contributions to capital expenditure (these schemes will, therefore, remain in the capital programme, but will be financed from revenue sources). This is in line with the support of Cabinet, when considering the capital programme update report on 6 November 2019, to support (if resources permit) the establishment of a Renewal and Repairs Fund for vehicles, plant and equipment as part of the 2020/2021 revenue budget process.
46. In determining the 2020/2021 revenue budget, the following annual contributions have, therefore, been included:
- (a) Repair and Renewal (Equipment & Plant) Fund: An annual revenue contribution of £250,000 to this Reserve for the purpose of defraying expenditure to be incurred from time to time in repairing, maintaining, replacing and renewing IT equipment and operational building plant and equipment belonging to the Council.
  - (b) Software Fund: An annual contribution of £250,000 to this Reserve for the purpose of defraying expenditure to be incurred from time to time on IT replacement software solutions.
  - (c) Property Investment Reserve: An annual contribution of £200,000 to this Reserve for the investment and refurbishment costs above and beyond tenant repairing lease obligations (e.g. investment to encourage improved re-letting terms). This could include upgrades to improve environmental standards.

## **(J) Fees and Charges**

47. An annual review of fees and charges has been made as part of the revenue budget process in order to determine the non-regulatory fees and charges to be set by the Council for the provision of services from April 2020. A separate report is included on the Cabinet agenda and the additional income from the revised fees and charges has been included in the draft 2020/2021 revenue budget.

## **(K) General Fund Revenue Budget Summary**

48. The 2020/2021 General Fund Revenue Budget Summary is detailed at **Appendix A (blue page)** and the following is relevant:
- (i) **Revenue Support Grant (RSG) and Business Rates**

These figures reflect the provisional Settlement for 2020/2021. Any adjustment (dependent on its effect) will be reported to Council on 20 February 2020.
  - (ii) **Council Tax Collection Fund Balance in aid of Council Tax**

The Council's share of estimated Council Tax surplus as at 31 March 2020 totals £0.078 million as approved by the Cabinet on 8 January 2020.
  - (iii) **Net District Requirement from Council Tax**

After allowing for the increase in the Council's Taxbase, the average Band D Council Tax will be **£150.31**.
  - (iv) **District Precept on Collection Fund**

In accordance with legislative requirements the District Precept on the Collection Fund will include Parish Precepts when known.
49. **Provided Members fully take into account the risks that are outlined at Appendix F, I can confirm that Directors/Heads of Service are satisfied with the level of budgets put forward for 2020/2021 relating to their respective service areas although it must be recognised that the budget allocations in 2020/2021, and the future prospects for service delivery, will be challenging and that pressures and constraints during the next financial year will be inevitable.**

## **Options**

50. There are options to remove or add items to the budget but, based on previous Cabinet decisions and the detailed discussions held with spending officers, the General Fund Revenue Budget as presented includes all items required to deliver council services and member priorities. The gross expenditure is covered by forecast income sources (assuming no change in Government grant) and, therefore, any addition(s) to expenditure that are required will need to identify matching savings and/or additional income if the proposed level of Council Tax is not to change.

## **Implications**

51. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

### ***Policy***

52. The MTFs, approved by Cabinet on 4 December 2019, identifies that the Council will ensure that annual ongoing General Fund revenue expenditure can be covered by annual income sources across the MTFs period in order to ensure a continuously stable financial base for the provision of Council services and functions. In doing so, the Council recognises that any significant use of reserves to fund ongoing expenditure commitments is unsustainable in the medium term.

53. The MTFS identifies that a prudent level of revenue contingency will be maintained to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding and, in this regard, the proposed General Fund Revenue Budget includes a revenue contingency of £250,000.
54. In accordance with the MTFS, the following financial objectives have guided the formulation of the 2020/2021 revenue budget:
- A sustainable medium term financial plan that allows the achievement of the Council's key objectives;
  - Realistic levels of year on year spending which are supportable via annual income streams and do not require the use of general reserves to support recurring expenditure;
  - General reserves should be maintained at all times at or above the agreed minimum level;
  - Constraining annual Council Tax increases to an acceptable level;
  - The pursuance of "invest to save" opportunities with a financial return on the investment in transforming activities over an acceptable payback period;
  - A commitment to explore income generation opportunities and to maximise income from fees and charges;
  - A commitment to maximise efficiency savings;
  - The continued review and control of the Capital Programme given the impact on borrowing (see separate report on the agenda).

### ***Legal***

55. The Council is required by law to set a balanced revenue budget each year. There are two specific dates in relation to budget and Council Tax setting that are required by statute to be achieved. Firstly, it is a requirement that each local authority approves its Revenue Budget by 28 February each year for the forthcoming financial year. Secondly, a billing authority (i.e. this Council) is required to set the Council Tax for its area by 11 March each year for the forthcoming financial year.
56. It is a legal requirement (under Section 25 of the Local Government Act 2003) that before approving the ensuing year's Capital and Revenue Budget, the Council are required to receive and take into account a report of the Chief Finance Officer (Head of Finance) on the robustness of the estimates leading to the Council's Council Tax requirement and the adequacy of financial reserves. This needs to cover issues of affordability (having regard to Council Tax implications), prudence (having regard to Council policies/strategies) and sustainability (having regard to forecast annual expenditure and income). This report is attached at **Appendix F**.

### ***Financial***

#### **Budget Overview**

57. The proposed 2020/2021 revenue budget is set out in the table at **Appendix A**.

### Government Funding Settlement

58. This report is based on the Provisional Government settlement relating to the revenue support grant and business rates redistribution. The consultation on the proposed settlement ended on 17 January 2020 but the final settlement has not yet been formally confirmed. It is, therefore, recommended that:
- if the Government grant were increased it is recommended that the balance would be transferred to the General Fund Reserve;
  - if it is reduced that this be the first call on the general contingency.

### Parish Council Precepts

59. Parish Councils had until 31 January to notify the Council of their precepts for the forthcoming year and, as such, the total of the precepts will be reported directly to Full Council on 20 February 2020 as part of Council Tax Resolution.

### ***Risk***

#### General

60. The Revenue Budget for 2020/2021 has been prepared on a prudent basis but there are risks which may affect the budget. These risks include the following:
- The extent of service pressure being higher or lower than anticipated.
  - The delivery of planned efficiency savings.
  - Unforeseen costs during the year which may exceed the provision in the general contingency of £250,000.
  - The economic situation is either better or worse than anticipated with fluctuations in income sources (NB: This affects capital financing costs and fees and charges).
  - Increases in inflation above those known or expected at this time.
  - Member aspirations regarding service levels.
  - The impact of changes in legislation.

It is also critical that the budget setting timescale is followed to ensure that statutory deadlines are complied with.

#### Specific

61. When the Council considers each revenue service and function budget endeavours are made to identify potential risks. Inevitably, during the year, some of these risks will occur and impact on the budget by either requiring further expenditure or by reducing the Council's budgeted income. The budget process has identified a number of service specific risks relating to the range of District Council Services and related budgets. An overall assessment of risk and an assessment of the robustness of estimates are set out in **Appendix F**.

### ***Environmental***

62. There are no environmental implications arising from this report.

## Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 6 February 2019/Council: 21 January 2019
- Value for Money Strategy – Report to Cabinet: 4 September 2019
- Capital Programme Update and New Bids – Report to Cabinet: 6 November 2019
- 2019/2020 Revenue & Capital Budget Monitoring – Report to Cabinet: 6 November 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Cabinet: 4 December 2019

## Appendices

- A Revenue Budget 2020/2021: Summary
- B Revenue Budget 2020/2021: Detailed Budgets
- C Service Pressures Taken into Account
- D Service Efficiencies/Income Generation Opportunities
- E Business Rate Yield Estimate 2020/2021
- F Revenue Budget: Risks and Robustness

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