
Revenue Budget 2018/19 – Supporting Information

1. Introduction

- 1.1 The purpose of this paper is to consider and recommend to Council the 2018/19 Revenue Budget, which proposes a Council Tax requirement of £94.84m requiring a Council Tax increase of 2.99% with a 3% precept ring-fenced for adult social care. The Council Tax increase will raise £2.7m and the precept will raise a further £2.7m ring-fenced for adult social care.
- 1.2 In order to arrive at a balanced budget for 2018/19, £5.2m of savings and income generation proposals have been recommended, including reductions in street cleansing, introducing a charge for garden waste collection, further transformation in the way adult social care is provided, demand and cost management in social care, investment in commercial property to generate new income streams and many others. A public consultation exercise was undertaken on each of the public facing proposals and detail on the responses is included in Appendix N. The proposed savings will have some implications for staff which are detailed in a separate report.
- 1.3 This report also proposes the Fees and Charges for 2018/19 as set out in Appendix H and the Parish Special Expenses as set out in Appendix I and recommends the level of General Reserves as set out in Appendix F and Appendix G.

2. Background

- 2.1 Over the previous eight years, West Berkshire Council has had to find over £55m of revenue savings, which has been achieved through efficiencies, staff reductions, service transformation and income generation. This level of savings has been necessary as a result of a number of factors:
 - (1) Since 2010, Council funding from Central Government has significantly reduced as part of the deficit reduction programme.
 - (2) Since 2013/14, the Council has been exposed to the volatility of our local business rate generation. This represents both an opportunity to benefit from growth, but also a risk. Since the introduction of local business rate retention, growth has stagnated and a number of large appeals from business to the Valuation Office have reduced the Council's income.
 - (3) The Care Act 2014 came into force in April 2015, introducing the most significant changes to social care legislation for 60 years. Despite the Government stating they would meet the costs of the Care Act in full, the Council has been left to cover an annual funding gap of £3m.
 - (4) The Council's costs rise by about 3% each year to perform exactly the same functions with no new demands. There have also been new cost pressures the most significant being demand and cost increases in adult social care and increased demands on children's placements.

- 2.2 Since 2010, the Council has put in place a programme to remain within our budget which has delivered savings of over £55m as shown in the following chart:



3. 2017/18 In-Year Position

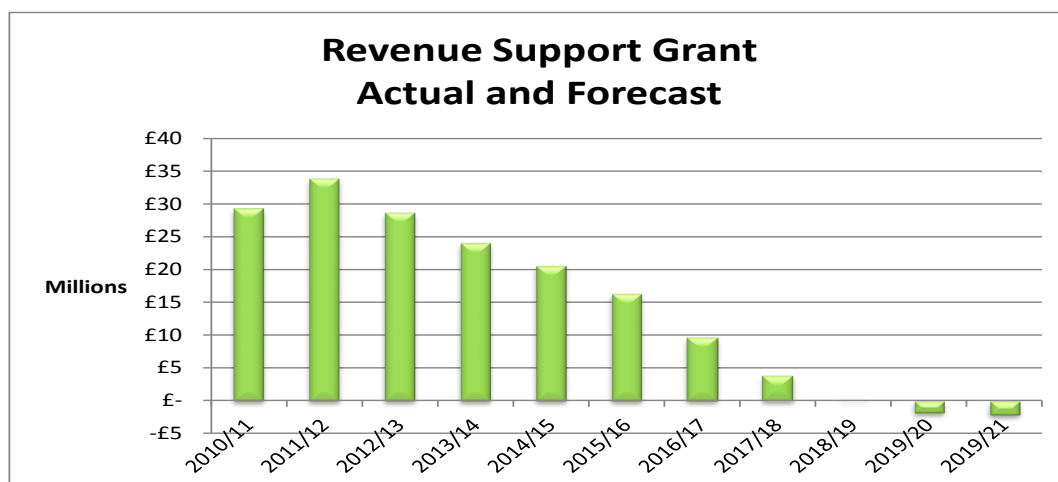
- 3.1 The 2017/18 budget was built with a savings programme of £4.7m. Transitional grant funding has been used to help services transition to a new model of operation, but despite this, at Quarter Three of 2017/18, we are forecasting an over spend of £860k. Adult Social Care is seeing increased complexity of client needs and inflationary increases in commissioning services for nursing and residential care, leading to a forecast over spend of £485k. Overall client numbers have not increased significantly which is in part attributable to the success of our preventative and demand management strategies. However, this is not enough to offset the complexity and cost pressures and the delayed realisation of savings plans. The Education Service is forecasting a £364k over spend and Children and Family Services are forecasting an over spend of £389k, both predominantly as a result of residential placement pressures. Other services across the Council have been able to generate under spends in order to bring down the overall level of over spend.
- 3.2 Any 2017/18 over spend will have a negative impact on our reserves. We have made budget provision for the ongoing pressures that have arisen during 2017/18 and will continue into 2018/19.

4. Local Government Settlement

- 4.1 In October 2016, West Berkshire Council accepted the Government's offer of a four year funding settlement from 2016/17 to 2019/20. The Government made a clear commitment to provide minimum allocations for each year of the Spending Review period. Whilst this settlement commits the Council to a continued reduction in the Revenue Support Grant (RSG), it provides some financial certainty on which the Council can plan ahead and build other sources of income. The Spending Review included proposals for further major transformation of local government funding,

including proposals for local authority retention of 100% of business rates by 2020, now revised to 75%.

- 4.2 The provisional Local Government Finance Settlement 2018/19 was issued on 19 December 2017, with the final settlement announced on 6 February 2018. The Secretary of State for local government has approved a bid submitted collectively by the six unitary authorities in Berkshire to inform the development of a new funding system for local government. Along with nine other proposals from groups of authorities across England, the creation of a business rates pilot across Berkshire in 2018/19 will help the Government develop its detailed proposals to devolve business rate income to local authorities, replacing the current grant funding arrangements.
- 4.3 During the pilot year, it is estimated that an additional £35m of business rates income collected in Berkshire will be retained within the county, rather than being returned to Whitehall as at present. This sum represents growth in the overall level of business rates income achieved since the current system of funding was introduced in 2013 and is an incentive designed to encourage local councils to invest in their local economies. Respecting this, the Berkshire authorities have committed to set aside 70% of the additional funding to make improvements to transport infrastructure in the Reading – Wokingham and Slough – Heathrow corridors. The works will be taken forward by the Thames Valley Berkshire Local Enterprise Partnership (LEP), an organisation with both private and public sector representation that has helped inform the Berkshire proposal.
- 4.4 The remaining 30% of additional funding will be distributed to the individual local authorities in Berkshire, in proportion to their respective contribution to the overall growth. Detailed arrangements for all of the approved Pilot areas will be agreed with the Department for Local Government and Communities over the coming months to ensure the business rates pools are established in time for the new financial year in April. For West Berkshire, of the £86m we expect to raise locally in 2018/19, we expect to retain £22m (26%). In 2017/18 we collected £85m and retained £19m (22%). The pilot has been agreed for one year only.
- 4.5 As part of the pilot, the Revenue Support Grant (RSG) will become part of our baseline funding. For West Berkshire the RSG for 2018/19 is £120k which is 97% less than in 2017/18, equating to a loss of £3.6m. The scale of RSG cuts are shown in the following graph.

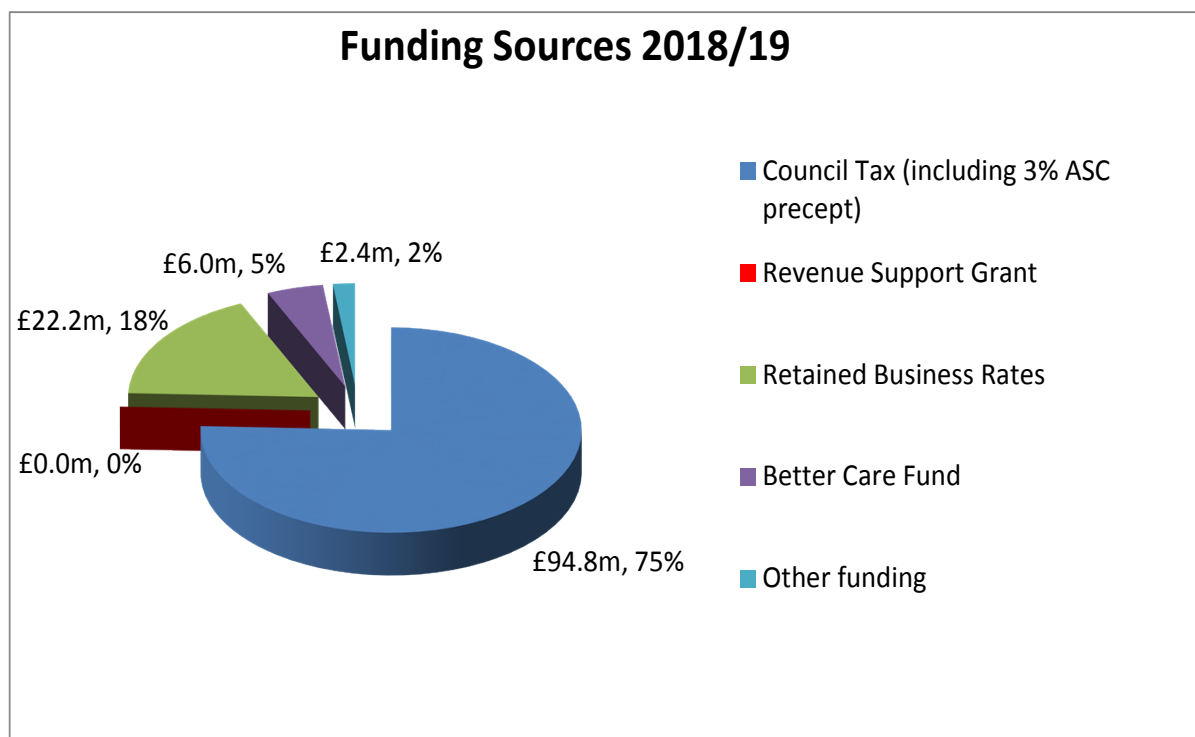


Note: RSG commenced in 2013/14, prior to this it was Formula Grant.

- 4.6 From 2019/20 we will be charged an additional tariff on our business as a ‘negative RSG’. The additional tariff amounts to £3.5m in 2019/20, which under the 50% retention scheme would be an impact of £1.75m for West Berkshire. Government is expected to address negative RSG, but it is not yet clear if it will be removed.
- 4.7 The New Homes Bonus (NHB) funding for 2018/19 is £2.7m for West Berkshire. The number of years for which payments are made has been reduced to four years from 2018/19. The baseline for housing growth remains at 0.4% of the council tax base. Housing growth below this level will not receive a New Homes Bonus allocation.
- 4.8 A one-off Adult Social Care Support Grant was announced in the final settlement and for West Berkshire this amounts to £313k for 2018/19. This will be used to replenish the service risk reserve.

5. Sources of Funding

- 5.1 The main sources of funding for the revenue budget for West Berkshire Council in 2018/19 are shown in the following chart. This does not include other ring-fenced grants which are used to fund specific areas.



- 5.2 **Council Tax.** West Berkshire Council’s main source of funding is from Council Tax, which is collected from local residents based on the value of the property in which they live. The recommendation included within this report is a Council Tax increase of 2.99% for 2018/19 with a 3% precept ring-fenced for adult social care. Income from Council Tax is expected to increase as a result of growth in the tax base and changes to the Council Tax Support Scheme. This increase is forecast to be 1.26% in 2018/19. This is based on a collection rate of 99.4%. Council Tax is our largest source of funding at 75% amounting to £94m in 2018/19.

- 5.3 **Revenue Support Grant (RSG).** Councils receive a general grant from Government to support the services provided. There are no restrictions on how this is used, within a council's legal powers. West Berkshire Council will receive Revenue Support Grant of £120k as part of the baseline funding in 2018/19.
- 5.4 **Retained Business Rates.** From 2013/14, councils keep a proportion of the income they receive from business rates raised in their area. Of the £85m collected locally in 2017/18, the vast majority was paid over to central government leaving the Council with £19m (22%). For 2018/19, West Berkshire will be part of the Berkshire business rates pilot and of the £86m we raise locally, we expect to retain £22m (26%).
- 5.5 **Better Care Fund.** Department of Health funding via the Better Care Fund to be spent locally on health and care with the aim of achieving closer integration and improve outcomes for patients and service users and carers. The fund is allocated to local areas where it is put into pooled budgets under Section 75 joint governance arrangements between CCGs and councils.
- 5.6 **Other Funding.** West Berkshire Council receives a number of specific grants to support its priorities:
- (1) **New Homes Bonus.** This is paid to councils to encourage them to build new homes and gives councils a grant equivalent to their increase in Council Tax income for a period of years for each new home. There is additional money if any of these new homes are affordable housing. West Berkshire Council will receive £2.7m from this grant in 2018/19. The number of years for which payments are made has been reduced to four years from 2018/19. The reform also introduced a baseline for housing growth set at an initial level of 0.4% of the council tax base. Housing growth below this level will not receive a New Homes Bonus allocation.
 - (2) **Adult Social Care Support Grant.** Announced as part of the final settlement, West Berkshire has been awarded £313k for 2018/19. This will be used to replenish the Adult Social Care risk reserve.
 - (3) **Collection Fund Deficit.** A collection fund deficit of £727k has arisen because council tax debits raised have not matched expectations when the taxbase was set in December of the previous year. The taxbase reflects the actual number of properties liable to council tax adjusted for any relevant discounts and exemptions and with a further adjustment for the effect of new build property. In 2017/18 the taxbase growth from development has been slower than previously estimated. The deficit will be funded from Earmarked Reserves.
- 5.7 **Ring-fenced Funding.** The Council receives ring-fenced funding which must be spent on these specific areas. The largest of these are detailed below:
- (1) **Dedicated Schools Grant (DSG).** The DSG does not form part of the revenue budget as it is a ring-fenced grant which can only be spent on school/pupil activity. In 2018/19, the DSG will consist of four funding blocks:

- (i) Schools
- (ii) Central Schools Services (new block for 2018/19)
- (iii) Early Years
- (iv) High Needs.

The DSG settlement was announced by Government on 19 December 2017, although the Early Years and High Needs blocks are provisional. The following table sets out the 2018/19 DSG settlement for each block together with the estimated expenditure budget.

2018/19 Estimate	DSG Funding £m	Expenditure Budget £m	Difference £m
Schools Block	97.905	97.913	-0.008
Central Schools Services Block	0.993	1.328	-0.335
Early Years Block	10.066	10.212	-0.146
High Needs Block	19.165	20.144	-0.979
Total	128.129	129.597	-1.468

All blocks are currently showing a deficit position, which was expected.

Proposals to balance the deficit in the Central Schools Services Block are going to the Schools Forum on 12 March 2018. The main implication for the Council revenue budget 2018/19 is the proposal to fund £191k of the budget shortfall from Council reserves, subject to Council approval. This proposal would fund the total cost of strategic planning of the Education Service and finance support for Education services for one year only, as the level of grant funding available in 2018/19 is insufficient to bear the full cost of these services. The remainder of the shortfall is proposed to be funded from other DSG blocks, from a change to management arrangements in the Education Welfare Service and from the Council's capital programme.

Options for balancing the Early Years and High Needs blocks are being presented to Schools' Forum on 12 March 2018 for a final decision.

- (2) **Public Health Grant.** West Berkshire Council receives a ring-fenced grant to fund public health functions. The grant is to remain ring-fenced until 31 March 2020. In 2018/19 and we will receive £5.853m (2017/18: £6.007m).

6. Revenue Expenditure

- 6.1 **Base Budget Growth:** This is the budget increase required for the Council to perform exactly the same functions year on year. As part of the budget setting

process, the Council provides for general inflationary pressures such as salary increases (2% assumption) based on the established number of posts, together with salary increments and increases to National Insurance and pension contributions.

- 6.2 **Contract Inflation:** Budgets are inflated where a contract is in place and is subject to annual inflationary increases. This amounts to £1.8m in 2018/19. The largest single item of contract inflation is from the waste PFI contract. This contract increase is based on the RPIx measure in January of each year and is estimated to be £690k for 2018/19. Full details of contract inflation are given in Appendix C.
- 6.3 **Service Pressures:** Each year new unavoidable service pressures arise and need to be built into the revenue budget. The service pressures for 2018/19 amount to £4.5m. The majority of pressures have arisen in adult social care. It has been necessary to invest £3.4m into the 2018/19 budget for adult social care due to rising demand, price increases, additional staffing requirements, new responsibilities such as the National Living Wage, and in the area of learning disability where new clients require support and when children move to adult support packages. Full details of the Council pressures are given in Appendix D.
- 6.4 **Capital financing:** The revenue cost of financing the capital programme requires a budget increase of £500k in 2018/19.
- 6.5 **Provision for Other Risks:** The Council is facing a number of risk items that could arise in 2018/19 but cannot yet be quantified. These include increase in demand for services over and above budget assumptions, inflationary pressures and income from business rates at risk. There is a risk to delivering some savings plans in full, and this risk increases in line with the size of the savings programme. We have allocated £600k funding in the 2018/19 revenue budget to help fund these items.

7. Council Tax

- 7.1 The Council is proposing a Council Tax increase of 2.99% with a 3% precept ring-fenced for adult social care. This will raise a total of £5.4m, of which £2.7m will be ring-fenced for adult social care.
- 7.2 Adult social care makes up over a third of the Council's net revenue budget. Whilst efficiencies are being made in the way the Council operates this Service, the precept will go towards funding the mounting pressures faced in the areas of learning disability, demographic increases, increased costs and additional staffing requirements. Adult social care will receive budget increases for inflation, base budget increases and pressures amounting to £4.2m, and the precept of £2.7m will go some way to funding this.

8. Revenue Budget Consultation 2018/19

- 8.1 The Council launched its 2018/19 public consultation on its revenue budget on 27 November and this concluded on 10 January 2018. A total of 1138 responses were received to the individual proposals.
- 8.2 The three public facing proposals were published on the Council's consultation finder database with information disseminated to all registered consultees. The proposals were also e-mailed round to around 900 members of the community panel as well as information being posted on Facebook and Twitter accounts. A press release was also issued drawing attention to the public consultation exercise.

- 8.3 CAWB were contacted and a meeting held prior to the consultation exercise going live so were aware of the proposals and the potential impact on them.
- 8.4 The consultation asked the following generic questions although in some cases other more specific questions were also asked:

1. What would be the impact on you or your community?
2. What can you do to help mitigate this impact?

The total number of responses received to each proposal is set out below.

Proposal	With Comments	Total
Citizens Advice West Berkshire	251	264
Garden Waste Collection Service	740	777
Neighbour Notification Letters for Planning Applications	96	97
TOTAL	1,087	1,138

- 8.5 The feedback to the consultation exercise has been captured in three documents, namely, Summary Report, Overview of Responses and Recommendations and an Equality Impact Assessment. These are attached to this report.
- 8.6 The general themes coming out of the consultation for the three areas are set out below:

Citizens Advice West Berkshire

- (i) CAWB are a much valued and respected organisation.
- (ii) CAWB provide services which support the most vulnerable in our society although their services are available to all.
- (iii) The introduction of Universal Credit will result in some clients presenting with significantly complex cases and the Council will not have the capability of capacity to manage these cases.
- (iv) If CAWB had to close their operation in Newbury then clients would merely present to the Council for support.
- (v) CAWB should review its overhead costs with a view to becoming more efficient and cost effective.

Neighbour Notification Letters for Planning Applications

- (i) The main theme coming out of this proposal was that the elderly, disabled, partially sighted and those individuals who did not have access to the internet could be impacted.
- (ii) 43% of those responding suggested that better use should be made of the orange site notices
- (iii) Applicants should write to neighbours.
- (iv) Developers should engage with the communities more.

Garden Waste Collection Service

- (i) The proposed annual subscription is not affordable.
- (ii) The proposal would have a negative impact on poorer households.
- (iii) The proposal could result in greater amounts of waste being placed in black bins.
- (iv) The elderly and the vulnerable would be impacted.
- (v) The use of shared bins would help mitigate the impact of this proposal.
- (vi) Neighbours should liaise with one another with a view to transporting garden waste to a recycling centre.

In relation to the Garden Waste Collection Service, if the proposal is approved then it is recommended that delegated authority be granted to the Head of Transport and Countryside in consultation with the Section 151 Officer, Monitoring Officer and the Portfolio Holder for Waste to enable the necessary contract changes to be made to facilitate the changes to the Garden Waste Collection Service.

- 8.7 Since the consultation closed, Members and officers have read and assessed in depth all of the comments that have been received. The Revenue Budget papers have included, as Appendix N, the summary of officer conclusions and recommendations together with consultation summary reports, overview of responses and recommendations and Equality Impact Assessment Stage 2 for each of the savings that were consulted on. The verbatim comments are available on our website.
- 8.8 The Public Sector Equality Duty (149 (1) requires a Local Authority in exercise of its functions to have due regard to the need to:
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 8.9 The Public Sector Equality Duty requires “decision makers” to keep the welfare of service users and their families at the forefront of their mind particularly those that are most disadvantaged. This is an important consideration when setting the 2018/19 budget.

9. Levies and Capital Financing Costs

- 9.1 This budget includes approximately £10.8 million for principal and interest payments on the long term loans which the Council has taken out to fund its capital programme. This cost is offset by interest earned on the Council's investments estimated at about £0.4 million. The remaining budget also includes levies set by the Environment Agency and the Thames Valley Magistrates Courts Service.

10. Fees and Charges

- 10.1 There are generally two types of charges; statutory and discretionary and the rationale behind the proposed increases to each Directorate's fees and charges are included in detail in Appendices H (1) to H (4).

11. Funding Statement

- 11.1 The Funding Statement for 2018/19 shows the funding available to the Council which can be used to fund the budget requirement.

2018/19 Funding Statement		
Income	£m	£m
Council Tax income		94.84
Revenue Support Grant		0.00
Adult Social Care BCF ringfenced funding		5.43
Adult Social Care iBCF ringfenced funding		0.58
Adult Social Care Support Grant		0.31
Other Non-Ringfenced Grants		0.08
Retained Business Rates		22.23
New Homes Bonus		2.69
Council Tax Collection Fund deficit		-0.73
Funds Available		125.44
Expenditure	£m	£m
Opening budget	114.76	
Budget growth	2.55	
Contract inflation	1.76	
Service pressures	4.49	
Capital financing	0.50	
Savings or income requirement	-5.23	
Annual Budget Requirement		118.83
One off provision for other risks		0.60
One off Adult Social Care BCF ringfenced funding		5.43
One off Adult Social Care iBCF ringfenced funding		0.58
Net Budget Requirement for Management Accounting		125.44
Increase in reserves		1.24
Use of reserves		-1.24
Budget Requirement		125.44

12. Reserves

- 12.1 As part of the financial planning process, the Council considers the establishment and maintenance of reserves. Reserves are categorised into unusable and usable reserves. Unusable reserves includes those reserves which are kept to manage the accounting processes for non-current assets, retirement and employee benefits. These do not represent usable resources for the council. Usable Reserves consist of the General Reserve and Earmarked Reserves. The General Reserve exists to cover a number of non-specific items and risks. The Council's s151 officer (Head of Finance and Property) recommends that the General Reserve is a minimum of 5% of the Council's net revenue budget, which for 2018/19 would be £6.3m. Earmarked Reserves are held for specific future projects or service risks.

Usable Reserves Summary	Actual	2017/18 Use of	Estimate	Planned use	Planned increase	Estimate
	1.4.2017	Reserves	31.3.2018	of Reserves	in Reserves	1.4.2018
	£m	£m	£m	£m	£m	£m
General Fund	5.32	-	5.32	0	-	5.32
Risk Fund	1.03	-	1.03	0	-	1.03
Total General Reserve	6.35	0.00	6.35	0.00	0.00	6.35
Earmarked Reserves	12.85	-2.67	10.18	-1.24	1.24	10.18
Total Usable Reserves	19.20	-2.67	16.53	-1.24	1.24	16.53

12.2 During 2017/18, usable reserves are expected to reduce by £2.67m to fund the forecast revenue over spend, fund exit costs arising from savings plans, fund transformation projects and release earmarked reserves.

12.3 In 2018/19, the Council's share of the Council Tax collection fund deficit of £727k and a shortfall in Dedicated Schools Grant funding of £191k will be funded on a one off basis from earmarked reserves. £325k will be released from the waste reserve to support the waste savings plans. Total planned use of reserves is therefore £1.24m. Budget provision been made to ensure planned use of reserves is funded by an equivalent increase in reserves.

12.4 Reserves are detailed in Appendix F and G.

13. Parish Special Expenses

13.1 There are five Parish Special Expenses areas within the District and the special expenses to be levied are detailed below:

Hungerford Footway Lighting	£5,270
Kintbury – St Mary's Churchyard	£7,280
Shaw – St Mary's Churchyard	£3,100
Theale – Holy Trinity	£1,890
North Fawley – St Mary the Virgin	£830
Total	£18,370

13.2 The special expenses are detailed in Appendices I (1 to 7).

14. Options for Consideration

14.1 The scale of pressures we are facing has left the Council with limited options. We are proposing to increase Council Tax by 2.99% with a 3% precept ring-fenced for adult social care. If these options were not taken, the savings requirement would be £5.4m higher. We have considered all options available to us in order to keep the savings requirement to the level it is.

15. Proposals

- (1) That Council approve the 2018/19 Council Tax requirement of £94.84 million requiring a Council Tax increase of 2.99%, with a 3% precept ring-fenced for adult social care.

- (2) That the Fees and Charges be approved as set out in Appendix H and the appropriate statutory notices be placed where required.
- (3) That the Parish Special Expenses be approved as set out in Appendix I.
- (4) That the responses received to each of the public facing savings proposals in relation the public consultation exercise undertaken on the 2018/19 budget be acknowledged and noted.

16. Conclusion

- 16.1 The Council is forecasting an over spend of £860k in 2017/18 which will reduce our level of reserves. The ongoing effect of these budget pressures and the impact on reserves has been factored into the 2018/19 budget, and together with the reductions in government funding, we have had to close a funding gap of £10.6m. This has been achieved with £5.2m of savings and income generation proposals, a Council Tax increase of 2.99% raising £2.7m and a 3% precept ring-fenced for adult social care raising a further £2.7m. The precept will help to fund the increased demand, complexity of care and cost pressures we are facing in this area.
- 16.2 West Berkshire Council has an excellent track record of delivering on its savings proposals and of reacting to ongoing pressures in order to minimise the budgetary impact.

Subject to Call-In:

Yes: ☐ No: ☒

- | | |
|---|-------------------------------------|
| The item is due to be referred to Council for final approval | <input checked="" type="checkbox"/> |
| Delays in implementation could have serious financial implications for the Council | <input type="checkbox"/> |
| Delays in implementation could compromise the Council's position | <input type="checkbox"/> |
| Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months | <input type="checkbox"/> |
| Item is Urgent Key Decision | <input type="checkbox"/> |
| Report is to note only | <input type="checkbox"/> |

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aims:

- ☒ **BEC – Better educated communities**
- ☒ **SLE – A stronger local economy**
- ☒ **P&S – Protect and support those who need it**
- ☒ **HQL – Maintain a high quality of life within our communities**
- ☒ **MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priorities:

- ☒ **BEC1 – Improve educational attainment**
 - ☒ **BEC2 – Close the educational attainment gap**
 - ☒ **SLE1 – Enable the completion of more affordable housing**
 - ☒ **SLE2 – Deliver or enable key infrastructure improvements in relation to roads, rail, flood prevention, regeneration and the digital economy**
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- ☒ **P&S1 – Good at safeguarding children and vulnerable adults**
 - ☒ **HQL1 – Support communities to do more to help themselves**
 - ☒ **MEC1 – Become an even more effective Council**
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