
Revenue Budget 2019/20 – Supporting Information

1. Introduction

- 1.1 The purpose of this paper is to consider and recommend to Council the 2019/20 Revenue Budget, which proposes a Council Tax requirement of £97.87m, requiring a Council Tax increase of 2.99%. The Council Tax increase will raise an additional £2.84m.
- 1.2 In order to arrive at a balanced budget for 2019/20, over £6m of savings and income generation proposals have been recommended. A public consultation exercise was undertaken on each of the public facing proposals and detail on the responses is included in Appendix N. Staff implications are detailed in a separate report.
- 1.3 This report also proposes the Fees and Charges for 2019/20 as set out in Appendix H and the Parish Expenses of £15,389 as set out in Appendix I and recommends the level of General Reserves as set out in Appendix F and G.

2. 2018/19 In-Year Position

- 2.1 At Quarter Three of 2018/19, we are forecasting an over spend of £250k which is 0.2% of the net budget. The Communities Directorate is forecasting an overspend of £1.8m, with underspends of £367k in Economy and Environment, £613k in Resources, and £610k in Risk Management bringing the overall overspend down to £250k. Two services are forecasting overspends: Adult Social Care £1.1m and Children & Family Services £755k.
- 2.2 The 2018/19 budget was set with a risk management budget and service specific risk reserves. This was in response to the volatility of some of the Council's budgets and because the Council was facing a number of risks that could not be quantified at the time of budget setting, including increased demand for services over and above budget assumptions, inflationary pressures, income risks and risk to delivery of savings plans.
- 2.3 At Quarter Three, £500k of the risk management budget has been deployed, £609k has been released from the Adult Social Care risk register and £203k from the Children and Family Services risk register.
- 2.4 Local Authorities nationally are facing significant financial challenges relating to the funding of Adult Social Care budgets, increasing demand on services and rising costs of commissioning care. Our position, as with other Local Authorities across the country highlights the urgent need for a national review of funding for Adult Social Care. The service is facing increasing financial pressures on demand led, externally commissioned placement budgets, over and above the modelled assumptions that formed the basis of budget setting.

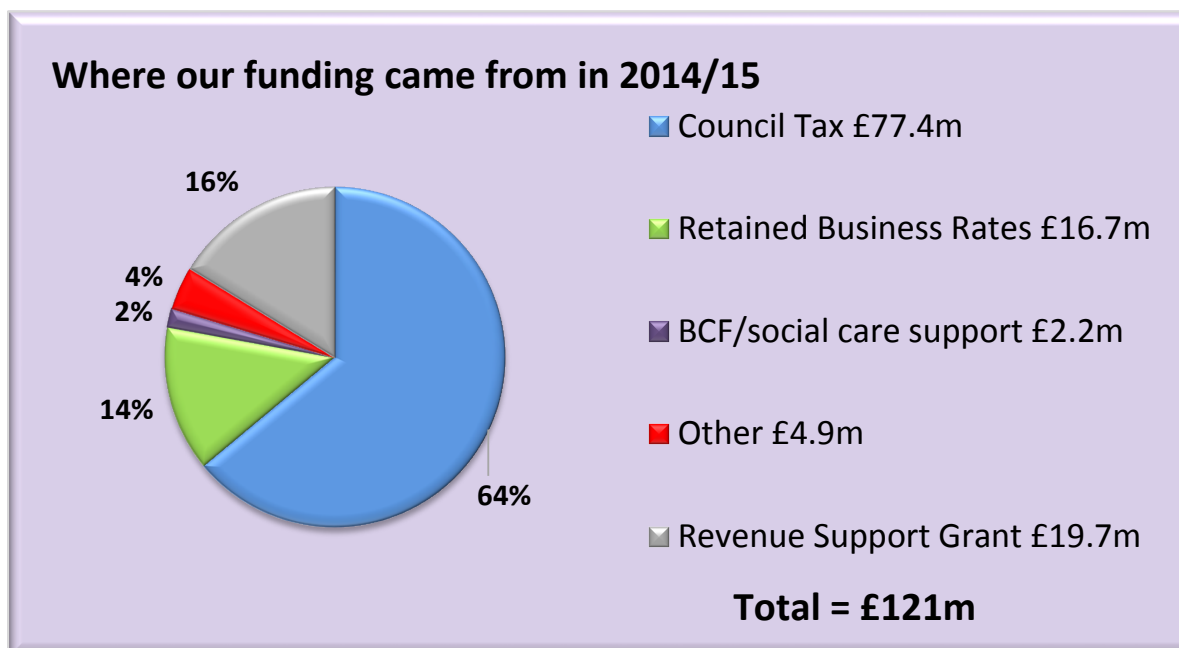
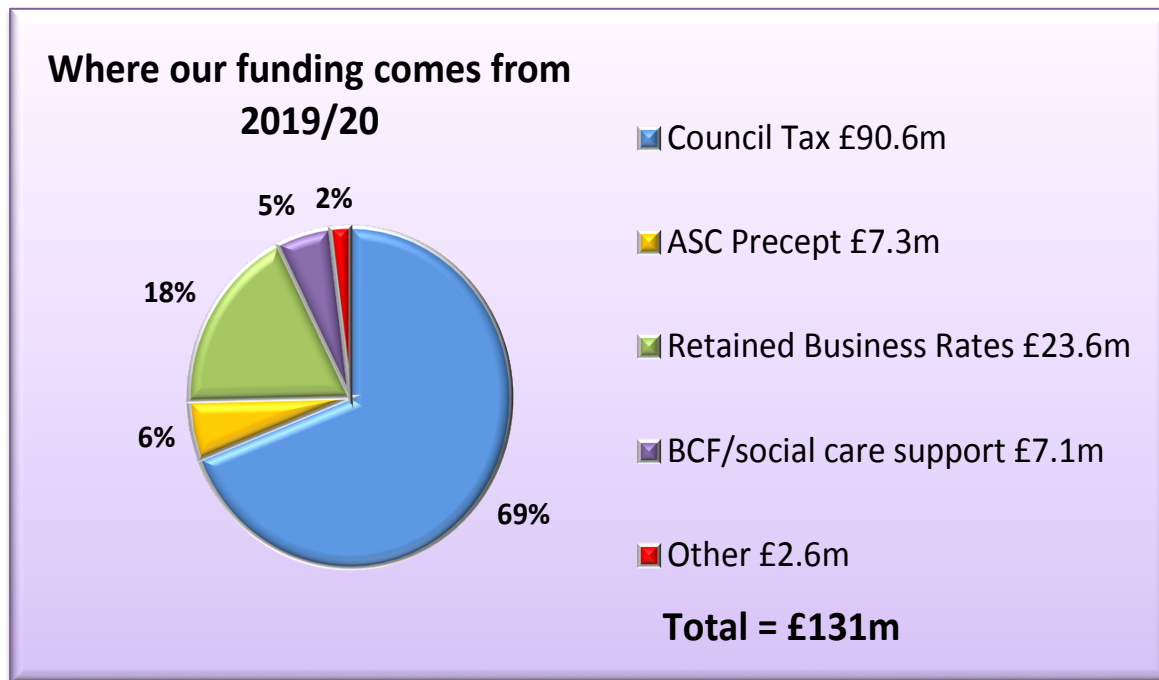
- 2.5 A decision was taken corporately to slow expenditure as a corporate response to the overspend. £1.4m has been identified and reported within the Directorates' forecasts, with a further £853k identified from capitalising relevant expenditure.
- 2.6 The forecast overspend of £250k is after this £2.2m of mitigating action. Prior to any mitigation, or release of risk funds, the Council would be forecasting an overspend position of £3.8m.
- 2.7 Any over spend will have a negative impact on our reserves. For the 2019/20 budget setting, we have made provision for the ongoing pressures that have arisen during 2018/19.

3. The 2019/20 Local Government Finance Settlement

- 3.1 The final settlement figures were issued on 29 January 2019. Key points are:
- (1) The Secretary of State for local government has approved a bid submitted collectively by the six unitary authorities in Berkshire to continue the business rates retention pilot, under a 75% retention scheme, including the Royal Fire and Rescue Service from 2019/20. Being part of a pilot is estimated to generate additional funding for West Berkshire of approximately £1.75m per year. However, from the £86m we collect in business rates locally, we will still only retain £24m. This is because we pay 25% to central government, and pay a further 48% to central government in the form of a tariff.
 - (2) One-off funding has been announced for 2019/20 to spend on adult social care services to help alleviate winter pressures on the NHS. In addition, a social care grant has been announced to improve the local authority social care offer for older people, people with disabilities and children.
 - (3) For Council Tax, a core principle of up to 3% increase was announced. The ASC precept continues, subject to total increases not exceeding 6% between 2017/18 and 2019/20.
 - (4) It has been announced that negative Revenue Support Grant will be eliminated. Negative RSG is the name given to a downward adjustment of a local authority's business rates tariff, as a consequence of changes to distribution methodology adopted in 2016/17. This has given us a benefit of £1.8m in 2019/20.
 - (5) The Council will receive a total of £210,000 funding from the Government to assist it with its Brexit preparations. Whilst this funding is not ring-fenced there is a clear expectation that this funding will be used to help prepare for Brexit. The funding will be divided into two years, £105,000 in 2018/19 and £105,000 in 2019/20. West Berkshire will need to consider how it wishes to use this funding given the likely impacts on the Council and the District as a whole. Members will need to agree criteria for the use of this fund to ensure that it is used effectively. The Home Office is still looking to provide funding for community groups to enable them to help individuals wishing to register under the resettlement scheme. However, questions have been asked about why this funding is not made available to Local Authorities so that they can manage this process.

4. Revenue Funding

- 4.1 The main sources of funding for the 2019/20 revenue budget are shown in the following chart, with a comparison to 2014/15 in the chart below.



- 4.2 West Berkshire Council's main source of funding is from Council Tax/precepts (75%). The Council is now reliant on a bigger share of our funding coming from Council Tax due to government funding falling away. Council Tax is collected from local residents based on the value of the property in which they live. This report recommends a Council Tax increase of 2.99% for 2019/20 which will raise an additional £2.84m. Income from Council Tax is also expected to increase by a further 0.2% as a result of growth in the tax base (the number of properties paying Council Tax). This is based on a collection rate of 99.6%.

- 4.3 The Council will not be raising additional Adult Social Care precept in 2019/20 as we have already raised the maximum allowed. The ASC precept now raises annual funds of £7.3m. 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 has helped to fund the mounting pressures faced in the areas of learning disability, demographic increases, increased costs and additional staffing requirements.
- 4.4 Retained Business Rates represents our share of the actual business rate collected in West Berkshire. For 2019/20, we will be part of the Berkshire business rates pilot under a 75% retention scheme. Being part of a pilot is estimated to generate additional funding for West Berkshire of approximately £1.75m for 2019/20. However, from the £86m we collect in business rates locally, we still only retain £24m under a 75% pilot scheme. This is because we pay 25% to central government, and pay a further 48% to central government in the form of a tariff.
- 4.5 Department of Health funding via the Better Care Fund (BCF) and Improved Better Care Fund (iBCF) is to be spent locally on health and care with the aim of achieving closer integration and improved outcomes for patients and service users and carers. For 2019/20, additional funding has been announced: a Winter Pressures Grant of £501k which will be pooled into the BCF via the iBCF, and a Social Care Support Grant of £856k.
- 4.6 Other funding consists of New Homes Bonus and other non ring-fenced grants. West Berkshire Council no longer receives any Revenue Support Grant. Any Collection Fund balances relating to Council Tax are also shown here. Our share of the estimated Council Tax deficit is £1.1m which will be recovered in 2019/20. This has arisen as a result of the estimated growth of the number of properties in the district not reaching expected levels during 2018/19. Our share of the estimated Business Rates surplus is £1.2m. These amounts are reflected in the 2019/20 Revenue Budget.
- 4.7 In addition to the funding above, the Council also receives ring-fenced funding which must be spent on specific areas, and raises fees and charges. These income streams are shown within individual service budgets where the expenditure occurs. The largest of these are detailed below:
- (1) **Dedicated Schools Grant (DSG).** The DSG is a ring-fenced grant which can only be spent on school/pupil activity. The DSG consists of four funding blocks: Schools, Central Schools Services, Early Years and High Needs.

The DSG settlement was announced by Government in December 2018. The following table sets out the provisional 2019/20 DSG settlement for each block.

Categories	(£'m)
Schools block	100.009
Central school services block allocation	0.976
High needs block allocation	18.509
Early years block	9.646
Total DSG allocation	129.140

- (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 2019/20 and we will receive £5.698m (2018/19: £5.853m).
- (3) **Fees and Charges:** There are generally two types of fees and charges; statutory and discretionary. The rationale behind the proposed increases to each Directorates' fees and charges are included in detail in Appendix H. The Council also continues to invest in commercial property, which is scheduled to generate £2m per year once fully invested.

5. Revenue Expenditure

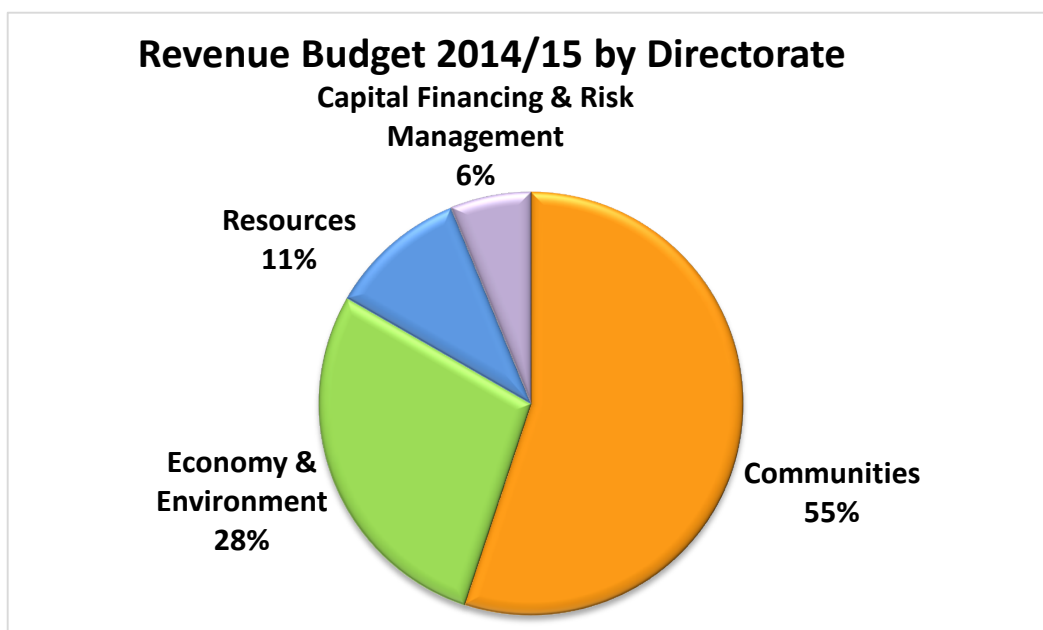
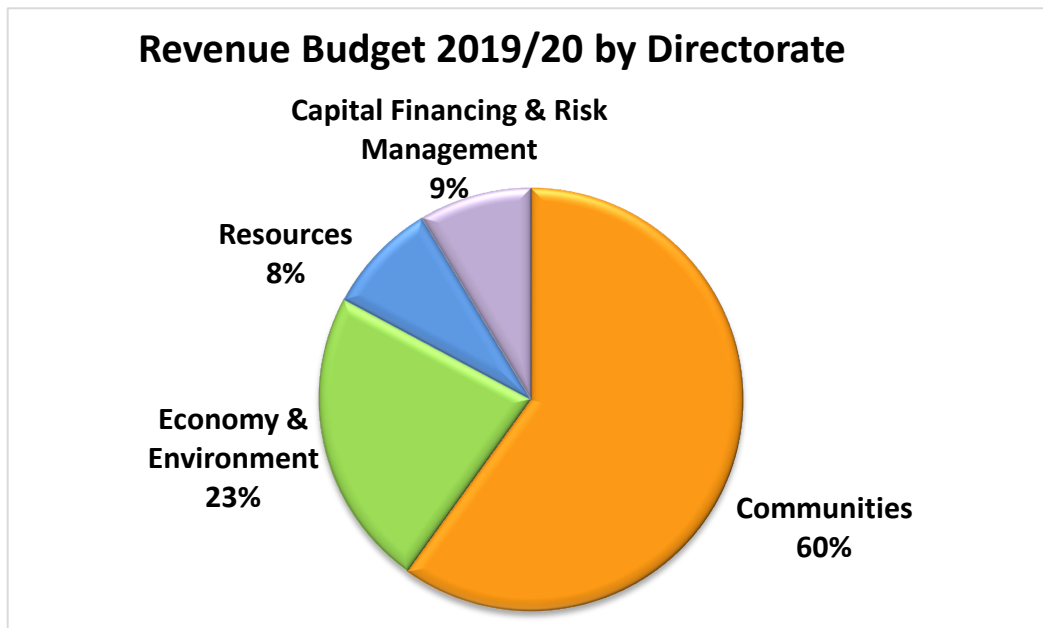
The Revenue funding outlined above, funds the 2019/20 revenue budget as follows:

Directorate	Base Budget	Better Care Fund	Budget growth	Contract inflation	Increased budget requirement (pressures)	Savings & Income Generation	Budget Requirement 2019/20
	£m	£m	£m	£m	£m	£m	£m
Communities	65.2	6.2	1.4	1.0	6.9	-2.3	78.6
Economy & Environment	30.1		0.6	0.7	0.3	-1.6	30.0
Resources	12.5		0.7		0.3	-2.3	11.3
Capital Financing & Risk Management	10.3		0.5		0.5		11.3
Total	118.1	6.2	3.2	1.7	8.1	-6.2	131.1

- 5.1 **Base Budget £118.1m:** This is the ongoing budget requirement for the three Directorates together with the ongoing revenue cost of our capital programme.
- 5.2 **BCF Expenditure £6.2m:** Department of Health funding to be spent locally on health and care.
- 5.3 **Budget Growth £2.7m and increase in capital financing £0.5m:** 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.
- 5.4 **Contract Inflation £1.7m:** Budgets are inflated where a contract is in place and is subject to annual inflationary increases. The budget has been built using December CPI rate of 2.1%. 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 £529k (3%) for 2019/20. Full details of contract inflation are given in Appendix C.
- 5.5 **Increased Budget Requirement £7.6m and risk provision £0.5m:** Each year new unavoidable service pressures arise and need to be built into the revenue budget. The majority of pressures have arisen in supporting adult social care, and it has been necessary to invest £5m into the budget due to rising demand, price increases, additional staffing requirements, and in the area of learning disability where new clients require support and when children move to adult support

packages. The Council is facing a number of risk items that could arise in 2019/20 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 £500k funding in the revenue budget for this risk. Full details of the Council pressures are given in Appendix D.

- 5.6 The following chart shows how the budget is split by Directorate, with a comparison to 2014/15 below.



- 5.7 The charts show how the Council's expenditure budget has changed with expenditure on Communities increasing and expenditure in all other areas decreasing.

6. Savings and Income Generation

- 6.1 In order to achieve a balanced budget, £6.24m of savings and income generation proposals have been made. The Council launched its public consultation on its Revenue Budget on 12 November and concluded this on 24 December 2018. A total of 262 responses were received to the 14 individual savings proposals although only 246 responded to all of the questions asked in the consultation. The proposals were published on the Council's consultation finder database with information disseminated to all registered consultees. The proposals were also e-mailed to members of the community panel and well as information being posted on the Council's corporate Facebook and Twitter accounts. A video of the Leader introducing the consultation was also produced and placed on the Council's website.
- 6.2 The full consultation report is shown at Appendix N.

7. Corn Exchange – Petition

- 7.1 At the Executive meeting on 14 February 2019, Councillor Jeff Brooks presented a petition containing 346 signatures calling on the Council to consider awarding a grant to the Corn Exchange of £50,000 in both 2019/20 and 2020/21. It should be noted that the Council and the Trustees of the Corn Exchange have agreed at the end of the current Service Level Agreement to transfer the Corn Exchange building to the Trustees.
- 7.2 The Council stopped providing grants to local community organisations some years ago and any such payment would therefore result in a £50k shortfall in the budget which would necessitate reductions to other Council services to fund this proposal.
- 7.3 Having regard to the above, it is proposed that the request within the petition for the Council to provide additional funding be rejected.

8. Reserves

- 8.1 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.
- 8.2 The General Reserve exists to cover a number of non-specific items and risks. The Council's 151 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 2019/20 would be £6.55m. Earmarked Reserves are held for specific future projects or service risks.

Usable Reserves	1.4.2017	1.4.2018	1.4.2019
	Actual	Actual	Estimate
	£m	£m	£m
General Reserve	6.35	6.07	6.55
Earmarked Reserves	12.85	11.37	10.58
Total Usable Reserves	19.20	17.44	17.13

8.3 During 2018/19, earmarked reserves are expected to reduce by £0.8m to fund the forecast revenue over spend, fund exit costs arising from savings plans, fund transformation projects and release earmarked reserves.

8.4 Reserves are detailed in Appendix F and G.

9. Funding Statement

9.1 The Funding Statement for 2019/20 shows the funding available to the Council which can be used to fund the budget requirement.

2019/20 Funding Statement		
Income	£m	£m
Council Tax income		90.61
Adult Social Care Precept		7.26
Revenue Support Grant		0.00
Adult Social Care BCF ringfenced funding		5.43
Adult Social Care iBCF ringfenced funding		0.78
Social Care Support Grant		0.86
Other Non-Ringfenced Grants		0.07
Retained Business Rates		23.60
New Homes Bonus		2.39
Collection Fund deficit		0.09
Funds Available		131.11
Expenditure	£m	£m
Opening budget	118.13	
Budget growth	2.71	
Contract inflation	1.72	
Increased budget requirement (pressures)	7.57	
Increase in capital financing costs	0.50	
Savings/Income proposals	-5.13	
Commercial income	-1.11	
Annual Budget Requirement		124.39
Risk provision		0.50
Net Budget Requirement for Management Accounting		124.89
Adult Social Care BCF and iBCF ringfenced funding		5.43
One off Adult Social Care iBCF ringfenced funding		0.78
Increase in reserves		0.00
Use of reserves		0.00
Budget Requirement		131.11
<i>£10k roundings may apply</i>		

10. Options for Consideration

- 10.1 The scale of pressures we are facing has left the Council with limited options. We are proposing to increase Council Tax by 2.99%. If this option was not taken, the savings requirement would be £2.84m higher. We have considered all options available to us in order to keep the savings requirement to the level it is.

11. Proposals

- (1) That Council approve the 2019/20 Council Tax requirement of £97.87 million, requiring a Council Tax increase of 2.99%.
- (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 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 2019/20 budget be acknowledged and noted.
- (5) That the request within the petition calling on the Council to award a grant to the Corn Exchange of £50,000 in 2019/20 and 2020/21 be rejected.

12. Conclusion

- 12.1 The Council is forecasting an over spend of £250k in 2018/19 which will reduce our level of reserves. The ongoing effect of these budget pressures and the impact on reserves has been factored into the 2019/20 budget, and together with the reductions in government funding, we have had to increase Council Tax by 2.99% and find savings or income generation of £6.24m. 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.

13. Consultation and Engagement

- 13.1 As per Appendix N

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**
- ☒ **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**

Officer details:

Name: Andy Walker
Job Title: Head of Finance and Property
Tel No: 01635 519433
E-mail Address: andy.walker@westberks.gov.uk
