

COUNCIL MEETING – 21ST FEBRUARY 2019**AGENDA ITEM NO. 6 (1)****REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX LEVEL,
COUNCIL TAX SUPPORT SCHEME 2019/20**

A report from the meeting of Cabinet on the 5th February 2019.

1 INTRODUCTION

- 1.1 Cabinet approved the budget framework and Medium Term Financial Strategy 2019-22 on 16 October 2018 (Report No: FIN1829).
- 1.2 On 05 February 2019, Cabinet considered report FIN1909 and agreed recommendations on the budget and Council Tax requirement for 2019/20, subject to any amendments in the final Local Government Finance Settlement, or the operation of the collection fund, particularly in respect of the Business Rates Retention Scheme. Any changes associated with the delegation arrangements (which were agreed at Council on the 20th January 2014), or the final settlement figures, would be made by the Executive Head of Finance, in consultation with the Leader of the Council and the portfolio holder for Corporate and Democratic Services.
- 1.3 Final estimates for business rates were completed on 31 January 2019 and the Local Government Finance Settlement was approved in Parliament on the 05 February 2019. There are no changes to the overall estimates for Business Rates, or to the Settlement figures, from those previously reported to Cabinet.
- 1.4 The estimated General Fund balance at the close of 2019/20 of £2.0m therefore remains as previously approved by Cabinet for recommendation to Council.
- 1.5 Cabinet also considered report ED1902 on the Council Tax Support Scheme for 2019/20 and recommended to Council that the current 12% minimum contribution (88% discount) for those of working age be retained for 2019/20;

2 OVERVIEW OF THE BUDGET REPORT

- 2.1 The Council's medium term financial forecast and budget proposals were the subject of a presentation to all members on 24 January 2019. Whilst the Medium Term Financial Forecast has been updated as part of the budget preparation, the broad assumptions contained within the budget remain the same and are consistent with the agreed Financial Strategy.
- 2.2 It is proposed that the Council increases Council Tax by the maximum permissible level (up to a 3% or £5.00, whichever is higher) for a Band D property. This would increase Rushmoor Borough Council's Band D rate by £5.93 (just over 11p per week) from £198.49 to £204.42.

- 2.3 The Local Government Finance Settlement (confirmed on 05 February 2019) was the final year of the multi-year settlement period 2016/17 to 2019/20. The settlement largely confirmed the funding levels set out in previous years. The Government confirmed the position from the technical consultation in the summer and cancelled negative RSG. There was no change to the New Homes Bonus national baseline.
- 2.4 These changes provided for a slightly improved funding position for the Council.
- 2.5 The Government released two technical consultation documents alongside the settlement covering the Fair Funding Review and Business Rates Retention Reform. The outcomes from these consultations are likely to have a transformative effect on the distribution of local government funding between tiers and geographic areas from 2020/21. As such, there is significant risk and uncertainty in future funding estimates.
- 2.6 The Council is legally required to set a balanced budget for the following financial year. As can be seen in the MTFS below, the Council's core financial position is a balanced budget next year (after transfers to reserves), with a projected deficit of £577k in 2021/22. An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years.

MTFS Item	2018/19 REV (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
Portfolio Net Expenditure	12,469	11,801	11,506	11,993
Corporate Items	(946)	575	2,995	3,813
Adjusted Budget	11,523	12,376	14,500	15,806
Additional Revenue Items	75	632	1,048	1,408
Savings Plan	(379)	(4,256)	(5,873)	(5,913)
Proposed Net Revenue Budget	11,219	8,752	9,676	11,301
Funded by:				
Council Tax	6,148	6,409	6,667	6,935
Business Rates	3,624	3,836	2,739	2,817
New Homes Bonus	1,095	1,010	936	972
Other Funding	470	432	0	0
TOTAL Funding	11,336	11,688	10,342	10,724
Core Surplus / (Deficit)	117	2,936	666	(578)
Additional Transfers				
to Commercial Property Reserve		(2,000)		
to Stability & Resilience Reserve	(117)	(483)		
to Service Improvement Fund		(453)		
Core Surplus / (Deficit) after Transfers	0	0	666	(578)

- 2.7 The Council has a good track record of delivering budget and efficiency savings, and this needs to be sustained over the medium term. Budget incorporates savings already achieved (and included within the Portfolio expenditure estimates), and anticipated savings arising from a number of work streams. The savings plan has been updated to take account of these

and includes estimates in relation to investment returns from commercial property, which forms the key aspect of the Savings Plan.

- 2.8 There is an inherent risk with savings targets - there is a risk that these will not be achieved in full or in the timeframe required. The savings targets will be subject to regular review over the coming financial year to ensure they can be achieved.
- 2.9 The Council is increasingly reliant on income from Commercial Property, as set out in the Savings Plan. Given the risk with holding commercial property in terms of occupancy rates and fluctuations within the general property market, the budget report proposed that £2m of income is transferred to a new earmarked reserve in 2019/20 to provide some mitigation against this risk. An ongoing review of the Council property portfolio will be undertaken to ensure income opportunities are maximised and to provide robust risk mitigation.
- 2.10 The Council's financial position is supported by its balances and reserves. The Financial Strategy sets a target for these reserves to be maintained at a minimum of 5% of gross expenditure. As highlighted in the budget report, there is an increased level of risk and uncertainty facing the Council over the medium term. Therefore, funds will be above the target level during the forecast period. It is important to review the level of reserves regularly. Whilst the General Fund and the Stability and Resilience Reserve provide mitigation against short-term fluctuations in income and expenditure, they should not be utilised to fund normal, on-going service provision.
- 2.11 The revised Capital Programme for 2018/19 incorporates changes in expenditure profiles reported through Cabinet, particularly around the acquisition of Commercial Property and Regeneration sites.
- 2.12 The proposed Capital Programme for 2019/20 is £70.231m and focuses on delivering the Council's key priorities including Town Centre Regeneration, Income generation schemes, and enhancing the delivery of core services through improvement and enhancement of assets.
- 2.13 The programme also includes budget provision in 2018/19 of £80k to support the preparation of the business case for the Council's Housing Company. The business case for the Housing Company will be presented to a future Cabinet meeting for consideration. The capital programme also includes support for the provision of local housing and the Council's statutory duties in respect of Disabled Facilities Grants.
- 2.14 The Council has embarked upon an ambitious programme of regeneration and investment in commercial property. Further investment in commercial property is anticipated in 2018/19 and 2019/20, with investment income forming a core element of the Council's Savings Plan. This activity contributes to the strategic aims of regeneration and promoting local economic growth. Given the nature of property acquisition, there may be some reprofiling across financial years to reflect the timing of completion on property purchases. The overall capital expenditure limit, as set out across the Capital Programme, will not change.

- 2.15 The capital programme includes significant capital expenditure for Town Centre Regeneration projects for Aldershot and Farnborough (Aldershot Town Centre and Farnborough Civic Quarter) - £28.3m in 2019/20, with a further £13m and £26.7m forecast for 2020/21 and 2021/22.
- 2.16 Implementation of the core programme in 2019/20 will require the use of £58.958m of Council resources, largely through borrowing, together with £11.272m use of grants and contributions including Better Care Fund and an element of developers' s106 contributions.

3 CORPORATE GOVERNANCE

- 3.1 The Executive Head of Finance, as the Council's Section 151 Officer, has made a statement in compliance with Section 25 of the Local Government Act 2003 on the robustness of the estimates and the adequacy of the Council's reserves. This is attached at Appendix 6 of the budget booklet.

4 CONCLUSIONS

- 4.1 In spite of the uncertainties around future levels of Government Funding, and the risks around Brexit and the general economic position, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Rushmoor to address future challenges.
- 4.2 The budget has been prepared in accordance with the approved budget strategy. In particular, this includes the principle of maintaining the Council's general fund revenue balances within a range of £1m-£2m and maintaining other usable reserves to mitigate risk and support improvement.
- 4.3 The budget allows for the implementation of essential additional revenue items and a substantial capital programme of approximately £70.231m in 2019/20.
- 4.4 The budget proposals provide for the current Council Tax level to increase by £5.93 or 2.99% for a Band D property (from £198.49 per annum to £204.42) - an increase of around 11p per week) in line with government assumptions within its settlement funding formula.
- 4.5 In order to achieve this, the budget proposals will require the implementation of budget savings of £3.931m in 2019/20, together with further savings over the medium term, totalling approximately £11.120m over the period to 2021/22. This will require reductions in the Council's service expenditure, and increased income generation, in accordance with the Medium-Term Financial Forecast and the Financial Strategy.
- 4.6 Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing, which will be monitored and reported to Cabinet throughout 2019/20.

5 RECOMMENDATIONS

5.1 The Council is recommended to approve the following, as detailed in report FIN1909 and in the attached budget booklet:

- i) the General Fund Revenue Budget Summary, set out in Appendix 1
- ii) the detailed General Fund Revenue Budget, set out in Appendix 2
- iii) the additional items for inclusion in the budget, set out in Appendix 3
- iv) the Council Tax Requirement of £6,409,171 for this Council
- v) the Council Tax level for Rushmoor Borough Council's purposes of £204.42 for a Band D property in 2019/20
- vi) the Capital Programme, set out in Appendix 4
- vii) the Strategy for the Flexible Use of Capital Receipts, set out in Appendix 5
- viii) the Executive Head of Finance's report under S.25 of the Local Government Act 2003 as set out in Appendix 6
- ix) the additional transfers to earmarked reserves in 2019/20 and the holding of reserves, as previously detailed in report FIN1909.

5.2 The Council is recommended to approve the following in respect of the Council Tax Support Scheme, as detailed in report ED1902:

- i) that the current 12% minimum contribution (88% discount) for those of working age be retained for 2019/20

D E CLIFFORD
LEADER OF THE COUNCIL

G B LYON
PORTFOLIO HOLDER FOR CORPORATE
AND DEMOCRATIC SERVICES