

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



### 3. Recommendations

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

- (i) the General Fund revenue budget for 2019/20 as set out in Section 8 and Appendix A be approved;
- (ii) the Medium Term Financial Strategy as outlined in this report and Appendix B be adopted;
- (iii) the Capital Programme and funding statement as set out in Appendix D be approved;
- (iv) the adoption of the Business Rates Retail Relief scheme detailed in paragraphs 5.4 – 5.6 be approved;
- (v) the expenses detailed in Section 10 be approved to be treated as general expenses for 2019/20;
- (vi) the Port Health levy for 2019/20 be set as shown in Section 11;
- (vii) the adoption of additional Council Tax premiums on Long Term Empty Properties as detailed in Section 12 be approved;
- (viii) the Treasury Management, Capital Strategy Minimum Revenue Provision, Investment Strategy, Prudential and Treasury Indicators for 2019/20 as set out in Section 15 and Appendix E be approved;

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

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

**or**

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

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

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

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

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

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

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

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

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

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

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

**If the Band D Council Tax is frozen at the current level of £260.46 (2018/19) then a contribution of £150,720 is required from General Reserves to balance the budget in 2019/20. Additionally it will add to the forecast deficits in the MTFs which in 2023/24 will increase to £1.015m. (Paragraph 14.7 Table 5 of the report).**

## Summary of Revenue Estimates

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

**APPENDIX B**

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

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

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

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

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

The main assumptions are as follows:

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

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

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

| Reserve Name  | Balance<br>01.04.18<br>£ | Capital<br>Funding<br>£ | Revenue<br>Contributions<br>to(+)/from(-)<br>2018/19<br>£ | Revised<br>Balance<br>31.03.19<br>£ | Capital<br>Funding<br>£ | Revenue<br>Contributions<br>to(+)/from(-)<br>2019/20<br>£ | Estimated<br>Balance<br>31.03.20<br>£ | Comments / Conditions of Use  |
|---|--------------------------|-------------------------|---|-------------------------------------|-------------------------|---|---------------------------------------|---|
| Travellers Sites  | 282,698                  |                         | -5,050  | 277,648                             |                         | 53,600  | 331,248                               | Can only be used for specific future maintenance liabilities.   |
| Station Road, Whittlesey - Maintenance                  | 8,400                    |                         | 2,800   | 11,200                              | -12,000                 | 2,800   | 2,000                                 | Required for future road maintenance.   |
| CCTV - Plant & Equipment                                | 104,533                  |                         | 6,190   | 110,723                             | -20,000                 | 10,000  | 100,723                               | Available for future CCTV maintenance & replacement liabilities.  |
| Invest to Save  | 120,521                  |                         |   | 120,521                             | -47,000                 |   | 73,521                                | To provide resources for schemes which will deliver future efficiencies. £50k committed to energy efficiency schemes match funded by Salix Finance, as part of the Council's 'Keen to be Green' strategy. |
| Conservation  | 54,124                   | -50,000                 |   | 4,124                               |                         |   | 4,124                                 | Available for the purchase, renovation and subsequent re-selling of difficult properties of local importance where intervention by this Council is seen as the only solution.                             |
| Management of Change                                    | 1,319,946                | -145,000                | -43,683   | 1,131,263                           | -185,000                |   | 946,263                               | Available for the effective management of any organisational changes required to meet the Council's future priorities.  |
| Neighbourhood Planning Reserve                          | 185,156                  |                         |   | 185,156                             |                         |   | 185,156                               | Available to assist the Council with delivering the 'Neighbourhood Planning' objective and delivery of the Core Strategy.   |
| Specific Government Grants (received in previous years) | 1,038,782                |                         | -248,770  | 790,012                             |                         | -241,110  | 548,902                               | Available to fund specific spending commitments in future years.  |
| Personal Search Fees                                    | 115,524                  |                         |   | 115,524                             |                         |   | 115,524                               | Available to off-set restitution claims associated with the revocation of the personal search fees of the local land charges register.  |
| Community Projects Reserve                              | 12,431                   |                         |   | 12,431                              |                         |   | 12,431                                | Available for small-scale community projects. Previously used to assist Parish/Town Councils to fund Diamond Jubilee Celebrations.  |
| Business Rates Equalisation Reserve                     | 500,000                  |                         | 500,000   | 1,000,000                           |                         | -500,000  | 500,000                               | Available to assist the Council in smoothing out volatility in the business rates retention system.   |
| Capital Contribution Reserve                            | 1,246,647                | -838,000                |   | 408,647                             |                         |   | 354,647                               | Available to fund specific spending commitments in future years.  |
| Port - Buoy Maintenance                                 | 147,319                  |                         |   | 147,319                             |                         |   | 147,319                               | Available for future buoy maintenance to service windfarms.   |
| Pilots' National Pension Fund                           | 451,178                  |                         | -451,178  | 0                                   |                         |   | 0                                     | Liability repaid to PNPf. Balance on reserve transferred to Local Plan Reserve as approved by Cabinet on 13.12.18   |
| Local Plan Reserve                                      | 0                        |                         | 451,178   | 451,178                             |                         |   | 451,178                               | Available to assist the Council with reviewing the Local Plan.  |
| Repairs and Maintenance                                 | 542,684                  | -30,000                 | -38,684   | 474,000                             | -152,000                |   | 322,000                               | Available to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.  |
| Property Development Fund                               | 1,000,000                |                         |   | 1,000,000                           |                         |   | 1,000,000                             | Available to enable progression of future development and property schemes.   |
| Heritage Lottery Fund (HLF) - Wisbech                   | 191,260                  |                         | -46,730   | 144,530                             |                         | -30,170   | 114,360                               | To manage the Heritage Lottery Funded scheme in Wisbech.  |
| Brexit Preparation Reserve                              | 0                        |                         | 17,500  | 17,500                              |                         | 17,500  | 35,000                                | Available to mitigate any potential short-term impact of Brexit.  |
| <b>TOTAL EARMARKED RESERVES</b>                         | <b>7,321,201</b>         | <b>-1,063,000</b>       | <b>143,573</b>  | <b>6,401,774</b>                    | <b>-470,000</b>         | <b>-687,380</b>   | <b>5,244,394</b>                      |   |
| General Fund Balance                                    | 2,421,818                |                         |   | 2,421,818                           |                         | -150,720  | 2,271,098                             | Unallocated general reserve required for various and unplanned contingencies to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.               |
| <b>TOTAL RESERVES</b>                                   | <b>9,743,019</b>         | <b>-1,063,000</b>       | <b>143,573</b>  | <b>8,823,592</b>                    | <b>-470,000</b>         | <b>-838,100</b>   | <b>7,515,492</b>                      |   |

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