

Report Title:	Budget Report 2018/19
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Saunders, Lead Member for Finance
Meeting and Date:	Cabinet - 8 February 2018
Responsible Officer(s):	Russell O'Keefe, Executive Director & Rob Stubbs, Deputy Director and Head of Finance
Wards affected:	All

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REPORT SUMMARY

1. This report sets out the Council budget for 2018/19. Through efficient and careful financial planning, the council continues to ensure delivery of the services most valued by residents, and is ready to transform the borough during the next ten years.
2. The budget is based on a 1.95% increase to council tax – meaning that residents in Windsor and Maidenhead still have the lowest council tax outside of London.
3. A three per cent precept for adult social care enables additional funding for older people and residents with special needs, an area where the council is also making additional investment within the budget as well as the £6.4M figure for ASC.
4. The Council will make savings of £5.4 million to enable council tax to remain affordable and to continue to provide the services and improvements that residents value.
5. The council will increase visitor parking charges in some locations for non-residents, to more closely align to other council areas – this will not affect Advantage card holders. Other fees and charges will be capped at the Retail Prices Index, unless charges have been increased to bring the council close to benchmarked rates.
6. The Royal Borough has the lowest council tax outside of London, whilst providing the range of services most valued by residents, including
 - Maintaining our 18 street wardens working on borough streets to provide a reassuring and responsive presence.
 - CCTV upgrades and expansion along with investment in road improvements.
 - Keeping all 14 libraries open, with extended hours for some and continued investment in stock and buildings.
 - Continue to offer a range of services for children and families at our 10 children's centres.
 - Resident parking permits remain free – this is in contrast to neighbouring areas such as Reading and Bracknell Forest.
7. There are increases to enable delivery of services and investment – for example:
 - £2.6 million in Windsor to improve the fabric and appearance of the town centre, £2.3 million of which is for highways and infrastructure investment, to take place this year and into 2018/19.
 - High quality and sustainable adult social care services
 - Continued expansion of schools
 - Home to school transport for pupils with special needs and families on low

incomes

- Temporary accommodation for homeless residents.
8. The government has given scope for local authorities to apply an additional charge to provide more funding for adult social care services. Last year the borough applied an additional precept of three per cent and are proposing to do so again, which equates to an additional £28.85 on Band D council tax. This is a careful and caring measure to ensure that we can fund care for elderly and vulnerable residents. The council has also prioritised this area with existing funding so that with these proposals, we will have provided an additional £6.4 million over and above this adult social care precept.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Council notes the report and approves the:

- i) Detailed recommendations contained in Appendix A which includes a Base Council Tax at band D of £933.42, including a 1.95% increase of £17.85.**
- ii) Adult Social Care Precept of 3% (an increase of £28.85 on the £45.89 precept included in the 2017/18 budget) to be included in the Council's budget proposals, making this levy the equivalent of £74.74 at band D.**
- iii) Fees and Charges contained in Appendix E.**
- iv) Capital Programme, shown in appendices I and J, for the financial year commencing April 2018.**
- v) Prudential borrowing limits set out in Appendix L.**
- vi) Business rate tax base calculation, detailed in Appendix P, and its use in the calculation of the Council Tax Requirement in Appendix A.**
- vii) Deputy Director and Head of Finance in consultation with the Lead Members for Finance and Children's Services is authorised to amend the total schools budget to reflect actual Dedicated School Grant levels.**
- viii) Responsibility to include the precept from the Berkshire Fire and Rescue Authority in the overall Council Tax charges is delegated to the Lead Member for Finance and Deputy Director and Head of Finance once the precept is announced.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The Council is obliged to set a Council Tax for the forthcoming year in order to provide sufficient revenue to carry out its statutory duties. The budget set for 2018/19 confirms the administration's commitment to continue the delivery of quality services for residents that are value for money. Residents will see priority services maintained with additional investment in key areas such as education, vulnerable residents including those qualifying for free school meals and regeneration.

2.2 The Royal Borough spends in the region of £300 million through the General Fund. Day to day council expenditure is funded through government grants, council tax, business rates, third party contributions and income from fees and charges. Around £80 million of this is spent on, and is ring-fenced to, schools.

Provisional Local Government Finance Settlement 2018/19

2.3 In the local government financial settlement for 2016/17 the Secretary of State for Communities and Local Government offered an opportunity for a four year financial settlement. The offer was accepted by the Royal Borough.

2.4 The 2018/19 local government finance settlement announced the core spending power figures for the period 2017/18 to 2019/20. Key items and the impact on the Boroughs finances include:

- Adult Social Care Precept: 3% +£1.9 million
- New Homes bonus: +£2.7 million

Adult Social Care Precept

2.5 For the 2016/17 financial year local authorities responsible for adult social care were given an additional 2% flexibility on their current council tax referendum threshold which was required to be used entirely for adult social care. This flexibility was offered in recognition of demographic changes which are leading to growing demand for adult social care and increased pressure on council budgets. In 2017/18 a further adult social care precept was then made available to local authorities to add, up to a maximum of 6% over the period between 2017/18 and 2019/20.

2.6 In 2016/17 the precept was set at 2%, equivalent to £18.14 on a band D property, for 2017/18 the precept was set at 3%, equivalent to £27.75 on a band D property and in 2018/19 will be a further 3%, equivalent to £28.85, to sustain the growing need for adult social care services.

2.7 Appendix D shows the total level of funding the Royal Borough will have invested to support our vulnerable adults across the Borough. This total is more than £9 million higher than the funding raised through the precept by the end of 2019/20.

New Homes Bonus

2.8 The Government rewards housing growth. In 2017/18 the scheme was reduced from six years to five years and will be reduced in 2018/19 to four years. The Government also introduced a minimum level at which only growth in excess of the minimum will be rewarded. This was set at 0.4% in 2017/18 and will remain at this level for 2018/19 equating to 267 properties for the Borough.

Council tax thresholds

2.9 Local authorities are now allowed to increase their core band D base council tax by an additional 1% in 2018/19. The previously announced threshold was 2%, and the new threshold will now be 3%. The Council, if approved, will only increase base council tax in 2018/19 by 1.95%.

Additional areas within the financial settlement

School budgets

- 2.10 The Dedicated Schools Grants (DSG), has four blocks: schools, high needs, early years and a new central schools service block. The central schools services block has been created nationally for 2018 from within existing DSG budgets.
- 2.10 The Royal Borough's indicative DSG allocation for 2018/19 (including funding for academies) is £114.2 million, an increase of £3.6 million when compared with the 2017/18 final settlement. This is due, in the main, to increases in pupil numbers in schools and the early year's blocks.
- 2.11 The minimum funding guarantee continues at the same level as 2017/18, meaning that no school will see more than a 1.5% per pupil reduction in its formula budget when compared with 2017/18 allocations.

Apprenticeship Levy

- 2.12 Apprenticeships will be funded at a national level, through a levy from April 2017. All employers in the United Kingdom, with a pay bill over £3 million will be charged a levy of 0.5% on their pay bill. This equates to £280,000 for the Royal Borough.

Financial matters annual budget

Fees and charges

- 2.13 The proposed fees and charges for the period 2018/19 are shown in Appendix E. Generally charges are designed to increase by inflation or by being benchmarked against similar authorities.
- 2.14 Non-resident parking charges have been increased to reflect 50% of market alignment. Through investment in new machines, residents will be able to receive Advantage Card discounts across all RBWM car parks.

Efficiencies and cost reductions

- 2.15 The council has reduced expenditure significantly over the past six years. These reductions have been achieved by finding alternative and more cost effective ways to deliver the same or similar levels of service. This budget includes efficiencies and cost reductions totalling £5.4 million see Appendix F.

Council Tax

- 2.16 In 2017/18, the Band D combined base council tax and adult social care precept was £961.46 which was £396.54 below the national average for Unitary Authorities (£1,358).
- 2.17 This budget proposes an increase of 1.95% in council tax, well below the level of inflation announced in September 2017 (RPI of 3.9%). The Band D combined base council tax and adult social care precept will be £1008.16. Appendix G sets out the impact on different properties.

Capital programme

- 2.18 In recent years, the council has continued to avoid additional borrowing and related interest costs by funding some capital investments from available cash balances. This also anticipates the substantial capital receipts from the

Maidenhead regeneration programme over the next five to ten years. It will become necessary during 2018/19 to increase borrowing in the short to medium term to fund investments which needs to precede the development of council land.

- 2.19 The council's capital expenditure is separate to revenue expenditure on services and is funded from a mix of government grants, third party contributions, capital receipts from the sales of assets and borrowing.
- 2.20 There are a variety of regeneration initiatives either taking place or in development which will provide significant opportunities and benefits for the Borough, a number of these require Council funding. Each initiative will have its own financing and governance structure which reports directly to the Council. The capital programme for 2018/19 provides for investment in:
- The continuance of the schools expansion programme
 - Regeneration schemes, including Maidenhead Waterways
 - Funding into the disabled facilities grant
 - Maintaining the highways network
 - Street lighting
 - The new leisure centre at Braywick Park.
- 2.21 In addition to the investments in the capital programme in this budget, the borrowing expectations for 2018/19 need to consider other capital proposals likely to come forward for approval during the year. Appendix H shows additional investments likely to be proposed and estimated to require funding of £79 million. Appendix H also reflects how the anticipated forecast debt position has altered throughout 2017/18 against the original forecast put to Council in February 2017.

Capital finance

- 2.22 The Deputy Director and Head of Finance has responsibility for financing the Capital Programme in the most cost effective way. The capital programme for 2018/19 relies on £16.2m of Council funding (see Appendices I and J), however, use of recycled Minimum Revenue Provision and any capital receipts generated will reduce the impact on the Council's capital financing requirement. The forecast programme, including other proposals likely to come forward during the year increases the capital financing requirement by £74.4m The capital financing requirement is a measure of the Council's need to borrow to be able to finance its capital spend. The capital financing requirement for 2017/18 is £111.8m.
- 2.23 All resolutions required to comply with the Prudential System are in line with the Treasury Management Report approved by Cabinet on 11 February 2010.

Business Rates

- 2.24 From 2013/14 local authorities have been able to share in any growth, as well as risk in expected collective rates and appeals against valuations, of business rates, as an incentive to encourage growth.
- 2.25 It was Government's intention to change the basis of determining the annual increase in the business rates multiplier in 2021. This would have seen CPI

inflation figure used instead of RPI. The Government has announced that this change will be brought forward and will apply from 2018/19.

- 2.26 Berkshire were also successful in securing business rate pilot status for 2018/19. This is a pooling arrangement across Berkshire and comprises the six unitary councils. This means that any growth will be retained for the benefit of Berkshire with 70% of growth going to the TVLEP to help transport infrastructure with the remainder shared across the six councils.
- 2.27 Within the business rate retention system, the national non-domestic rate baseline and top up/tariff amounts have been revised to take into account the business rate revaluation of 2017.
- 2.28 The Council intends to continue, as in 2017/18, to maintain all locally controlled discretionary business rate reliefs for 2018/19 to businesses falling into various categories.

General Fund reserves

- 2.29 Taking account of the forecast year-end position for 2017/18 the General Fund Reserves are estimated to be £7.4 million.

Collection Fund Balances

- 2.30 The council collects approximately £83m from Council Tax and £88 million from applying business rates. The Council remains one of the highest performing councils for council tax collection rates.
- 2.31 The Council must declare the likely balance on the Council Tax Collection Fund at 31 March 2017 as estimated in November 2017 and any balance to be shared between the Council, the Police and Crime Commissioner for Thames Valley and the Berkshire Fire & Rescue Service. On the appointed day the Royal Borough's share was declared at £1.6m (2%).
- 2.32 Under the Localisation of Business Rates legislation the Council is now required to prepare a similar statement for Business Rates. This statement shows a deficit payable by the Council of £2.9m (3%).

Treasury Management

- 2.33 The current Treasury Management policy was initially approved in February 2010 and varied by Cabinet in June 2010. In March 2014 Cabinet updated the list of approved counterparties when it added to it a group of the larger Building Societies. During 2017/18 the Council's – Achieving for Children were added to the list. No further changes to the list are proposed, see Appendices K and L.
- 2.34 For the last three years the Borough has, with Actuary and External Audit approval, prepaid its Pension Fund contributions using a Net Present Value calculation to show a benefit, equivalent to a 2.70% return on that prepayment in its revenue account.

2.35 As a consequence the budget assumes that the Royal Borough will earn £123k on its investments in 2017.

2.36 In setting the budget options have been considered, see table 1.

Table 1: Options

Option	Comments
Approve the proposals in this report. Recommended option	The Council is obliged to set a Council Tax for the forthcoming year in order to provide sufficient revenue to carry out its statutory duties.
Approve a modified budget with a higher level of revenue spend and Council Tax. Not recommended	A net increase in revenue expenditure of £619k would require an increase in Council Tax of 1%. Increases representing an increase of 3% or more in core Council Tax would require a referendum.
Approve a modified budget with a lower level of net revenue spend and Council Tax. Not recommended	Any proposals to reduce net expenditure would need to be accompanied by specific proposals so that Council could be assured that priority services are maintained.
Approve a modified Capital Programme Not recommended	Any proposals to adjust the capital programme needs to consider available funding. Any proposal that is not supported by grant or developer contributions will need to be funded from Council resources and as such will also have a revenue implication in the shape of financing costs.

3. KEY IMPLICATIONS

3.1 Table two

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Services delivered within approved budget	Budget overspend >£250,000	Budget variance +/- £250,000	Budget underspend >£250,000 <£500,000	Budget underspend >£500,000	31 March 2018

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 The Borough's external auditors KPMG confirmed in their work on the 2016/17 accounts that the Council had "proper arrangements to secure economy, efficiency and effectiveness in its use of resources".

5. LEGAL IMPLICATIONS

- 5.1 The Local Government Act 2003 requires the Chief Financial Officer (Head of Finance) to report to Members as part of the budget setting process, on setting the level of council tax, the robustness of the budget presented and the adequacy of reserves. Appendix K sets out the main risks that may fall to be met from reserves and for which provision should be retained in the Council's account.
- 5.2 The budget has to be set in accordance with statutory requirements which include assurance from Strategic Directors that they have sufficient resource available to fulfil their various statutory obligations.

6. RISK MANAGEMENT

- 6.1 All measures proposed in the budget have been subject of a risk assessment in terms of deliverability and service impact. The assessment of General Fund Reserve includes an assessment of the financial impact of a range of economic and environmental factors, which may impact on the Councils budget. Some risks exist around Children's Safeguarding and Adult Social Care Budgets where demand is harder to predict.
- 6.2 The Business Rate Retention scheme has a risk/reward element built in. Whilst there are clear longer-term benefits for the Council from a growing local economy there are some risks associated with demolition of property prior to redevelopment and from local business failure (in terms of reduced Business rate revenue), which is now shared by the Local Authority.

7. POTENTIAL IMPACTS

- 7.1 This report contains a number of proposals related to staff or service provision and may involve changes to policy or service delivery. Equality impact assessments have been completed where appropriate.

8. CONSULTATION

- 8.1 To Consultations have taken place with the local Chambers of Commerce in January 2018. The Leader of the Council and several Cabinet Members attended, together with Officers. The meetings served to consult on the proposals in this paper.
- 8.2 Comments of the Overview & Scrutiny Committees will be shared with Council.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Residents will be notified of their Council Tax in March 2018. Budgets will be in place and managed by service managers from 1 April 2018.

Table 5: Implementation timetable

Date	Details
By 31 March 2018	Residents notified of their Council Tax
1 April 2018	Budgets will be in place and managed by service managers.

10. APPENDICES

- 10.1 Appendix A – Recommendations
Appendix B – Budget summary
Appendix C – Budget detail
Appendix D – Social care investment strategy (Adult, Community Services and Health & Corporate Services O&SPs only).
Appendix E – Fees and charges (Not Crime & Disorder O&SP)
Appendix F – Savings
Appendix G – Parish precepts
Appendix H – Capital cashflow
Appendix I - Capital programme summary
Appendix J – Capital programme detail
Appendix K – Treasury management
Appendix L – Lending list
Appendix M – Budget movement statement
Appendix N – Medium term plan
Appendix O – Reserves
Appendix P – NNDR1 (to follow)
Appendix Q – Comparison November/January MTFP

11. BACKGROUND DOCUMENTS

- 11.1 None.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Councillor Saunders	Lead Member for Finance	12/01/18	15/01/18
Councillor Rankin	Deputy Lead Member for Finance		
Councillor Dudley	Leader of the Council		
Alison Alexander	Managing Director	12/01/18	14/01/18
Russell O'Keefe	Executive Director	12/01/18	
Andy Jeffs	Executive Director	12/01/18	15/01/18
Terry Baldwin	Head of HR		
Mary Kilner	Head of Law and Governance		
Louisa Dean	Communications and Marketing Manager		
	Other e.g. external		

REPORT HISTORY

Decision type: Key decision	Urgency item? No
Report Author: Rob Stubbs, Deputy Director and Head of Finance, 01628 796222	

