

Report to: Cabinet
Date of Meeting: 5 February 2020
Public Document: Yes
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Review date for release None



Subject:

Revenue and Capital Budgets 2020/21

Purpose of report:

Cabinet adopted draft Revenue and Capital Estimates for 2020/21 at its meeting on 8th January 2020. A joint meeting of the Overview and Scrutiny Committees reviewed those budgets on 15th January and the Housing Review Board considered the Housing Revenue Account budgets on 23rd January.

Recommendations from those meetings are detailed in this report and the minutes are contained on the agenda. It is now for Cabinet to consider those comments and recommendations and to make their recommendations to Council.

As part of the Prudential Code for Capital Finance in Local Authorities the Council is required to set prudential indicators as part of its budget setting process, these indicators are detailed in the Treasury Management Strategy 2020/21 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy and are included on the Cabinet agenda. They reflect the proposals and details in this report.

Alongside the Treasury Management Strategy sits the Capital Strategy which is also contained on this agenda for adoption.

Recommendation:

It is recommended:

1. To propose the Net Revenue General Fund Budget of £14.777m.
2. To determine if a budget of £0.100m should be include for two additional posts in the Economic Development service (as considered in 2.3 of the report) reducing the sum allocated to the Climate Change Action Plan from £0.323m to £0.223m.
3. A Council Tax increase is approved of £5 a year giving a Band D council tax of £146.78 a year for 2020/21.
4. That the Housing Revenue Account Estimates with a net surplus of £0.927m is approved.
5. That the Net Capital Budget totalling £8.069m for 2020/21 is approved.

Reason for recommendation:

There is a requirement for the Council to set a balanced budget for both the General Fund and Housing Revenue Account and to levy a Council Tax for 2020/21.

Officer:

Simon Davey – Strategic Lead Finance
Portfolio Holder - Finance

Financial implications:

Details contained in the report

Legal implications:

The requirements for budget setting and council tax are set out in statute and regulations which the finance team take account of in the preparation of the report. The duties of the Council's Section 151 Officer include the requirement to make recommendations to ensure that the Council maintains an adequate level of reserves, when considered alongside the risks the Council faces and the general economic outlook

Equalities impact:

Low Impact

Equality impact was considered by budget managers with finance officers during the budget preparation stage with consideration given to any budget variation which could result in any service changes being assessed as high, medium, or low in terms of equality impact. Due to the fact that no high or medium impacts were identified it is deemed that a full impact assessment is not necessary for implications in the budget proposals.

Climate change:

High Impact

The budget approval gives the Council the resources necessary to undertake its business which will significantly contribute to the carbon footprint of the Council. There are budgets proposed to address this issue and fund actions for 2020/21 which start to reduce the Council's Carbon emissions.

Risk:

Low Risk

Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record have been considered in order to prepare robust budget proposals.

Other specific areas of risk have been highlighted where appropriate within the report and within the budget book at service level.

Links to background information:

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Link to Council Plan:

Outstanding Council and Council Services

1. Introduction.

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- 1.1 The Cabinet adopted draft revenue and capital budgets on the 8th January 2020.
- 1.2 The budgets, associated service implications and Service Plans were then considered by:
- A joint meeting of the Overview and Scrutiny Committees on 15th January.
 - The Housing Review Board considered the Housing Revenue Account (HRA) budgets at its meeting on 23rd January.
 - Comment were also invited from the business community to the Council's draft budget proposals.
- 1.3 This report follows on from the draft Revenue and Capital Budgets 2020/21 report presented to Cabinet on the 8th January; this gave significant narrative on the budget proposals including the details presented in the budget book and service plans. For reference:
- The budget report can be found here , [Report on Draft Revenue and Capital Budgets 2020/21 \(Min 117\)](#)
 - the draft budget book here, [Draft Revenue and Capital Budget Book 2020/21](#),
 - Diagrammatic overview of General Fund draft budget and Portfolio breakdowns here, [Charts](#), and
 - the Service Plans here, [Draft Service Plans 2020/21](#)

2. Update and Summary of recommendations to Cabinet.

- 2.1 The minutes of the joint meeting of the Overview and Scrutiny Committees on 15th January and the Housing Review Board meeting of 23rd January are contained on this agenda.

General Fund Budget

- 2.2 The draft General Fund budget adopted by Cabinet proposed a budget with a net General Fund Revenue spend of £14.777m, this being a balanced budget with headroom of £0.448m to be allocated against new Council Plan priorities.
- 2.3 **Both the Scrutiny Committee and the Overview Committee recommended the draft budget adopted by Cabinet with no amendments, subject to:**
- a. It being made clear that for the additional request for £323k towards the Climate Change Action Plan, this is up to £323k,**
 - b. Consideration of the suitability of having a £323k fund towards the Climate Change Action Plan in light of the requests for the two additional posts in Growth, Development and Prosperity Service.**

The request for two additional posts in the Economic Development area came from Cllr Allen and was supported by both Committees with the request to Cabinet to consider funding these posts from part of the sum allocated to Climate Change.

As this was a member proposal on the day it is difficult to determine the sum required or how this will fit into the newly formed services as it was not requested from the Service Lead/Strategic Management Team and therefore no plans for how this would fit into the team or work allocations is currently unconsidered. As an approximate sum to ring fence for this purpose at this current time a £100k could be considered, therefore leaving £223k to be directed to Climate Change.

Members are asking Cabinet to consider priority of spend but were recommending the overall budget sum as proposed in the draft budget.

2.4 Members of **both Committees recommended to Cabinet a Council Tax increase of £5 a year (3.5%)** raising the charge from £141.78 to £146.78 a year for a band D property as included in draft budget.

2.5 No budget amendments have been proposed by the business community but one comment received was:

“ - There is a golden opportunity in the coming year to really focus on Economic Development work and growing local towns' capability to support economic development. Growth in housing and population needs to be matched with growth in economic activity and business. I feel that we need to influence a sharper focus on Economic Development work in the coming years, or we risk being regarded increasingly as simply the Travel to Work area for employment in Exeter. The urban/rural divide gets worse, and local communities suffer from a lack of cohesion and engagement. Reliance on business rates to generate income for the district council's finances in the future will also prove challenging if business growth is not supported-“

2.6 A request was made that further information and clarity was provided to Cabinet on the proposal in the draft budget for £60,000 to be allowed for commercialisation to be funded from the Transformation Fund. Here is an extract from the draft budget report of how the proposal was presented:

Commercialisation fixed term position for 2 years.

A request is made to support the inclusion in the budget of fixed term post for two years at a total budget of £120k to be funded from the Transformation Fund. This resource is to be used to progress commercialisation through the Council to work with services in producing and implementing business plans to achieve the commercialisation income targets required to help balance the Council budget going forward. Priority services/areas identified as an initial work programme include Homesafeguard, promotion of Handy Person scheme across the district and commercial waste opportunities.

It is appreciated from the debate at the joint Overview and Scrutiny Committee meeting further clarification for members was required.

By way of further explanation commercialisation is one of three strands to this Council being able to prepare balanced budgets going forward; the other two being Fit for Purpose and Careful choices. In simple terms Commercialisation is about the Council raising more income, this being from:

- Property investments where there is already a Strategy and process adopted by Council and is currently being practiced.
- Housing Company where a business plan was approved but no progress made to date and now subject to TaFF review.
- Services currently being run by the Council, or possibly new services, which can generate more or new income to the Council. There are already many examples of the Council being successful in this area including the recent introduction of the Green Waste Scheme and it is believed there are a number of other opportunities to develop this further.

A Commercialisation Strategy for this area (referencing to the first two bullet points) needs to be considered by members which will then give officers direction in terms of Council risk appetite, acceptable or non-acceptable areas to explore, funding and approval process. This will be presented to Overview for consideration and is included on their forward Plan. The Strategy once approved will be the responsibility of the Strategic Lead Finance to deliver and will be supported by other Strategic and Service Leads.

What is clear from officer discussions is there is a number of areas to explore but to bring forward business plans with some marketing expertise will require service leads to have additional support. We have named 3 areas to explore and there has been no objection raised in these when previously reported to members: Homesafeguard, promotion of Handy Person scheme across the district and commercial waste opportunities. We wish to progress work in these areas quickly and subject to agreement of the Strategy the need for additional resource in the next financial year will be required, hence the request coming forward in the budget process for this level of support to assist the Service Leads.

Housing Revenue Account Budget

- 2.7 The draft Housing Revenue Account (HRA) budget adopted by Cabinet proposed a surplus of £0.927m. No amendments were proposed to the draft budget originally adopted by Cabinet by either the Overview and Scrutiny Committees or the Housing Review Board.

Assumed position for HRB who meet on the 23rd January

Capital Budget

- 2.8 No amendments have been proposed to the draft capital budget with Net Expenditure of £7.453m as adopted by Cabinet.
- 2.9 The Capital Budget currently excludes recommendations from the Strata Joint Executive Committee on IT budgets, these are normally considered by the JEC in early January with minutes of proposals included on this agenda for approval and then included in the final capital programme with Council approval. There has been a delay in this presentation to JEC therefore Cabinet is asked to include an additional £110k in the capital programme for items that are unavoidable in relation to system upgrades to ensure they continue to be supported by the relevant supplier;
- Efinancials (main finance system) £30k,
 - Civica Comino (electronic document system) £35k

- Civica GDPR module £30k
- Idox (Planning, Estate Management, Building Control, Environmental Health) £15k

There will also be requests coming forward in year for consideration of new Finance System (£379k) and new Asset System (£127k), but full business cases need to be considered by JEC with their recommendations through to our Cabinet and Council. At this stage it is suggested they are included as provision amounts but subject to that approval process. All sums are this Council's proportion of the costs involved.

2.10 This revises the recommended Net Expenditure of the Capital Budget to £8.069m

3. Council's Balances and Reserves

3.1 Details are contained in the draft Revenue and Capital Budgets 2020/21 report presented to Cabinet on the 8th January.

4. The Prudential Code for Capital Finance in Local Authorities

4.1 The Prudential Code for Capital Finance in Local Authorities gives the requirement to report on a series of prudential indicators, which are designed to support and record local decision making. These indicators are required to be part of the Council's budget setting process and show the overall effect on various financing and borrowing strategies that the Council plans to adopt over the next three financial years. These indicators will be monitored and reported and when necessary updated to reflect any changes in policy.

4.2 This Council's prudential indicators are contained in the Treasury Management Strategy 2020/21 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy included on the agenda and reflect the proposals and details in this report.

4.3 Alongside the Treasury Management Strategy sits a requirement under the Prudential Code for the Council to adopt a Capital Strategy, this is also contained on this agenda for Members consideration.