

Agenda Item No: 5
Report To: Cabinet
Date of Meeting: 6 December 2018
Report Title: Draft Budget 2019/20
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Portfolio Holder Cllr. Neil Shorter
Portfolio Holder for: Finance & ICT



Summary: This paper presents the draft budget for 2019/20 for the General Fund and the Housing Revenue Account.

The draft budget is in line with the MTFP which was presented at the November Cabinet meeting.

The draft budget outlined in this report will form the basis of budget scrutiny and budget consultation processes. Overall there is a balanced budget for 2019/20, however there are a number of risks with this projection that are explored in the body of the report.

The report also includes the draft Housing Revenue Account budget which incorporates the Housing review proposals and the 30 year business plan assumptions, both reports are elsewhere on the agenda.

Key Decision: YES

Significantly Affected Wards:

Recommendations: **The Cabinet is recommended to:-**

- I. Note the budget context and risk advice
- II. Approve the draft budget for 2019/20
- III. Approve the draft Housing Revenue Account budget for 2019/20 Section 3 of the report.
- IV. Agree that this report will be used as the basis for budget consultation with the public, the business community, parish councils and staff.
- V. Agree the draft budget as set out in the report should now be submitted to the Overview and Scrutiny Committee's Budget Task Group for formal scrutiny.

Policy Overview: The council's revenue budget is intended to support the priorities set out within the Business Plan and flows through from the Medium Term Financial Plan (MTFP).

The Business Plan is geared to ensure that priorities are delivered and that the council's service activities are managed within the constraints of the forecast cuts in government funding.

Financial Implications: The council has a requirement to produce a MTFP and a balanced budget. This report contains the four year settlement levels of government funding. This is the final year of the agreed settlement and therefore funding beyond 2019/20 is uncertain.

The HRA budget has been prepared on the basis of the 30 year business plan and shows that the plans for maintaining investment in housing stock are affordable and within the current resource forecasts. The business case represented in this report does not include plans following the removal of the debt cap as the model is currently being updated to reflect this recent change.

Equalities Impact Assessment No not at this stage, however an assessment will be included in the February report.

Other Material Implications: Consultation will be undertaken with the Joint Consultative Committee and business community, with findings reported back in February.

Exempt from Publication: **NO**

Background Papers: **None**

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Report Title: Draft Budget 2019/20

Introduction and Background

1. This report sets the scene for Cabinet to consider the draft budget for 2019/20. The report explains the important background and contextual information to the medium term financial plan (MTFP) and next year's budget.
2. The Council agreed the corporate plan covering the period 2015-20 outlining the four proposed priorities for the Council during 2015/16. The underpinning Medium Term Financial Plan has also been approved (Cabinet November 2018) and is in line with the Council's business plan. This draft budget has been built based on the MTFP and reflects the corporate plan priorities.
3. The corporate plan sets the broad context for financial planning over the short and medium term, this will be refreshed once a new corporate plan is adopted.
4. As detailed in the MTFP report the Council agreed to accept the four year funding settlement which provided some surety over funding, this is the last year of that settlement.
5. The detailed budget for 2019/20 has now been drafted and is broadly in line with the targets established within the MTFP. The budget is based upon a £5.00 (3.17%) increase in Council Tax for Band D properties which will continue to see the Council maintaining its position as the lowest in Kent.
6. Section 3 of this report is in line with the HRA business plan that was reported to members in November.
7. The forecast for the Council's capital reserves (Section 4 - Capital Resources) is included and shows that these resources remain under pressure and as a consequence borrowing will need to be used to fund the majority of capital investments which carries a higher revenue budget cost.
8. This report seeks Cabinet's approval to the draft budget that will then form the basis of the budget scrutiny and consultation processes with the final budget due to be reported to the February Cabinet for approval and recommendation to Full Council.

Structure of the report

9. For ease of consideration this report is split into sections;
 - i. Context
 - ii. Draft budget
 - iii. Housing Revenue Account
 - iv. Capital resource forecast and capital programme implications
 - v. Next steps

Section 1 Context

The Medium Term Financial Plan

10. The Council's Medium Term Financial Plan for the period 2019-24 was reported to Members in November 2018. The MTFP highlighted a small pressure of £36,000 for the 2019/20 budget which has been managed down throughout services to enable this balanced budget to be presented. This section seeks to update members on substantive changes since that report was drafted.

The Corporate Plan

11. In October 2015 the council agreed the Corporate Plan that contained the key themes as areas of important focus over the period 2015 - 2020. These are:
 - a. Enterprising Ashford
 - b. Living Ashford
 - c. Active and Creative Ashford
 - d. Attractive Ashford
12. Since then the Council has developed a Programme Management Plan with a number of priority projects, many of which are underway, nearing completion or complete such as the commercial quarter and the Elwick Place development which includes a multiscreen cinema, hotel and restaurants.
13. This budget and medium term financial plan has been set to enable key priorities to be the focus over the next five years, although these will be realigned when a new corporate plan is adopted.

The Economy

14. An economic outlook was presented to cabinet as part of the MTFP report in November and focused around the uncertainly Brexit was having on the economic outlook.
15. At the time of writing this report that uncertainty was no closer to being resolved having had the Prime Minister issue a draft agreement which divided opinion universally within Government.
16. The political wrangling's and its impact on the economy will continue to be monitored and forecast adjusted accordingly.

Building the Draft Budget 2019/20

17. The Service's draft budgets have been prepared alongside the relevant Service Plans and in consultation with the Portfolio Holders.
18. Finance met with all Heads of Service to identify any emerging pressures which would need to be factored into the budget. Growth items relating to these discussions, such as support for transforming Planning and homelessness were reported as part of the MTFP to Cabinet in November.
19. There are a number of corporate projects and service proposals which are yet to be approved and are therefore not reflected in the draft revenue budget. Approved projects that fall under capital will be included in the capital budget which will be presented to members for scrutiny.
20. There is corporate project funding available in revenue reserves which is generated from an allocation of new homes bonus receipts, at the time of

writing this report the balance was £3.1m. Upcoming projects are reviewed through the PID (Project Initiation Documents) process and funds can be allocated as appropriate in accordance with corporate priorities.

Table 1: MTFP 2019-2024 (excluding HRA)

	2019/20 £'000's	2020/21 £'000's	2021/22 £'000's	2022/23 £'000's	2023/24 £'000's
S31 Grant NNDR reliefs	(1,578)	0	0	0	0
Retained Business Rates	(3,143)	(4,646)	(4,740)	(4,744)	(4,669)
New Homes Bonus (50% allocated to support base budget)	(2,820)	(2,936)	(2,678)	(2,852)	(2,228)
Government Funding	(7,541)	(7,582)	(7,418)	(7,596)	(6,897)
Council Tax	(7,556)	(7,925)	(8,305)	(8,703)	(9,120)
Total Income Receipts (Including Specific Grants)	(48,640)	(48,382)	(48,230)	(48,080)	(47,950)
Base Budget Gross Expenditure	65,829	66,951	67,284	67,644	68,261
Budget Increases	(2,056)	(3,021)	(3,297)	(3,220)	(3,683)
BUDGET GAP	36	41	34	45	611

21. Managing the plan will need to be handled carefully. The Corporate Plan is focused on the delivery of business and housing growth as well as income generation by commercial activities; these items are important strands in the delivery of the financial strategy over the long term and the Council's ambition to be self-financing. Therefore whilst cost management is going to be an important focus, this must not be at the cost of delivery of these priorities.

Local Government Funding

22. The Cabinet made the decision to accept the Governments four year settlement and these funding levels have been built into the MTFP and the draft budget build. Initially negative RSG was expected to be charged to the Council totalling £240,000 in 2019/20. Government have indicated this will not be chargeable in 2019/20 however it could be in later years.
23. 2019/20 is the final year of the four year settlement and the finance team is keeping abreast of developments and have responded to consultations on proposals around changing the fair funding formula for the next spending review which is likely to be published next autumn, with the 2020/21 budget being impacted. As with previous reviews though there will likely be a transitional period in which any funding cuts (if that is case) can be managed.

Local Retention of Business Rates

24. As previously reported to Cabinet the Council has become part of a 100% business rates retention pilot with other Kent authorities for 2018/19.
25. Building on the government's manifesto commitment to continue to give local government greater control over the money they raise. The government aims to increase the level of business rates retained by local government from the current 50% to 75% in April 2020. As part of this process there will be a new round of bidding to become part of a 75% pilot for 2019-20 to which the current pool has made a bid.

New Homes Bonus

26. New Homes Bonus is measured on the number of properties (above what would normally be expected) that have been completed during a year October

to September using data submitted on the council tax base return to government, this amount is then paid to the Council for a period of four years.

27. The NHB scheme was originally awarded for a period of 6 years, but following cuts from Government it was reduced to 4 years. The New Homes Bonus receipts are split 50/50 between revenue support and corporate projects and therefore a major reduction in future house building or further reform of the scheme could have a serious impact on the MTFP and future corporate projects. The draft budget 2019/20 anticipates total NHB receipt of £2.8m with £1.4m supporting the base budget with a further £522,000 supporting corporate projects which also form part of the base budget. If total New Homes Bonus receipt fell below £1.9m then there would not be sufficient resources available to fund the base budget.
28. The Council Tax Base return has been completed showing 389 new properties (converted to band D equivalents). This is adjusted by the 'deadweight' calculation which removes 214 new properties from the total eligible for NHB. This adjusted amount will generate around £525,000 from next April (for 2018/19 new builds only).

Council Tax and Local Referendums on Council Tax

29. The draft budget includes a Council Tax increase of £5.00 which equates to a rise of 3.17% resulting in a Band D equivalent charge of £162.50; this is an increase on last year which saw an increase of £3.50 (2.3%) for the year.
30. The proposed increase will not trigger a referendum as district councils are permitted to raise council tax by 3% or higher, as long as it does not exceed £5 on a Band D property.
31. The current administration has a commitment to remain the lowest council tax in Kent. The table below shows the Council Tax level for other Kent authorities as at 2018/19 against the proposed 2019/20 level for Ashford:

District	Increase on previous year		Band D charge
Ashford	£5.00	3.17%	£162.50
Canterbury	£5.94	2.98%	£205.20
Dartford	£4.95	2.95%	£172.80
Dover	£4.95	2.79%	£182.34
Gravesham	£5.67	2.96%	£197.28
Maidstone	£7.29	2.97%	£252.90
Sevenoaks	£6.03	2.97%	£208.80
Shepway	£7.48	2.98%	£258.39
Swale	£4.95	3.00%	£169.83
Thanet	£6.57	2.99%	£226.44
Tonbridge & Malling	£5.91	2.99%	£203.42
Tunbridge Wells	£4.98	2.95%	£173.57

32. The table shows that should the other Kent districts decide to freeze council tax Ashford will remain the lowest in Kent by £7.33 (Swale being the next lowest at £169.83 for 2018/19)

33. Whilst there is a long held ambition for the Council to grow its income streams from commercial activities it needs to be recognised that this strategy needs to mature before this will be achieved. Therefore with the risks to the council's funding and ambitions to improve services the increase is considered necessary. Government funding is also set on the basis that Council's will levy the maximum possible council tax on an annual basis, therefore any deviation from this puts further pressure on corporate resources.

Section 2 - Draft Budget 2019/2020

34. The draft budget has been built based on the four year settlement that was accepted at the October 2016 Cabinet as part of the MTFP report. This is the last year of the 4 year settlement which provides firm figures for 2019/20 but funding from next year onwards is currently being consulted on.
35. The draft budget presented below includes a £5.00 (3.17%) increase in council tax, with the borough Council's element of the charge now being £162.50 (2018/19 was £157.50) for a band D property.
36. Services were given targets from the MTFP against which they had to build their budgets. Budgets have then been built in detail and services have largely been able to manage within the expenditure limits set. Some pressures have come out during the process but these have been managed within the services.
37. The draft budget is summarised below.

Table 2: Draft General Fund Budget 2019/20

Actuals 2017/18 £	Budget 2018/19 £	Projected Outturn 2018/19 £	Detail	Budget 2019/20 £
17,219,136	16,314,150	16,623,645	Service Expenditure	15,490,930
(2,897,465)	(3,387,820)	(3,441,870)	Capital Charges & Net Interest	(2,492,440)
249,629	256,250	256,250	Levies	259,130
2,347,782	1,228,180	1,228,180	Contribution to/(from) Balances	1,839,710
(710,713)	0	0	Government Grant	0
(4,198,829)	(4,189,400)	(4,189,400)	Retained Business Rates	(4,706,300)
(1,093,398)	(348,270)	(348,270)	Business Rates S31 Grants	(14,750)
(3,401,256)	(2,478,400)	(2,478,400)	New Homes Bonus	(2,820,000)
(7,495,798)	(7,394,690)	(7,394,690)	Council Tax	(7,556,280)
19,088	0	255,445		0

38. The details of service expenditure are attached at **Appendix A**. Subject to Cabinet's approval this budget will then be scrutinised and form the basis of the budget consultation process that will be completed in time for a final draft budget to be presented to Cabinet and then Council in February.
39. The Council's Medium Term Financial Plan is predicated on the aim to become entrepreneurial and enterprising to raise revenues, however the need for continued economy and efficiency is ever present to ensure value for money for services. Accordingly, included within the budget is a 1% efficiency target with an aim to reduce costs by 1% per annum for a period of 5 years. This will continue to be achieved through a combination of service reviews and thematic reviews on council expenditure, to challenge the way services are delivered and procured and achieve savings.

Risks

40. The risks to the 2019/20 draft budget are shown at **Appendix B** and represent the risks to the budget at the time of writing this report. These risks will be reviewed throughout the budget setting cycle and be presented to the Overview and Scrutiny Budget Task Group.
41. These risks will be amended as risks are identified and will form the basis of the Chief Financial Officers report over the robustness of the budget which will be included in the final Budget report for February Cabinet.

Section 3 Housing Revenue Account

HRA Business Plan

42. The HRA business plan will be presented to this Cabinet for approval elsewhere on this agenda. The HRA Business Plan originates from this budget.
43. It is proposed that the HRA business plan should be scrutinised alongside the general fund draft budget as part of the budget scrutiny process.

Draft HRA Budget 2019/20

44. The HRA Budget has been built to enable the council to maintain Decent Homes Standards, service the debt as a result of the HRA subsidy reform, and take account of the continuing 1% rent reduction running from 2016/17 to 2019/20.
45. It should be noted that the HRA Business Plan is currently being reviewed in light of the Government announcement removing the HRA debt cap. The results of this review will be reported to Members as soon as it is available.

Table 3 – Draft Housing Revenue Account Budget 2019/20

Finance and Economy HRA Summary				
Housing Revenue Account				
ACTUAL	BUDGET	PROJECTED	DETAIL	ESTIMATE
2017/18	2018/19	OUTTURN		2019/20
£	£	2018/19		£
		£		
6,424,511	5,268,380	5,225,580	Supervision & Management	5,777,130
(24,704,303)	(24,978,930)	(25,287,080)	Income	(24,843,280)
16,038,828	17,445,420	17,407,660	Other	16,030,460
3,461,712	3,418,400	3,538,900	Repairs & Maintenance	3,478,370
1,220,748	1,153,270	885,060	SERVICE EXPENDITURE	442,680

46. These figures are in line with the position forecast within the HRA business plan, with a deficit anticipated. There are a number of HRA projects currently underway and this in year deficit is financed from reserves for the purpose of financing capital projects.
47. Members are asked to approve the draft HRA budget for 2019/20 for scrutiny purposes.

Section 4 - Capital Resources

48. The Council prepares a capital programme annually based on the Corporate Priorities and approves capital projects throughout the year. Financing of these projects are included in the Project Initiation Documents, however final financing will be approved at the end of the year.
49. Due to the nature of some reserves it is best to utilise these first and retain flexibility for the Council, for example, capital receipts can only be used on capital purposes therefore it is better to use these reserves first and keep revenue reserves, which can be used for any purpose.
50. The Housing Revenue Account has two kinds of capital receipts, general capital receipts that can be used for any capital purpose, and one-for-one receipts that can only be used for the provision of new affordable housing. To ensure the Council has enough flexibility in its capital financing and complies with the one-for-one commitment to government, these latter receipts will always be used first before capital receipts and revenue reserves.

Capital Resources Forecast

51. Capital investment is currently made from the following funding streams:
 - a. Internal resources such as capital receipts and revenue reserves.
 - b. Prudential (external) borrowing. The Medium Term Financial Plan provides specific support to borrow for General Fund corporate projects that have been highlighted in the corporate plan. There is also specific borrowing for capital works on Council assets support by the planned maintenance schedule for capital works.
 - c. Third party grants and contributions from government, other authorities and other grant bodies.
 - d. Section 106 developer contributions – as at 31 March 2018 contributions amounting to £7.3m (capital & revenue) were held in reserves.
52. The table below shows the forecast based on current assumptions including that supported by revenue resources to support spending of a capital nature.

Table 4 – Capital resource forecast (General Fund)

Resources available	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Resources brought forward:				
Capital receipts	44	0	0	0
Repairs and renewals reserve	660	560	460	360
Borrowing limit unapplied	500	500	500	500
	1,204	1,060	960	860
Potential resources				
Estimate of capital receipts	250	250	250	250
Estimate of reserve contributions to the repairs & renewal reserve	250	250	250	250
Approved borrowing limit supported by the revenue budget	500	500	500	500
	1,000	1,000	1,000	1,000
Current planned outlay financed by:				
Use of capital receipts	294	250	250	250
Use of the repairs & renewal reserve	350	350	350	350
Use of prudential borrowing (principally for the asset maintenance programme)	500	500	500	500
	1,144	1,100	1,100	1,100
Uncommitted resources carried forward	1,060	960	860	760

Capital Investment

53. Elwick Place commenced in May 2017 and will be officially opened on 8 December 2018. The construction work has consistently remained on its original programme throughout the 18 month build timeline. Negotiation are currently underway with various parties for the eateries. The two anchor tenants Picturehouse and Travelodge are in final preparation for the opening date.
54. Future expansion of A Better Choice Property Company will be supported by further loans. This will underpin the strategic aims of the company to grow and establish itself within the private letting sector.
55. In March 2018 the Council acquired the Mecca building in the centre of the town. Consultants have now been engaged to develop a scheme to bring forward proposals for the future of redevelopment of this strategic purchase.
56. Another important site on the redevelopment agenda is the former Goods Yard this project is now known as the Coachworks. Consultants are also developing plans for the future use and these will be presented back to Cabinet in due course.

Section 5 - Next Steps

57. Once approved by Cabinet it is proposed to submit the draft budget for formal scrutiny by the Overview and Scrutiny Committee and its Budget Scrutiny Task Group. This will include an examination of the base budget, assumptions on inflation, growth items and budget reduction proposals. The scrutiny process will continue throughout December and January with conclusions reported to the Cabinet in February.
58. The final budget report will be presented to Cabinet and then onto Council in February which will include any additional proposals for the budget and recommend to Cabinet the measures necessary to bridge any budget gap arising.

Implications and Risk Assessment

59. Risk assessments are being completed by Services and will form part of the Scrutiny process and reported back to Council with any recommendations from the Budget Scrutiny Task Group.

Equalities Impact Assessment

60. The assessment will be completed alongside the final budget reported to Cabinet and Council in February.

Consultation Planned or Undertaken

61. This report will form the basis of consultation with the business community, the public and parish councils. A summary document will be produced and sent to key stakeholders and posted on the website for comment.
62. The results from this consultation will help inform the final budget and will be reported back to the February Cabinet.

Conclusion

63. Members are asked to consider the contextual information against which the MTFP and draft budget have been developed.
64. To approve the draft budget for 2019/20 for the purpose of public consultation, consultation with the parish councils, and for the basis of budget scrutiny by the Overview and Scrutiny Committee.

Portfolio Holder's Views

65. To be given at the meeting

Contact and Email

66. Lee Foreman – 01233 330509 – leeforeman@ashford.gov.uk

DRAFT REVENUE BUDGET				
DIRECTORATE SUMMARY				
Actuals	Budget	Projected	Directorate	Budget
2017/18	2018/19	Outturn		2019/20
£	£	2018/19		£
£	£	£		£
1,281,734	1,218,170	1,193,210	Chief Executive	1,202,140
4,338,712	2,787,820	3,214,271	Director of Finance & Economy	2,493,600
1,887,883	2,088,570	2,140,122	Director of Law & Governance	1,214,360
9,710,807	10,219,590	10,076,042	Director of Place & Space	10,580,830
17,219,136	16,314,150	16,623,645	Service Expenditure	15,490,930
(300,055)	(1,903,390)	(1,957,440)	Non service specific	(393,600)
16,919,081	14,410,760	14,666,205	ABC Budget Requirement	15,097,330
(16,899,993)	(14,410,760)	(14,410,760)	Financing	(15,097,330)
19,088	0	255,445		0

DRAFT REVENUE BUDGET				
SERVICE SUMMARY				
Actuals 2017/18 £	Budget 2018/19 £	Projected Outturn 2018/19 £	Service	Budget 2019/20 £
1,281,734	1,218,170	1,193,210	Corporate Policy, Economic Development & Communications	1,202,140
1,425,945	1,414,090	1,544,084	Legal & Democratic Services	1,358,860
1,660,794	1,787,440	1,766,562	Planning	2,133,270
4,609,305	3,668,940	3,624,495	Finance & IT	3,810,440
19,732	105,010	102,170	HR & Customer Services	142,300
1,136,195	689,780	903,713	Housing General Fund Services	967,780
442,206	569,470	493,868	Community Safety and Wellbeing	(286,800)
4,724,330	5,186,090	5,035,930	Environmental & Land Management	5,254,380
(1,406,789)	(1,570,900)	(1,313,937)	Corporate Property & Projects	(2,284,620)
3,325,684	3,246,060	3,273,550	Culture	3,193,180
17,219,136	16,314,150	16,623,645	Service Expenditure	15,490,930
(2,897,466)	(3,387,820)	(3,441,870)	Capital Charges & Net Interest	(2,492,440)
249,629	256,250	256,250	Levies	259,130
2,347,782	1,228,180	1,228,180	Contribution to Balances	1,839,710
16,919,081	14,410,760	14,666,205	ABC Budget Requirement	15,097,330
			Income	
(710,713)	0	0	Government Grant	0
(4,198,829)	(4,189,400)	(4,189,400)	Retained Business Rates	(4,706,300)
(1,093,398)	(348,270)	(348,270)	Business Rates S31 Grants	(14,750)
(3,401,256)	(2,478,400)	(2,478,400)	New Homes Bonus	(2,820,000)
(7,495,797)	(7,394,690)	(7,394,690)	Council Tax	(7,556,280)
19,088	0	255,445		0

General Fund Draft Budget 2019/20				
Actuals 2017/18 £	Budget 2018/19 £	Projected Outturn 2018/19 £	Department	Budget 2019/20 £
			Corporate Policy, Economic Development & Communications	
157,635	71,400	39,380	Chilmington	0
342,826	245,100	245,100	Policy and Performance	257,680
433,158	476,150	479,550	Economic Development	510,300
348,115	425,520	429,180	Communications & Marketing	434,160
1,281,734	1,218,170	1,193,210		1,202,140
			Legal & Democratic Services	
983,036	852,470	852,489	Democratic Representation	825,870
380,085	503,210	498,685	Electoral Services	473,680
10,496	0	130,000	Legal	(20)
52,328	58,410	62,910	Mayor	59,330
1,425,945	1,414,090	1,544,084		1,358,860
			Planning	
30,712	117,810	117,810	Building Control	117,820
1,122,523	1,066,350	1,056,909	Development Control	1,143,530
(2,816)	(41,150)	(41,150)	Land Charges	(26,540)
(0)	31,920	49,814	Planning Administration	254,910
510,375	612,510	583,179	Strategic Planning	643,550
1,660,794	1,787,440	1,766,562		2,133,270
			Finance & IT	
40,884	35,840	(71,145)	Accountancy	75,060
16	(60)	7,360	Audit Partnership	(50)
675,537	799,670	805,170	Benefits Administration	836,750
280,477	417,870	417,870	Council Tax Collection	549,240
20	120	120	Debtors/Debt Recovery	(20)
21,230	10,840	10,840	Exchequer	47,530
(102,485)	(256,040)	(256,040)	Housing Benefits Payments	(256,000)
261,093	(64,220)	(64,220)	NNDR Collection	(38,770)
1,729,178	1,653,810	1,574,080	Non-Distributed Costs	1,661,320
149,687	7,760	55,760	ICT	15,850
175	(30)	(30)	Telephony	70
1,447,232	950,140	1,016,820	Strategic Corporate Costs	731,320
106,262	113,240	127,910	Corporate Management	188,140
4,609,306	3,668,940	3,624,495		3,810,440
			HR & Customer Services	
19,500	105,000	102,160	Human Resources	157,300
232	10	10	Visitor & Call Centre	(15,000)
19,732	105,010	102,170		142,300

			Housing General Fund Services	
134,870	117,410	113,440	Private Sector Housing	155,750
20,134	36,880	57,500	Housing Strategy and Enabling	82,390
844,664	535,270	719,080	Housing Options	748,660
741	9,060	(30,300)	Facilities Management	(9,980)
131,223	0	0	Refugee Project	0
4,564	(8,840)	43,993	Gypsy Site - Chilmington	(9,040)
1,136,195	689,780	903,713		967,780
			Community Safety and Wellbeing	
419,208	574,040	530,211	Community Safety,AMC,Licencing	575,610
693,640	618,160	670,581	Environmental Health	562,320
(670,642)	(622,730)	(706,924)	Parking & Engineering	(1,424,730)
442,206	569,470	493,868		(286,800)
			Environmental & Land Management	
329,756	303,490	306,430	Street Scene	342,750
2,908,586	3,292,380	3,172,380	Refuse,Recycling,Street Clean	3,280,420
1,485,988	1,590,220	1,557,120	Grounds Maintenance	1,631,210
4,724,330	5,186,090	5,035,930		5,254,380
			Corporate Property & Projects	
4,753	6,960	40,720	Project Delivery Team	22,150
0	0	0	Town Centre Development	0
(1,411,542)	(1,577,860)	(1,354,657)	Corporate Property	(2,306,770)
(1,406,789)	(1,570,900)	(1,313,937)		(2,284,620)
			Culture	
319,508	279,780	279,780	Cultural Services Management	389,890
1,659,474	1,591,700	1,591,700	Leisure Centres	1,398,380
259,113	260,080	267,660	Open Spaces and Conservation	271,370
339,519	359,760	359,760	Single Grants Gateway	371,760
227,860	236,440	236,880	Tourism & Heritage	243,180
520,209	518,300	537,770	Cultural Projects	518,600
3,325,683	3,246,060	3,273,550		3,193,180
17,219,136	16,314,150	16,623,645	NET EXPENDITURE ON SERVICES	15,490,930

2019/20 Draft Budget Report

The following table represents risks to the 2019/20 draft budget at both a service and economic level. These risks will be monitored throughout the Budget setting cycle and be updates accordingly before being presented to Cabinet in February as part of the final budget setting report.

Budget Component	Financial standing and management
<p>1. Pressure on the 2018/19 Budget and impact going forward.</p>	<p>Homelessness – This has been a constant pressure in the past few years and therefore warrants mention. However, changes in legislation and the expansion of the homeless prevention team are looking to reduce the pressure in this area by tackling homelessness at source through preventative measures which should ease the pressure on temporary accommodation costs. Early indications show that this approach is being effective and costs at Q2 budget monitoring showed no new pressures on the temporary accommodation budget. Where homelessness cannot be prevented then initiatives such as Christchurch House will also support the existing budget.</p> <p>In addition to the above a further £100,000 was introduced to the 2019/20 budget to further develop incentive schemes to harness support from the private rented sector in preventing Homelessness.</p> <p>Planning / Planning Reserve – There has been unprecedented recruitment issues (circa 30% vacancy rate) within the planning service which have led to increase costs through the need to engage consultants to support staff and deliver the operational needs of the Service. To support the service in 2019/20 and beyond additional funding has been introduced to within the budget to support re-engineering of the services with a view to retaining and recruiting staff necessary to resolve staffing issues going forward.</p> <p>The planning reserve has been stretched and is expected to be significantly diminished by the start of 2019/20. However, the planning reserve is subject to these cyclical movements as planning appeals are fought (in the absence of a local plan) and the Local Plan is currently being approved by the planning inspectorate.</p> <p>Although a Local Plan is now in place developers need to utilise the identified land supply to support development in the borough and prevent further speculative applications on unidentified sites.</p> <p>Corporate Property – Pressures have arisen in this area through a need to employ new Officers to strengthen the Council’s contract management arrangements. Tough economic conditions have also meant the previously anticipated rent increases have not been deliverable.</p> <p>For 2019/20 the new services structure has been fully built into the budget so this will not be a recurring issue. Rents have also been revised to agreed levels and will therefore be received in accordance with forecast for 2019/20.</p>

Budget Component	Financial standing and management
	<i>Legal Services</i> – legal services have had pressures arising from the need for temporary staffing in 2019/20 and a reduction in chargeable time to external clients.

Budget Component	Financial standing and management
2. Commercialisation	<p>2019/20 will see a number of large commercial projects coming to fruition such as Elwick, and the Carlton Road industrial units. Budgets have been built into the budget to reflect anticipated income streams, however, the first years of large schemes can be hard to accurately forecast while units are let and the site becomes established.</p> <p>Should the performance of the new assets not perform as forecast then the Council can utilise the New Initiative Reserve to support the budget or the Economic Risk Reserve which was set up last year.</p> <p>The Council has a contingent liability for 2 floors of CQ38 which will be triggered if the developer is unable to let the space, Officers are working closely with the Developer to ensure that this risk is mitigated.</p>
3. Demand-led service pressures	<p>For several services the council is less able to control demand during times of economic pressure on households. In this category are services such as: homelessness, the payment of housing benefit and council tax support payments, and servicing general customer enquiries.</p> <p>During 2018/19 the Borough transferred to the Full Universal Credit service that will see all New claims to be made under the new benefit and not the legacy benefit of Housing Benefit. The levels of claimants on UC is currently under 1,000 but as this number increases services will need to adapt to the changing demand of these customers, for example managing the impact on rent collection levels, Council Tax Collection and Council Tax Support Claims.</p> <p>The housing market poses a number of risks to this authority, with rising house prices rents are escalating and this will create a pressure on welfare and housing services.</p> <p>Management Team receives budget monitoring information, and has some flexibility to manage demand through transferring resources from other services, and the prudent use of reserves (subject to limits).</p> <p>There is a recognition that priority project workload will demand more resource if it is all to be managed according to the council's corporate plans, and some project work is of course influenced by government (for example, the welfare reform responses).</p> <p>The council has adequate reserves, including new homes bonus receipts to help with such pressures.</p>
4. New service developments	<p>Digitalisation is a key priority for the organisation to ensure systems work effectively and efficiently to deliver excellent services for our external stakeholders. The digitalisation programme will also target internal systems to ensure efficiencies through digitalisation can be maximised to create staffing capacity to manage business growth within existing resources.</p>

Budget Component	Financial standing and management
	<p>Reserve funding of £150,000 has been earmarked to support the digital agenda roll-out, however, additional support from services will be required which could create pressure on service delivery and require backfilling of staff. Any pressures will be funded through the digitalisation reserve.</p> <p>The Elwick development is due to open in December 2018 and the budget has made an allowance for the additional costs and income from the scheme.</p> <p>Members have expressed concern over the resourcing of the planning department to cover workloads and the costs of planning appeals. The Budget has allowed for a 20% increase in planning fees. This is being recycled into the service with an element used to support a growth in establishment and replenish reserves that are used to fund appeals and the costs of the local plan.</p>
<p>5. Assumptions about increases in service income.</p>	<p>The budget proposes that service income are is increased by an average of 3.0%, for legislative reasons or demand some charges will be lower of higher than this.</p> <p>The proposed service charges are presented in detail as part of the budget report. Any amendments to the proposals may involve a slight risk to the budget.</p> <p>The Council's strategy to manage its budget is dependent on the development of service income streams from property and as the portfolio increases this becomes a more significant risk to the council. The budget has been built to reflect the vacancy levels at International house and the other commercial property that the Council operates. If tenants are found we would expect there to be an increase in income.</p> <p>Experience of downturns suggests that many of the council's rental streams hold up well in times of recession there are some areas that may be more vulnerable (Shop and Office units).</p>
<p>6. Housing Revenue Account</p>	<p>The Housing Revenue Account continues to see rents reduce by 1% this year following government policy and will have to manage this pressure within the HRA as it is a ring-fenced fund.</p> <p>The HRA debt cap has now been removed and the ability to build affordable housing without the restrictions of the debt cap. The business plan is currently being reviewed to reflect new opportunities.</p> <p>Regular updating of the HRA business plan and financial monitoring will occur during 2019/20.</p>
<p>7. Estimates of the level and timing of capital receipts.</p>	<p>Capital receipts are now low in the General Fund, the budgets and financing of the capital plan reflects this.</p> <p>The Housing Revenue Account capital receipts have increased over the last couple of years due to the invigorated 'Right to Buy' policy.</p>

Budget Component	Financial standing and management
	<p>The majority of RTB receipts need to be held to fund affordable housing (funds 30% of the total cost) within the Borough, and this Council took the opportunity to retain these receipts for this purpose, these receipts are called 1-4-1 capital receipts.</p> <p>Following the recent government announcements (reduction in rents of 1%) the estimated retained reserves within the HRA, to match-fund the affordable housing works have been significantly reduced.</p> <p>The receipts and capital plans are being closely monitored and ensure these receipts are used to avoid repayment which would attract interest of 4% above base. (See Part 3 HRA)</p>
8. Major Capital Projects	<p>The Council agreed the Corporate Plan at the October 2015 Cabinet meeting and work is in progress to prepare proposals for the detailed Corporate Delivery Plan.</p> <p>This plan will carefully consider the delivery of the project and the funding overall and will be monitored by the Strategic Delivery Board.</p>
9. Business Rates	<p>Advice on the risk to the council's business rates yield has been included in the report. However a major risk to the budget is the revaluation of rates and the level of appeals against new valuations that are likely to affect the overall level of rateable value within the borough.</p> <p>The level of income from business rates is affected by the overall performance of the economy, with the UK seemingly well placed to manage the global uncertainty. Business rates are monitored regularly and any downturn will be flagged in the monitoring.</p> <p>The nature of the system for accounting for business rates means that the general fund is guaranteed to get the level of income forecast in the budget, however in the event of a decrease or increase in income it will not be distributed to the general fund and preceptors until the following year. Therefore the budget is insulated from business rates risk for the current year.</p> <p>The Council is part of the 100% business rates retention pilot and has bid to be a pilot under the 75% retention scheme as reported earlier. This has not been included in the budget and will be held in reserve to cover risks in the budget, it is recommended that this is not utilised until the value can be quantified later in the year.</p>
10. Welfare Reform	<p>The government's welfare reform agenda has been reported to cabinet and the council has established a welfare reform task group to monitor and manage the risks of this agenda. The reforms have very few direct impacts on the council however they have the potential of affecting the level of demand for council services and have an impact on the council's ability to collect taxes and rents due.</p>

Budget Component	Financial standing and management
11. Inflation, Interest Rates and Pay Award	<p>Inflation is a factor that needs to be managed carefully within any financial planning regime. The council benefitted from the low levels of inflation over the last few years, however, nearing the end of 2017/18 inflation started to rise and has continued to do so and MTFP reflects a higher inflation level for 2019/20 which falls back to the 2% target by 2020/21.</p> <p>Interest rates have been forecast in line with the Arlingclose (Treasury Management Advisors) forecasts. As a net investor the General Fund is more affected by its ability to generate returns on its cash balances rather than borrowing cheaply. Savings have been made in recent years by not borrowing to fund projects and using cash balances, however as interest rates rise the council will want to lock into low long term rates.</p> <p>Pay – during 2018/19 a two year pay settlement was approved for 2018/19 and 2019/20 of 1.5% or £400 whichever was the higher for the individual employee, however increments are also due for new employers and these have been allowed for in the budget.</p>
12. Brexit	<p>This area gives rise to a number of separate risks, such as the Economy, Transport, Labour, and the transition period. The Audit Committee is reviewing the separate risk register at its December meeting.</p>