

Council Report

Wards affected: All

Report of Chief Finance Officer

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## **Business planning - General Fund budget 2019-20**

### **Executive Summary**

This report outlines the proposed budget for 2019-20, which includes a Council Tax requirement of £9,758,577 and a Council Tax increase of £5 per year (3.00%), resulting in a Band D charge of £171.82. As set out in the report, the Council expects to achieve a balanced budget for 2019-20.

We received the provisional Local Government Finance Settlement (LGFS) for 2019-20 on 13 December 2018. The figures included in the outline budget presented to the Executive on 27 November 2018 were based on the 4-year LGFS issued by Government in February 2017.

The Settlement Funding Assessment (SFA) consists of the local share of business rates, and revenue support grant and is set out in the provisional LGFS. The settlement was in line with our expectation and the multi-year settlement, which enables us to retain £2.88 million of business rates in 2019-20, an increase of 2.3% on 2018-19.

The outline budget presented to Executive in November included a working assumption that we would be subject to 'negative RSG' (additional business rates levy) for 2019-20 consistent with the multi-year settlement. However, the Government has indicated that it will "directly eliminate" negative RSG for 2019-20, meeting the cost through business rates which it had retained centrally.

In addition, the Government has returned £180 million of business rates growth nationally to local government, our share of that growth is £44,208.

In determining that our Core Spending Power has increased by 2.9% the Government has assumed that we will raise the Council Tax by the maximum amount (£5 or 3% whichever is the higher).

The provisional award of New Homes Bonus (NHB) for 2019-20 totalling £1,039,201, is lower than the £1,200,000 we included in the outline budget reported to Executive.

Although we added 322 new homes to the Council Tax base in 2018-19, which represents a 0.48% increase in our tax base, the deadweight for qualifying new homes bonus is set at 0.4%, which is the minimum expectation Government has for the development of new housing.

Our NHB allocation was also suppressed by an increase in long-term empty homes in the borough. In response to the increase in empty properties, officers are recommending that the Council varies the determination regarding empty property discount and long term empty levy made in December 2012 as detailed in **Appendix 5**. This change should bring more dwellings back into occupation, and in the short term will raise additional council tax revenue.

The Joint EAB Budget Task Group (JEABBTG) and Joint Executive Advisory Board (JEAB) considered the outline budget at their meetings on 8 and 21 November 2018 respectively.

The Chief Finance Officer's statutory report is included at **Appendix 1**. This gives information about the strategic context within which our budget has been prepared, the medium term financial plan, the robustness of the estimates, adequacy of reserves and budget risks. **Appendix 4** details the financial risk register.

The financial monitoring report for the first eight months of 2018-19 will be reported to the Corporate Governance and Standards Committee on 17 January 2019. The projected net expenditure on the General Fund for the current financial year is estimated to be £792,095 less than the original estimate.

The Chief Finance Officer, in consultation with the Lead Councillor for Finance and Asset Management and the Leader of the Council will decide upon the appropriation of the final balance in June 2019. Any ongoing variances between actual expenditure and budget identified in 2018-19 have been taken into account when preparing the budget for 2019-20. **Appendix 3** details a list of fees and charges for approval as part of the budget. The Executive agreed the target increase given to service managers on 17 July 2018, subject to market constraints.

At its meeting held on 22 January 2019, the Executive considered this report and resolved to approve the transfer to reserves of the sums included in the proposed budget at **Appendix 2**.

The Executive also recommended to Council:

- (1) That the proposed fees and charges for 2019-20 relating to General Fund services, attached as Appendix 3 to the report submitted to the Executive, be adopted with effect from 1 April 2019, subject to the correction of the proposed weekly charge under Careline Services: Elderly Persons dwellings clients, which should read £2.75, representing a 22.2% increase.
- (2) That the budget be approved, and specifically that the Council Tax requirement for 2019-20 be set at £9,758,577.
- (3) That the Band D Council Tax for 2019-20 be set at £171.82, an increase of £5 (3.00%)
- (4) That the determination on empty properties and long-term empty properties, as set out

in **Appendix 5**, be approved with effect from 1 April 2019.

**Recommendation to Council:**

That the budget and council tax resolution for 2019-20, as set out in **Appendix 6** to this report, be adopted.

Reason for Recommendation:

To enable the Council to set the Council Tax requirement and council tax for the 2019-20 financial year.

**1. Purpose of report**

- 1.1 This is the final report to the Executive in the 2019-20 budget process and the Executive is asked to approve a budget for presentation to Council.
- 1.2 The financial implications of proposals contained in the Off-Street Parking Business Plan and Capital and Investment Strategy, to be considered as part of this agenda are included in this report.
- 1.3 The report also proposes the use of the Business Rates reserve and other earmarked reserves.

**2. Strategic Priorities**

- 2.1 The budget underpins the Council's strategic framework and delivery of the Corporate Plan.

**3. Background**

- 3.1 At its meeting on 27 November 2018, the Executive received a report on the outline budget, which indicated that we did not anticipate a gap between the projected net expenditure for 2019-20 and our estimated resources.
- 3.2 The November report assumed a £5 increase in Council Tax and this remains the working assumption. The report included the comments of the Joint EAB Budget Task Group (JEABBTG), which considered the outline budget at its meeting on 8 November 2018. The comments of the Joint Executive Advisory Board (JEAB), which considered the outline budget at its meeting on 21 November 2018, were presented to the Executive at the 27 November meeting.
- 3.3 This report will cover the changes since the outline budget was presented to the Executive.

**4. Outline budget parameters**

- 4.1 The outline budget has been prepared on the factors approved by the Executive at its meeting on 17 July 2018.

- 5. Revenue Support Grant (RSG) New Homes Bonus (NHB) and Business Rates Income under the Business Rates Retention Scheme (BRRS)<sup>1</sup>**
- 5.1 We received the provisional Local Government Finance Settlement (LGFS) for 2019-20 on 13 December 2018. The provisional LGFS for 2019-20 is the final year of the multi-year settlement that was issued in 2016-17. Full details and commentary regarding the settlement are set out in the Chief Finance Officer's report at **Appendix 1**.
- 5.2 The Settlement Funding Assessment (SFA) consists of the local share of business rates, and revenue support grant and is set out in the provisional LGFS. The settlement was in line with our expectation and the multi-year settlement. Our baseline funding level was set at £2.88 million an increase of 2.3% on 2018-19. In addition the Government has returned £180 million of business rates growth nationally to local government, our share of that growth is £44,208.
- 5.3 The outline budget presented to Executive included a working assumption that we would be subject to 'negative RSG' (additional business rates levy) for 2019-20 consistent with the multi-year settlement. However, the government has removed negative RSG for 2019-20, meeting the cost through business rates which it had centrally retained. Consequently, we are proposing to transfer the monies included in the outline budget totalling £674,029 to the invest to save reserve to pump prime the Future Guildford Transformation project.
- 5.4 The provisional award of New Homes Bonus (NHB) for 2019-20 totalling £1,039,201, is lower than the £1,200,000 we included in the outline budget reported to Executive in November. Although we added 322 new homes to the Council Tax base in 2018-19, which represents a 0.48% increase in our tax base, the deadweight for qualifying new homes bonus is set at 0.4%, which is the minimum expectation Government has for the development of new housing.
- 5.5 Our NHB allocation was also suppressed by an increase in long-term empty homes in the borough. In response to the increase in empty properties officers are recommending that the Council varies the determination regarding empty property discount and long term empty levy made in December 2012 as detailed in **Appendix 5**. This change should bring more dwellings back into occupation, and in the short term will raise additional council tax revenue.
- 5.6 As part of the provisional LGFS, the Government confirmed the award of 15 new Business Rates Pilots. Unfortunately, the Surrey-wide bid to be a 75% pilot for a second year was unsuccessful.

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<sup>1</sup> Within the BRRS, all authorities are either top-up or tariff. Where the authorities' share of Business Rates is more than the government believes it needs, it pays the excess to the government as a tariff. Conversely, if the income from business rates is less than the government's need assessment, a top-up is paid. Generally, district councils are tariff authorities and county councils and single tier authorities are top-up.

## **6. Council Tax, tax base and collection fund<sup>2</sup>**

- 6.1 The proposed budget assumes that council tax will increase by £5 (approximately 3.0%) This means that the band D tax will go up from £166.82 to £171.82. The increase will generate approximately £285,500 based on the 2018-19 tax base.
- 6.2 At present, the government sets a limit each year above which increases in council tax have to be supported by a referendum. In the past, this limit has been 2%. However, as part of the final local government finance settlement issued in February 2016, for shire district councils this was changed to allow increases of less than 3% or up to and including £5 per Band D property, whichever is higher. The recent technical consultation on the local government finance settlement issued by government proposes that this rule remains the same for 2019-20 and we expect that the government will continue to set the same council tax referendum limit for 2020-21. The three-year financial projections for the period to 2022-23 assume a council tax increase of 1.95%.
- 6.3 The Director of Finance, in consultation with the Lead Councillor for Finance and Asset Management, has agreed the council tax base for 2019-20 at 56,795. This is 0.53% lower than the 2018-19 figure and has reduced the available resources by approximately £52,200.
- 6.4 Any surplus or deficit on the Collection Fund in the current financial year (2018-19) feeds into the 2019-20 budget.
- 6.5 At present, it seems likely that there will be a deficit on both the council tax and business rates element of the Collection Fund. This is a consequence of an increase in the number of exemptions and discounts primarily in respect of student occupancy and single person discounts and on the business rates element a significant increase in the appeals provision made as part of the closure of the accounts in previous years. Officers propose that any business rates deficit is financed from the Business Rates Equalisation Reserve.
- 6.6 On 13 December 2012, the Council made a determination on discounts for empty dwellings and a premium (levy) on long-term empty dwellings. This followed a change in legislation allowing the billing authority to vary the charges for specific classes of dwellings. This meant that from 1 April 2013 the Council charged the maximum permitted levy of 50% on long-term empty properties and granted a discount of one month on empty unfurnished properties.
- 6.7 The Rating (Property Common Occupation) and Council Tax (Empty Dwellings) Act 2018 modifies the legislation to allow higher levies in future years, the aim being to get more dwellings back into occupation. The permitted increases are:

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<sup>2</sup> The collection fund is a separate account that we must keep, which collects all the income from council tax and business rates and pays it out to other bodies. For council tax, the recipients are Surrey County Council, the Police and Crime Commissioner for Surrey and Guildford Borough Council. For business rates, the recipients are the Government, Surrey County Council and Guildford Borough Council. We have to predict the surplus or deficit on each part of the fund and that is paid out to (or recovered from) the relevant precepting authority in proportion to their original share. The surplus or deficit arises because of movements in the amounts collectable (i.e. the total amount of the bills we have sent out) and provisions for bad debts and business rates appeals.

<b>Financial Year</b>	<b>Period Empty</b>	<b>Maximum Levy</b>
2019-20	>2 years	100
2020-21	<5 years	100
	>= 5 years	200
2021-22 and beyond	<5 years	100
	>= 5 years <10 years	200
	>=10 years	300

- 6.8 Officers have revisited the December 2012 determination. Although the aim of the legislation is to incentivise the occupation of empty properties, in the short to medium term a change of determination will generate additional Council Tax. In addition to adopting the maximum permitted increases of levy, officers propose that the Council reduces the discount on empty properties from one month to 7 days. The discount and the levy relate to the property and not the owner, which means that a new owner of an already empty property may find that any discount period has passed, or a higher levy period already triggered.
- 6.9 Assuming an average of the last five years (as the amounts fluctuate) and excluding the effect of any increase officers forecast a net benefit to Guildford Borough Council of £13,300, and a benefit to Surrey County Council of £346,000 from reducing the discount to seven days.
- 6.10 Forecasting the consequences of an increased levy is more difficult as it is expected that properties will become occupied and the levy will not be payable. Looking only at properties that have already been empty for 5 years officers forecast a net benefit to Guildford Borough Council of £1,168, and a benefit to Surrey County Council of £50,400 in 2019-20 rising to a net benefit of £2,900 for Guildford and £211,000 for Surrey County Council in 2021-22.

## **7. Capital expenditure and minimum revenue provision**

- 7.1 The Council has a single capital programme for the General Fund that we finance from the Capital Schemes reserve, capital receipts and revenue contributions towards specific schemes. Unless we generate significant capital receipts, the Council needs to borrow from either its own resources (earmarked for other uses) or from the market; at the current time borrowing is internal as it is more financially advantageous.
- 7.2 Because the capital programme shows an underlying need to borrow, represented at the year-end by the capital-financing requirement (CFR), there is a requirement to make a debt charge to the revenue account called the minimum revenue provision (MRP). This charge is based on the value and life of the assets funded by borrowing (internal or external). The minimum revenue provision for 2018-19 will be £795,190, which is based on a General Fund CFR at 31 March 2018 of £74.4 million. It is currently estimated that the CFR at 31 March 2019 will be £108.5 million and the MRP for 2019-20 will be £966,280. This figure is included in the proposed budget.

- 7.3 There is a separate report on this agenda relating to the Capital and Investment Strategy 2019-20 to 2023-24. As the schemes under consideration would commence from 1 April 2019, it will not affect the 31 March 2019 CFR or MRP charge for 2019-20 but will impact the MRP charge from 2020-21.

## **8. Use of Reserves and interest earnings**

- 8.1 An important element of the Council's budget is the income it receives from investment of the cash held in reserves. The balances held at the end of the 2017-18 and the projected balances at the end of 2018-19 and 2019-20 are presented in Section 10 of **Appendix 1**. We expect that the Council will hold £141 million of reserves as at 31 March 2019, of which £98.6 million relates to the HRA and £42 million relates to the General Fund.
- 8.2 HRA reserves are considered as part of the HRA budget. The general fund earmarked revenue reserves includes £15.7million of projected earmarked reserves which are not available for general spending because they are contingent in nature (for example the insurance reserve), or are earmarked for specific future spending such as car parks maintenance which helps even out expenditure on the general fund. The Council is also required, under accounting practice, to hold endowment funds received as developer planning contributions in earmarked reserves for the long term repairs and maintenance expenditure on Special Protection Areas (SPA) or Suitable Alternative Natural Greenspaces (SANGS); these reserves are required to fund the revenue costs of SPA / SANGS in perpetuity. Earmarked reserves for SPA and SANGS are projected to be £5.4million at 31 March 2019. The level of projected earmarked reserves available for general purposes, to support the revenue or capital budgets is therefore £17.5million.
- 8.3 In the 2018-19 budget, we anticipated a net interest charge of £126,794. The estimate for net interest receipt included in the outline budget for 2019-20 is £279,095. Interest payable to the Housing Revenue Account (HRA) is estimated at £598,260 reflecting the level of balances and investment returns consistent with the application of a risk free rate of return. The Bank of England raised the base rate to 0.75% in August 2018. We will continue to keep under review the timing of possible base rate changes as the estimates process proceeds.

### ***Proposed Use of Key Earmarked Reserves***

#### Business Rates Reserve

- 8.4 As part of the 2018-19 budget, it was agreed to fund the rural economy officer and the transport strategy project manager, a jointly funded post with SCC from this reserve. Officers do not propose any further use of this reserve as part of this report.

#### The Budget Pressures Reserve

The budget pressures reserve was established in 2015 to manage the financial challenges the Council faces over the medium term and in particular, to allow us to carry forward underspends on the general fund at the end of each financial year to offset future growth pressures. In 2017-18, the Council approved the use of this reserve to offset the potential loss of income during the crematorium

rebuild project of £846,000 in 2018-19 and £200,000 in 2019-20. Officers recommend that any revenue costs associated with the Future Guildford transformation programme, for which a capital bid has been submitted, will be funded from either the budget pressures and/or invest to save reserve.

#### New Homes Bonus Reserve

- 8.5 The Council adopted a new homes bonus policy in February 2016. The policy assumes that the first £1 million of NHB grant continues to support the general fund revenue budget. Officers do not propose any further use of this reserve as part of this report.

#### Invest to Save Reserve

- 8.6 The invest to save reserve exists to pump prime the upfront costs of service transformation and efficiency projects, including staff redundancy costs. Costs to be funded from the invest to save reserve are often approved in year under delegated authority. If there are any up-front costs of service transformation required to achieve these savings then we will seek to fund the costs from the March invest to save reserve. The budget includes a transfer to reserve of £250,000 to support future service transformation.

- 8.7 It is proposed we continue to fund a strategic property acquisition surveyor from this reserve in 2019-20. It is anticipated in time this post will be funded from the rental income generated from acquisitions.

#### The Car Parks Maintenance Reserve

- 8.8 The balance on the car parks maintenance reserve at 31 March 2018 was £4.6 million. This reserve is available to fund repairs, maintenance and improvement of car parks. Officers propose that this reserve is used to fund works totalling £176,000 in 2019-20.

#### IT Renewals

- 8.9 The budget includes a transfer to reserve of £100,000 to support the investment in ICT to stimulate the use of technology and new ways of working to improve value for money and efficiency in the delivery of Council services.

### **9. Projected outturn for 2018-19 (based on period 8 monitoring) and 2019-20 proposed budget**

- 9.1 The financial monitoring report for the first eight months of 2018-19 will be reported to the Corporate Governance and Standards Committee on 17 January 2019. The projected net expenditure on the General Fund for the current financial year is estimated to be £792,095 less than the original estimate. The major reasons for this are lower than expected debt charges, an increase in interest income receivable and a reduction in interest payable.

- 9.2 At the time the outline budget was presented to Executive on 27 November, officers were not anticipating a gap between net expenditure and estimated resources. This remains the position, but since then several changes have occurred, which are summarised in the table below.



	Executive (27 Nov 2018)	Proposed Budget <b>Appendix 2</b>	Movement	Comment
Community Services	(1,165,420)	(901,290)	264,130	Responsive repairs on corporate property reflecting enlarged asset portfolio and assessment of rental streams and voids offset by the acquisition of the head lease of 41 Moorfield Road.
Planning & Regeneration	3,390,160	3,247,260	(142,900)	Land charge income and the removal of vacant posts following a review.
Environment	11,917,430	11,123,440	(793,990)	Revisited Off-Street car parking assumptions. Implications of the Woodbridge Road Sports Ground Trust and long term lease of Burchatts Farm Barn.
Managing Director	531,090	567,140	36,050	Increase in the budget for bank card charges reflecting initiatives that encourage residents to access online services.
Finance	7,026,410	6,953,450	(72,960)	Removal of vacant posts following a review and salary allocation changes reflecting new corporate management team responsibilities.
<b>Total Directorate Level</b>	<b>21,699,670</b>	<b>20,990,000</b>	<b>(709,670)</b>	
Depreciation	(8,129,050)	(8,011,160)	117,890	
<b>Directorate Level excl. depreciation</b>	<b>13,570,620</b>	<b>12,978,840</b>	<b>(591,780)</b>	
Net external interest receivable	(877,355)	(877,355)	0	
Interest payable HRA	598,260	598,260	0	
Minimum Revenue Provision (MRP)	1,019,158	966,280	(52,878)	Profiling of the general fund capital programme.
Revenue Contribution to Capital (RCCO)	2,992,000	2,992,000	0	
Transfers to/(from) reserve	(1,836,224)	(696,333)	1,139,891	Transfer of 'negative RSG' saving and reduced directorate level expenditure to earmarked reserves.
<b>Total after transfers to/(from) reserve</b>	<b>15,466,459</b>	<b>15,961,692</b>	<b>495,233</b>	
Business Rates Retention Scheme payments and other grants	31,039,393	30,342,364	<b>(697,029)</b>	Additional business rates tariff or 'negative RSG' anticipated as part of the multi-year local government finance settlement for 2019-20 has been removed from the draft Local Government Finance Settlement.
New Homes Bonus (NHB)	(1,200,000)	(1,039,201)	<b>160,799</b>	Increase in long term empty homes in the borough, reducing the number of new homes qualifying for NHB.
<b>Net Budget</b>	<b>45,305,852</b>	<b>45,264,855</b>	<b>(40,997)</b>	

	Executive (27 Nov 2018)	Proposed Budget <b>Appendix 2</b>	Movement	Comment
Parish Precept	1,690,000	1,690,000	<b>0</b>	
<b>Total Net Budget</b>	<b>46,995,852</b>	<b>46,954,855</b>	<b>(40,997)</b>	
Business Rates retained income	(35,652,275)	(35,652,275)	<b>0</b>	
Collection Fund - Business Rates	60,000	60,000	<b>0</b>	
Collection Fund - Council Tax	45,000	85,997	<b>45,997</b>	
<b>Council Tax Requirement</b>	<b>11,448,577</b>	<b>11,448,577</b>	<b>0</b>	

9.3 Officers continue to monitor the implications of a twelve-week Surrey Council County public consultation on budget priorities. The budget includes provision for the loss of an element of grant support across a number of services.

9.4 In order to arrive at the final budget, service managers prepare a budget based on existing levels of service, which is then amended for existing commitments and agreed changes relating to growth and savings.

9.5 The proposed budget includes the financial implications of both the Off-Street Parking Business Plan and the Capital and Investment Strategy which councillors will also consider on this agenda.

9.6 The figure above includes the effect of the decrease in council tax base, which has reduced available resources by approximately £52,200.

9.7 At present, the figures assume a modest deficit on the collection fund as referenced in paragraph 6.5.

#### Major changes from 2018-19

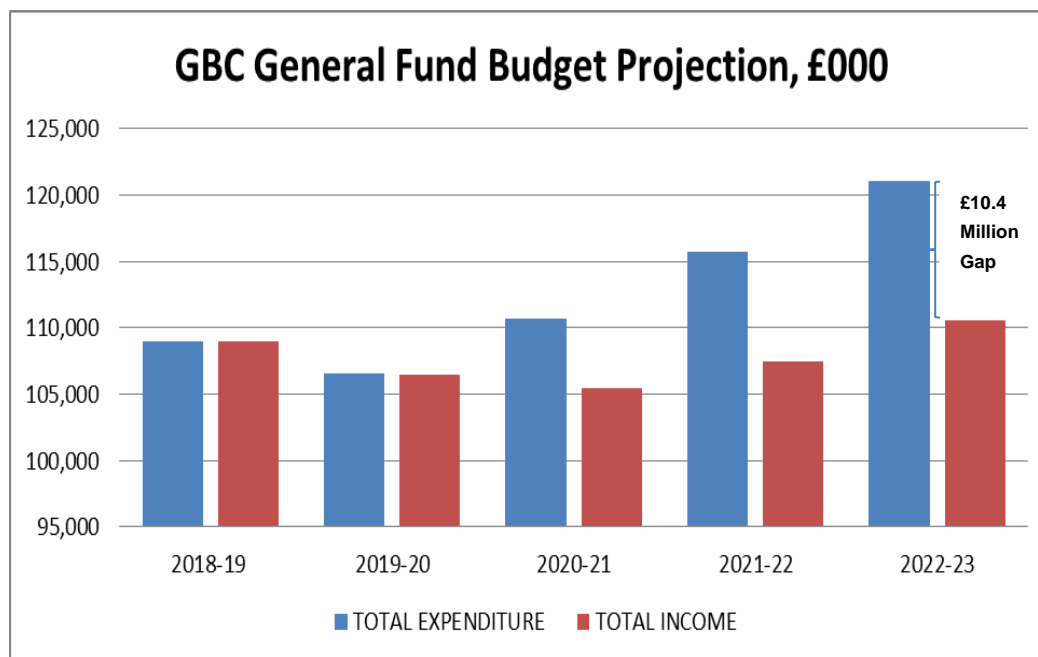
9.8 The estimated directorate level expenditure excluding depreciation charges for 2019-20 is £12.97 million, which is £1.3 million less than the 2018-19 directorate level expenditure estimate of £14.27 million.

#### Major changes from 2019-20 projection included in the 2018-19 budget book

9.9 When the 2018-19 budget book was published, we projected a broadly similar Council tax requirement for 2019-20, with increasing budgetary pressure in 2020-21 and beyond. The 2019-20 outline budget is consistent with that overall assessment, but within it there are a number of major movements that have contributed to this overall position:

- increase in the anticipated directorate budgets - £1.95 million [this includes a working assumption around the loss of SCC grant and other support]
- increase in net interest receivable - £1.62 million
- reduction in the MRP charge - £0.81 million
- changes in the proposed use of reserves - £0.28 million

- 9.10 Several large capital projects originally planned for 2018-19 have not started as anticipated when the 2018-19 budget was prepared. This has resulted in an increase in cash balances contributing to a projected net interest receipt for 2019-20 of £0.87 million when we were previously projecting a net interest payable charge of £0.75 million.
- 9.11 The long-term projections still indicate that a saving of around £10.4 million is needed over the period to 2022-23 as highlighted in the graph below. Officers continue to work towards identifying the necessary savings over the medium term.



- Growth bids**
- 9.12 As in previous years, officers were invited to submit growth bids and proposals for savings and additional income. No revenue bids were received although some capital bids may have revenue implications attached to them. These will be considered as part of the Capital and Investment Strategy Report elsewhere on this agenda. Proposals for savings and additional income have been built into the budget where appropriate, whilst other opportunities for savings are currently being considered as part of the Future Guildford work stream.

- Fees and Charges**
- 9.13 **Appendix 3** shows the fees and charges proposed by service managers for 2019-20. The Executive agreed the target increase on 17 July 2018 but councillors will see that there is a wide variance in the percentage increases proposed. This is because service managers have discretion to take into account the market within which services operate when proposing fee increases. The estimated income included in the budget is based on these proposed charges.

## **10. Consultations**

- 10.1 JEABBTG and JEAB have been consulted about the outline budget for 2019-20 and the medium term financial position and their comments were reported to the Executive at its meeting on 27 November 2018.
- 10.2 Officers have consulted the Lead Councillor for Finance and Asset Management about assumptions to be used on the level of council tax increase and the proposed budget (including balancing the budget) and he agrees with the approach taken in this report 2018

## **11. Equality and diversity implications**

- 11.1 There are no equality or diversity implications arising from this report. Where changes to services are included within the budget the service managers will carry out the relevant equality impact assessments as part of the changes.

## **12. Financial implications**

- 12.1 The financial implications are considered throughout the report.

## **13. Legal implications**

- 13.1 The Council is required to set a Council Tax for the financial year 2019-20 before 11 March 2019. It may not be set before all precepts have been issued or before 1 March 2019 whichever is the earlier. The decision is reserved to Council and cannot be taken by the Executive or delegated to officers, although the Executive has to recommend a budget to Council. Before setting the level of the tax, the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficit estimated to be brought forward from previous years and any amounts required to be transferred between funds. The tax itself must be sufficient to cover the difference between the agreed budget less government grants credited to the consolidated revenue account and any other expenditure which must be met from the Collection Fund less any surplus (or plus any deficit) brought forward from previous years.
- 13.2 These legal duties are set out in the Local Government Finance Act 1992 as amended and requires various specific calculations and decisions to be made by the Council:
  - (a) First, it must calculate its budget requirement in accordance with section 32 of the Act;
  - (b) Second, it must calculate the Borough Council element of the Council Tax – first for Band D and then for all bands in accordance with sections 33 to 36 of the Act; and
  - (c) Third, it must set the overall Council Tax for each band in accordance with section 30 of the Act

- 13.3 A note of the amount set must be published in at least one newspaper circulating in the Council's area within 21 days of the decision.

### **Section 25 Report**

- 13.4 The Chief Finance Officer is required by the Local Government Act 1972 section 151 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting; financial management and accounting practices meet relevant statutory and professional standards.
- 13.5 In addition, the Local Government Act 2003 section 25 provides that the Council's Chief Finance Officer (the Local Government Act 1972 section 151) is required to report to the Council on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the calculations in connection with which it is made. The Chief Finance Officer's advice on those requirements is set out in **Appendix 1** to this report.

### ***Administrative law/consultations***

- 13.6 In reaching decisions on these matters, councillors are bound by the general principles of administrative law. Lawful discretions must not be abused or fettered and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account and any decision made must be one, which only a reasonable authority, properly directing itself, could have reached. Councillors must also balance the interests of the service users against those who contribute to the Council's finances. The resources available to the Council must be deployed to their best advantage. Councillors must also act prudently.
- 13.7 Amongst the relevant considerations which councillors must take into account in reaching their decision, are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans is contained in the Local Government Finance Act 1992 section 65.
- 13.8 In considering, the advice of officers and the weight to be attached to that advice, councillors should have regard to the personal duties placed upon the Chief Finance Officer. The Council may take decisions which are at variance with her advice provided that there are reasonable grounds to do so. However, councillors may expose themselves to risk if they disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts and future liabilities.

### ***Referendum requirement***

- 13.9 The government no longer has power to cap local authority budgets under the Local Government Act 1999. However, the Localism Act 2011 introduced limits each year above which any increase in Council Tax would need to be supported by a referendum. In setting the Council Tax for the next financial and in agreeing the Council's budgetary requirements the Council will need to take into account these limits. The local government financial settlement allows for an increase of

less than 3% or up to and including £5 per Band D property, whichever is the higher.

### ***Constitutional arrangements***

- 13.10 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 provide that votes at key budget decision meetings must be recorded. The Council's Constitution provides in Part 4 – Council Procedure Rule 19 (d) that a recorded vote shall be taken at a meeting of the Council in respect of any motion or amendment to approve the budget or set council tax.

### ***Restrictions on voting***

- 13.11 Councillors should be aware of the provisions of the Local Government Finance Act 1992 section 106 that applies where:
- (a) they are present at a meeting of the Council, the Executive or a committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
  - (b) any budget or council tax calculation or recommendation or decision, which might affect the making of such calculation, is the subject of consideration at the meeting.
- 13.12 In these circumstances, any such councillors shall at the meeting and as soon as practicable after its commencement disclose the fact that section 106 applies to them and shall not vote on any question concerning the matter in (b) above. It should be noted that councillors are not debarred from speaking on these matters.
- 13.13 Failure to comply with these requirements constitutes a criminal offence unless a councillor can prove they did not know that section 106 applied to them at the time of the meeting or that a matter in question was the subject of consideration at the meeting. Councillors should be aware that the responsibility for ensuring that they act within the law at all times rests solely with the individual councillor concerned. All councillors have been advised of these provisions separately by way of an email circulated on 10 January 2019.

## **14. Human Resources implications**

- 14.1 There are no immediate human resources implications because of this report. Officers will address any changes in the level of resources because of growth or savings initiatives as the changes are implemented.

## **15. Conclusion**

- 15.1 The proposed budget includes a Council Tax requirement of £9,758,577 resulting in a Council Tax increase of £5 per annum (3.00%).
- 15.2 The proposed budget includes the implications of amendments to the empty dwellings legislation.

15.3 The Chief Finance Officer's report, attached at **Appendix 1**, covers the medium term financial plan, the robustness of the estimates, adequacy of reserves and budget risks. The medium term financial plan position remains challenging and we estimate that we will need to find savings of approximately £10.4 million over the period to 2022-23.

**16. Background Papers**

None

**17. Appendices**

Appendix 1: Chief Finance Officer's statutory report

Appendix 2: General Fund Summary

Appendix 3: Proposed Fees and Charges 2019-20

Appendix 4: Financial Risk Register

Appendix 5: Empty Property Determination

Appendix 6: Draft Budget and Council Tax resolution 2019-20