

REVENUE BUDGET – ESTIMATES 2019/20**1.0 ESTIMATES 2019/20**

1.1 The table below details the revenue budget for 2019/20 at a strategic level.

	2017/18 Actual £	2018/19 Original £	2018/19 Latest £	2019/20 Estimate £
Economy & Planning	1,094,793	1,430,990	1,523,000	1,897,620
Finance	(232,897)	342,450	30,040	91,260
Leisure & Environment	4,728,642	5,038,420	5,230,730	5,610,980
Law & Governance	1,031,201	1,169,770	1,191,720	1,358,090
Internal Drainage Boards	112,293	114,540	120,680	127,920
Net Budget	6,734,032	8,096,170	8,096,170	9,085,870

1.2 The budget has been prepared in accordance with the Council's priorities reflected in the Council Plan. The main increase in the budget in 2019/20 is due to salaries and member allowances.

1.3 A detailed schedule of service's budgets that constitute the total budget in each Department is shown at Annex B.

2.0 FINANCIAL STRATEGY:

2.1 The Council's latest Financial Strategy has been included previously on this Cabinet agenda. The revenue budget for 2019/20 is within the financial constraints set by the Financial Strategy.

2.2 A number of assumptions which underpin the Financial Strategy have been applied in setting the 2019/20 revenue budget, these include:-

- All fees & Charges have been reviewed for 2019/20, with an overall increase of 2.18%. This takes into consideration the nature of the services, the impact on commercial viability and local economic circumstances;
- A provision of 2% has been included in line with the nationally proposed pay award along with an uplift for lower grades to ensure the national living wage is received by all.
- Contracts and Service Level Agreements have been increased by the appropriate rate of Consumer Price Index where applicable. Energy and vehicle fuel prices continue to be volatile, although advantage has been taken of favourable rates in relation to gas and electric and contracts locked into. Prudent provision has been included for changes in vehicle fuel for 2019/20.
- The 75% Business Rate Retention Scheme Pilot with North Yorkshire and West Yorkshire Council's is for one year only has been estimated to increase funding to the Council through business rate growth and is more beneficial than receiving revenue

support grant and rural services delivery grant funding from the government. This scheme enables the Council to keep a proportion of the business rates collected locally which provides an incentive for all Councils to grow their local economy.

- Government grants will reduce where by revenue support grant and rural services delivery grant will cease to exist from 2019/20.
- A Council Tax increase of £5 on a Band D equivalent property has been determined; Council tax did not rise for five years up to 2016/17 as a result of Central Government offering a Council Tax Freeze Grant; however due to the reduction in local government funding this is no longer viable.
- An Income generating revenue funding stream has been introduced from 2020/21 where by the Council needs to look towards alternative revenue generating opportunities to be able to continue to deliver current services
- The revenue budget assumes that the Bank of England base will rise during 2019/20 to 1.25%.

2.3 Within the Financial Strategy it has been estimated that the Council loses 36% of its funding (revenue support grant, rural service delivery grant) from the Government's four year funding settlement since 2016/17.

2.4 All the factors listed in paragraph 2.2 have been taken into account to balance the revenue budget and limit the Council's reliance on the use of reserves. The assumptions in the Financial Strategy on the level of income generated by all these streams are made on a prudent and sustainable basis.

3.0 RESERVES AND BALANCES:

3.1 As the revenue budget has been set within the constraints of the Financial Strategy, the assumed level of revenue reserves and balances at 31 March 2019 remain consistent with the Financial Strategy.

3.2 A summary of anticipated revenue reserves and balances at 31 March 2020 is set out below:-

Reserves	Balance £
Council Tax-payers	5,169,060
Repairs and Renewals Fund	843,029
Computer Fund	1,336,346
Grants Fund	91,834
One-Off Fund	300,000
Economic Development Fund	664,635
General Fund Working Balance	2,000,000
TOTAL	10,404,904

3.3 This reserve position is reliant on the income streams detailed in paragraph 2.3.

4.0 FINANCIAL OUTLOOK:

- 4.1 Although the revenue budget 2019/20 and Financial Strategy represent a robust position, the Council is not immune to the continued significant economic and financial challenges facing the whole of the public sector in the UK.
- 4.2 The Local Government Finance Settlement 2019/20 announced in December 2018 was broadly in line with what was expected. Overall Core Spending Power nationally is expected to increase by 2.8%, where the largest driver of this increase is the funding for the new adult social care grants. The Core Spending Power is the overall impact on local authorities of changes in funding and locally-raised council tax. It reflects the impact of changes on local authority budgets. For this District Council the Core Spending Power includes:
- Settlement Funding Assessment – revenue support grant and rural services delivery grant
 - New homes bonus
 - Council Tax
- 4.3 The Core Spending Power for this Council in 2019/20 has increased by 1% which is lower than the national average as the council doesn't benefit from the adult social care grant. The 1% increase comes from new homes bonus grant and increase in council tax and the increase in the number of properties in the district.
- 4.4 The finance settlement announcement in December 2018 on rural services delivery grant and new homes bonus for the 2019/20 was as expected at £628,843 and £1,600,907 respectively. In addition no changes were made to new homes bonus calculation and again the amount received was a slight increase on last year by £59,080. The future of the new homes bonus grant is uncertain as in the autumn 2018 statement the Chancellor announced that a review of the new homes bonus grant scheme would occur as nationally it does not seem to be facilitating housing growth as the Government envisaged; further information is awaited in due course.
- 4.5 It should be noted that in 2019/20 the Council has committed to a 75% Business Rate Retention scheme pilot, which was approved in the Finance Settlement, where the revenue support grant and rural services delivery grant funding are replaced by the Council retaining additional business rates. The proposal that the Council wanted to be part of this pilot was approved by Cabinet in September 2018 and now encompasses North Yorkshire and West Yorkshire Councils; it is for one year only. The pilot represents the potential future 75% Business Rate Retention scheme which is currently out to consultation and is beneficial to the Council where increased funding for one year is estimated to be achieved.
- 4.6 The ongoing reductions in Government grant support, increases the Council's reliance on other funding streams such as:
- The proposed 75% business rates retention system; this is still in consultation with the Government but current thinking indicates that due to the pressure on adult social care and children's services in the local government sector that a proportionately lower amount of business rates will be received by district councils in future with an increased amount being provided to county councils. 75% locally retained business rates will still be redistributed across local government and increased burdens will be transferred from central government to ensure the overall position is fiscally neutral.

- Increasing Council Tax by £5 on a Band D equivalent property; an alternative option in 2019/20 was to increase Council Tax by 3%, but due to this Council charging the third lowest council tax in the UK the financial strategy is based on a £5 rise.
- Reviewing Fees and Charges across Council services;
- Investment income and loan interest; delivered from investing the Council's surplus funds through treasury management activities or by through the Capital Programme where investment can be made in third parties. In these instances 'due diligence' and risk management are key.
- Revenue income generated from commercial and partnering opportunities.

- 4.6 In addition to the reduction in grant funding and reliance on other funding streams, it is also necessary to consider the volatility of inflation, changes in energy prices, reduced investment interest rates, the economic environment and the implications of Brexit. Reports to Audit, Governance & Standards Committee in 2018/19 detail the current national discussion on the implications for local government.
- 4.7 The shortfall in funding and increase in costs presents a challenging financial outlook for the Council. The Council continues to ensure services are provided in a cost effective way enabling the Council to continue to preserve its front-line services for the community at the present time.
- 4.8 Due to the Council's revenue reserve balances it is in a better financial position than most to deal with these financial challenges. It should be noted that as a result of the Local Government Finance Settlement over the 10 year financial strategy the revenue reserve balances continue to fall significantly. Therefore, to maintain the current reserve position it is vital that other income generating opportunities are identified and efforts must be made in setting future budgets to, where possible, preserve these reserve levels and protect the Council's financial position.
- 4.9 In light of the reliance on the ability of the Council to generate income, a revenue stream has been established in the financial strategy where this funding will support the ongoing financial viability of the Council.