



<b>Title</b>	General Fund Base Budgets 2019/20
<b>For further information about this report please contact</b>	Marcus Miskinis (01926 456201) Mike Snow (01926 456800)
<b>Wards of the District directly affected</b>	N/A
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No
<b>Date and meeting when issue was last considered and relevant minute number</b>	
<b>Background Papers</b>	Executive 27 June 2018 – Fit For The Future Change Programme; Executive 30 August 2018 – Budget Review to 30 June 2018; Executive 26 September 2018 – Fees and Charges 2019/20; Executive 28 November 2018 – Budget Review to 30 September 2018.

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes – Ref 959
<b>Equality Impact Assessment Undertaken</b>	No

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	1 Dec 2018	Chris Elliott
Head of Service	29 Nov 2018	Mike Snow
CMT	11 Dec 2018	
Section 151 Officer	29 Nov 2018	Mike Snow
Monitoring Officer	11 Dec 2018	Andrew Jones
Finance		Finance Report
Portfolio Holder(s)	11 Dec 2018	Councillor Whiting

<b>Consultation &amp; Community Engagement</b>	
None	
<b>Final Decision?</b>	No
<b>Suggested next steps:</b> Council Tax Setting in February 2019	

## 1. SUMMARY

- 1.1 This report sets out the latest projections for the General Fund revenue budgets in respect of 2018/19 and 2019/20 based on the current levels of service, and previous decisions. There are further matters that will need to be reviewed in order to finalise the base position as part of the 2019/20 budget setting process as set out in paragraph 8.3.
- 1.2 The 2018/19 latest budgets show a forecast surplus of £3,800.
- 1.3 The proposed 2019/20 Base Budget currently forecasts a surplus of £19,100.

## 2. RECOMMENDATIONS

- 2.1 To recommend to Council:
- (a) the base budget for the General Fund services in respect of 2019/20 as outlined in Appendix 'B';
  - (b) the updated budget for the General Fund services in respect of 2018/19 as outlined in Appendix 'B';

## 3. REASONS FOR THE RECOMMENDATION

- 3.1 The Council is required to determine its budget requirements in order to set the Council Tax for 2019/20.

### 3.2 Base Budgets

- 3.2.1 The proposed Base Budgets for 2019/20 and the Latest Budgets for 2018/19 are shown below. These figures include all financing charges (which are dealt with in paragraph 3.5). Paragraph 3.3 considers the 2019/20 Base Budget, with paragraph 3.4 looking at the Latest 2018/19 budget figures.

	<b>Base Budget 2018/19 £000</b>	<b>Latest Budget 2018/19 £000</b>	<b>Base Budget 2019/20 £000</b>
<b>Net Expenditure for District Purposes</b>	18,742	19,429	14,538

- 3.2.2 The above figures fluctuate year on year mainly to reflect changes to the use of reserves (often due to project slippage), and changes in external support, notably Revenue Support Grant and retained Business Rates.

### 3.3 2019/20 Base Budget

- 3.3.1 In preparing the 2019/20 Base Budget the over-riding principle is to budget for the continuation of services at the existing level. The following adjustments need to be made to the 2018/19 Original Budget.

Removal of any one-off and temporary items  
 Addition of inflation  
 Addition of previously agreed Growth items  
 Addition of unavoidable Growth items  
 Inclusion of any identified savings

3.3.2 The table below summarises how the 2019/20 base budget has been calculated. Appendix 'A' gives more details to support this.

	£	£	£
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2018/19 ORIGINAL</b>			<b>18,742,169</b>
Plus Inflation			155,300
Staffing			714,300
Plus Committed Growth:			
- Increases in expenditure	651,900		
- Reduced income	152,200	804,100	
	<u>          </u>		
Less Savings:			
- Reduced expenditure	(989,500)		
- Increases in income	(1,459,400)	(2,448,900)	
	<u>          </u>	<u>          </u>	
<b>CHANGES IN SERVICE INCOME and EXPENDITURE</b>			<b>(1,644,800)</b>
Changes in Interest			(42,000)
Changes in Contributions to Capital			-
Changes in non-service specific contributions to reserves			(3,633,724)
Changes in Contributions to / from General Fund			246,255
			<u>          </u>
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2019/20 ORIGINAL</b>			<b>14,537,500</b>
			<u>          </u>

### 3.3.3 Inflation

No inflation has been applied to most expenditure budgets. The only exception is in respect of the major contracts at 2.5% (£128,400) and Business Rates 2.4% (£26,900).

### 3.3.4 Staffing

Staff costs will increase in 2019/20. The main changes:

Agreed 2% pay award (+£275,500);  
 Assets Team redesign – GF share (+£85,400);  
 Pension Fund increases (+£79,100);  
 Impact of National Living Wage on new Pay Scales (+£50,000) -  
 reduction of £100k from sum previously included in Medium Term  
 Financial Strategy;

### 3.3.5 Growth / Income Reductions

Only previously committed growth and unavoidable changes have been included in the Base Budget. This totals £804,100 of which £651,900 relates to increased expenditure and £152,200 relates to reduced income. Appendix 'B' lists the main items, the largest being:

Additional corporate repair and maintenance costs including water features and fountains (+£134,000);  
Net increase in Housing Benefits costs (+£89,500)  
Increased costs of major contracts growth (+£71,400).

- 3.3.6 Various savings / increased income have been allowed for within the Budget. These total £2,448,900 which comprises £989,500 reductions in expenditure and £1,459,400 increases in income. Appendix 'B' lists the main items, the largest being:

Removal of time limited items (-£638,200);  
Concession fees from Leisure contractor (-£635,400);  
Increased Crematorium income (-£118,600);  
Additional Homelessness Prevention grant (-£364,800);  
Generation of advertising income (-£100,000);  
Slippage of impact of pension auto-enrolment to October 2019 (-£95,600);  
Reduced business rates (-£62,800);  
Additional car parking income (-£61,300).

- 3.3.7 Having taken the above into account, there is a forecast reduction of £1,644,800 in net service expenditure which is mainly the falling out of one-off and reserve funded items. There is no overall change in the level of service provision budgeted for, other than any previously agreed changes.

- 3.3.8 The large reduction in non-service specific contributions to reserves (-£3.4m) is mainly due to a reduced contribution to the Business Rates Retention Volatility Reserve (-£2.3m), no contribution from the Leisure Options Reserve (+£1.1m), a reduced contribution to the Community Projects Reserve (-£1.4m) and changes in other reserve funding (+£1,2m) plus no allocations from New Homes Bonus to reserves at this stage (-£2.3m).

- 3.3.9 In addition to the above there are also various other general financing adjustments required to arrive at the demand for Council Tax. Taking all these items into account produces a forecast surplus of £19,100.

- 3.3.10 However, as outlined in section 8, the final Government Finance Settlement and other unforeseen events mean the final position will not be confirmed until early 2019.

- 3.3.11 Appendix 'B' is broken down into two parts – Appendix 'B1' and Appendix 'B2'. Both appendices provide details of service expenditure and income in portfolio order. Appendix 'B1' is a summarised version of Appendix 'B2'. The analysis in Appendix 'B2' is divided into two sections – expenditure and income under the direct control of the budget manager (e.g. salaries, fees and charges income, etc.) and those items for which they have little or no control over (support service allocations and capital financing charges). Explanations are provided where significant variations have been identified.

### 3.4 Latest Budget 2018/19

3.4.1 Under the current Budget Review process, amendments to budgets are presented to members, for approval, on a regular basis rather than waiting until this report. Consequently, many changes have already been reported and approved by Members. This report continues that process and provides details of the latest budgets for the current year. Appendices 'B1' and 'B2' provide detailed analysis of net expenditure by service in Portfolio groupings.

3.4.2 The Latest Budgets total £19,428,500 which is an increase of £686,300 compared with the originally approved budget for 2018/19 of £18,742,200.

3.4.3 The main reasons responsible for the decrease in service income and expenditure are included within Appendix 'B', which can be summarised as follows:

	£	£	£
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2018/19 ORIGINAL</b>			<b>18,742,169</b>
Staffing			(109,700)
Plus Committed Growth:			
- Increases in expenditure	624,300		
- Reduced income	108,900	733,200	
	<hr/>		
Less Savings:			
- Reduced expenditure	(293,900)		
- Increases in income	(683,100)	(977,000)	
	<hr/>	<hr/>	
<b>CHANGES IN SERVICE INCOME and EXPENDITURE</b>			<b>(243,800)</b>
Changes in Interest			-
Changes in Contributions to Capital			-
Changes in non-service specific contributions to reserves			1,889,556
Changes in Contributions to / from General Fund			(849,680)
			<hr/>
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2018/19 LATEST</b>			<b>19,428,545</b>
			<hr/> <hr/>

3.4.4 The first part of the table above shows that the total net expenditure on services has reduced by £243,800.

3.4.5 The 2018/19 budget has been reviewed in order to set the 2019/20 base budget. This will be reviewed again in February.

3.4.6 The Quarter 2 Budget Review to the Executive on 28 November 2018 identified, and reported on, a budget deficit totalling £90,600. The inflation contingency budget (£50,000) has been removed for 2018/19 as at this stage there is unlikely to be any call upon it. Also, the Apprenticeship Scheme contingency budget has been reduced by £60,000 to reflect the like spend for the remainder of the year. Taking these factors into account there is now a forecast surplus of £3,800.

3.4.7 The comments made in paragraph 3.3.11 concerning the content of Appendix 'B' are equally applicable to the information provided in respect of the Latest Budgets for 2018/19.

## Capital Financing and Reserves

3.4.8 In order to arrive at the position for the Council's overall net expenditure it is necessary to take account of the effects of the Council's capital financing arrangements and any transfers to and from reserves. These are summarised below:

Line Ref	BASE BUDGET 2018/19 £'000	LATEST BUDGET 2018/19 £'000	BASE BUDGET 2019/20 £'000
<b>1 Net Cost Of General Fund Service Expenditure</b>	<b>22,071</b>	<b>23,207</b>	<b>20,682</b>
<b>Capital Financing and Reserves</b>			
2 Depreciation, Intangible Assets and Capital Financing Charges included in Service Estimates	(5,236)	(5,236)	(5,236)
3 Loan Repayments, Revenue Contribs & Interest Paid	501	501	590
4 Revenue Contributions to Capital	80	80	80
5 Contributions to / (from) Reserves	4,129	4,174	746
6 External Investment Interest	(462)	(461)	(593)
7 IAS19 Pension Adjustments	(2,031)	(1,676)	(1,667)
8 Contributions to / (from) General Fund	(310)	(1,160)	(64)
<b>9 TOTAL CAPITAL FINANCING and RESERVES</b>	<b>(3,329)</b>	<b>(3,778)</b>	<b>(6,144)</b>
<b>10 TOTAL ESTIMATED NET EXPENDITURE</b>	<b>18,742</b>	<b>19,429</b>	<b>14,538</b>
<b>Change from Base Estimate</b>		<b>687</b>	<b>(4,204)</b>

3.4.9 Detailed explanations of the changes to items 2 to 8 are within Appendix 'C'.

Most of the changes to the Capital Financing and Reserves figures reflect changes in specific items within the cost of General Fund service expenditure, whereby many increases in service expenditure are met by a contribution from a specific reserve which would be included here.

These figures are still being updated to reflect the latest Capital Programme and use of reserves. Any further changes will be detailed in the February 2019 Budget report.

3.4.10 Depreciation, Intangible Assets and Capital Financing Charges in Service Budgets (line ref 2 above).

These are non-cash charges to services that do not impact on the Council's overall external funding requirement (primarily council tax, retained business rates and Government grant). By including these charges, the full cost of the respective services provision is apparent. Variations between years occur which reflect new schemes and slippage

between years of schemes as reflected within the Council's capital programmes.

3.4.11 Loan Repayments, Revenue Contributions and Interest Paid (line ref 3 above).

There are no changes in the 2018/19 budgets at present. There is an increase in 2019/20 of £89,000 for a loan from the Public Works Loan Board (PWLB) in respect of the Europa Way development costs.

3.4.12 Revenue Contributions to Capital (line ref 4 above).

No changes have been included in the budgets at this stage.

3.4.13 Contributions to / (from) Reserves (line ref 5 above).

The 2019/20 original budget shows a reduction in contributions to / from reserves of £3,383,000 when compared to the 2018/19 original budget. The 2018/19 latest budget shows an increase in contributions to / from reserves of £45,000. The changes can be categorised as follows:

	<b>Base Budget 2018/19 £000</b>	<b>Latest Budget 2018/19 £000</b>	<b>Base Budget 2019/20 £000</b>
<b><u>Contributions to / (from) reserves:</u></b>			
Contribution to / (from) Business Rates			
Retention Volability Reserve	3,069	3,921	736
Use of New Homes Bonus	2,301	2,301	-
Homelessness Prevention Grant	(301)	-	-
Use of Community Projects Reserve	1,306	1,553	(45)
Use of Leisure Options Reserve	(1,147)	(1,147)	-
Services, etc.	(1,099)	(2,454)	55
	<hr/>		
<b>Contributions to / (from) reserves</b>	<b>4,129</b>	<b>4,174</b>	<b>746</b>
	<hr/> <hr/>		

**Change:**

Contribution to / (from) Business Rates		
Retention Volability Reserve	852	(2,333)
Use of New Homes Bonus	-	(2,301)
Homelessness Prevention Grant	301	301
Use of Community Projects Reserve	247	(1,351)
Use of Leisure Options Reserve	-	1,147
Services, etc.	(1,355)	1,154
	<hr/>	
<b>Contributions to / (from) reserves</b>	<b>45</b>	<b>(3,383)</b>
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3.4.14 External Investment Interest (line ref 6 above).

No changes to the 2018/19 budgets have been factored in at this stage. Changes for 2019/20 are an additional £239,000 in gross interest receipts due to rate changes. These figures will be updated in the February Budget Setting report.

	<b>Base Budget 2018/19 £000</b>	<b>Latest Budget 2018/19 £000</b>	<b>Base Budget 2019/20 £000</b>
Interest receivable	(782)	(781)	(1,021)
Deferred capital receipt	(24)	(24)	(21)
HRA Share	344	344	449
<b>Total GF Interest Receivable</b>	<b>(462)</b>	<b>(461)</b>	<b>(593)</b>

**Change:**

Interest receivable	1	(239)
Deferred capital receipt	-	3
HRA Share	-	105
<b>Change in GF Interest Receivable</b>	<b>1</b>	<b>(131)</b>

3.4.15 The Housing Revenue Account balances form part of the Council's investment portfolio and as a result of the factors described above the investment interest to be credited to the Housing Revenue Account is expected to increase in 2019/20 by £105,000.

3.4.16 IAS 19 Adjustments (line ref 7 above).

IAS 19 requires an authority to recognise the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out. The figures included in the budgets are based on the latest figures from the Pension Fund actuary.

3.4.17 Contributions to / (from) General Fund (line ref 8 above).

In line with the decisions made at the February 2018 Executive meeting as part of the 2018/19 Council Tax Setting, £310,200 was transferred from 2017/18 to 2018/19 via the General Fund balance. The Budget Review Report to the November 2018 meeting allocated the 2017/18 surplus £850,000 to 2018/19 and £64,000 to 2019/20 – see Appendix 'C' for details.

### 3.5 **General Grants**

3.5.1 In order to complete the picture the general grants position also needs to be considered.

3.5.2 The Revenue Support Grant reduces to zero for 2019/20 based upon the 4 year settlement confirmed in January 2016. Should this change, which is believed to be most unlikely, the revised figure will be reported in the February Budget Setting Report.

3.5.3 Gross Business Rates income figures show an increase of £0.99m in 2018/19, and is estimated to reduce by £1.71m in 2019/20 from 2018/19. The income for 2018/19 is higher due to primarily one-off adjustments in respect of the appeals provision. This reduction in Business Rates income will be matched by an increased contribution from the Volatility Reserve so as to smooth the net income to the General Fund. Movements in business rates are as follows:

	<b>Actual 2017/18 £000</b>	<b>Original 2018/19 £000</b>	<b>Latest 2018/19 £000</b>	<b>Original 2019/20 £000</b>
Gross Business Rates Income	4,274	6,976	7,968	5,268
Contribution from (to) Business Rate Retention Volatility Reserve	(445)	(3,068)	(3,921)	(736)
Net Business Rate Income credited to General Fund	3,829	3,908	4,047	4,532

3.5.4 At this stage, no New Homes Bonus has been included in respect of 2019/20.

3.5.5 The Government has announced a grant in respect of Homelessness Prevention work of which £301,000 has been received in 2018/19. Following a change in accounting treatment this grant is now shown within the revenue budgets. Pending a decision on the programme of work, these resources have been transferred to a new reserve.

3.5.6 The Council Tax element of the Collection Fund will be calculated in January 2019, with the Major Preceptors being notified of their share of any surplus or deficit, and will be included within the February 2019 Budget report with any balance to be distributed / recovered in 2019/20.

3.5.7 As reported in the Quarter 2 Budget Report, the Council Tax Base for 2019/20 has now been calculated. The Base has increased by 2,188.20 from 53,388.87 to 55,577.17. This change will result in an increased Council Tax yield of £354,200. Increasing the Council Tax Band D charge by the previously agreed £5 will produce a further yield of £277,900.

3.5.8 The net result of all these movements is shown below:

	BASE BUDGET 2018/19 £'000	LATEST BUDGET 2018/19 £'000	BASE BUDGET 2019/20 £'000
<b>TOTAL ESTIMATED NET EXPENDITURE</b>	18,742	19,429	14,538
Less: Revenue Support Grant	(307)	(307)	-
Less: Business Rates Income	(6,976)	(7,968)	(5,268)
Less: General Grants:			
- New Homes Bonus	(2,482)	(2,482)	-
- New Homes Bonus Returned Funding	(4)	(4)	-
- Homelessness Prevention Grant	(301)	-	-
- Self & Custom Build New Burdens Grant	(30)	(30)	(15)
Collection Fund (Surplus) / Deficit	-	-	-
Council Tax	(8,642)	(8,642)	(9,274)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>(Surplus) / Deficit</b>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>

3.5.9 This shows that there is a forecast surplus of £3,800 in 2018/19 and £19,100 in 2019/20.

## 4. POLICY FRAMEWORK

### 4.1 Financial Strategy

This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February.

### 4.2 Fit for the Future

"The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy."

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
The general fund budgets provide the necessary resources to	The general fund budgets provide the necessary resources to	The general fund budgets provide the necessary resources to achieve

achieve these outcomes	achieve these outcomes	these outcomes
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
The general fund budgets provide the necessary resources to achieve these outcomes	The general fund budgets provide the necessary resources to achieve these outcomes	The general fund budgets provide the necessary resources to achieve these outcomes

#### 4.3 **Community Engagement**

Not applicable.

#### 4.4 **Changes to Existing Policies**

The proposed budgets are in accordance with existing policies.

#### 4.5 **Impact Assessments**

The Council's Budget covers the community throughout the District. It is a statement of fact and officers will have considered any impact prior to amending their budgets.

### **BUDGETARY FRAMEWORK**

4.6 Securing savings and balancing its Budget will enable the Council to deliver its aspirations and priorities as well as core services. The Financial Strategy underpins all of the Council's other strategies.

4.7 Members are reminded that the 2019/20 Council Tax will be set in February after budgets are finalised. The Executive has previously stated that it intends to set a £5 council tax increase to Band D for 2019/20, subject to any limits imposed by Central Government.

4.8 An inflation allowance of 2.5% has been included for the major contracts and 2.4% for business rates. In addition, the implications of the national pay award for 2018/19 and 2019/20 has been included, with most grades subject to 2% per annum, and higher rates for lower grades.

## 5. RISKS

- 5.1 The Council's Significant Business Risk Register contains several risks which are finance related. Shortage of finance will impact upon the Council's plans for the provision of services. Reduced income or increased expenditure will reduce the funding available.
- 5.2 The main sources of income which may be subject to reductions include:
- Government grant (e.g. Revenue Support Grant, Benefits Administration Grant);
  - Business Rates Retention;
  - Fees and charges from provision of services;
  - Rent income;
  - Investment interest.
- 5.3 Increased expenditure in service provision may be due to:
- Inflation and price increases for supplies and services;
  - Increased demand for services increasing costs;
  - Changes to taxation regimes;
  - Unplanned expenditure;
  - Assumed savings in budgets not materialising.
- 5.4 Triggers for increased costs or reduced income include:
- Economic cycle – impacting upon inflation, interest rates, unemployment, demand for services, Government funding available;
  - Unplanned expenditure, e.g. costs from uninsured events, costs of planning appeals or other legal process;
  - Project costs – whereby there are unforeseen costs, or the project is not properly costed, or the risks related to them are not properly managed.
  - Changes to assumptions underpinning the Medium Term Financial Strategy – these assumptions are closely monitored.
- 5.5 Many controls and mitigations are in place to help manage these risks. These include:
- The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis, considering previous, current and future years, along with any possible issues that may impact upon their budgets. As part of this process, regular Budget Review reports are issued to the Executive and Senior Management Team.
  - Financial Planning with the Medium Term Financial Strategy / financial projections, bringing together all issues that will impact on the Council's finances in the medium term.
  - Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).
  - Project Management and associated controls.
  - Trained staff and access to appropriate professional advice (e.g. WCC Legal Services, Local Government Futures for advice on local government funding).
  - Risk Management process across the Council, including the on-going review and maintenance of risk registers. The specific

causes of reductions to income or increased expenditure should continue to be managed by the relevant Service Area as part of managing risks within each Service Risk Register. Individual Service Area Risk Registers are brought to Finance and Audit Scrutiny Committee every two years.

- Scrutiny by Members of the Council's finances, including Budget Reports and the financial implications of all proposals brought to them for consideration.
- Within the 2018/19 budgets there is a Contingency Budget with an uncommitted balance of £214,100 for any unplanned unavoidable expenditure.
- Reserves – whilst much of these Reserves have already been earmarked for specific projects, it is important that Reserves are held for any unforeseen demands.
- In addition to the Reserves, the Council holds the General Fund Balance of £1.5m. This is available to accommodate any unplanned expenditure or to make up any shortfall in income. However, the Council should seek to maintain the balance at this level.
- Inflation provision - £50,000 inflation provision is held in the 2019/20 Budgets. This may be used where budget managers can demonstrate that they are unable to accommodate the limited inflationary uplift being incorporated within budgets.

5.6 The Council's Medium Term Financial Strategy includes several projects which should result in savings that will assist the Council to be able to set a balanced budget into the future. The most notable of these projects is the Office Relocation (£300,000 from 2021/22). If these projects do not make the level of savings projected, or they are delayed, it may seriously impact upon the Council's finances.

## **6. ALTERNATIVE OPTION CONSIDERED**

6.1 The purpose of this report is to produce budgets as determined under the requirements of the Financial Strategy, in line with current Council policies. Any alternative strategies will be the subject of separate reports.

## **7. BACKGROUND**

7.1 This report presents the proposed Base Budget for 2019/20. These figures reflect the costs of maintaining the current level of service, any unavoidable changes in expenditure (for example, where the Council is contractually or statutorily committed to incur additional expenditure) and any other commitments that members have previously agreed to be incorporated within the 2019/20 Budget. The report also considers the current year's budget, and includes details of the latest proposed changes to the 2018/19 Budget.

7.2 Any other changes that need to be resolved that have not been included in the budgets at this stage will be fed into the February report.

7.3 In February all the following information should be available:

- 2019/20 Base Budget

- 2019/20 Government Finance Settlement
- Updated Business Rates Retention projections
- 2019/20 New Homes Bonus.

7.4 If the main revenue sources above are below the projections within the medium term financial strategy, detailed consideration will be required as to the means of being able to set a balanced budget. This may include making further savings from services, generating additional income, or using the Council's limited reserves in the short term.

7.5 The Council will then be in a position to agree the 2019/20 Budget and the District Council element of the Council Tax. In addition, the total Council Tax for the District will be set, including the elements set by the County Council, the Police and Crime Commissioner and the Parish and Town Councils.