

REPORT TO:	Executive Board
REPORT NO:	HF/01/19
DATE:	8 January 2019
LEAD MEMBER:	Councillor Mark Pritchard (Organisation – Finance, Performance, Health & Safety and Governance)
CONTACT OFFICER:	Cerith John (Tel: 292710)
SUBJECT:	Revenue Budget 2019-20
WARD:	N/A

1. PURPOSE OF THE REPORT

- 1.1 To enable the Board to make a recommendation to Council on the 2019/20 Revenue Budget and Council Tax.
- 1.2 To receive feedback on the consultation exercises.
- 1.3 To recommend the Medium Term Financial Strategy Statement for the period 2019/20 to 2021/22 to Council.
- 1.4 To recommend the Capital Strategy, Treasury Management Strategy Statement and Investment Strategy 2019/20 to Council.

2. EXECUTIVE SUMMARY

- 2.1 Appendix 1 summarises the 2019/20 proposed budget. The net expenditure is £236,853k and results in an increase in council tax at Band D of 5.5%.
- 2.2 It is a requirement of the Local Government Act 2003 that Members have an assessment of the robustness of the estimates made for the purposes of calculating the net budget requirement and the adequacy of the Council's reserves and balances. The report draws attention to a number of key risk areas identified in the budget and how these may be managed. These are outlined in Appendix 6.
- 2.3 In accordance with the CIPFA Prudential and Treasury Management Codes of Practice the Council is required to approve the 2019/20 Capital Strategy, Treasury Management Strategy Statement and Investment Strategy prior to the beginning of the financial year. These strategies are outlined in Appendix 5.

3 RECOMMENDATIONS

- 3.1 That the Board agrees its final recommendation on the budget and council tax for consideration by Council and that:**
- (a) the 2019/20 revenue budget totalling £236,853,291 be approved**
 - (b) a sum of £61,601,358 be raised from council tax which equates to £1,153.13 at band D and of that sum:-**
 - (i) £82,061 be raised as special expenses on the community areas of Acton, Caia Park, Offa and Rhosddu (£1.53), £4,885 on the community of Glyntraian (£0.09), £14,235 on the community of Llangollen Rural (£0.27) and £18,073 on the community of Chirk (£0.34)**
 - (ii) £ 61,482,104 be raised as general expenses (£1,150.90).**
- 3.2 The Medium Term Financial Strategy Statement outlined in Appendix 4 is recommended to Council.**
- 3.3 The 2019/20 Capital Strategy, Treasury Management Strategy Statement and the Investment Strategy as outlined in Appendix 5 and Appendix 5a are recommended to Council.**

REASONS FOR RECOMMENDATIONS

To enable the Council to determine its revenue budget for 2019/20 and set the council tax for that year. To update the Medium Term Financial Plan and to make recommendations to Council on its Capital, Treasury Management and Investment Strategies.

4. BACKGROUND INFORMATION

- 4.1 The 2019/20 revenue budget was first developed using the following parameters for both 2019/20:**
- a) council tax increase of 3%
 - b) assumed decrease in grant funding of 1% (All Wales average increase)
 - c) inflation assumption as follows:
 - teachers and non teachers pay inflation of 2.9%
 - general price increases of 2%
 - Social Care Fees, PFI & Council Tax Reduction Scheme of 3%
 - d) known unavoidable commitments
 - e) no service pressures
 - f) savings proposals amounting to £4.6m
- 4.2 Following the above parameters a budget shortfall of approximately £3.7m was estimated for the period 2019/20.**
- 4.3 At its meeting on 23 October 2018 the Executive Board approved the inclusion of savings proposals amounting to £6,112k for 2019/20 for consultation. The draft budget plan at that stage had a shortfall of £1,880k for 2019/20 and £8,523k for**

2020/21. The draft budget plan assumed a reduction in funding of 0.60% for 2019/20 and 1% for 2020/21 (see row 5, columns C and G of Appendix 3).

- 4.4 The public consultation of the draft savings proposals ran from 24 October through to 28 November 2018 and the results of the consultation are outlined in Appendix 7.

Local Government Final Revenue Settlement

- 4.5 The Minister announced the final local government settlement details on 19 December 2018 and the Welsh Government will debate the final Local Government report on 15 January 2019. The final settlement gives local authorities on average an increase of 0.2% on the previous year's revenue settlement.
- 4.6 The final settlement includes actual taxbase figures and Wrexham's grant decrease is 0.1%. The Council's Standard Spending Assessment (SSA), the notional assessment for grant distribution purposes of the Council's need to spend on its services, has been calculated as £242,950,741.
- 4.7 The settlement included additional funding of £7m to fund the commitment to increase the capital limit used by local authorities who charge for residential care from £40,000 to £50,000 and an additional £2.4m for local authorities to use their discretionary powers to provide targeted relief to support local businesses that would benefit from additional assistance. Wrexham's share is £288k and £96k respectively and these have been included as new responsibilities in rows 10j and 10k of column D of Appendix 3.

Budget Plan

Unavoidable Commitments

- 4.8 On 17 December 2018 the North Wales Fire & Rescue Authority approved an increase in contributions from constituent authorities for the 2019/20 financial year of 5.21%. Wrexham's increase is £361k – see row 10d and column D of Appendix 3.

Savings Proposals

- 4.9 Based on the results of the 'Difficult Decisions' consultation, recommendations of the Scrutiny Committees and additional savings identified in the current financial year the following amendments have been made to the savings proposals in Appendix 2:

	2019/20	
	Original Proposal £'000	Revised Proposal £'000
<u><i>Environment & Technical</i></u> Proposal No 3 - Charge for Green bin (£30 / £24 incl. vat)	590	0
<u><i>Chief Executive</i></u> Proposal No 1 – Senior Management Restructure	130	155

<i>Corporate & Central</i> Proposal No 5 – Council Tax Reduction Scheme (reduce budget to current year’s projected expenditure level)	0	259
	720	414

4.10 As a consequence the total savings proposals for 2019/20 have been amended to £5,806k (see row11 and column E of Appendix 3).

Medium Term Plans

4.11 A budget plan is under construction for 2020/21 and 2021/22 and includes the following parameters, although it is recognised that they will need to be updated as more information becomes available.

- a) an assumed decrease in grant funding of 1%
- b) Inflationary assumptions as follows:
 - pay award of approximately 2.5% for both teachers and non-teachers
 - price increases of approximately 2% (UK Government target)
- c) known unavoidable commitments
- d) preliminary estimates of council tax increases of 3%

4.12 The Council’s Medium Term financial strategy is outlined in Appendix 4.

Annual Capital Provisions

4.13 The Council’s policy since 1997 has been to consider each year, a phased transfer from the capital programme to the revenue budget. This has not been implemented in any year because of spending pressures on the revenue budget and the implications for council tax levels. It is recommended that the Council does not transfer any amounts to revenue.

Balances

4.14 A local authority requires a prudent level of working balances to maintain adequate cash flow, especially during the first part of the financial year prior to the receipt of council tax income, and to meet unforeseen expenditure.

4.15 The 2019/20 budget does not include any contribution to balances. I am satisfied that the level of balances and reserves is adequate for the forthcoming financial year and the Council’s medium term financial strategy.

4.16 An analysis of the Council’s key estimated earmarked reserves and balances for the year ahead is as follows:

	Actual Balance at 1 April 2018 £k	Estimated Balance at 1 April 2019 £k	Estimated 2019/20 Movement in year £k	Estimated Balance at 31 March 2020 £k
Council Fund balance	7,018	7,018	0	7,018
School Balances	2,012	(39)	0	(39)
Service Reserves	1,054	665	(351)	314
Other Earmarked Reserves	15,769	9,867	(2,492)	7,375
Total Balances and Reserves	25,853	17,511	(2,843)	14,668

4.17 The estimated balances at 1 April 2019 in the table above are based on the best estimates available at the time of writing the report. The movement in the Council Fund balance includes the reported position in the current year. These will change following the closure of the 2018/19 accounts and will be reported to members as part of the outturn report after the end of the financial year. Of the 2019/20 in year planned movement on service reserves of £351k none will be used to fund recurrent expenditure.

Council Tax Recommendations

4.18 Turning to the council tax implications of the budget totalling £61,601,358, Members will recall that a sum of £117,629 in 2018/19 has been charged as a special expense and taken out of the calculation for council tax general expenses. An amount of £119,254 is proposed for 2019/20, which would lead to a special expense of £4.98 (£4.93 in 2018/19) at band D for properties in Acton, Caia Park, Offa and Rhosddu (see table below – Town of Wrexham), £12.75 (£12.46 in 2018/19), £16.46 (£16.44 in 2018/19) and £10.81 (£10.60 in 2018/19) for the communities of Glyntraian, Llangollen Rural and Chirk respectively.

Community	No of Units	2018/19			2019/20			
		Tax base	Total Cost £	Special Expense £	No of Units	Tax base	Total Cost £	Special Expense £
Town of Wrexham	1,175	16,406	80,969	4.93	1,176	16,480	82,061	4.98
Glyntraian	70	387	4,824	12.46	70	383	4,885	12.75
Llangollen Rural	204	855	14,057	16.44	204	865	14,235	16.46
Chirk	258	1,677	17,779	10.60	259	1,672	18,073	10.81
Total	1,707	19,325	117,629		1,709	19,400	119,254	

Based on unit cost of £68.91 for 2018/19 and £69.78 for 2019/20

4.19 The special expenses average across the County Borough at £2.23.

4.20 The total Band D council tax (general and special expenses) is calculated as follows:

	£
Total net expenditure	236,853,291
Less: Revenue Support Grant/Non Domestic Rates	(175,251,933)
Council Tax	61,601,358
Taxbase for 2019/20	53,421
Council Tax at Band D 2019/20	£1,153.13

- 4.21 Members are reminded that the council tax figure is for the Council element only. It does not include the North Wales Police Authority precept or those of the community councils in the area. These will be added to the report to Council on 20 February 2019.

Capital / Treasury Management Strategy

- 4.22 In accordance with the CIPFA Prudential and Treasury Management Codes of Practice the Council is required to approve the 2019/20 Capital Strategy, Treasury Management Strategy Statement and Investment Strategy prior to the beginning of the financial year. The strategies for 2019/20 are outlined in Appendix 5 and Appendix 5A respectively.

5 IMPLICATIONS

- 5.1 Policy Framework** – These consultation proposals have been formulated with close regard to the Council Plan 2018-2022. The proposed savings have been carefully drafted to minimise the impact on the Council’s priority outcomes.
- 5.2 Budget** – The Council’s net revenue budget for 2018/19 is £232,871,963 as agreed on 21 February 2018 (HF/19/18).
- 5.3 Legal** – There is a legal requirement to set a balanced Council Budget for 2019/20 and to set consequent council tax levels.
- 5.4 Staffing** – There are staffing implications contained within the proposed budget savings.
- 5.5 Equality/Human Rights** — An overall Equality Impact Assessment has been completed FIN/EIA00148/2018. Members of the public can request a copy of the Equality Impact Assessments from the Head of Finance.
- 5.6 Risks** – Appendix 6 outlines the key risk areas in the budget and how these will be managed.

6. CONSULTATION

- 6.1 The results of the public consultation ‘Difficult Decisions’ were considered at an All Member Budget Workshop on 10 December 2018. The details of the Difficult Decisions consultation are outlined in Appendix 7. The main themes consulted on were:

- *Income and Cost Recovery*
- *Waste Services – Three weekly bin collections and £30 charge for emptying green bin*
- *Review of Library service*
- *Transport to “faith schools” and*
- *Council Tax*

6.2 Following consultation, it has been decided that a review of Faith Transport will not be initiated at this time but a review of Libraries will take place.

6.3 The Schools Budget Forum and Schools have been regularly updated on the anticipated budget and provisional settlement. Representations made by individual schools and the teachers trade unions are outlined in Appendix 7 (annex 2).

6.4 In addition, non teaching employee trade unions and non domestic ratepayer representative bodies have been consulted on the draft budget for 2019/20. We had a response from Unison – see Appendix 7 (annex 2).

7. SCRUTINY COMMITTEE COMMENTS

7.1 Scrutiny Committees have had the opportunity to review budget proposals throughout the process:

Employment Business and Investment Scrutiny Committee

7.2 Although the Committee has not identified any specific budget items arising from the consultation for consideration, the Committee has previously made the following recommendation regarding the budget arising from consideration of the report which was submitted to the meeting of the Committee on 5 September 2018 regarding the Economic Development Estate Strategic Asset Management Plan:-

‘The Committee request the Head of Finance to re-consider the income targets set for the economic development estate in the 2019/20 budget, so as to reduce their impact on the available budget for repair and maintenance, which had previously been used to offset this figure.’

7.3 During 2017/18 the economic development estate budget generated additional net income of £52k which was transferred to the Commercial Estates service reserve. The purpose of the reserve is to top up the annual repairs and maintenance budget of the economic development estate. As at 31 March 2018 the reserve had a balance of £183k.

Lifelong Learning Scrutiny Committee

7.4 At its meeting on 17 December the Committee made the following recommendations:

Library Service

To support the review with an expectation that the existing level of provision be maintained as expressed in the model.

School Transport:

- (i) Not to support the review of Transport to Church Schools
- (ii) If a review is undertaken that this be of the whole home to school transport service

Schools

Note impact of proposed budget on schools, but express concern at the number of secondary schools that have licensed deficits

BACKGROUND PAPERS	LOCATION	WEBSITE INFO.
2018/19 Budget Local Government Revenue and Capital Settlements for 2019/20		http://www.wrexham.gov.uk/top_navigation/search/index.htm?q=2018%2F19%20Budget http://gov.wales/topics/localgovernment/finandfunding/settlement/lq-settlement-2019-20/?lang=en