

Extract from Worthing Executive - 3 February 2020

W EX/004/19-20 Budget Estimates 2020/21 and setting of 2020/21 Council Tax

Summary of discussion

The report was the final budget report of the year, the culmination of the annual budgeting exercise, and asked members to consider:

- The final revenue estimates for 2020/21 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2020/21, prior to its submission to the Council for approval on the 18 February 2020. This would be subject to any proposals to change the draft revenue budget following the consideration of the budget by the Executive.

The report outlined the medium term financial challenge through to 2024/25, and set out performance in the key strategic areas of commercialisation, digital transformation and strategic property investment. The current budget strategy was having a significant effect on how the Councils would be funded in the future with increasing income generated from commercial income and rents. However, following the delay to the fairer funding review, the challenge still remained significant for 2021/22, with the early identification of initiatives to bridge the emerging budget gap a priority.

These budgets reflected the Councils' ambitions set out in *Platforms for our Places*, and agreed savings proposals contributing to the financial sustainability of the Councils. The report also updated members about the impact of the draft 2020/21 settlement.

The key points raised within the report included:

- A full update on the impact of settlement. The Council should prepare itself for a continuation of the reduction in Government resources for 2021/22 and

beyond (paragraph 4.2);

- Highlighted the proposed funding for initiatives to support the Councils' ambitions set out in *Platforms for our Places - Going Further*;
- The proposals to invest in services outlined in Appendix 2;
- The Executive was asked to consider whether to increase Council Tax by 2.0% or by a lower amount (paragraph 5.11).

The budget was analysed by the Executive Member portfolio. In addition, the draft estimates for 2020/21 had been prepared, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities (except in relation to pension costs adjustments that did not impact either on the Budget Requirement or the Council Tax Requirement).

The draft Local Government Settlement allowed Councils to increase core Council Tax by up to 2% in addition to the 2% Council Tax increase permitted specifically to support adult social care services (subject to a maximum increase for social care of 6% in the period 2017/18 to 2019/20). Therefore a maximum Council Tax increase of 4% for Councils with social care responsibilities was allowed.

The precept for West Sussex County Council had not yet been finalised and would not be confirmed until 14 February 2019. The formal detailed resolution setting the overall Council Tax for next year would be presented direct to the Council Meeting on 18 February 2020.

The Director for Digital and Resources introduced the report thanking all Officers who had contributed to the proposals. It was noted that both Councils had been successful in meeting financial challenges over recent years, developing strategies to reshape how they were funded. There remained challenges ahead with continuing pressures anticipated in

2021/22 and the Council awaited the 4 year Local Government Funding Settlement later in the year.

The Head of Financial Services explained that the draft settlement had been received and it confirmed that the assumptions that were made in the Autumn. Principally that the fairer funding review and the reform of business rates would be delayed by a year until 2021. The implications for the Council was a continuation of no revenue support grant. However, the Council would be retaining 100% share of its growth in business rates. It had previously been assumed that this would be phased out as part of the reset of the business rates system. Homelessness grant would also continue in its current form for another year. Settlement did confirm that New Homes Bonus would be phased out in its current form, as previously assumed. However, the Council would get one more year of additional New Homes Bonus which, it was proposed, would be set aside for future projects to deliver the Council's aspirations as set out in Platforms.

It was noted that the Council was in a strong position to set a balanced budget and that there were resources in hand to invest in priority services that needed commitments.

Members were asked to consider the growth proposals outlined in appendix 2 and depending on their decision, what level of Council Tax to set for the forthcoming financial year. This needed to be set in the context of the relatively small proportion that the Council actually billed and the small impact an increase would have upon residents.

The Council had just received notification from the Police and Crime Commissioner of their precept. The PCC was proposing to put up a band D by £10 which was equivalent to a 5.2% increase.

Looking ahead the deferral of the fairer funding review, moved the financial challenge to 2021/22. Officers did not know how much funding would be allocated to local government as a whole. The chancellor was due to present the budget on 11 March 2020 and a comprehensive spending review was expected in the summer.

The Leader of Worthing Borough Council asked whether there were any comments from JOSC, following consideration of the budget proposals at a meeting on 30 January. Officers advised that JOSC was broadly supportive of the budget itself but made no comments in relation to Council Tax.

The Executive Member for Resources thanked Officers for their considerable work in preparing the budget report. It was acknowledged that government resources continued to reduce and the Council had to plan ahead for 2020/21 and beyond.

The Council had to become self funding, not only to provide services to Worthing residents but also to fund its own ambitions. There were 3 key strategic areas of performance:

1. Commercialisation;
2. Digital Transformation; and
3. Strategic Property Investment

The government's fairer funding review had been delayed until 2021/22 which gave the Council some breathing space but put further pressure on the medium term financial strategy going forward.

The report set out the financial implications of a Council Tax increase over the coming year and looking ahead. It was important to have a gradual Council Tax increase in order to achieve a balanced and prudent strategy. The Council had an ambitious programme in Platforms for our Places and needed to be able to fund it.

The government said that the Council could raise taxes in 2020/21 by a maximum of 2% or £5 per annum, whichever was greater. A 2% rise reflected an increase of £4.77 per annum for a Band D household, not the maximum increase permissible.

Therefore, it was recommended that the Worthing Borough Council share of Council Tax be increased by 2.0% which would increase the annual cost of a band D to £242.55.

The table in paragraph 5.11.5 of the report showed how important the cumulative increases were over the next 5 years, providing the potential to invest an additional £500k.

It was also important to transfer money into reserves and the budget strategy provided for this. The General Fund working balance was currently at 6.3% of net revenue expenditure which fell between policy guidelines. The estimated balance of general fund earmarked reserves was planned to increase as and when opportunities arose. Further reserves were set aside for any potential voids or refurbishments needed for properties purchased under the strategic property investment fund. It was hoped to increase this from £250k to £650k over the next 5 years.

The Executive Member for Resources supported the recommended proposals to invest in services outlined in appendix 2 and the draft budget for 2020/21. In respect of Council Tax, it was noted that a 2% rise in Council Tax was a third lower than in recent years. Over the last 10 years, Council Tax had increased by 12.8% compared to 24.5% in CPI inflation. The cumulative effect of modest council tax increases would enable the Council to deliver its ambitious programme amidst ongoing uncertainty. The investment proposals were closely aligned to the strategic priorities and would provide critical resources to drive forward the Council's ambitions. The Executive Member was mindful of the financial pressures facing Worthing residents and therefore recommended an increase of 2%, which was lower than the £5 per annum permitted, and would result in an annual charge of £242.55 for Band D.

The Executive Member for Resources proposed recommendations 2.2 (a) and 2.2 (b) as set out in the report and for 2.2. (c) recommended an increase in Council Tax of 2% for the 2020/21 financial year.

The Executive Member for Health & Wellbeing seconded the proposal.

Decision

The Executive

- (a) approved the proposals to invest in services outlined in Appendix 2;

- (b) recommended to Council the draft budgets for 2020/21 at Appendix 5 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £13,357,910, subject to any amendments agreed above;
- (c) recommended to Council an increase of 2% in Council Tax, making Band D for Worthing Borough Council's requirements in 2020/21 as set out in paragraph 5.11 of £242.55 per annum; and
- (d) approved the Council Tax base of 39,269.50 for 2020/21 as set out in paragraph 12.3.