

General Fund Revenue Budgets



2020/21



Bassetlaw
DISTRICT COUNCIL
— North Nottinghamshire —

BASSETLAW DISTRICT COUNCIL**CABINET****13th FEBRUARY 2020****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****GENERAL FUND REVENUE BUDGET 2020/21 TO 2024/25**Cabinet Member: Finance
Contact: Dave Hill**1. Public Interest Test**

1.1 The author of this report, Dave Hill, has determined that the report is not confidential.

2. Purpose of the Report2.1 To provide details for the General Fund Budget proposals for 2020/21, and make recommendations for the budget setting meeting at full Council on the 5th March 2020.**3. Background and Discussion****Introduction**3.1 The financial planning context for this budget report was set out in the Medium Term Financial Plan reported to Cabinet on 13th January 2020. This identified a total net savings requirement of £5.8m over the next 5 years. Some savings have been identified which leaves a net saving as follows:

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Net savings requirement	0	1,171	(67)	(18)	(247)	839

3.2 The budget report plays a key integral role in the development of the Council, and the services it provides for local people. This budget centres on five main known factors:

- The savings made during the last 12 months;
- The consolidation of further budget pressures;
- Support for the Council Plan and Members' priorities;
- The significant withdrawal of Revenue Support Grant funding, which represents a 70% reduction in funding between 2018/19 and 2019/20;
- Members' aspirations for Council Tax.

3.3 This report sets out for Members all of the considerations that have had to be made to balance the budget for 2020/21, and to establish savings targets for future years.

3.4 As Members are aware, the continual reduction of Bassetlaw's grant income is putting sustained pressure on the Council, and this is compounded by the late release of the

Provisional Local Finance Settlement information, which was not announced until 20th December 2019.

Revenue Budget Overview

- 3.5 The Council's budget requirement is measured by the amount of Council expenditure that can be funded from external finances (Revenue Support Grant and Retained Business Rates), and from council tax income. The budget requirement comprises gross expenditure on services, less gross income from services, less any planned use of reserves.
- 3.6 The budget requirement for 2019/20 (excluding parishes) was £15.065m. The budget requirement for 2020/21 is calculated as follows:

Net Expenditure on Services	£'000	External Finance	£'000
Gross Expenditure	48,984	Revenue Support Grant	228
Gross Income	(34,917)	Retained Business Rates - Baseline	4,056
		Retained Business Rates – Above Baseline	144
		Section 31 Business Rates Grants	1,901
		Renewable Energy Retained Business Rates	833
		Capital Grants	60
		New Homes Bonus Grant	1146
		Rural Services Delivery Grant	54
		Neighbourhood Planning Grant	175
		Misc Govt Grants	45
		Council Tax Admin Support Grant	126
Net Expenditure:	14,067	External Finance:	8,768
Transfer to Reserves	1014	Council Tax Income	6,313
Budget Requirement:	15,081	Income from Grant and Council Tax:	15,081

- 3.7 The annual decrease in the budget requirement (net spending) for 2019/20 is £0.016m 0.11%.

2020/21 Budget Pressures

- 3.8 As part of the budget process undertaken last year, the Council set a savings target of £1.3m to balance the budget for 2020/21. This was based on the premise that the Fair Funding Review and Business Rates Reform were completed during 2019/20 and introduced from 1st April 2020. These reforms have been delayed for a year and

consequently the savings have been pushed back into 2021/22. The 2020/21 balanced budget has been achieved in year through a combination of:

Expenditure:

- Zero-based Budget Review;
- Contract reviews
- Improved Procurement.

Income:

- Council tax increases and growth in the taxbase;
- Sharing of office accommodation;
- Retained business rates growth.

- 3.9 The underlying message is that each year the savings target is becoming increasingly difficult to find. A substantial amount of the savings target has been met from non-staffing areas, and this is not sustainable.
- 3.10 All service budgets have been reduced over a number of years now and this has impacted on the flexibility to respond to pressures once the budget has been set at the start of the financial year. Equally, it presents the continual challenge to senior managers and Members to identify suitable areas to address the identified shortfalls in funding year on year.
- 3.11 A particular problem is the proportionality of employee costs to the overall spending power of the Council. As illustrated in the table below, 52% of 'real' money (which excludes benefits payments and internal recharges), is attributable to the cost of employees. This means that the opportunity to find savings from non-employee expenditure becomes harder each year.

	Budget 2020/21	Percentage
	£'000	%
Employees	15,444	52
Premises	2,180	7
Transport	901	3
Supplies & Services	5,489	19
Third Party Payments	5,551	19
Total:	29,565	100%

2020/21 and 2021/22 Budget Pressures

- 3.12 The budget is summarised in Appendix 1, and this illustrates the magnitude of the task to provide a balanced budget each year. For 2021/22, the savings target has been set at £1.171m (which has changed slightly from the figure reported in the MTFP on 13th January 2020 due to updated information received). After 2021/22 the identified budget pressures can be contained, assuming the target of £1.171m has been achieved. Any shortfall will impact on future years budgets.

General Fund Revenue Reserves & Balances

- 3.13 The Local Government Act 2003 requires authorities to consider the level of reserves when calculating their budget requirements. Professional guidance is set out to assist in this deliberation. The Council is maintaining its minimum working balance of £1.0m in 2019/20. This is essential, as the External Audit Engagement Lead will comment on it as part of his Value for Money Arrangements work for Bassetlaw, which is an important reputational issue. The estimated position at the end of 2019/20 is expected to be:

General Fund:	Estimated Position At 31st March 2020 £'000
Minimum Working Balance	1,000
General Reserve	1,819
Job Evaluation Reserve	638
Insurance Reserve	175
Business Rates Volatility Reserve	599
Business Rates Pooling Reserve	872
Retained Business Rates Reserve	380
Developers' Contributions Unapplied	149
Visitors Strategy Reserve	60
Benefit Subsidy volatility Reserve	220
Leisure Management Trust	940
Invest to Save Reserve	884
VAT Refund	342
Revenues and Benefits DWP Grants	214
Other Minor Reserves	869
Total	£9,163
New Homes Bonus Reserve (Capital)	1,113
Total	£10,276

- 3.14 If the Council has to meet the costs of staff leaving under the voluntary redundancy and voluntary early retirement arrangements this year, it is expected that these will be found from in-year revenue savings. However, if these do not materialise, then some or all of these costs will have to be met from the Job Evaluation Reserve.

Local Government Finance Settlement 2020/21

- 3.15 The provisional finance settlement was published on 20th December 2019. It provides provisional figures for 2020/21, which, in the absence of the funding reforms, is a roll-over of the 2019/20 settlement. There is no indication of figures for 2021/22 or thereafter.
- 3.16 The Settlement Funding Assessment from Central Government consists of the Revenue Support Grant and the Business Rates Baseline. This has now reduced to 28% of Bassetlaw's net budget for 2020/21. In 2010/11 this was 66% of our net budget. The following table illustrates the changes the Council has had to deal with year on year:

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	1,907	1,191	734	224	227
Retained Business Rates Baseline	3,712	3,788	3,902	3,991	4,057
Total	£5,619	£4,979	£4,636	£4,215	£4,284
Financial Reduction	(£863)	(£640)	(£343)	(£421)	£69
Percentage Reduction	-13%	-11%	-7%	-9%	2%

3.17 Members should be aware that the above figures for 2020/21 include an allocation in respect of Homelessness Prevention Funding of £0.178m.

3.18 The government use *core spending power* as the key measure of a Council's funding. This is built up as follows:

Element of core spending power	2019/20 £'000	2020/21 £'000	Change %
Settlement Funding Assessment (SFA):			
• Revenue Support Grant	224	227	1.3%
• Business Rates Baseline	3,991	4,057	1.6%
	4,215	4,284	1.6%
New Homes Bonus grant (NHB)	862	1,147	33.0%
Rural Services Delivery Grant	54	54	0
Council Tax Income	6,036	6,313	4.6%
Core Spending Power	11,167	11,798	5.6%

3.19 These figures show an increase of 5.6% over 2019/20 which includes a confirmed increase of 33.0% for New Homes Bonus.

3.20 The consultation papers and the government indicative proposals has provided some information to allow an update of the financial projections on which the Council's future savings requirements. The removal of Revenue Support Grant by the end of 2020/21 has been confirmed. Proposals to allow councils to retain 75% of business rates income is proposed from 2021/22 and the mechanism of top-ups and tariffs is likely to remain. The government will be issuing a further series of consultation documents over the coming months on both the Fair Funding Review for local authorities and Business Rates Retention before the introduction of a new scheme from 2021/22 onwards.

3.21 The current Settlement Funding Assessment approach enables local authorities to benefit directly from supporting local business growth. The assessment includes a baseline level of business rates receivable (index-linked), with the level of rates receivable above that being taken by government as a 'tariff' – which is used to 'top-up'

local authorities who would receive less than their funding level i.e. most counties and unitary authorities.

- 3.22 In addition the Council retains 40% of any business rates collected above the assumed baseline level (with the County and Fire also receiving 9% and 1% respectively), with the remaining 50% being contributed to the Nottinghamshire Business Rates Pool. If business rates income falls to less than 92.5% of the baseline, the Council will receive a 'safety net' payment from the Pool, so that any loss of income below the baseline is capped at 7.5%.
- 3.23 One of the challenges faced by all authorities is effectively predicting the level of movement in the business rate tax base. This is dependent on accurately forecasting the timing and incidences of new properties, demolitions and significant refurbishments – together with the consequent effect on valuations. This is further complicated by the need to assess the level of appeals that will be lodged successfully against new/revised valuations, together with their timing.
- 3.24 Significant uncertainties currently exist around the operation of the business rates retention scheme in the next few years. These include:
- The indication that 75% retention will mean the transfer of additional funding burdens to local government.
 - A proposed reset of the business rates baseline, which will take into account any growth, achieved in previous years.
 - A Fair Funding review which will assess the relative needs and resources of local authorities.
 - Transition arrangements as we move from the old system to the new one.
 - The appeals position nationally remains difficult to forecast accurately. The expected level of appeals as a result of the 2017 revaluation has not materialised although there may be a time-lag as businesses deal with the new Valuation Office Check-Challenge-Appeal system.

New Homes Bonus

- 3.25 The New Homes Bonus was introduced in 2011/12 and this gave some relief against the backdrop of government grant cuts, but it is another variable that is top-sliced from the Revenue Support Grant, and is paid as a separate specific grant. From 2017/18 the Government implemented:
- A move to 5 year payments for both existing and future Bonus allocations in 2017/18 and then 4 years from 2018/19: and
 - The introduction of a national baseline of 0.4% below which allocations will not be made.
- 3.26 Although this has no direct effect on revenue, it has reduced the amount available for capital projects. From 2020/21, the government announced there will be no legacy

payments on New Homes Bonus paid. From 2021/22, it has been assumed that the funding will be rolled into the settlement figure, although this is by no means certain.

3.27 Cabinet agreed to reduce the amount used for core funding by £0.25m per annum as follows:

- 2015/16 £1.00m
- 2016/17 £0.75m
- 2017/18 £0.50m
- 2018/19 £0.25m
- 2019/20 £Nil

3.28 It was also agreed by Cabinet that the remaining balance of New Homes Bonus would then be utilised to fund the capital programme in future years. This is being allocated to capital bids on an annual basis.

Inflation and Other Budget Provisions

3.29 An annual pay award averaging 2% for 2020/21 and 2% thereafter has been included in the budget. This has been supplemented in the budget for increases associated with the discretionary Living Wage.

3.30 A Corporate Contingency of £0.100m, plus a provision for external legal costs of £0.100m has been included in the budget. A new Health and Safety corporate contingency of £0.025m has been introduced from 2020/21. These measures should ensure that the Council has enough in-built flexibility to manage budgets throughout the financial year. There has however, been no increase allowed for inflation on supplies and services - in effect this means an in-built efficiency on these budgets.

Discretionary Grants to Outside Bodies

3.31 Despite current financial pressures, Bassetlaw will still provide a significant level of funding to the third sector, parish/town councils, and other external organisations during 2020/21 as follows:

	£'000
Grants for Voluntary & Community Sector	45
Councillor Community Grants	48
Parish/Town Concurrent Grants	2
Parish/Town Street Cleaning Grants	23
Parish/Town Public Convenience Grants	14
Parish/Town Cemetery Grants	10
Misterton Centre	6
Notts Wildlife Trust	3
Total	151

Council Tax

3.32 Bassetlaw did not increase its level of council tax between 2009/10 and 2013/14 and instead opted to take the now discontinued Council Tax Freeze grant. It is estimated that this represents £1.2m per annum in lost income to the Council. For 2014/15 and

2015/16, members agreed a 1.5% increase and forego the 1% Council Tax Freeze Grant.

- 3.35 There was no offer of a Council Tax Freeze grant for 2016/17 and 2017/18 and members approved an increase of 1.9% for both years. For 2018/19, Council Tax took the option provided by government to increase Council Tax by the equivalent of £5 per Band D equivalent rather than stay within the 3% referendum limit. This worked out at 3.06%.
- 3.36 A similar decision was made in 2019/20 increasing Council tax by £5 per Band D equivalent, which represented a 2.96% increase, which was just below the 3% referendum limit.
- 3.35 The government has lowered the 3% referendum limit to 2% for 2020/21 although the option to increase Council Tax by £5 per Band D equivalent remains.
- 3.37 The average Band D council tax for 2019/20 for Bassetlaw District Council is £173.48 or £3.34 per week. Due to the tight financial constraints in 2020/21, the budget has been prepared assuming a £5 increase that would mean a new council tax of £178.48 per Band D property. This represents a 2.88% increase or 10p per week.
- 3.38 The report to Council on 30th January 2020 proposed a council tax base for collection purposes of 35,373.06 Band D properties for 2020/21, which reflects a growth in Band D of 578 properties or 1.66%.
- 3.39 The majority of properties (approximately 51.5%) in the Council's area are in Band A with a 2019/20 council tax of £115.65. An increase of £5 for 2019/20 would mean a new council tax level of £118.99. This would represent an annual increase of £3.34, or a weekly increase of 6p.
- 3.40 Parish, Police, Fire and County precepts are still to be set by the precepting authorities and will be included in the Council Tax Resolution in the 5th March 2020 report.

Collection Fund Surplus

- 3.41 The Council is statutorily obliged on 15th January each year to prepare an estimate of its Collection Fund transactions for Council Tax. This estimate enables Bassetlaw and the three major precepting authorities to take account of any surpluses or deficits on the Fund when they set their own authority budgets.
- 3.42 Collections to 31st March 2019 were slightly more than forecast and resulted in a surplus of £0.057m carried forward. A surplus of £0.6m was declared on 15th January 2019 for 2018/19 and a surplus of £0.5m has been declared for 2019/20.
- 3.43 The Council tax base report to Council on 25th January 2018 recommended that the estimated collection rate be retained at 98.0%. The Collection Fund estimates are shown below.

<u>Collection Fund</u>		
	£'000	£'000
2018/19		
Actual Surplus for 2018/19	(657)	
Less: Surplus declared 15th January 2019	600	

Surplus understated		(57)
2019/20		
Accounts Due	84,951	
CTRS	(7,381)	
Exemptions, Discounts and Reliefs	(8,507)	
Precepts	(67,804)	
Write offs	(275)	
Increase in bad debt provision	(325)	
Estimated Surplus		659
Surplus declared 15th January 2020		502

Business Rates

- 3.44 Central government requires all local billing authorities to complete a return (*called the NNDR1 return*), which sets out the business rate income baseline for the purposes of budget setting.
- 3.45 There is a direct link between the *NNDR1 return* and the amount of business rates retained by the Council. The total is currently allocated on the basis of:
- 50% to be paid to the Central Government;
 - 40% allocated to the District Council;
 - 9% to be paid to the County Council;
 - 1% to be paid to the Fire & Rescue Authority.
- 3.46 From this figure, further calculations are applied for tariffs or top-up's, and safety net payments or levies, before arriving at an individual business rate budget for a local authority.
- 3.47 The 40% retained business rate income allocated to Bassetlaw District Council is much higher than central government deems to be required, and therefore a tariff is payable back to central government for distribution to other councils where the amount collected is less than the baseline amount required. This is called a top-up payment.
- 3.48 The position as to whether a safety net is receivable or a levy is payable is less clear, as it depends upon how much income is collected in year when compared against the government's baseline position i.e. what central government expects Bassetlaw District Council to collect
- 3.49 From 1st April 2013, all of the seven Nottinghamshire District Councils joined Nottinghamshire County Council to form a business rates pool. This arrangement works the same as for an individual authority, except the tariff or top-up, and the safety net payment or levy, is calculated on the Pool as a single entity. This approach has enabled a greater level of financial resources to be retained within Nottinghamshire.
- 3.50 Both Bassetlaw and the Nottinghamshire Pool have benefitted from Bassetlaw taking a proactive approach to inspecting Business properties through a dedicated Business

property inspector who has significantly increased the Rateable Value of properties in the district.

3.51 Part two of the Non-Domestic Rating (Rates Retention) Regulations 2013 require all billing authorities to calculate the following amounts and to notify these to the Secretary of State and any relevant precepting authorities by 31st January each year via the *NNDR1 return*:

- (a) the amount of the central share of its non-domestic rating income;*
- (b) the amount of each relevant precepting authority's share of its non-domestic rating income in accordance with regulation 5;*
- (c) the amount (if any) to be deducted from the central share payment in accordance with regulation 4(1);*
- (d) the amount of each relevant precepting authority's share of any amount to be deducted from the central share payment in accordance with regulation 4(1);*
- (e) the amount (if any) specified by regulation 7(2).*

3.52 The NNDR1 return was completed and submitted by 31 January 2020 and is attached at Appendix 3.

Robustness of Estimates and Adequacy of Reserves

3.53 Under the provisions of the Local Government Act 2003, the Councils Section 151 Officer is required to report on the robustness of the estimates and the adequacy of the financial reserves. The Act requires Members to "have due regard to the report in making their decisions". Where this advice is not accepted, it should be formally recorded within the minutes of the Council Meeting.

Robustness of Estimates

3.54 In assessing the robustness of the estimates in the 2020/21 revenue and capital budget proposals, the key strategic risks to consider in the context of the Medium Term Financial Plan are:

General Fund Revenue Expenditure

- An average 2% in 2010/21 and 2% to each year thereafter in respect of the assumed pay award. The adoption of the discretionary Living Wage has been allowed for when setting budgets.
- The Nottinghamshire County Council Pension Fund's latest triennial review is effective from April 2017. The review set the employers contribution percentage of payroll at 16.2% for active employees, with an additional annual deficit lump sum. A decision was taken in 2017 to pay the three-year lump sum element in one payment thereby saving the General Fund £0.146m. This saving has been spread over the three financial years 2017/18, 2018/19 and 2019/20 resulting in an annual budget requirement of £1.10m for the back-funding element attributed to former employees. For 2020/21 a 7% increase to the budget has been applied to bring the back funding element back in line with the cost prior to making the early payment. The next triennial review is due April 2020.

- The Council is currently undertaking a new job evaluation exercise, with any changes potentially being implemented from April 2020. A Job Evaluation Reserve exists to meet one-off costs. Any remaining balance on the Job Evaluation Reserve will be written back to revenue once implemented. On-going costs will be contained within approved budgets.
- No inflationary increases have been applied to general budgets, however any contracts that are linked to RPI or CPI depending on individual agreements.
- Through effective treasury management, the Council is currently under-borrowed which means that the budget for long-term borrowing interest can be kept lower than necessary. For cash flow purposes, if short-term funds are required in year, then temporary borrowing will be undertaken, however it is not envisaged that this will be needed.
- The Council has been proactive in anticipating budget reductions and putting measures in place to meet the established savings target. A significant savings target was expected in 2020/21 resulting from the Local Government Finance reforms, however, this has not materialised as the reforms have been delayed until April 2021.

General Fund Revenue Income

- Investment income interest rate assumptions have been set at 0.65%, which is prudent given current market forecasts.
- Income budgets have been set in accordance with the Corporate Charging Policy with a minimum increase of 2%, and realistic estimates have been included within the budget based on estimated usage of each service.
- Government has not yet confirmed the DWP Housing Benefits Subsidy Grant. The budget includes £0.241m for 2020/21 and assumes that this will reduce by 14% for the year after.
- New Homes Bonus is no longer used for the revenue budget. It was agreed that this money will instead be transferred into the capital programme for future one-off capital projects that will provide future revenue savings for the authority.
- The Local Government Finance Settlement announced on 20th December 2019 confirmed the freezing of Revenue Support Grant for Bassetlaw, and a retention of £16.8m of business rates collected for 2020/21. Officers also expect to collect a greater proportion of business rate growth in year, and an amount of £0.144m has been included in 2020/21 on top of the government's figure. This has been less than in previous years due to the impact of the revaluation power stations. The full impact of the closure of both coal-fired power stations has been included in the future year's budgets.
- The government's move to funding local services from business rates has created a degree of risk when setting Council budgets. A high degree of volatility still exists due to the impacts of business rate reforms, the 2017 revaluation exercise, the success of outstanding appeals, and changes to relief schemes.

General Fund Provisions and Reserves

- The Council holds an Insurance provision against general fund losses. This is based upon 100% of the cumulative cost of the loss adjusters estimated value of each individual claim. This provision is re-assessed each year during the closure of accounts process.
- As a further measure against financial risk, the Council operates strategic Corporate Contingency and Legal Contingency Funds for which £0.100m has been allocated to each for the 2020/21 budgets. A Health and Safety Contingency budget of £0.025m has been included from 2020/21. These budgets are sufficient to cover exceptional budget variances or emergencies that may occur in the year.
- The continuing uncertainty about the current economic environment has exacerbated the effects on the Councils debt collection rates and increased housing benefit levels. In the interests of prudence, the Council has included a bad debt provision of £0.05m within the budget

Housing Revenue

- The government prescribed 1% rent cut for a 4-year period ended in 2019/20. Rent can now be increase by up to CPI plus 1%. This has been included within the 30-year HRA business plan, which is undergoing a comprehensive review and will be reported to a future Cabinet meeting. Along with a complete Conditions Survey of the Housing Stock this will inform future investment decisions for future years.
- Under self-financing, all of the treasury management decisions are now made specifically for Housing as the loans pool is split into two i.e. one for General Fund and one for the Housing Revenue Account. The Treasury costs are one of the largest budgets within the Housing Revenue Account, and because of the changes, these are relatively fixed giving added stability to the decision-making process.

Capital Programme and Funding

- Funding for General Fund capital schemes, particularly in later years, remains subject to generating capital receipts and being successful in bidding for grants. In the absence of that funding, some schemes may not be affordable. Prudential Borrowing will be used for 'long life' assets as a substitute for capital receipts and where positive cash flows can be demonstrated. Any additional pressure on the Minimum Revenue Provision (MRP) has been included in the revenue budgets.
- The Council takes a proactive approach to flood mitigation, and further resources are being committed as part of the Capital Programme for 2020/21 and future years.
- The Capital Programme is set out in a separate report. The costs of borrowing used to fund the Capital Programme are accounted for in the 2020/21 revenue budget.

Statement of Accounts

- The Council has sound Financial Management arrangements in place as evidenced by the positive *Audit Completion Report* received from Mazars as the external auditors.

Adequacy of Reserves

- 3.55 The Local Government Finance Act 2003 requires authorities to have regard to the level of reserves when calculating their budget requirements. Professional guidance is set out to assist in this deliberation (*guidance note on Local Authority Reserves and Balances – LAAP Bulletin 99 – July 2014*).
- 3.56 Earmarked Reserves are intended to be used for specific purposes over a period of more than a single financial year. These earmarked reserves either protect the Council against specific financial risks, or are used as a means of funding specific revenue projects. The main reserves held by the Council are detailed above in para 3.13.
- 3.57 The General Reserve is a corporate contingency to be used by either Cabinet or Council for any purpose within the legal powers of the Council. Examples of the purposes for which it might be used include dealing with unforeseen in-year budget pressures, financing once-only items of expenditure, or creating a strategic earmarked reserve.
- 3.58 In consideration of this guidance, the Council is maintaining its Minimum Working Balance of £1.0m for the General Fund, and £1.3m for the Housing Revenue Account. In the event of these Minimum Working Balances being compromised, Cabinet and Council, as advised by the Section 151 Officer, must agree a plan to restore the balance in the following financial year.
- 3.59 The resulting levels of General Reserves and Balances for the proposed 2020/21 budget (i.e. at 31st March 2020) are shown in paragraph 3.13

Future Years

- 3.60 The budget report outlines the expected financial position of Bassetlaw between now and 2024/25. The savings target for 2021/22 has been set at £1.171m. Thereafter, as long as these savings are achieved, the budgets only show small variations. However, numerous assumptions have been made about the future funding of the Council and if these prove to be inaccurate, future budgets may be affected.
- 3.61 Having considered the above risks, the conclusion of the Section 151 Officer is that the Council be advised that overall:
- The estimates are sufficiently robust, and,
 - The levels of reserves and balances forecasted to be held at 31st March 2020 are adequate,

to allow the Council to set the Revenue Budget, Capital Programme and Council Tax for 2020/21.

Budget Consultation

3.61 Bassetlaw has a statutory duty to consult the business community as part of its budget preparations. A public meeting to fulfil this requirement will be held on the 12th February 2020.

Future Issues and Prospects

3.63 The impact of a number of uncertainties and challenges outlined below are likely to become clearer in 2020/21. The new or developing issues and projects, which are not clear at the time of agreeing this budget report, include:

- How the proposed 75% business rates retention will work in practice and what new responsibilities will be given to Council's are still unclear.
- Whether the Fair Funding Review will affect the Council's funding levels to a greater (or lesser) extent than expected.
- How much the Comprehensive Spending Review will affect the amount of funding available to Local Government.
- Delivery of planned savings – the Council has delivered significant savings in previous years. As a result, current and future savings are more difficult to deliver. This represents a considerable challenge for the organisation.
- Financial pressure on other partners – as other agencies come under spending pressure there may be direct impacts on services which are currently funded by them or in partnership with them. The County Council is facing significant cuts over coming years and the health sector continues to be under pressure. Even when there are no direct cuts to Council funding there are likely to be indirect impacts on our community based services.
- Welfare Reform – the government continues to reform the country's system of welfare payments, which will have implications for the Council - not least the continuing roll-out of Universal Credit.

4. Implications

a) For service users.

Budgets have already been significantly reduced over prolonged periods, and the Council is may be facing further increasing pressure from the planned central government reforms over the coming years.

b) Strategic & Policy.

The General Fund revenue budget complements the capital report and both contribute to the Council Plan.

c) Financial - Ref: 20/664

All of the financial implications are contained within the body of this report. If there are any further changes, they will be itemised in the Budget Setting Report to full Council on the 5th March 2020.

d) Legal – Ref: 228/20/2020

The Local Government Act 1988 provides the legislative framework, which requires the Council to set a balanced budget. The s151 officer is responsible for ensuring the budget is balanced

e) Human Resources.

Any Human Resources issues will be addressed as they arise.

f) Community Safety, Equalities, Environmental.

The Equality Impact Assessment has been updated for the 2020/21 budget and there are no adverse impacts.

g) GDPR

There are no GDPR implications

h) This is Key Decision Number 806.

5. Options, Risks and Reasons for Recommendations

5.1 The Council is exposed to a number of risks and uncertainties, which could affect its financial position, and the deliverability of the proposed budget. These risks include:

- Savings plans may not deliver projected savings to expected timescales;
- Assumptions and estimates, such as inflation and interest rates, may prove inaccurate;
- Funding from central government (Settlement Funding Assessment, New Homes Bonus, and other grants) may fall below projections.
- The actual impact and timing of local growth on the demand for some services may not reflect projections used;
- Increases in council tax and business rates receipts due to local growth may not meet expectations;
- Business rates appeals may exceed the provision set aside for this purpose;
- The local and national economic climate may change, impacting on some of the Council's income streams such as car parking income, commercial rents and planning fee income;
- New legislation or changes to existing legislation may have budgetary impacts.

5.2 The Council is required to set a balanced budget, but may otherwise vary its spending and taxation proposals below the excessive capping referendum trigger. For the 2020/21 revenue budget, the following decisions are available to Members:

- i) Change the level of service spending or income projections;
- ii) Revise the level of any reserves to support the revenue Budget;

iii) Change the planned level of increase in Council Tax for 2020/21;

6. Conclusions

- 6.1 The 2019/20 budget process has been tightly controlled throughout the financial year enabling managers and Members the opportunity to ensure spending is kept within budget.
- 6.2 The budget includes a £5 Band D equivalent council tax increase. As Bassetlaw's reserves and balances remain relatively low in comparison to gross expenditure, the Council will need to reassess its financial position in June 2020 after the 2019/20 out-turn is finalised.
- 6.3 Members and officers' attention is drawn to the budget shortfall of £1.171m in 2021/22 and how we address it.
- 6.4 In previous years savings requirements have stemmed from the significant reductions in government funding, and unavoidable cost increases and pressures. In 2021/22 there is the further complication of a full review of Local Government Financing coupled with the 75% Business Rates Retention proposals. Limited information is available at this stage and numerous assumptions have been made in order to produce figures for future years. Whilst the Council has a record of identifying and delivering savings through service reviews and value for money improvements, many such savings have already been delivered and it is becoming more difficult to identify and deliver further savings and efficiencies.
- 6.5 An Efficiency Plan was developed to pinpoint where and how savings would be made. The plan identified three main themes:
- Income Generation
 - Contract Management
 - Efficiency and Effectiveness
- 6.6 Additional income must be raised from a combination of increasing fees and charges, and adopting a more innovative and enterprising approach for managing property i.e. an asset should make a suitable rate of return otherwise it needs to be considered for disposal. During 2020/21 work will be completed on developing an comprehensive Asset Management Plan to ensure assets are being used to their full potential.
- 6.7 Potential income generation options including the development of trading activities through S80 Partnership Limited and the development of new housing in the district through Bersahill Ltd. It is important to develop these ideas so that the budget can be balanced from 2020/21 onwards.
- 6.8 Continued reductions in expenditure will be a prerequisite moving forward, and it will be a difficult to ensure that service quality is maintained when set against reductions in service expenditure.
- 6.9 The Procurement service has been refocussed on a more proactive commercial approach to the delivery of savings.

- 6.10 Working with other parts of the public sector in the district in the Bassetlaw Community Partnership must continue to develop to maximise the relationships between the Police, the Fire & Rescue service, the County Council, the local Clinical Commissioning Group and other local groups such as the Bassetlaw Community and Voluntary Sector. This could then facilitate how local services could be financed and delivered in a more integrated, modern and efficient way.

7. Recommendations

Cabinet recommend the following to full Council on 5th March 2020:

- 7.1 That Cabinet considers the budget for 2020/21 and future years, together with the associated comments from the Audit and Risk Scrutiny Committee on 11th February 2020, and recommend their approval.
- 7.2 That Cabinet recommends a council tax increase of £5 for Band D equivalent properties for 2020/21.
- 7.3 That Cabinet notes the declaration that there will be a £0.5m surplus on the Collection Fund for 2019/20 as summarised in para 3.44 of this report.
- 7.4 That Cabinet notes the Business Rates figures shown on the NNDR1 form regarding
- the net yield from local business rates;
 - the cost of collection allowance;
 - the amounts retained in respect of renewable energy schemes;
 - the declared surplus at the end of 2019/20.
- 7.5 That Cabinet delegates authority to the Cabinet Member for Finance for addressing any issues arising from the Business Ratepayers meeting on the 12th February 2020.
- 7.6 That Cabinet delegates authority to the Head of Finance and Property to deal with amendments to the budget for any changes to Drainage Board and Parish Town Council precepts.

Background Papers

Medium Term Financial Plan 2020/21 – 2024/25
Local Government Finance Settlement Data
Budget Model.
NNDR Returns
LG Futures analysis

Location

Head of Finance & Property
Services office.

GENERAL FUND BUDGET 2020/21 TO 2024/25

APPENDIX 1

Approved Budget 2019/20		Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
£		£	£	£	£	£
	SERVICE BUDGETS					
435,800	Chief Executive Department	445,200	448,200	454,900	465,200	475,900
2,531,400	Corporate Services	2,433,200	2,455,800	2,494,700	2,730,800	2,591,000
2,724,200	Finance & Property & Revenue Services	2,253,000	2,238,600	2,254,600	2,304,000	2,355,200
175,100	Human Resources	261,000	217,500	219,600	224,100	228,800
6,576,500	Neighbourhoods	6,172,400	6,247,800	6,315,900	6,246,200	6,384,300
2,725,800	Regeneration	2,094,500	2,119,400	2,188,000	2,260,500	2,304,100
349,700	Housing General Fund	301,900	277,700	266,400	282,600	299,500
15,518,500	Total Net Cost of Services	13,961,200	14,005,000	14,194,100	14,513,400	14,638,800
	OTHER BUDGETS					
100,000	Provisions - Corporate Contingency	100,000	100,000	100,000	100,000	100,000
50,000	Provisions - Bad Debts	50,000	50,000	50,000	50,000	50,000
100,000	Provisions - Legal Contingency	100,000	100,000	100,000	100,000	100,000
0	Provisions - Health and Safety Contingency	25,000	25,000	25,000	25,000	25,000
(50,000)	Procurement Contract savings	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(100,000)	Profit Share/Dividend Income	(110,000)	(50,000)	(25,000)	(25,000)	(25,000)
(100,000)	A1/Housing savings on transfer	0	0	0	0	0
0	Total Other Budgets	140,000	200,000	225,000	225,000	225,000
670,000	Borrowing Interest	627,000	644,000	641,000	624,000	595,000
(85,000)	Investment Interest Income	(130,000)	(120,000)	(120,000)	(120,000)	(120,000)
7,700	Other Interest	8,500	8,500	8,500	8,500	8,500
(1,000)	Renovation Grant Interest	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
1,500	Temporary Loans	1,500	1,500	1,500	1,500	1,500
593,200	Net interest and borrowing costs	506,000	533,000	530,000	513,000	484,000
496,300	Drainage Board Levies	538,500	565,400	593,700	623,400	654,500
1,866,000	Housing Capital Receipts Pooling	1,827,500	1,863,500	1,899,500	1,899,500	1,899,500
1,145,500	Parish Precept	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000
3,507,800	Other Operating Expenditure	3,551,000	3,613,900	3,678,200	3,707,900	3,739,000
(25,200)	Amortisation of Intangible Assets Reversal	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
3,406,000	Capital Grants & Contributions used to Finance Capital Expenditure	870,000	760,000	760,000	760,000	760,000
(2,031,700)	Reversal of Depreciation to Reserves	(1,622,400)	(1,622,400)	(1,622,400)	(1,622,400)	(1,622,400)
(1,866,000)	Housing Capital Receipts Pooling Reversed to Reserves	(1,827,500)	(1,863,500)	(1,899,500)	(1,899,500)	(1,899,500)
(4,070,000)	Reversal of Revenue Expenditure Funded from Capital under Statute	(1,000,000)	(770,000)	(720,000)	(720,000)	(720,000)
652,600	Minimum Revenue Provision	675,800	705,000	712,000	731,000	731,000
(3,934,300)	Accounting Adjustments	(2,905,800)	(2,792,600)	(2,771,600)	(2,752,600)	(2,752,600)
0	Transfer to/(from) General Reserves	0	0	0	0	0
525,700	Transfer to/(from) Earmarked Reserves	1,013,500	246,800	(28,100)	(28,200)	(28,300)
0	Savings Target	0	(1,171,300)	(1,104,000)	(1,086,000)	(838,700)
16,210,900	Total Council Net Budget	16,265,900	14,634,800	14,723,600	15,092,500	15,467,200
	FUNDED BY					
(223,900)	Revenue Support Grant	(227,500)	0	0	0	0
12,596,500	Tariff	12,801,700	12,077,800	12,077,800	12,077,800	12,077,800
(16,587,700)	Retained Business Rates (baseline)	(16,858,000)	(15,886,600)	(15,886,600)	(15,886,600)	(15,886,600)
(4,215,100)	Sub-total: Start-up Funding Assessment	(4,283,800)	(3,808,800)	(3,808,800)	(3,808,800)	(3,808,800)
(672,400)	Retained Business Rates (over and above baseline)	(144,300)	0	(100,000)	(200,000)	(300,000)
(1,493,800)	Section 31 Business Rates Grants	(1,900,500)	(1,775,800)	(1,775,800)	(1,775,800)	(1,775,800)
(621,000)	Renewable Energy Retained Business Rates	(833,000)	(833,000)	(833,000)	(833,000)	(833,000)
(862,600)	New Homes Bonus Grant	(1,145,600)	(274,800)	0	0	0
(130,000)	Council Tax Support Admin Grant	(126,100)	(126,100)	(126,100)	(126,100)	(126,100)
(124,800)	Miscellaneous Government Grants	(274,200)	0	0	0	0
(846,000)	Capital Grants Received	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
(63,500)	Collection Fund Deficit/(Surplus)	0	0	0	0	0
(6,036,200)	Council Tax - BDC	(6,313,400)	(6,571,300)	(6,834,900)	(7,103,800)	(7,378,500)
(1,145,500)	Council Tax - Parishes	(1,185,000)	(1,185,000)	(1,185,000)	(1,185,000)	(1,185,000)
(16,210,900)	Total Funding	(16,265,900)	(14,634,800)	(14,723,600)	(15,092,500)	(15,467,200)
34,794.99	Tax Base	35,373.06	35,815.22	36,262.91	36,716.20	37,175.15
173.48	Council Tax	178.48	183.48	188.48	193.48	198.48
	GENERAL FUND BALANCES:					
	Balance @ 1 April	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000
	Movement in year	0	0	0	0	0
	Balance @ 31 March	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000

GENERAL FUND

SUMMARY

BUDGET 2019/20	GROUP	BUDGET 2020/21	FORECAST			
			2021/22	2022/23	2023/24	2024/25
£		£	£	£	£	£
	EXPENDITURE					
14,982,500	Employees	15,444,100	15,655,400	15,950,500	16,404,000	16,722,700
2,241,100	Premises	2,179,500	2,095,600	2,096,000	2,126,800	2,097,800
929,300	Transport	901,200	900,900	900,800	900,700	900,700
8,019,900	Supplies and Services	5,489,100	4,339,900	4,240,400	4,133,800	4,029,900
5,370,100	Third Party Payments	5,550,800	5,583,500	5,634,400	5,444,000	5,468,200
20,655,600	Transfer Payments	17,943,300	13,805,800	11,679,100	10,051,700	10,330,000
0	Internal Services Recharged	0	0	0	0	0
3,376,000	Capital Grants Expenditure	870,000	760,000	760,000	760,000	760,000
2,709,500	Depreciation	2,299,900	2,329,100	2,336,100	2,355,100	2,355,100
592,300	Capital Financing Costs	505,100	532,100	529,100	512,100	483,100
58,876,300	TOTAL EXPENDITURE	51,183,000	46,002,300	44,126,400	42,688,200	43,147,500
	INCOME					
(150,800)	Internal Services Recharges	(180,800)	(180,800)	(180,800)	(180,800)	(180,800)
(3,681,100)	Revenue Account	(3,755,800)	(3,830,000)	(3,906,400)	(3,984,100)	(4,063,700)
(7,992,900)	Capital Grants Income	(4,451,600)	(4,257,600)	(4,243,600)	(4,243,600)	(4,243,600)
(24,759,100)	Grants/Contributions/Reimbursements	(20,333,900)	(17,169,900)	(15,162,900)	(13,349,100)	(13,354,100)
(6,081,300)	Customer & Client Receipts	(6,194,800)	(5,929,000)	(5,908,900)	(5,837,900)	(5,837,900)
(200)	Interest	(200)	(200)	(200)	(200)	(200)
(42,665,400)	TOTAL INCOME	(34,917,100)	(31,367,500)	(29,402,800)	(27,595,700)	(27,680,300)
16,210,900	NET BUDGET	16,265,900	14,634,800	14,723,600	15,092,500	15,467,200

PART 1B: PAYMENTS

This page is for information only; please do not amend any of the figures

The payments to be made, during the course of 2020-21 to:

- i) the Secretary of State in accordance with Regulation 4 of the Non-Domestic Rating (Rates Retention) Regulations 2013;
- ii) major precepting authorities in accordance with Regulations 5, 6 and 7; and to be
- iii) transferred by the billing authority from its Collection Fund to its General Fund,

are set out below

	Column 1 Central Government	Column 2 Bassetlaw	Column 3 Nottinghamshire County Council	Column 4 Nottinghamshire Fire Authority	Column 5 Total
Retained NNDR shares	£	£	£	£	£
14. % of non-domestic rating income to be allocated to each authority in 2020-21	50%	40%	9%	1%	100%
Non-Domestic Rating Income for 2020-21					
15. Non-domestic rating income from rates retention scheme	21,327,481	17,061,986	3,838,947	426,550	42,654,964
16.(less) deductions from central share	0	0	0	0	0
17 TOTAL:	21,327,481	17,061,986	3,838,947	426,550	42,654,964
Other Income for 2020-21					
18. add: cost of collection allowance		167,984			167,984
19. add: amounts retained in respect of Designated Areas		0			0
20. add: amounts retained in respect of renewable energy schemes		832,772	0		832,772
21. add: amounts retained in respect of Shale oil and gas sites schemes		0	0	0	0
22. add: qualifying relief in Designated Areas		0	0	0	0
23. add: City of London Offset		0			0
24. add: additional growth retained in Additional Growth Pilots		0	0	0	0
25. add: in respect of Port of Bristol hereditament		0			0
Estimated Surplus/Deficit on Collection Fund	£	£	£	£	£
<u>Percentages to be used to distribute the collection fund surplus/deficit</u>					
26. % for distribution of "in-year" surplus/deficit (ie 2019-20)	50%	40%	9%	1%	100%
26a. "In-year" surplus (positive) /deficit (negative)	1,307,636	1,046,109	235,374	26,153	2,615,272
27. % for distribution of "prior-year" surplus/deficit (ie 2018-19)	50%	40%	9%	1%	100%
27a. "Prior-year" surplus (positive) / deficit (negative)	-517,238	-413,791	-93,103	-10,345	-1,034,477
28. Estimated Surplus/Deficit at end of 2019-20	790,397	632,318	142,272	15,808	1,580,795
TOTAL FOR THE YEAR	£	£	£	£	£
29. Total amount due to authorities	22,117,878	18,695,060	3,981,219	442,358	45,236,515