

General Fund Revenue Budgets



2019/20



Bassetlaw
DISTRICT COUNCIL
— North Nottinghamshire —

BASSETLAW DISTRICT COUNCIL**CABINET****14th FEBRUARY 2019****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****GENERAL FUND REVENUE BUDGET 2019/20 TO 2023/24**

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 Report

2.1 To provide details for the General Fund Budget proposals for 2019/20, and make recommendations for the budget setting meeting at full Council on the 7th March 2019.

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 8th January 2019. This identified a total net savings requirement of £4.6m over the next 5 years. Some savings have been identified which leaves a net saving as follows:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Net savings requirement	0	1,303	(100)	(76)	32	1,159

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 in preparation of the 2019/20 budget;
- The consolidation of further budget pressures that have been experienced since the start of the economic downturn in 2008;
- Support for the Council Plan and Members' priorities;
- The significant and ongoing withdrawal of Revenue Support Grant funding, which represents a further 70% reduction 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 2019/20, 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 organisation, and this is compounded by the late release of the Provisional Local Finance Settlement information which was not announced until 13th December 2018.

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 2018/19 (excluding parishes) was £15.191m. The budget requirement for 2019/20 is calculated as follows:

Net Expenditure on Services	£'000	External Finance	£'000
Gross Expenditure	59,350	Revenue Support Grant	224
Gross Income	(44,811)	Retained Business Rates - Baseline	3,991
		Retained Business Rates – Above Baseline	672
		Section 31 Business Rates Grants	1,494
		Renewable Energy Retained Business Rates	621
		Council Tax Surplus	63
		Capital Grants	846
		New Homes Bonus Grant	863
		Rural Services Delivery Grant	54
		Neighbourhood Planning Grant	71
		Council Tax Admin Support Grant	130
Net Expenditure:	14,539	External Finance:	9,029
Transfer to Reserves	526	Council Tax Income	6,036
Budget Requirement:	15,065	Income from Grant and Council Tax:	15,065

- 3.7 The annual decrease in the budget requirement (net spending) for 2019/20 is £0.126m 0.83%.

2019/20 Budget Pressures

- 3.8 As part of the budget process undertaken last year, the Council set a savings target of £0.477m to balance the budget for 2019/20. This has been achieved in year through a combination of:

Expenditure:

- Bringing the Councils housing ALMO - A1 Housing - back in house
- 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, 48% 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 2019/20	Percentage
	£'000	%
Employees	14,983	48
Premises	2,241	7
Transport	929	3
Supplies & Services	8,020	25
Third Party Payments	5,354	17
Total:	31,527	100%

2019/20 and 2020/21 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 2020/21, the savings target has been set at £1.303m (which has changed slightly from the figure reported in the MTFP on 8th January 2019 due to updated information received). After 2020/21 the identified budget pressures can be contained, assuming the target of £1.303m 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	1,450
Job Evaluation Reserve	652
New Homes Bonus Reserve (Revenue)*	250
Insurance Reserve	283
Business Rates Volatility Reserve	599
Business Rates Pooling Reserve	872
Retained Business Rates Reserve	380
Developers' Contributions Unapplied	63
Visitors Strategy Reserve	98
Income volatility Reserve	200
Leisure Management Trust	617
Invest to Save Reserve	1,000
Local Development Plan	133
Revenues and Benefits DWP Grants	158
Other Minor Reserves	672
Total	£8,427
New Homes Bonus Reserve (Capital)*	863
Total	£9,290

*Note: This relates to a decision by Cabinet in December 2015 that splits the New Homes Bonus between mainstream revenue support and the capital programme, effective from 2016/17.

- 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 2019/20

- 3.15 The provisional finance settlement was published on 13th December 2018. It provides provisional figures for 2019/20, which is the last year of the 4-year settlement. There is no indication of figures for 2020/21 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 2019/20. In 2010/11 this stood at 66%. The following table illustrates the changes the Council has had to deal with year on year:

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	2,801	1,907	1,191	734	224
Retained Business Rates Baseline	3,681	3,712	3,788	3,902	3,991
Total	£6,482	£5,619	£4,979	£4,636	£4,215
Financial Reduction	(£1,225)	(£863)	(£640)	(£343)	(£421)
Percentage Reduction	-16%	-13%	-11%	-7%	-9%

3.17 Members should be aware that the above figures for 2019/20 include an allocation in respect of Homelessness Prevention Funding of £0.091m.

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	2018/19 £'000	2019/20 £'000	Change %
Settlement Funding Assessment (SFA):			
• Revenue Support Grant	734	224	(69.5%)
• Business Rates Baseline	3,902	3,991	2.3%
	4,636	4,215	(9.1%)
New Homes Bonus grant (NHB)	1,207	862	(28.6%)
Rural Services Delivery Grant	54	54	0
Council Tax Income	5,767	6,046	4.8%
Core Spending Power	11,664	11,177	(4.2%)

3.19 These figures show a reduction of 4.2% over 2018/19 which includes a confirmed decrease of 28.6% for New Homes Bonus.

3.20 As part of the 2016/17 financial settlement, the Secretary of State for Communities and Local Government offered a guaranteed budget to every council that wishes to take it up for a four-year period to 2019/20. The ethos of this is "*to enable more proactive planning of service delivery and support strategic collaboration with local partners.*" Bassetlaw DC accepted this offer, as did 97% of other Councils. The allocations are outlined below:

	Actual 2016/17 £'000	Actual 2017/18 £'000	Actual 2018/19 £'000	Proposed 2019/20 £'000
Revenue Support Grant	1,910	1,190	730	220
Tariff	(15,410)	(12,390)	(11,880)	(12,600)
Retained Business Rates Baseline	19,120	16,180	15,780	16,590

Settlement Funding Assessment (SFA)	£5,620	£4,980	£4,630	£4,210
Financial Reduction	(£863)	(£640)	(£350)	(£430)
Percentage Reduction	(13%)	(11%)	(7%)	(9%)

- 3.21 The provision of indicative funding up to and including 2019/20 has allowed an update of the financial projections on which the Council's future savings requirements are based. The removal of Revenue Support Grant by the end of 2019/20 has been confirmed. Proposals to allow councils to retain 75% of business rates income is proposed from 2020/21 and the mechanism of top-ups and tariffs is likely to remain. The government will be issuing a 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 2020/21 onwards.
- 3.22 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 from an initial assessment in 2013/14), 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.
- 3.23 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%.
- 3.24 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.
- 3.25 Significant uncertainties currently exist around the operation of the business rates retention scheme in the next few years. These include:
- The government has indicated 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

3.26 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.

3.27 The new rules proposed by government reduce the amount of funding available from New Homes Bonus is estimated to be £5.6m over the next 5 years. Although this has no direct effect on revenue, it will reduce the amount available for capital projects. There were no further changes to the methodology of calculating New Homes Bonus in 2019/20.

3.28 Due to the uncertainty around this grant, and the Council's reliance on this money as mainstream funding, 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

3.29 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.

Inflation and Other Budget Provisions

3.30 An annual pay award averaging 2.05% for 2019/20 and 2% thereafter has been included in the budget. This has been supplemented in the budget for increases associated with the discretionary Living Wage.

3.31 A Corporate Contingency of £0.100m, plus a provision for external legal costs of £0.100m has been included in the budget. Both of 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

- 3.32 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 2019/20 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

- 3.33 Bassetlaw did not increase its level of council tax between 2009/10 and 2013/14 and instead opted to take the Council Tax Freeze grant. This decision came at a cost. Since 2009/10 the level of RPI increased by 21.2% (CPI by 15.4%) and Bassetlaw dealt with all these inflationary pressures through reductions in expenditure and not increasing its local level of tax. This equates to £1.2m per annum in income that was foregone by the Council to assist residents' domestic budgets and the local economy.
- 3.34 For 2014/15, Members recognised this dilemma, but given the financial situation ahead, it was deemed prudent to reconsider this position, and approved a council tax increase of 1.5%.
- 3.35 A Council Tax Freeze grant of 1% was again offered by CLG in return for setting the council tax for 2015/16 at a zero per cent increase - however, the Council made the decision for a 1.5% increase.
- 3.36 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%.
- 3.37 The government have not increased the 3% referendum limit for 2019/20. Councils still have the option to increase Council Tax by not more than 3% or £5 per Band D equivalent.
- 3.38 The average Band D council tax for 2018/19 for Bassetlaw District Council is £168.48 or £3.24 per week. Due to the tight financial constraints in 2019/20, the budget has been prepared assuming a £5 increase that would mean a new council tax of £173.48 per Band D property. This represents a 2.96% increase or 10p per week.

- 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.

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- 3.39 The report to Council on 31st January 2019 proposed a council tax base for collection purposes of 34,794.99 Band D properties for 2019/20, which reflects a growth in Band D of 563 properties or 1.65%.
- 3.40 The majority of properties (approximately 51.3%) in the Council's area are in Band A with a 2018/19 council tax of £112.32. An increase of £5 for 2019/20 would mean a new council tax level of £115.65. This would represent an annual increase of £3.33, or a weekly increase of 6p.
- 3.41 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 7th March 2019 report.

Collection Fund Surplus

- 3.42 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.
- 3.43 Collections to 31st March 2018 were slightly more than forecast and resulted in a surplus of £0.065m carried forward. There was no surplus declared on 15th January 2018 for 2017/18, but a surplus of £0.6m has been declared for 2018/19.
- 3.44 The Council taxbase 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.

Collection Fund		
2017/18		
Actual Surplus for 2017/18	(65)	
Less: Surplus declared 15th January 2018	0	
Surplus understated		(65)
2018/19		
Accounts Due	80,152	
CTRS	(7,203)	
Exemptions, Discounts and Reliefs	(7,875)	
Precepts	(63,699)	
Write offs	(710)	
Estimated Surplus		665
Surplus declared 15th January 2019		600

Business Rates

- 3.45 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.

3.46 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.

3.47 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.

3.48 Bassetlaw currently pays a tariff i.e. 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.

3.49 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

3.50 From 1st April 2013, all of the seven Nottinghamshire District Councils joined Nottinghamshire County Council to form a business rates pool. This arrangement works exactly 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.

3.51 Both Bassetlaw and the Nottinghamshire Pool have benefitted from Bassetlaw taking a proactive approach to inspecting Business properties through a dedicated Business property inspector. There was a proposal to make this service Countywide and fund the costs from the retained Nottinghamshire Pool balance, which would provide a benefit to all Pool members. It has not been possible to reach a unanimous agreement between the authorities on this and this is not now an option. Four of the remaining authorities have approached Bassetlaw to host a Business Property Service Shared Unit. It is again proving difficult to agree the contributions to the unit and as Bassetlaw would not gain any benefit (as we are already delivering the service in the district) it is likely that this initiative will not be pursued.

3.52 Part 2 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).

3.53 The NNDR1 return was completed and submitted by 31 January 2019 and is attached at Appendix 3.

Robustness of Estimates and Adequacy of Reserves

3.54 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

3.55 In assessing the robustness of the estimates in the 2019/20 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 2.05% in 2019/20 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 2019. This will be subject to agreement with the trade unions. 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 reduced. 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. In preparation for 2019/20, a savings target of £0.477m was established which has been achieved.

General Fund Revenue Income

- Investment income interest rate assumptions have been set at 0.5%, which is prudent given current market forecasts.
- Income budgets have been set in accordance with the Corporate Charging Policy with a baseline increase of 3%, 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 £0.280m for 2019/20 and assumes that this will reduce by 15% for the year after.
- A1 Housing ceased trading during the year and the staff were transferred back to the Council. Service Level Agreements were reviewed accordingly and amendments have been made within the budget to reflect the transfer.
- New Homes Bonus continues to be phased out of the revenue budget over a four-year period. 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 13th December 2018 confirmed a reduction in Revenue Support Grant of 70% for Bassetlaw, and a retention of £16.6m of business rates collected for 2019/20. Officers also expect to collect a greater proportion of business rate growth in year, and an amount of £0.672m has been included in 2019/20 on top of the government's figure.
- 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 2019/20 budgets. This is deemed to be sufficient to cover exceptional budget variances or emergencies that might occur in the year.

- The continuing credit crisis has added uncertainty about the current economic environment, and this has exacerbated the future effects on the Council in terms of 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, which has been included within the 30-year HRA business plan. This has meant the Council loses £30m of investment from the programme over the next 10-year period. However, officers have still managed to prepare a balanced 30-year business plan by deferring the intended debt repayments into later 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 2019/20 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 2019/20 revenue budget.

Statement of Accounts

- The Council has sound Financial Management arrangements in place as evidenced by the positive *Report to those charged with governance (ISA260) 2017/18* received from KPMG as the external auditors.

Adequacy of Reserves

- 3.56 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*).

- 3.57 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.
- 3.58 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.
- 3.59 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.
- 3.60 The resulting levels of General Reserves and Balances from the proposed 2019/20 budget (i.e. at 31st March 2020) are shown in paragraph 3.13

Future Years

- 3.61 The budget report outlines the expected financial position of Bassetlaw between now and 2023/24. The savings target for 2020/21 has been set at £1.303m. 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.
- 3.62 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 2019/20.

Budget Consultation

- 3.63 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 13th February 2019.

Future Issues and Prospects

- 3.64 The impact of a number of uncertainties and challenges outlined below are likely to become clearer in 2019/20. 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 stress. Even when there are not 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.

The savings outlined in the report have enabled Members to keep council tax increases at a minimum, but budgets have already been significantly reduced over prolonged periods, and the Council is now facing further increasing pressure from central government cuts.

- b) Strategic & Policy.

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

- c) Financial - Ref: 19/123

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 7th March 2019.

- d) Legal – Ref: 232/02/2019

The Local Government Act 1988 provides the legislative framework, which requires the Council to set a balanced budget. These responsibilities are placed in the Section 151 Officer.

- 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 2018/19 budget, and there are no adverse impacts.

g) GDPR

There are no GDPR implications

h) This is Key Decision Number 729.

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 2019/20 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 2019/20;

6. Conclusions

6.1 The 2019/20 budget process has been tightly controlled throughout the financial year enabling managers and Members the opportunity to deliver the required £0.447m savings target for 2019/20.

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 2019 after the 2018/19 out-turn is finalised.

- 6.3 Members and officers' attention is drawn to the budget shortfall of £1.303m in 2020/21 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 2020/21 there is the further complication of a full review of Local Government Financing coupled with the 75% Business Rates Retention proposals. Very little 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 As part of the multi-year settlement, 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 2019/20 work will continue 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 promptly so that the budget can be balanced from 2019/20 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 The transfer of A1 Housing back to BDC is expected to deliver smarter and more effective working and deliver some savings in 2018/19. Once embedded further savings are expected from 2019/20 onwards.
- 6.11 Working with all other parts of the public sector in the district in the Bassetlaw Community Partnership must continue to develop to maximise the synergies 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 7th March 2019:

- 7.1 That Cabinet considers the budget for 2019/20 and future years, together with the associated comments from the Audit and Risk Scrutiny Committee on 12th February 2019, and recommend their approval.
- 7.2 That Cabinet recommends a council tax increase of £5 for Band D equivalent properties for 2019/20.
- 7.3 That Cabinet notes the declaration that there will be a £0.6m surplus on the Collection Fund for 2018/19 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 2018/19.
- 7.5 That Cabinet delegates authority to the Cabinet Member for Finance for addressing any issues arising from the Business Ratepayers meeting on the 13th February 2019.
- 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 2019/20 – 2023/24
Local Government Finance Settlement Data
Budget Model.

Location

Head of Finance & Property
office.

GENERAL FUND BUDGET 2019/20 TO 2023/24

Approved Budget 2018/19		Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
£		£	£	£	£	£
SERVICE BUDGETS						
501,300	Chief Executive Department	435,800	405,500	411,800	418,100	424,800
2,490,700	Corporate Services	2,531,400	2,370,400	2,398,500	2,426,100	2,522,700
2,888,200	Finance & Property & Revenue Services	2,724,200	2,609,500	2,497,600	2,491,900	2,536,000
155,100	Human Resources	175,100	176,700	178,600	180,300	182,100
6,492,500	Neighbourhoods	6,576,500	6,568,900	6,669,300	6,768,400	6,870,100
2,611,900	Regeneration	2,725,800	1,815,300	1,834,700	1,877,100	1,928,200
310,200	Housing General Fund	349,700	244,500	242,700	251,700	260,900
15,449,900	Total Net Cost of Services	15,518,500	14,190,800	14,233,200	14,413,600	14,724,800
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	Procurement Contract savings	(50,000)	0	0	0	0
0	Profit Share/Dividend Income	(100,000)	0	0	0	0
10,000	Rural Services Delivery Grant	0	0	0	0	0
(175,000)	A1/Housing savings on transfer	(100,000)	0	0	0	0
85,000	Total Other Budgets	0	250,000	250,000	250,000	250,000
653,200	Borrowing Interest	670,000	691,300	721,300	703,500	713,000
(79,000)	Investment Interest Income	(85,000)	(80,000)	(80,000)	(80,000)	(80,000)
0	LAMS Interest	0	0	0	0	0
7,700	Other Interest	7,700	7,700	7,700	7,700	7,700
(3,000)	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
580,400	Net interest and borrowing costs	593,200	619,500	649,500	631,700	641,200
486,600	Drainage Board Levies	496,300	506,200	516,300	526,700	537,200
1,950,000	Housing Capital Receipts Pooling	1,866,000	1,902,000	1,941,500	1,941,500	1,941,500
1,087,200	Parish Precept	1,130,000	1,185,000	1,185,000	1,185,000	1,185,000
3,523,800	Other Operating Expenditure	3,492,300	3,593,200	3,642,800	3,653,200	3,663,700
(25,200)	Amortisation of Intangible Assets Reversal	(25,200)	(25,200)	(25,200)	(25,200)	(25,200)
2,637,000	Capital Grants & Contributions used to Finance Capital Expenditure	3,406,000	810,000	700,000	700,000	700,000
(1,938,800)	Reversal of Depreciation to Reserves	(2,031,700)	(2,031,700)	(2,031,700)	(2,031,700)	(2,031,700)
(1,950,000)	Housing Capital Receipts Pooling Reversed to Reserves	(1,866,000)	(1,902,000)	(1,941,500)	(1,941,500)	(1,941,500)
(3,330,000)	Reversal of Revenue Expenditure Funded from Capital under Statue	(4,070,000)	(970,000)	(770,000)	(720,000)	(720,000)
643,700	Minimum Revenue Provision	652,600	677,200	698,300	712,100	730,900
(3,963,300)	Accounting Adjustments	(3,934,300)	(3,441,700)	(3,370,100)	(3,306,300)	(3,287,500)
0	Transfer to/(from) General Reserves	0	0	0	0	0
612,600	Transfer to/(from) Earmarked Reserves	525,700	816,400	840,500	925,500	607,500
0	Savings Target	0	(1,302,500)	(1,202,100)	(1,126,500)	(1,158,600)
16,288,400	Total Council Net Budget	16,195,400	14,725,700	15,043,800	15,441,200	15,441,100
FUNDED BY						
(734,000)	Revenue Support Grant	(223,900)	0	0	0	0
12,420,400	Tariff	12,596,500	11,335,900	11,678,000	12,027,600	12,385,000
(16,322,200)	Retained Business Rates (baseline)	(16,587,700)	(15,550,900)	(15,893,100)	(16,242,700)	(16,600,100)
(4,635,800)	Sub-total: Start-up Funding Assessment	(4,215,100)	(4,215,000)	(4,215,100)	(4,215,100)	(4,215,100)
(490,700)	Retained Business Rates (over and above baseline)	(672,400)	0	(50,000)	(100,000)	(150,000)
(1,549,400)	Section 31 Business Rates Grants	(1,493,800)	(1,343,800)	(1,343,800)	(1,343,800)	(1,343,800)
(582,000)	Renewable Energy Retained Business Rates	(621,000)	(621,000)	(621,000)	(621,000)	(621,000)
(50,000)	Business Rates Growth	0	0	0	0	0
(1,208,600)	New Homes Bonus Grant	(862,600)	(872,000)	(883,000)	(968,000)	(650,000)
(134,800)	Council Tax Support Admin Grant	(130,000)	(130,000)	(130,000)	(130,000)	(130,000)
(105,500)	Miscellaneous Government Grants	(124,800)	(71,100)	(71,100)	(71,100)	(71,100)
(677,000)	Capital Grants Received	(846,000)	0	0	0	0
0	Collection Fund Deficit/(Surplus)	(63,500)	0	0	0	0
(5,767,400)	Council Tax - BDC	(6,036,200)	(6,287,800)	(6,544,800)	(6,807,200)	(7,075,100)
(1,087,200)	Council Tax - Parishes	(1,130,000)	(1,185,000)	(1,185,000)	(1,185,000)	(1,185,000)
(16,288,400)	Total Funding	(16,195,400)	(14,725,700)	(15,043,800)	(15,441,200)	(15,441,100)
34,231.95	Tax Base	34,794.99	35,229.93	35,670.30	36,116.18	36,567.63
168.48	Council Tax	173.48	178.48	183.48	188.48	193.48
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 2018/19	GROUP	BUDGET 2019/20	FORECAST			
			2020/21	2021/22	2022/23	2023/24
£		£	£	£	£	£
	EXPENDITURE					
14,254,900	Employees	14,982,500	15,221,700	15,472,400	15,723,200	15,964,800
2,066,000	Premises	2,241,100	2,209,600	2,209,600	2,209,600	2,209,600
998,200	Transport	929,300	929,200	928,300	925,600	925,400
6,661,000	Supplies and Services	8,019,900	4,851,500	4,259,400	4,118,400	4,002,700
5,559,700	Third Party Payments	5,354,600	5,396,200	5,461,500	5,486,400	5,501,100
25,779,600	Transfer Payments	20,655,600	19,653,700	19,788,300	19,959,300	19,619,700
0	Internal Services Recharged	0	0	0	0	0
2,637,000	Capital Grants Expenditure	3,376,000	810,000	700,000	700,000	700,000
2,607,700	Depreciation	2,709,500	2,734,100	2,755,200	2,769,000	2,787,800
565,800	Capital Financing Costs	592,300	618,600	648,600	630,800	640,300
61,129,900	TOTAL EXPENDITURE	58,860,800	52,424,600	52,223,300	52,522,300	52,351,400
	INCOME					
0	Internal Services Recharges	(150,800)	(180,800)	(180,800)	(180,800)	(180,800)
(492,800)	Housing Revenue Account	(3,681,100)	(3,754,800)	(3,829,800)	(3,906,200)	(3,984,300)
(7,244,000)	Capital Grants Income	(7,992,900)	(4,928,900)	(4,768,400)	(4,718,400)	(4,718,400)
(28,330,200)	Grants/Contributions/Reimbursements	(24,759,100)	(22,818,500)	(22,471,300)	(22,358,600)	(22,188,000)
(8,774,300)	Customer & Client Receipts	(6,081,300)	(6,015,700)	(5,929,000)	(5,916,900)	(5,838,600)
(200)	Interest	(200)	(200)	(200)	(200)	(200)
(44,841,500)	TOTAL INCOME	(42,665,400)	(37,698,900)	(37,179,500)	(37,081,100)	(36,910,300)
16,288,400	NET BUDGET	16,195,400	14,725,700	15,043,800	15,441,200	15,441,100

Local Authority : Bassetlaw

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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 2019-20 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 2019-20	50%	40%	9%	1%	100%
Non-Domestic Rating Income for 2019-20					
15. Non-domestic rating income from rates retention scheme	21,575,142	17,260,113	3,883,525	431,503	43,150,283
16.(less) deductions from central share	0	0	0	0	0
17 TOTAL:	21,575,142	17,260,113	3,883,525	431,503	43,150,283
Other Income for 2019-20					
18. add: cost of collection allowance		169,065			169,065
19. add: amounts retained in respect of Designated Areas		0			0
20. add: amounts retained in respect of renewable energy schemes		620,879	0		620,879
21. add: amounts retained in respect of shale gas 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 retained Growth in Pilot Areas		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 2018-19)	50%	40%	9%	1%	100%
26a. "In-year surplus (positive) /deficit (negative)	583,064	466,452	104,952	11,661	1,166,129
27. % for distribution of "prior-year" surplus/deficit (ie 2017-18)	50%	40%	9%	1%	100%
27a. "Prior-year" surplus (positive) / deficit (negative)	1,655,876	1,324,702	298,058	33,118	3,311,754
28. Estimated Surplus/Deficit at end of 2018-19	2,238,942	1,791,153	403,009	44,779	4,477,883
TOTAL FOR THE YEAR	£	£	£	£	£
29. Total amount due to authorities	23,814,084	19,841,210	4,286,534	476,282	48,418,110