

General Fund Revenue Budgets



2018/19



Bassetlaw
DISTRICT COUNCIL
— North Nottinghamshire —

BASSETLAW DISTRICT COUNCIL

CABINET

8th FEBRUARY 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

GENERAL FUND REVENUE BUDGET 2018/19 TO 2022/23

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 2018/19, and make recommendations for the budget setting meeting at full Council on the 8th March 2018.

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 in January 2018. This identified a total net savings requirement of £4.4m over the next 5 years. Some savings have been identified which leaves a net saving as follows:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Net savings requirement	0	477	304	319	177	1,277

- 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 2018/19 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 38.7% reduction between 2017/18 and 2018/19;
- 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 2018/19, 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 Finance Settlement information which was not announced until 19th December 2017.

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 2017/18 (excluding parishes) was £15.174m. The budget requirement for 2018/19 is calculated as follows:

Net Expenditure on Services	£'000	External Finance	£'000
Gross Expenditure	59,420	Revenue Support Grant	734
Gross Income	(44,842)	Retained Business Rates - Baseline	3,902
		Retained Business Rates – Above Baseline	491
		Section 31 Business Rates Grants	1,549
		Renewable Energy Retained Business Rates	582
		Council Tax Surplus	50
		Capital Grants	677
		New Homes Bonus Grant	1,209
		Rural Services Delivery Grant	33
		Neighbourhood Planning Grant	50
		DWP New Burdens Grant	12
		Council Tax Admin Support Grant	135
Net Expenditure:	14,578	External Finance:	9,424
Use of Reserves	613	Council Tax Income	5,767
Budget Requirement:	15,191	Income from Grant and Council Tax:	15,191

- 3.7 The annual increase in the budget requirement (net spending) for 2018/19 is £0.017m (0.1%).

2018/19 Budget Pressures

- 3.8 As part of the budget process undertaken last year, the Council set a savings target of £0.953m to balance the budget for 2018/19. This has been achieved in year through a combination of:

Expenditure:

- Shared services between BDC and A1
- Review of BDC/A1 Housing Service Level Agreements;
- Zero-based Budget Review;
- ICT contract reviews.

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, and this is not unique to Bassetlaw, is the proportionality of employee costs to the overall spending power of the Council. As illustrated in the table below, 51% 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 2017/18	Percentage
	£'000	%
Employees	14,255	51
Premises	2,066	7
Transport	998	4
Supplies & Services	6,651	24
Third Party Payments	3,860	14
Total:	27,830	100%

2018/19 and 2019/20 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 2019/20, the savings target has been set at £0.477m (which has changed from the figure reported in the MTFP in January 2018 due to updated information received) The savings target for the 4 years after that is £0.800m, meaning a total of £1.277m has to be found by March 2023.

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 2018/19. This is essential, as the KPMG 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 2018/19 is expected to be:

General Fund:	Estimated Position At 31st March 2019 £'000
Minimum Working Balance	1,000
General Reserve	795
Job Evaluation Reserve	700
New Homes Bonus Reserve (Revenue)*	590
Insurance Reserve	315
Business Rates Volatility Reserve	599
Business Rates Pooling Reserve	677
Retained Business Rates Reserve	1,872
Developers' Contributions Unapplied	64
Visitors Strategy Reserve	75
Income volatility Reserve	200
Leisure Management Trust	535
Invest to Save Reserve	666
Local Development Plan	145
Revenues and Benefits DWP Grants	88
Other Minor Reserves	633
Total	£8,954
New Homes Bonus Reserve (Capital)*	1,240
Total	£10,194

*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 2018/19

- 3.15 The provisional finance settlement was published on 19th December 2017. It provides provisional figures for 2018/19 and indicative figures for the 2019/20, which is the last year of the 4-year settlement.
- 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 31% of Bassetlaw's net budget for 2017/18. In 2010/11 this stood at 66%. The following table illustrates the changes the Council has had to deal with year on year:

	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	4,094	2,801	1,907	1,191	734
Retained Business Rates Baseline	3,613	3,681	3,712	3,788	3,902
Total	£7,707	£6,482	£5,619	£4,979	£4,636
Financial Reduction	(£276)	(£1,225)	(£863)	(£640)	(£343)
Percentage Reduction	-3%	-16%	-13%	-11%	-7%

3.17 Members should be aware that the above figures for 2018/19 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	2017/18 £'000	2018/19 £'000	Change %
Settlement Funding Assessment (SFA):			
• Revenue Support Grant	1,191	734	(38.4%)
• Business Rates Baseline	3,788	3,902	3.0%
	4,979	4,636	(6.7%)
New Homes Bonus grant (NHB)	1,642	1,207	(26.0%)
Rural Services Delivery Grant	43	43	0
Council Tax Income	5,545	5,767	4.0%
Core Spending Power	12,209	11,653	(4.6%)

3.19 These figures show a reduction of 4.6% over 2017/18 which includes a confirmed decrease of 26% for New Homes Bonus. This is the result of the government reducing the payment period from 6 to 4 years from 2018/19 onwards and introducing a 0.4% threshold below which no payments are made.

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	Proposed 2018/19 £'000	Indicative 2019/20 £'000
Revenue Support Grant	1,910	1,190	730	220
Tariff	(15,410)	(12,390)	(12,420)	(12,870)
Retained Business Rates Baseline	19,120	16,180	16,320	16,860
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 now been confirmed. Proposals to allow councils to retain 75% of business rates income has been 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% for 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 2018/19.

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 from 2016/17 onwards.

Inflation and Other Budget Provisions

3.30 An annual pay award of 2.7% for 2018/19, 2.8% 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 have 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 2018/19 as follows:

	£'000
Grants for Voluntary & Community Sector	81
Councillor Community Grants	48
Parish/Town Concurrent Grants	6
Parish/Town Street Cleaning Grants	23
Parish/Town Public Convenience Grants	13
Parish/Town Cemetery Grants	10
Misterton Centre	6
Notts Wildlife Trust	3
Total	190

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, however, 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
- 3.37 The government have increased the referendum limit by 1% for 2018/19 from 2% to 3%. Councils have an 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 2017/18 for Bassetlaw District Council is £163.48 or £3.14 per week. Due to the tight financial constraints in 2018/19, the budget has been prepared assuming a £5 increase that would mean a new council tax of £168.48. This represents a 3.06% increase or 10p per week.

- 3.39 The report to Council on 25th January 2018 proposed a council tax base for collection purposes of 34,231.95 Band D properties for 2018/19, which reflects a growth in Band D of 315 properties or 0.92%.
- 3.40 The majority of properties (approximately 52%) in the Council's area are in Band A with a 2017/18 council tax of £108.99. An increase of £5 for 2018/19 would mean a new council tax level of £112.32. 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 8th March 2018 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 2017 were slightly worse than forecast and resulted in a surplus of £0.315m carried forward. A surplus of £1.350m was declared on 15th January 2017 for 2016/17, but no surplus has been declared for 2017/18.
- 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 provided shown below.

<u>Collection Fund</u>		
2016/17		
Actual Surplus for 2016/17	1,035	
Less: surplus declared 15th January 2017	(1,350)	
Surplus overstated		(315)
2017/18		
Accounts Due	75,695	
CTRS	(7,336)	
Exemptions, Discounts and Reliefs	(7,436)	
Precepts	(60,174)	
Write offs	(434)	
Estimated Surplus		315
Surplus declared 15th January 2018		0

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 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).*
- 3.52 The NNDR1 return was completed and submitted by 31 January 2018 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 2018/19 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

- A 2.7% increase in 2018/19, 2.8% 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 have completed their latest triennial review, which is effective from April 2017. The review set the percentage of payroll at 16.2% for active employees, with an annual lump sum of £1.13m for the back-funding element attributed to former employees. For 2018/19 onwards, an assumed 2.5% increase has been applied to the budgets.
- The Council is currently undertaking a new job evaluation exercise, with any changes potentially being implemented from April 2018. This will still be subject to agreement with the trade unions. A Job Evaluation Reserve exists to meet residual costs. Any remaining balance on the Job Evaluation Reserve will be written back to revenue once implemented.
- 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 cashflow 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 2018/19, a savings target of £0.953m 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 £0.330m for 2018/19 and assumes that this will reduce by 10% each year thereafter.

- A1 Housing transferred a number of staff to the Council during the year and Service Level Agreements were reviewed accordingly. Amendments have been made within the budget to reflect the transfer.

General Fund Financing

- The Extraordinary Cabinet meeting in January 2018 approved a taxbase of 34,231.95 Band D properties, which is an increase of 315 properties. The budget report proposes an increase of £5 per Band D equivalent for 2018/19 due to the cuts to central government funding.
- 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 19 December 2017 confirmed a reduction in Revenue Support Grant of 38% for Bassetlaw, and a retention of £16.3m of business rates collected for 2018/19. Officers also expect to collect a greater proportion of business rate growth in year, and an amount of £0.568m has been built into 2018/19 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 2018/19 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 present 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 as a result 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 will likely 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. This 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 2018/19 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 2018/19 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) 2016/17* received from KPMG 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 time 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 deployed 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 from the proposed 2018/19 budget (i.e. at 31st March 2019) are shown in paragraph 3.13

Future Years

- 3.60 The budget report outlines the expected financial position of Bassetlaw between now and 2022/23. The savings target for 2019/20 has been set at £0.477m, with a further £0.304m for 2019/20. Together, savings of £1.277m are required by March 2023.
- 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 2019 are adequate,

to allow the Council to set the Revenue Budget, Capital Programme and Council Tax for 2018/19.

Budget Consultation

- 3.62 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 2018.

Future Issues and Prospects

- 3.63 The impact of a number of uncertainties and challenges outlined below are likely to become clearer in 2018/19. The new or developing issues and projects which are not clear at the time of agreeing this budget report include:
- Announcements Made in the Autumn Statement – how 75% business rates retention will work in practice and what new responsibilities will be given to Council's are still unclear.
 - 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 introduction 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: 18/3104

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 8th March 2018.

- d) Legal – Ref: 231/02/2018

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 arising from closer working with A1 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) This is Key Decision Number 675.

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 incorrect;
- 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 2018/19 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 2018/19;

6. Conclusions

6.1 The 2018/19 budget process has been tightly controlled throughout the financial year enabling managers and Members the opportunity to deliver the required £0.953m savings target for 2018/19.

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 July 2018 after the 2017/18 out-turn is finalised.

6.3 Members and officers' attention is drawn to the budget shortfall of £0.477m in 2019/20 and how we address it.

6.4 These savings requirements stem from the significant reductions in government funding, and unavoidable cost increases and pressures. 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 3 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 2018/19 work will continue on developing an comprehensive Asset Management Plan to ensure assets are being used to their full potential. Further letting

of available space in buildings must also be considered to increase rental income levels.

- 6.7 Potential income generation options including the development of trading activities through S80 Partnership Limited, the development of new housing in the district and offering further shared office accommodation. 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 will be developed and refocussed on a more proactive commercial approach to the delivery of savings.
- 6.10 Greater integration with A1 Housing will 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 8th March 2018:

- 7.1 That Cabinet considers the budget for 2018/19 and future years, together with the associated comments from the Audit and Risk Scrutiny Committee on 6th February 2018, and recommend their approval.
- 7.2 That Cabinet recommends a council tax increase of £5 for Band D equivalent properties for 2018/19.
- 7.3 That Cabinet notes the declaration that there will be no surplus on the Collection Fund for 2017/18 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 2016/17.
- 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 2018.
- 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 2018/19 – 2022/23
Local Government Finance Settlement Data
Budget Model.

Location

Head of Finance & Property
office.

GENERAL FUND BUDGET 2018/19 TO 2022/23

APPENDIX 1

Approved Budget 2017/18		Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
£		£	£	£	£	£
SERVICE BUDGETS						
157,900	Chief Executive Department	501,300	497,800	503,300	512,200	521,400
1,269,200	Corporate Services	2,490,700	2,514,300	2,382,100	2,435,100	2,489,300
3,075,700	Finance & Property & Revenue Services	2,888,200	3,068,700	2,851,000	2,934,800	3,017,200
0	Human Resources	155,100	149,400	150,500	157,400	164,400
7,028,600	Neighbourhoods	6,492,500	6,338,500	6,399,400	6,482,500	6,567,200
3,393,400	Regeneration	2,922,100	2,639,800	1,720,300	1,772,500	1,825,700
14,924,800	Total Net Cost of Services	15,449,900	15,208,500	14,006,600	14,294,500	14,585,200
OTHER BUDGETS						
103,700	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
43,100	Rural Services Delivery Grant	0	0	0	0	0
-350,000	A1 shared Services savings	(175,000)	(350,000)	(350,000)	(350,000)	(350,000)
(53,200)	Total Other Budgets	75,000	(100,000)	(100,000)	(100,000)	(100,000)
643,000	Borrowing Interest	653,200	669,500	669,000	669,000	669,000
(51,600)	Investment Interest Income	(79,000)	(51,600)	(51,600)	(51,600)	(51,600)
(13,700)	LAMS Interest	0	0	0	0	0
7,700	Other Interest	7,700	7,700	7,700	7,700	7,700
(6,000)	Renovation Grant Interest	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
1,500	Temporary Loans	1,500	1,500	1,500	1,500	1,500
580,900	Net interest and borrowing costs	580,400	624,100	623,600	623,600	623,600
475,900	Drainage Board Levies	486,600	496,200	506,000	521,200	536,800
768,700	Housing Capital Receipts Pooling	1,950,000	1,989,000	2,028,000	2,028,000	2,028,000
1,025,000	Parish Precept	1,076,000	1,130,000	1,130,000	1,130,000	1,130,000
2,269,600	Other Operating Expenditure	3,512,600	3,615,200	3,664,000	3,679,200	3,694,800
0	Amortisation of Intangible Assets Reversal	(25,200)	(1,700)	(1,700)	(1,700)	(1,700)
985,000	Capital Grants & Contributions used to Finance	2,637,000	3,120,000	700,000	700,000	700,000
(2,153,500)	Capital Expenditure	(1,938,800)	(1,829,200)	(1,789,800)	(1,789,800)	(1,789,800)
(768,700)	Reversal of Depreciation to Reserves	(1,950,000)	(1,989,000)	(2,028,000)	(2,028,000)	(2,028,000)
(1,191,000)	Housing Capital Receipts Pooling Reversed to Reserves	(3,330,000)	(3,650,000)	(750,000)	(750,000)	(750,000)
660,700	Reversal of Revenue Expenditure Funded from Capital under Statue	643,700	671,800	696,400	717,500	731,300
(2,467,500)	Accounting Adjustments	(3,963,300)	(3,678,100)	(3,173,100)	(3,152,000)	(3,138,200)
0	Transfer to/(from) General Reserves	0	0	0	0	0
944,000	Transfer to/(from) Earmarked Reserves	612,600	746,600	875,700	900,100	819,300
0	Savings Target	0	(477,400)	(781,000)	(1,099,700)	(1,276,900)
16,198,600	Total Council Net Budget	16,267,200	15,938,900	15,115,800	15,145,700	15,207,800
FUNDED BY						
(1,190,700)	Revenue Support Grant	(734,000)	(223,900)	0	0	0
12,390,200	Tariff	12,420,400	12,868,100	13,331,400	13,811,300	14,308,500
(16,178,300)	Retained Business Rates (baseline)	(16,322,200)	(16,856,500)	(17,412,700)	(17,892,600)	(18,389,900)
(4,978,800)	Sub-total: Start-up Funding Assessment	(4,635,800)	(4,212,300)	(4,081,300)	(4,081,300)	(4,081,400)
(742,500)	Retained Business Rates (over and above baseline)	(490,700)	(490,700)	(400,000)	(200,000)	(100,000)
(945,700)	Section 31 Business Rates Grants	(1,549,400)	(1,449,400)	(1,449,400)	(1,449,400)	(1,449,400)
(482,500)	Renewable Energy Retained Business Rates	(582,000)	(607,000)	(607,000)	(607,000)	(607,000)
0	Business Rates Growth	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
(1,632,800)	New Homes Bonus Grant	(1,208,600)	(1,118,400)	(952,400)	(976,800)	(896,000)
(143,700)	Council Tax Support Admin Grant	(134,800)	(130,000)	(130,000)	(130,000)	(130,000)
(97,900)	Miscellaneous Government Grants	(95,500)	(83,200)	(83,200)	(50,000)	(50,000)
(455,000)	Capital Grants Received	(677,000)	(670,000)	0	0	0
(150,000)	Collection Fund Deficit/(Surplus)	0	0	0	0	0
(5,544,700)	Council Tax - BDC	(5,767,400)	(5,997,900)	(6,232,500)	(6,471,200)	(6,714,000)
(1,025,000)	Council Tax - Parishes	(1,076,000)	(1,130,000)	(1,130,000)	(1,130,000)	(1,130,000)
(16,198,600)	Total Funding	(16,267,200)	(15,938,900)	(15,115,800)	(15,145,700)	(15,207,800)
33,916.77	Tax Base	34,231.95	34,574.27	34,920.01	35,269.21	35,621.90
163.48	Council Tax	168.48	173.48	178.48	183.48	188.48
GENERAL FUND BALANCES:						
	Balance @ 1 April	1,939,000	1,939,000	1,939,000	1,939,000	1,939,000
	Movement in year	0	0	0	0	0
	Balance @ 31 March	1,939,000	1,939,000	1,939,000	1,939,000	1,939,000

GENERAL FUND

SUMMARY

BUDGET 2017/18	GROUP	BUDGET 2018/19	FORECAST			
			2019/20	2020/21	2020/21	2020/21
£		£	£	£	£	£
	<u>EXPENDITURE</u>					
12,738,400	Employees	14,254,900	14,378,900	14,450,500	14,711,800	14,978,300
2,895,100	Premises	2,066,000	2,150,300	2,167,400	2,167,400	2,167,400
1,242,000	Transport	998,200	1,004,000	1,010,600	1,010,600	1,010,600
4,083,300	Supplies and Services	6,651,000	6,734,600	3,871,500	3,871,500	3,871,500
4,680,900	Third Party Payments	5,548,500	5,552,100	5,621,900	5,621,900	5,621,900
28,567,700	Transfer Payments	25,779,600	25,445,800	25,281,100	25,001,900	24,759,600
8,264,200	Internal Services Recharged	0	0	0	0	0
985,000	Capital Grants Expenditure	2,637,000	3,120,000	700,000	700,000	700,000
2,814,200	Depreciation	2,607,700	2,502,700	2,487,900	2,509,000	2,522,800
566,300	Capital Financing Costs	565,800	623,200	622,700	622,700	622,700
66,837,100	TOTAL EXPENDITURE	61,108,700	61,511,600	56,213,600	56,216,800	56,254,800
	<u>INCOME</u>					
(9,595,100)	Internal Services Recharges	0	0	0	0	0
(613,900)	General Fund Recharges to the Housing Revenue Account	(492,800)	(505,500)	(514,900)	(514,900)	(514,900)
(4,113,200)	Capital Grants Income	(7,244,000)	(7,469,900)	(4,569,500)	(4,569,500)	(4,569,500)
(29,234,800)	Grants/Contributions/Reimbursements	(28,330,200)	(28,727,200)	(26,988,400)	(26,961,700)	(26,937,600)
(7,081,300)	Customer & Client Receipts	(8,774,300)	(8,869,900)	(9,024,800)	(9,024,800)	(9,024,800)
(200)	Interest	(200)	(200)	(200)	(200)	(200)
(50,638,500)	TOTAL INCOME	(44,841,500)	(45,572,700)	(41,097,800)	(41,071,100)	(41,047,000)
16,198,600	NET BUDGET	16,267,200	15,938,900	15,115,800	15,145,700	15,207,800

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 **2018-19** 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	£	£	£	£	£
13. % of non-domestic rating income to be allocated to each authority in 2018-19	50%	40%	9%	1%	100%
Non-Domestic Rating Income for 2018-19					
14. Non-domestic rating income from rates retention scheme	21,017,151	16,813,721	3,783,087	420,343	42,034,302
15.(less) deductions from central share	0	0	0	0	0
16 TOTAL:	21,017,151	16,813,721	3,783,087	420,343	42,034,302
Other Income for 2018-19					
17. add: cost of collection allowance		167,375			167,375
18. add: amounts retained in respect of Designated Areas		0			0
19. add: amounts retained in respect of renewable energy schemes		582,000	0		582,000
20. add: qualifying relief in Designated Areas		0	0	0	0
21. add: City of London Offset		0			0
22. add: additional retained Growth in Pilot Areas		0	0	0	0
23. add: in respect of Port of Bristol hereditament		0			0
Estimated Surplus/Deficit on Collection Fund	£	£	£	£	£
24. % of 2017-18 surplus/deficit to be allocated to each authority using 2016-17 shares (for row 25)	50%	40%	9%	1%	100%
25. Estimated Surplus/Deficit at end of 2017-18	-881,588	-705,270	-158,686	-17,632	-1,763,176
TOTAL FOR THE YEAR	£	£	£	£	£
26. Total amount due to authorities	20,135,563	16,857,826	3,624,401	402,711	41,020,501