



Cabinet

Tuesday, 12 February 2019

2019/20 Budget and Financial Strategy

Report of the Executive Manager - Finance and Corporate Services

Cabinet Portfolio Holder for Finance Councillor Gordon Moore

1. Summary

- 1.1 This report presents the detail of the 2019/20 budget, the 5 year Medium Term Financial Strategy (MTFS) from 2019/20 to 2023/24 which includes the revenue budget, the proposed capital programme, the Transformation Strategy and Programme and the Capital and Investment Strategy. The Transformation Strategy is the Council's Efficiency Statement (See Section 7 of the MTFS) which we are required to produce to accord with the requirements of the four year financial settlement with the Government. Cabinet are asked to consider the attached budget and strategies and to make recommendations to Full Council.
- 1.2 It should be noted that this report, and subsequent recommendations for Full Council, incorporates the final Local Government Finance Settlement.

2. Recommendation

Cabinet RECOMMENDS to Council that it:

- a) adopts the budget setting report and associated financial strategies 2019/20 to 2023/24 (attached **Annex**) including the Transformation Strategy and Efficiency Statement (**Appendix 3**) to deliver efficiencies over the five year period.
- b) adopts the Capital Programme as set out in **Appendix 4**.
- c) adopts the Capital and Investment Strategy at **Appendix 5**.
- c) sets Rushcliffe's 2019/20 Council Tax for a Band D property at £137.39 (increase from 2018/19 of £4.95 or 3.73%).
- d) sets the Special Expenses for West Bridgford, Ruddington and Keyworth, **Appendix 1**, resulting in the following Band D Council tax levels for the Special Expense Areas:
 - i) West Bridgford £48.51 (£48.51 in 2018/19)
 - ii) Keyworth £1.60 (£1.46 in 2018/19)
 - iii) Ruddington £3.37 (£3.40 in 2018/19)

3. Reasons for Recommendation

- 3.1. To comply with the Local Government Finance Act (1972) and ensuring the budget enables corporate objectives to be achieved. The Council is required to set a balanced budget and that it has adequate funds and reserves to address its risks.

4. Supporting Information

The Budget and Associated Strategies

- 4.1 The attached report and appendices detail the following:
- a. The anticipated changes in funding over the five year period;
 - b. The financial settlement for 2019/20 and the significant budget pressures the Council must address over the Medium Term;
 - c. The budget assumptions that have been used in developing the 2019/20 budget and MTFS;
 - d. The detailed budget proposals for 2019/20 including the Transformation Strategy (and associated programme) to deliver the anticipated efficiency and savings requirement;
 - e. The recommended levels of Council Tax for Band D properties for the Council and its special expense areas of West Bridgford, Ruddington and Keyworth;
 - f. The projected position with the Council's reserves over the medium term;
 - g. Risks associated with the budget and the MTFS;
 - h. The proposed capital programme;
 - i. The proposed Capital and Investment Strategy; and
 - j. The Pay Policy Statement.
- 4.2 The salient points within the MTFS are as follows (MTFS report (**Annex**) references in parenthesis):
- a. It is proposed that Council Tax for 2019/20 will increase by £4.95 to £137.79 (3.73%). This still means that Rushcliffe's Council Tax remains the lowest in Nottinghamshire and amongst the lowest in the country (Section 3.4);
 - b. Special expenses increasing slightly £696k (£685k 2018/19) although taking into effect tax base changes, this results in Band D charges for West Bridgford staying the same as 2018/19 (£48.51), Keyworth increasing slightly from £1.46 to £1.60 and Ruddington reducing from £3.40 to £3.37(Section 3.5);

- c. Business Rates (Section 3.3) are still subject to significant uncertainty given the national review of the localisation of business rates and the volatility created by the likely closure of Radcliffe-on-Soar power station in 2025. Compounded by the national revaluation of business rates from April 2017, subsequent appeals and changes to small business rates makes budgeting for this area particularly challenging. The Council is anticipating £3.767m in retained business rates in 2019/20 and a reduction thereafter, as a result of the anticipated 100% reset of business rates and the new system of 75% business rates retention being introduced from 2020/21;
- d. The Council's Revenue Support grant has reduced by 100% by 2019/20 to zero. Since 2013/14 this will have reduced by £3.25m. Positively the tariff of £0.25m the Council expected to pay (commonly referred to as negative Revenue Support Grant) will not be levied by the government (Section 3.6). **Importantly the Council is self-sufficient;**
- e. Last year the Council agreed to support the optimal use of housing, the long term empty homes premium from, 1st April 2018, was increased to 150% of standard council tax. Legislation now permits further increases and these are detailed in this budget (Section 3.4). From April 2021 properties empty for 10 years will have to pay 300% in Council Tax. This action supports the Council's Empty Homes Strategy;
- f. Taking into account resource predictions, spending plans and savings already identified there is a Transformation Plan requirement of around £0.254m in 2019/20 rising to £1.34m by 2023/24. (Section 7);
- g. The Transformation Strategy continues to roll forward with an updated programme to ensure the savings required can be achieved (Appendix 3). This also forms the Council's four year Efficiency Statement (a requirement in accepting the four year settlement), albeit this is the last year of the four years;
- h. A crucial component in having a balanced budget and ensuring services are delivered is the Council's commitment to commercial investments and the derived income. Such income is expected to rise to £2.45m by 2023/24 accounting for 29.5% of fees and charges income. This is continually managed and proportionate given the risks and opportunities associated with such investments (Appendix 5. Table 13).
- i. The Council has a number of earmarked reserves, their balance rising over 5 years from £5.7m to £6.3m (Section 6). Retaining sufficient reserves is essential given the volatile financial environment we currently operate in (see risks highlighted below) along with the need to effectively deliver significant projects such as the Bingham Leisure Hub, the Crematorium and Fairham Pastures.
- j. Key risks to the MTFs are highlighted, including the potential impact of central government policy changes on the funding system ('Fair Funding') and New Homes Bonus and the volatility caused by the aforementioned various business rates issues (Section 8); and

k. The capital programme demonstrates the Council's commitment to deliver more efficient services, improve its leisure facilities, and to facilitate both economic development and housing growth. Spend over the 5 years is estimated at £47.75m. Capital resources are projected to increase over the 5 year period as a result of the expected capital receipts in relation to Sharphill. By 2023/24 such resources is estimated to be at £6.1m (Section 9).

4.3 The MTFs has been developed at a time of significant financial challenge both nationally and locally. The process has been rigorous and thorough, with a Transformation Strategy (and associated programme) that takes into account both officers' and Members' views. Whilst the Council faces financial constraints both the revenue and capital budgets delicately balance the need for efficiency and economy with the desire for growth; and the aim of encouraging economic development in the Borough, with the Council aiming to meet its corporate priorities.

5. Other Options Considered

5.1 There are other options in terms of increasing Council Tax by a lesser amount but this would put severe pressure on already stretched Council resources (see Section 11 of the Annex). For example comparing the difference from no increase to a £4.95 increase in council tax, in 2023/24 the council tax income foregone is £1.157m and over the 5 year period amounts to £3.381m.

6 Risk and Uncertainties

6.1 Section 8 of the Annex covers key risks that may impact upon the MTFs. There is the Spending Review 2019 on the horizon and there are also two major reviews of the financial system and how local government is funded (ie the Fairer Funding and 100% Business Rates Retention reviews) which will have a direct impact on the income streams for the Council. The impact of these will not be known until late into 2019 making longer term forecasting subject to even more uncertainty.

7 Implications

7.1 Finance

These are detailed in the attached budget report (Annex). The Council is required to set a balanced budget for the 2019/20 financial year and the proposals present a balanced budget.

In the opinion of the S151 Officer, a positive assurance is given that the budget is balanced, robust and affordable. The Capital programme is achievable, realistic and resourced, with funds and reserves including the General Fund, adequate to address the risks within the budget.

7.2 Legal

Compliance with the Local government Finance Act 1972.

7.3 Equalities Implications

None.

7.4 Corporate Priorities

The recommendations of this report and will contribute to the Corporate Strategy key themes of:

- Delivering economic growth to ensure a sustainable, prosperous and thriving local economy
- Maintaining and enhancing our residents' quality of life
- Transforming the Council to enable the delivery of efficient high quality services

Other Implications

None.

8. Recommendation

Cabinet RECOMMENDS to Council that it:

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Background papers Available for Inspection:	Department for Communities and Local Government (DCLG) website, 2018/19 Financial settlement papers
List of Annexes and Appendices (if any):	Annex to the Budget Report Appendix 1 Special Expenses Appendix 2 Revenue Budget Service Summary Appendix 3 Transformation Strategy and Efficiency Plan 2019/20 – 2023/24 Appendix 4 Capital Programme 2019/20 – 2023/24 (including appraisals) Appendix 5 Capital and Investment Strategy 2019/20 to 2023/24 Appendix 6 Use of Earmarked Reserves 2019/20 Appendix 7 Pay Policy Statement

Appendix