Public Document Pack

Civic Centre,
Arnot Hill Park,
Arnold,
Nottinghamshire,
NG5 6LU

Agenda

Council

Date:	**Thursday 5 March 2020**
Time:	**6.00 pm**
Place:	**Council Chamber**

For any further information please contact:

Alec Dubberley

Service Manager, Democratic Services

0115 901 3906

Having trouble reading this? Please call 0115 901 3906 if you need it in large print, audio or another format.

Council

Membership

Mayor Councillor Sandra Barnes

Deputy Mayor Councillor Meredith Lawrence

Councillor Michael Adams
Councillor Peter Barnes
Councillor Chris Barnfather
Councillor Pat Bosworth
Councillor Michael Boyle
Councillor Nicki Brooks
Councillor John Clarke
Councillor Liz Clunie
Councillor Bob Collis
Councillor Jim Creamer
Councillor Boyd Elliott
Councillor David Ellis
Councillor Rachael Ellis
Councillor Roxanne Ellis
Councillor Andrew Ellwood
Councillor Paul Feeney
Councillor Kathryn Fox
Councillor Des Gibbons
Councillor Helen Greensmith
Councillor Gary Gregory
Councillor Jenny Hollingsworth
Councillor Mike Hope
Councillor Rosa Keneally
Councillor Ron McCrossen
Councillor Viv McCrossen
Councillor Barbara Miller
Councillor Simon Murray
Councillor Julie Najuk
Councillor Marje Paling
Councillor John Parr
Councillor Michael Payne
Councillor Alex Scroggie
Councillor Martin Smith
Councillor Sam Smith
Councillor Jennifer Thomas
Councillor Clive Towsey-Hinton
Councillor John Truscott
Councillor Henry Wheeler
Councillor Paul Wilkinson

SUMMONS

A meeting of the Borough Council will be held in the Council Chamber, Civic Centre, Arnot Hill Park on Thursday 5 March 2020 at 6.00 pm to transact the business as set out below.

Karen Bradford
Chief Executive

AGENDA

		Page
1	**Opening Prayers.**	
2	**Apologies for Absence.**	
3	**Declaration of Interests.**	
4	**Independent Remuneration Panel - Report and recommendations for 2020/21** Report of the Service Manager Democratic Services.	5 - 16
5	**To consider, and if approved, adopt the recommendations of Cabinet dated 13 February 2020 and set the Council Tax for the year ending 31 March 2021.**	
a	**Prudential and Treasury Indicators and Treasury Management Strategy Statement 2020/21** Report of the Deputy Chief Executive and Director of Finance.	17 - 57
b	**Capital Programme and Capital Investment Strategy** Report of the Senior Leadership Team on behalf of the Leader of the Council.	59 - 89

Report to Council

Subject: Independent Remuneration Panel - Report and recommendations for 2019/20

Date: 5 March 2020

Author: Service Manager Democratic Services

Purpose

To inform Council of the latest report from the Council's Independent Remuneration Panel (IRP), relating to member remuneration for 2020/21, and invite Council to consider the recommendations made by the Panel.

Recommendations

1) **To consider the report of the Independent Remuneration Panel and whether to accept the recommendations contained in the report;**

2) **Consequent on those recommendations, to agree the schedule of members' allowances for 2020/21 as attached at Appendix 2 to this report which are subject to any pay award applied for senior management;**

3) **To authorise the Monitoring Officer to make appropriate amendments to Part 6 of the Constitution to reflect any changes to the members' allowances scheme agreed.**

Background

The Council's Independent Remuneration Panel met in January to carry out its annual review of members' allowances.

Following that meeting, the Panel prepared a report to members with regard to the level of members' allowances to be payable for 2020/21.

Proposal

The Panel's report, including associated recommendations, is attached at Appendix 1.

Should Council be minded to accept the Panel's recommendations on Basic Allowances and Special Responsibility Allowances, then the level of allowances to be paid to members for 2020/21 will be as set out at Appendix 2.

The Panel have also made recommendations on a new list of approved duties as detailed in the report.

Financial Implications

Should Council accept the Panel's recommendations, then costs can be accommodated from within existing budgets. Members should note that any staff pay award has not been factored in to any of the figures at Appendix 2

Appendices

Appendix 1 – Report of the Independent Remuneration Panel 2020/21
Appendix 2 – Indicative schedule of Members Allowances 2020/21
Appendix 3 – Proposed list of approved duties.

APPENDIX 1

Report of the Gedling Independent Remuneration Panel held on 31 January 2020.

Introduction

1.1 The Independent Remuneration Panel was established under the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended) to provide advice and recommendations to the Council on its Members' Allowances Scheme and amounts to be paid under it.

1.2 The panel received administrative support from the Service Manager, Democratic Services. Also present at the meeting, in an advisory capacity, were the Director of Organisational Development and Democratic Services (Monitoring Officer) the Senior Finance Business Partner.

1.2 The Panel's Terms of Reference are as follows:

The Independent Remuneration Panel will review, on an annual basis, the level and extent of allowance payments made to Borough Councillors having particular regard to:

- The role of Councillor and the importance of effective democratically accountable local government and community leadership;
- The scale and complexity of the Council's operations and changes taking place in the various roles Councillors are expected to fulfil and the particular responsibilities attached to the various roles;
- The time commitment required from Councillors to enable both the Council and individual Councillors to be effective in their various roles; and
- The importance of encouraging people from all backgrounds and circumstances to serve in local government without suffering financial loss as a consequence of their membership of the Council.

The Panel will also:

- Consider the level and extent of travel and subsistence allowances including dependent carers' allowance; and
- Review the payment of allowances and expenses payable in relation to attendance at seminars, conferences and other council business.

The Panel's operation:

- The Panel is comprised of three Independent members
- Panel members are recruited by public advertisement and should be of good standing in the community either as a resident and/or a stakeholder in the Borough. Ideally members should have sound knowledge of employment and financial matters with an understanding of the operations of a local authority.
- The Panel is advisory in nature and the recommendations it makes are not binding on the authority. However, the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended) requires Council to "have regard" to the Panel's recommendations when setting its allowances.

Process

2.1 A Strategic Review of Members' Allowances took place in 2015. The Review looked in detail at all allowances paid to Members including the Basic Allowance and all positions attracting a Special Responsibility Allowance. The Review resulted in a completely rewritten scheme of members' allowances. The Panel made a series of recommendations to Council in March 2016 and a new scheme was agreed by Members. The Panel met at the end of 2016 to review the scheme for the 2017/18 year and aside from the 1% increase in line with the local government pay award, no changes to the scheme were recommended. For the year 2019/20 an uplift was agreed in line with the pay award to senior local government staff which was subsequently set at 2%.

2.2 The Panel met on 31 January 2020 and all members of the Panel were present.

2.3 As is usual practice prior to the meeting, all members of the Council were contacted directly and asked for their views on the current levels of allowances paid to members.

2.4 Two submissions were received by the Panel.

2.4.1 The first talked about consideration being given to an increase in members' allowances to cover inflation and to consider the introduction of a mileage payment for councillors attending meetings of parish councils in their wards. It was the view of the Panel that increases to Members' Allowances should be closely aligned to increases in staff pay. The Panel concluded that as the staff pay award has not risen in line with inflation for a number of years it would be inappropriate for any rise pegged to inflation to be applied to members' allowances. On the point about a mileage payment being made to ward councillors attending parish council meetings in their areas, the panel felt that as it was not a requirement for a Borough Councillor to attend parish meetings in their wards, it would not be appropriate for an allowance to be paid for this purpose.

2.4.2 The second submission received from a political group said that the members disagreed with the establishment of a special responsibility allowance for the post of party business manager as they felt that this was political in nature and public finances should not be subsiding political activities. In response to this the Panel reiterated their previous concerns that the post of Business Manager was party political in nature and therefore, should not attract the payment of an SRA. This recommendation, they noted, had consistently not been agreed by the majority of Council members but hey reiterated their opposition to such an allowance being included.

2.4.3 One response was received from a co-opted members which said that they believed the current rate of allowance was appropriate.

Panel's Deliberations

3.1 The Panel heard from Officers that the operations of the Council and the workload of members had not significantly changed since the last review. The also heard that, in general, satisfaction levels with pay in the workforce remained broadly the same. This view was echoed by the recent employee survey.

3.2 The Panel also heard that since the 2019 local elections, the political makeup of the council had changed so that there was now 4 groups that made up the Council: the Labour, Conservative, Liberal Democrat and Independent Groups with 29, 8, 2 and 2 members respectively. It was therefore felt that a change in methodology on how opposition group leader and business manager allowances were calculated was necessary to better reflect the realities of the time commitment needed for these roles and to bring this into line with how other comparable local authorities with multiple opposition groups of varying sizes paid their allowances. After a number of suggested ways to achieve this, the Panel agreed that there should be a "per member" element to the

allowances basis and the following was suggested:
Majority Group Leader (Leader of the Council) – no change.
Main Opposition Group Leader – allowance calculated at 25% of the Leader's SRA plus £150 per member to result in a total of £4,798
Minority Group Party Leaders – allowance calculated at £150 per member (no percentage element).
Business Managers (agreed as only applicable to the two largest groups) – based on a flat allowance of £150 per member. In making these comments, the Panel reiterated their concerns about the existence of an SRA for the position of business manager as outlined at paragraph 2.4 above.

3.3 The Panel next discussed the suggestion from Officers of introducing a rate of allowance for travelling, subsistence and Childcare/dependent carers' payments. It was explained that the current scheme simply sets out that such allowances are "payable as appropriate". In order to clarify and add transparency to the process, it was suggested that the scheme specifies that the travelling and subsistence rate is equivalent to those detailed in the NJC employees' terms and conditions.

Until the May 2019 election, there has only been very occasional instances of Members claiming Childcare/dependent carers' payments. The new intake of councillors in 2019 is from a much broader range of backgrounds and officers have received a number of queries as to the amount of dependent carer and childcare allowance that can be claimed. It is therefore considered sensible to suggest a defined rate of allowance for this to provide clarity to councillors and set an overall ceiling of payment. In line with the results of workload surveys and members censuses, a maximum number of 15 hours per week was agreed as being a sensible limit for such payments. In common with other local authorities it was agreed that the person providing the care may not be a close relative defined as spouse, partner (opposite or same sex cohabitees), parents, children, brothers, sisters, grandparents and grandchildren. The paid care attendant must also sign a receipt to show that they have cared for the dependant during the hours claimed for.

The panel recognised that it is important to offer these allowances to councillors so they are not discouraged from carrying out council work by their personal responsibilities. In line with other comparable local authorities it was agreed to recommend that such allowances are paid at up the rate of the “real living wage” (currently £9.30 per hour).

3.4 The Panel next noted that the National Pay Award for senior local government staff had not yet been agreed. In previous years the Panel had recommended that Member’s Allowances increase in line with the pay award for Senior Managers and saw no reason not to make this recommendation for the coming year. As discussed in paragraph 2.3 above, the panel could see no reason to propose that an increase should be any different to the any award for senior managers.

3.5 Finally the Panel considered including a list of approved duties in the Members Allowances scheme. Currently the scheme simply makes reference to Reg 8(1) of the 2013 Regulations but provides no practical information to the public or members. It was explained that including such a list would give greater clarity and transparency to the member claim process. A suggested list, based on The Local Authorities (Members' Allowances) (England) Regulations 2003, was circulated to the Panel. Panel Members agreed with that the list should be included as Schedule 2 to the Members’ Allowances Scheme.

Proposals

Basic Allowance

3.6 On the issue of Basic Allowance the Panel concluded that their findings and recommendations from the previous review were still relevant. A recommendation to increase the basic allowance in line with the pay award for senior managers was agreed.

Special Responsibility Allowances (SRAs)

3.7 As discussed in paragraph 3.2 above the Panel decided to recommend a new rate of Special Responsibility Allowance payable to Leaders of Opposition Groups and Party Business Managers. Rates were proposed as follows:

Main Opposition Group Leader: 25% of the Leader’s Allowance plus £150 per elected member in the group.

Minority Opposition Group Leaders: £150 per elected member in the group.

Business Managers (for the majority and main opposition groups only): £150 per elected member in the group.

The Panel felt that similar to the Basic Allowance, no new information had come to light since the strategic review to suggest altering any of the other SRAs that are currently paid. The Panel heard that since their last meeting there had been no material change in any role that attracted an SRA so a recommendation to increase the other allowances in line with the pay award for senior managers was agreed.

Dependant Carer's and Childcare allowances

3.8 As discussed in paragraph 3.3 above, the Panel is recommending that a defined rate of up to £9.30 per hour is payable to cover childcare and dependent carer's allowances. Each claimant would be entitled to claim for up to 15 hours per week. The person providing the care may not be a close relative defined as spouse, partner (opposite or same sex cohabitees), parents, children, brothers, sisters, grandparents and grandchildren. The paid care attendant must also sign a receipt to show that they have cared for the dependant during the hours claimed for.

Co-opted Allowance

3.9 Finally on allowances, the Panel considered the level allowance paid to co-opted members. They heard from the Monitoring Officer that at Gedling, co-opted members sit on the Standards Committee. They also heard that since changes to how member complaints were dealt with made in 2012, the work of the Standard Committee has reduced and the role of the co-opted member has becomes less onerous. The Panel received information from the Monitoring Officer and in light of this concluded that they would like to recommend that the current level of £500 should remain.

Approved Duties

3.10 The Panel recommended the inclusion of a list of approved duties for the purposes of claiming mileage, subsistence and dependent carer's allowances in order to provide clarity to members and the public on what was a claimable expense.

Recommendations

The Panel recommends to Council:

1) That the basic allowance payable to all Members' from 1 April 2020 should be increased in line with the pay award made to local government senior management (once it is known);

2) Special Responsibility Allowances should be increased in line with the pay award made to local government senior management with no further changes except to the roles of Main Opposition Group Leader, Minority Opposition Group Leaders and Business Mangers as detailed in paragraph 3.6 above;

3) In order to increase the transparency and add clarity, the Members' Allowances Scheme should be updated to reflect that Members travelling and subsistence payments are made in line with the rate applicable to NJC employees.

4) A list of approved duties, as detailed in Appendix 3 to this report, should be introduced into the Allowances Scheme.

5) To introduce a defined hourly rate equivalent of up the prevailing rate for the "real living wage" (currently £9.30 per hour) payable to cover childcare and dependent carer's allowances for a maximum of 15 hours per week. The person providing the care may not be a close relative defined as spouse, partner (opposite or same sex cohabitees), parents, children, brothers, sisters, grandparents and grandchildren. The paid care attendant must also sign a receipt to show that they have cared for the dependant during the hours claimed for.

APPENDIX 2 (please note these figures have <u>not</u> been uplifted in line with any pay award)

<u>From 1 April 2020 until 31 March 2021 inclusive:</u>

	Percentage of the Leader's Allowance	Per Annum (£)
Leader of Council	100%	14,391.39
Deputy Leader of the Council	80%	11,513.11
Cabinet Members	50%	7,195.70
Leader of Main Opposition Group	25% plus £150 per elected member	4,798
Leader of Minority Opposition groups	Flat fee of £150 per elected member	300.00 (x 2 groups)
Level One Committee Chair (Planning and Environment and Licensing Committees)	35%	5,036.99
Level Two Committee Chair (Audit and Overview and Scrutiny Committees)	25%	3,597.85
Level Three Committee Chair (Joint Consultative and Safety and Standards Committee)	10%	1,439.14
Business Manager of Majority and Main Opposition Groups	Flat fee of £150 per elected member	4350.00 (majority) 1200.00 (main opp)
Mayor	37.5%	5,396.77
Deputy Mayor	12.5%	1,798.92
Policy Adviser	12.5%	1,798.92

1. From 1 April 2020 until 31 March 2021 the Basic Allowance payable to each Councillor 4,190.04

2. Co-opted Members 500.00

3. Dependent Carers Allowance of up to <u>£9.30</u> per hour payable to cover childcare and dependents. The person providing the care may not be a close relative defined as spouse, partner (opposite or same sex cohabitees), parents, children, brothers, sisters, grandparents and grandchildren. The paid care attendant must also sign a receipt to show that they have cared for the dependant during the hours claimed for.

4. Travelling and subsistence payable at the currently in force NJC employee rate.

APPENDIX 3

List of Approved Duties

Attendance at:

1 Formal meetings of the Council, including Committees and Sub-Committees and any other authorised meeting of these bodies or event organised by these bodies (including joint committees), where the councillor has been appointed by the Council as a member or a substitute member.

2 Formal meetings of the Cabinet its sub committees and any other authorised meetings thereof where the councillor has been appointed by the Leader/Council as a member.

3 Ad-hoc formally constituted working groups/panels (e.g. scrutiny working groups) where the councillor is (a) a named member of the body or (b) is formally invited to participate

4 Meetings of Nottinghamshire County Council committees/sub committees where the councillor has been appointed by the Council as a member or a representative

5 Meetings of bodies to which the Council makes appointments except where the body itself pays allowances to the Council's representative (the approval relates to meetings of the body itself; its standing committees/sub committees but not to other activities of the body)

6 Meetings of any local authority association of which the Council is a member where the councillor is the appointed representative or nominated substitute

7 Any conference or training where attendance is authorised by the Council

8 Any Council premises, or other agreed location, for a meeting agreed with either a member in receipt of an SRA or an Officer for the purpose of discussing matters relating to Council business in which it is reasonable to expect the councillor to have an interest

9 Briefing meetings at the invitation of an Officer of the Council provided that the members of at least two political groups have been invited

10 An approved agenda setting meeting or member development/awareness raising/seminar activity organised by the Council

11 Official site visits by members of the Planning Committee

12 Any site visit or inspection visits undertaken by members approved by or on behalf of the Council

13 Tender opening meetings where invited by an Officer to attend

Performance of:

14 Duties carried out by a member holding an office for which a special responsibility allowance applies.

15 Any particular duty for which express authority is given by or on behalf of the Council in case of emergency.

16 Such other duty for which prior approval has been given by the Chief Executive, in consultation with the Leader.

Report to Cabinet

Subject: Prudential and Treasury Indicators and Treasury Management Strategy Statement (TMSS) 2020/21

Date: 13 February 2020

Author: Deputy Chief Executive and Director of Finance

Wards Affected

All

Purpose

To present for Members' approval the Council's Prudential Code Indicators and Treasury Strategy for 2020/21, for referral to Full Council on 5 March 2020.

Key Decision

This **is** a key decision.

Recommendations:

Members are recommended to:

1. Approve the Prudential and Treasury Indicators and Treasury Management Strategy Statement 2020/21, which includes the key elements below, and refer it to Full Council on 5 March 2020 for approval as required by the Regulations:

   a. The Minimum Revenue Provision (MRP) Policy Statement (2.2);
   b. The Borrowing Strategy (2.3.4);
   c. The Annual Investment Strategy (2.3.8);
   d. Capital Affordability Prudential Indicators for 2020/21 to 2022/23 (Appendix 1);
   e. Treasury Indicators including affordability limits to borrowing for 2020/21 to 2022/23 (Appendix 1).

2. Note the indicative Prudential and Treasury Indicators for 2023/24 and 2024/25 (Appendix 1).

Background

1.1 Introduction

1.1.1 CIPFA defines Treasury Management as "the management of the local authority's borrowing, investments and cash flows, its banking, money-market and capital-market transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."

"Investments" in the definition above include all the Council's financial assets (treasury investments) which are defined as the placement of cash in relation to the S12 Local Government Act 2003 investment powers (ie. they represent the residual cash left in the Council's bank account as a result of its day to day activities). However, investments also include other "non-financial assets" (non-treasury investments) which are held primarily for financial returns, for example commercial investment property portfolios and loans to third parties. Whilst commercial initiatives and loans to third parties will have an impact on the Treasury Management function, these activities are generally classed as "non-treasury activities" (as they usually arise from capital expenditure), and are separate from day to day Treasury Management activities.

However, all investments require appropriate risk management under the Treasury Management Code, and the key principle of the control of risk and optimisation of returns should be applied across all investment activities, including those that are more commercially based.

1.1.2 The Council is required to operate a "balanced budget", which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management service is to ensure that cashflow is adequately planned, with cash available when it is needed. Surplus cash is invested in low-risk counterparties and instruments commensurate with the Council's low risk appetite, providing adequate liquidity before considering investment return.

A further Treasury Management function is the funding of the Council's capital plans. These plans provide a guide to the Council's borrowing needs, and require longer term cashflow planning to ensure that the Council can meet its spending obligations. The management of longer term cash may involve arranging long or short-term loans or the use of longer term cashflow surpluses. On occasion, debt previously drawn may be restructured to meet the Council's risk or cost objectives.

The contribution made by the Treasury Management function is critical as the balance of debt and investment operations ensure liquidity, ie. the ability to meet spending commitments as they fall due. Treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits impacting the overall budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.2 Statutory reporting requirements

Current reporting requirements were introduced by the 2017 CIPFA Prudential Code and CIPFA Treasury Mangement Code, plus updated Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance and Minimum Revenue Provison (MRP) Guidance.

There is now an explicit requirement to prepare a Capital Strategy to provide a longer-term focus to capital planning, and to meet the greater reporting requirements for any commercial activity undertaken under the Localism Act 2011. The Council’s Capital Strategy is being reported separately, but its pupose and content is summarised below for completeness.

1.2.1 <u>Capital Strategy</u>

The revised CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following:

- A high level long-term overview of how capital expenditure, capital financing and Treasury Management activities contribute to the provision of services;
- An overview of how the associated risk is managed;
- The implications for future sustainability.

The aim of the Capital Strategy report is to ensure that all elected Members, ie. Full Council, fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

The Capital Strategy is reported separately from the TMSS. Non-treasury investments will be reported through the Capital Strategy to ensure the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, any advisers used (and their monitoring), ongoing costs and investment requirements, together with any credit information, will be disclosed - including the ability to sell the asset and realise the investment cash.

Borrowing purely for commercial purposes, ie. the generation of a return, is not permitted, however if a commercial investment is at least in part for an economic or social reason, borrowing is permitted. Where the Council plans to borrow to fund non-treasury investments, there should be an explanation in the Capital Strategy of why borrowing is required and whether the MHCLG Investment Guidance and CIPFA Prudential Code have been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

To demonstrate the proportionality between treasury (financial) and non-treasury (non-financial) operations, high level comparisons are shown throughout this report.

1.2.2 Treasury Management Reporting

As a minimum, the Treasury Management Code requires that the Full Council receives and approves three main reports each year, which incorporate a variety of policies, estimates and actuals.

a) Prudential and Treasury Indicators and Treasury Management Strategy Statement (TMSS) - this report:

This first, and most important report is forward-looking and covers:

- The capital plans (including prudential indicators);
- A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators;
- An investment strategy (the parameters on how investments are to be managed).

b) Mid-year Treasury Management Report:

This is primarily a progress report and updates Members on the capital position, amending prudential indicators as necessary, and whether the treasury strategy is appropriate or whether any policies require revision.

The Council has adopted a policy of presenting quarterly Treasury Management progress reports to Members, and this exceeds the minimum requirement.

c) Annual Treasury Report:

This is a backward looking review and provides details of a selection of actual prudential and treasury indicators, and actual treasury operations compared to the estimates within the strategy.

1.2.3 Scrutiny

All Treasury Management reports must be adequately scrutinised before being recommended to Council, and this role is undertaken by Cabinet. The TMSS is part of the Council's Budget and Policy Framework and accordingly the Chair of the Overview and Scrutiny Committee must also be consulted. Any comments received will be taken into account before referral to Council.

1.3 Treasury management strategy for 2020/21

The treasury management strategy for 2020/21 covers two main areas:

Capital issues including:

- The Council's capital expenditure plans, and the prudential indicators;
- The minimum revenue provision (MRP) policy.

Treasury management issues including:

- The current treasury position;
- Treasury indicators which limit the treasury risk and activities of the Council;
- Prospects for interest rates;
- The borrowing strategy;
- The policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- The Creditworthiness policy;
- The policy on the use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for Treasury Management receive adequate training. This especially applies to Members responsible for the scrutiny of Treasury Management, ie. Cabinet, and the Chief Financial Officer will arrange training for Members as required. The Council's Treasury Management advisers, Link Asset Services (LAS), will provide more detailed training sessions for Members as appropriate.

The training needs of officers involved with Treasury Management are reviewed periodically.

1.5 Treasury Management consultants

The Council uses LAS as its Treasury Management advisers.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times, and will ensure that undue reliance is not placed upon the external service providers. All decisions will be undertaken with regard to all the available information, including but not solely that from the treasury advisers.

The Council recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of appointment and the methods by which value will be assessed are properly agreed and documented, and subjected to regular review.

The scope of the Council's investments includes both conventional treasury investments (the placing of residual cash from Council functions), and more commercial type investments, such as the purchase of investment properties. Commercial investment requires additional specialist advice and the Council will obtain this whenever it is necessary.

Proposal

2.1 The Capital Affordability and Prudential Indicators 2020/21 to 2022/23

The Council's capital expenditure plans are the key driver of treasury management activity.

The output of the Council's capital expenditure plans is reflected in prudential indicators, which are designed to assist Members to overview and confirm such plans. The indicators for the three years 2020/21 to 2022/23 are attached at Appendix 1 and these must be referred to Full Council for approval in accordance with the regulations.

Indicative indicators for 2023/24 and 2024/25 are also included in Appendix 1, to reflect the 5-year period of the Medium Term Financial Plan. The purpose of this is to ensure that longer term forecasts for capital expenditure and borrowing are fully considered, and that they can be demonstrated to be prudent and affordable. The inclusion of these indicators aligns with the Capital Programme and Capital Investment Strategy elsewhere on this agenda.

2.1.1 <u>Capital expenditure</u>

The indicator includes a summary of the proposed capital expenditure plans for 2020/21 to 2022/23, including both those agreed previously and those forming part of this budget cycle.

The Capital Programme includes both “service-related” expenditure and “non-financial” commercial property investment, the management of which is not part of the Treasury Management function. The approved estimate for commercial property investment is £5m, of which it is currently expected that £0.9m will be spent in 2019/20, and the remaining £4.1m in 2020/21.

Capital Expenditure:	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Service Investment	7,125.6	2,851.0	2,019.0
Commercial Investment (Property)	4,100.0	0.0	0.0
Total Capital Expenditure	**11,225.6**	**2,851.0**	**2,019.0**

The table below analyses the capital expenditure plans by portfolio. Commercial investment property is included in Resources and Reputation.

Portfolio Capital Expenditure:	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Housing, Health & Wellbeing	212.3	0.0	0.0
Public Protection	1,000.0	1,000.0	1,000.0
Environment	1,500.7	1,198.0	466.0
Growth & Regeneration	3,303.6	0.0	0.0
Resources & Reputation	5,209.0	483.0	383.0
Equipment Replacement	0.0	70.0	70.0
Development Bids	0.0	100.0	100.0
Total Capital Expenditure	**11,225.6**	**2,851.0**	**2,019.0**

The table below summarises the above capital expenditure plans and how these are being financed by capital or revenue resources. Any shortfall of resources results in a net borrowing need.

Financing of Capital Expenditure:	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Capital Expenditure (above):	**11,225.6**	**2,851.0**	**2,019.0**
Financed by:			
Capital receipts	611.0	610.9	610.1
Capital grants & contributions, Section 106 and CIL	2,834.5	1,000.0	1,000.0
Direct Revenue Financing	1,321.2	0.0	0.0
Net Borrowing Need	**6,458.9**	**1,240.1**	**408.9**

Commercial investment will be fully financed by borrowing, and the borrowing need shown above is split between service related investment and commercial investment as follows:

Borrowing for:	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Service Investment	2,358.9	1,240.1	408.9
Commercial Investment (Property)	4,100.0	0.0	0.0
Total Borrowing Need	**6,458.9**	**1,240.1**	**408.9**

2.1.2 The Council's borrowing need – the Capital Financing Requirement (CFR)

The CFR represents the total historic outstanding capital expenditure which has not yet been paid for, from either revenue or capital resources. It is essentially a measure of the Council's "underlying borrowing need". Any capital expenditure in the tables above, which has not immediately been paid for by way of capital receipts, grants or contributions, will increase the Council's CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR can include any other long term liabilities, for example finance leases and PFI schemes. Whilst these would increase the CFR, and therefore the borrowing requirement, such schemes would include their own borrowing facilities and the Council would not be required to separately borrow for them. The Council has no such schemes within its CFR.

Capital Financing Requirement (CFR)	**2020/21 Estimate £000s**	**% of total**	**2021/22 Estimate £000s**	**% of total**	**2022/23 Estimate £000s**	**% of total**
Closing CFR:						
Service activity	12,368.8	71	12,910.5	72	12,536.7	72
Commercial activity	4,985.1	29	4,902.2	28	4,817.7	28
Total	**17,353.9**	**100**	**17,812.7**	**100**	**17,354.4**	**100**
Movement in CFR within the year	**5,848.4**		**458.8**		**(458.3)**	
Represented by:						
Net financing need - Service activity	2,358.9		1,240.1		408.9	
MRP-Service activity	(595.6)		(698.4)		(782.6)	
Net financing need - Commercial activity	4,100.0		0.0		0.0	
MRP-Commercial activity	(14.9)		(82.9)		(84.6)	
Movement in CFR within the year	**5,848.4**		**458.8**		**(458.3)**	

With the introduction of commercial activity to the Council's capital programme, and its associated borrowing requirement, the predominantly private-sector based concept of "gearing" provides an opportunity to compare the total underlying borrowing need to the Council's total fixed assets. The gearing ratio can provide an early indication where debt levels are rising relative to the long term assets held.

The Council's treasury advisers, Link Asset Services, have analysed the balance sheets of over 200 authorities and established that average gearing is around 35% for councils similar in size to Gedling. The table below demonstrates that, on the basis of current assumptions, Gedling sits broadly close to this average.

Gearing:	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Estimated Long Term Assets: (Property, Plant, Equipment and Commercial Investment Property	46,725	48,576	49,595
Closing CFR	17,353.9	17,812.7	17,354.4
Gearing Ratio	**37%**	**37%**	**35%**

A key aspect of the regulatory and professional guidance is that Members are made fully aware of the size and scope of any commercial activity in relation to the Council's overall position.

The capital expenditure figures shown at 2.1.1, together with the analysis of the borrowing need and the gearing ratio shown at 2.1.2, demonstrate the scope of this commercial activity. The Chief Financial Officer considers that this activity is proportionate for Gedling in terms of the Council's overall capital investment and borrowing need.

2.1.3 Other Capital Affordability Prudential Indicators

Sections 2.1.1 and 2.1.2 above cover the Prudential Indicators for overall "capital" and "control of borrowing", but within the Prudential framework additional indicators are required to further assess the affordability of the Council's capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances and are detailed below. A summary of the indicators can be found at Appendix 1.

- **Ratio of financing costs to net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs, net of investment income) against the net revenue stream.

Financing costs represent the element of the Council's budget to which it is committed even before providing any services, because they reflect the current costs of previous and planned capital financing decisions. Furthermore, if the net revenue stream falls as funding sources decline and cuts are made to expenditure, financing costs may be fixed, increasing the ratio of financing costs to the net revenue stream. If for example the ratio of financing costs to the net revenue stream is 8%, that leaves 92% with which to provide all the Council's other services. If the percentage rises to 10%, only 90 % is available for services.

Estimates of financing costs include current commitments and the proposals included in the Gedling Plan report elsewhere on this agenda. Costs in 2020/21 include £1.321m of direct revenue financing, which increases the ratio significantly when compared to future years.

Financing costs and the net revenue stream:	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Net revenue stream	11,602.7	11,229.0	10,990.2
Financing costs (net) – Services	2,158.9	934.5	1,007.7
Ratio to net revenue stream	**18.61%**	**8.32%**	**9.17%**
Financing costs (net) – Commercial Property	83.6	222.1	241.8
Ratio to net revenue stream	**0.72%**	**1.98%**	**2.20%**
Total ratio of financing costs to the net revenue stream	**19.33%**	**10.30%**	**11.37%**

- **Ratio of commercial income to net revenue stream** - another useful measure of the proportionality of commercial activity is the ratio of commercial income to the Council's net revenue stream. This demonstrates the extent to which the loss of commercial income would impact on the Council. This does not take into account any potential loss on capital value, which may not be recoverable if an asset is sold for a lower price. MRP will have been set aside to repay debt, therefore mitigating the risk of losses.

Commercial property income and the net revenue stream:	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Net revenue stream	11,602.7	11,229.0	10,990.2
Commercial Property investment income	164.0	329.4	349.4
Ratio of commercial property income to the net revenue stream	**1.41%**	**2.93%**	**3.18%**

- **Maximum Gross Debt** - The Council must ensure that its gross debt does not, except in the short term, exceed the total of the opening capital financing requirement, plus estimates of any additional CFR for the year in question and the following two financial years. This allows flexibility for early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Please see 2.3.1 below.

The 2020/21 Capital Programme and Capital Investment Strategy report provides full details of the proposed capital programme, including non-treasury investments, ie. Commercial property investment. All the capital prudential indicators can be found at Appendix 1, and represent capital investment plans that have been fully factored into the Council's Medium Term Financial Plan, and are assessed as affordable, prudent and sustainable, subject to securing the commitment to delivering an efficiency programme in the medium term, as proposed in the Gedling Plan report.

Maximum Gross Debt:	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Opening CFR (ie. closing CFR in preceding year)	11,505.5	17,353.9	17,812.7
Additions (only) in-year + following 2 years	6,307.2	548.2	89.4
Maximum Gross Debt	**17,812.7**	**17,902.1**	**17,902.1**
Estimated total GBC debt outstanding at 31 March	12,811.6	13,811.6	13,811.6
Under/(over) borrowing	**5,001.1**	**4,090.5**	**4,090.5**

Within the estimated total debt figures above, the debt relating to commercial activities and non-financial investment is £4m at 31 March 2021 (31.2%) and £5m at 31 March 2022 and 31 March 2023 (36.2%).

2.2 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spending (CFR) each year by way of a minimum revenue provision (MRP). It is also allowed to make an additional voluntary revenue provision if it so wishes (VRP).

MHCLG regulations require the full Council to approve an MRP Statement in advance of each year. A variety of options is provided to councils, but there must be "prudent provision". The guidance does not define "prudent", instead making recommendations on the interpretation of the term. It is the responsibility of each authority to decide upon the most appropriate method of making a prudent MRP, having had regard to the guidance and its own circumstances, the broad aim being to ensure that borrowing is repaid over a period that reflects the useful lives of the assets acquired. The guidance seeks to ensure that local authorities make borrowing and investment decisions in a way that is commensurate with their statutory responsibilities, and their best value duty. The Council is obliged to have regard to the MHCLG guidance, but it is not prescriptive.

The Council is recommended to approve the following Statement for 2020/21:

MRP Statement 2020/21

a. The Council will assess MRP in accordance with the recommendations within the guidance issued under section 21(1A) of the Local Government Act 2003.

b. The CFR method will be used for calculating MRP in respect of all capital expenditure incurred up to and including 31 March 2008. This is the simplest approach available, being calculated as a straightforward 4% of the relevant element of the CFR at the end of the previous year. In the current economic climate the Chief Financial Officer considers that use of the CFR Method is prudent.

c. The Asset Life Method will be used for calculating MRP in respect of all capital expenditure incurred on and after 1 April 2008. From 1 April 2019 an annuity approach has been adopted in making this calculation, allowing for a slightly lower MRP charge in the early years than under the previously used equal instalment approach. This is considered prudent because it better reflects the time value of money, whereby £100 paid ten years hence represents less of a burden than paying £100 today.

d. The Chief Financial Officer will determine estimated asset lives. Where expenditure of different types is involved, it will be grouped together in a manner which best reflects the nature of the main component of expenditure. It will only be divided up in cases where there are two or more major components, with significantly different asset lives.

e. MHCLG guidance provides that any charge made over and above the statutory MRP, ie. a voluntary revenue provision (VRP) or “overpayment”, can be reclaimed in later years if deemed necessary or prudent, providing the cumulative overpayment made to date is disclosed in this policy statement. In view of the economic climate and significant budgetary pressures, the Council will not provide for an additional voluntary contribution to MRP in 2020/21, and neither has it done so in previous years.

f. Based on the above policy, the net MRP charge for 2020/21 has been calculated as £610,500 as detailed below, and this sum has been included in the Council’s 2020/21 budget proposals. The exact amount of MRP will be subject to change should capital financing decisions alter during the year.

Minimum Revenue Provision (MRP)	**2020/21 £s**
CFR Method - up to 31 March 2008	212,200
Asset Life Method (annuity approach) - from 1 April 2008	398,300
Total MRP	**610,500**

2.3 Treasury Strategy 2020/21 - Borrowing and Investment

The capital expenditure plans set out above provide details of the Council's service activity, and its commercial investment. The Treasury Management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this activity. This will involve both the organisation of the cash flow and, where necessary, the organisation of approporiate borrowing facilities. The Treasury Strategy covers the relevant treasury indicators, the current and projected debt positions and the annual investment strategy.

2.3.1 <u>Projected portfolio position</u>

The Council's forward projection on its treasury portfolio position is summarised below. This shows the projected external debt, ie. the treasury management operations, against the underlying total capital borrowing need, ie. the Capital Financing Requirement (CFR), highlighting any expected over or under borrowing.

Projected Gross Debt compared to CFR	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Estimated Debt 1 April	9,811.6	12,811.6	13,811.0
Estimated change in debt	3,000.0	1,000.0	0.0
Other long term liabilities	0.0	0.0	0.0
Estimated Gross Debt 31 March	**12,811.6**	**13,811.6**	**13,811.6**
Estimated Closing CFR	17,353.9	17,812.7	17,354.4
Under/Internal / (Over) borrowing	**4,542.3**	**4,001.1**	**3,542.8**
Internal borrowing as % of estimated closing CFR	**26%**	**22%**	**20%**

Under-borrowing represents the extent of the Council's "internal borrowing" position, ie. the use of reserves and balances that are being used as a short-term alternative to taking external debt. This represents the Council's exposure to interest rate movements (whilst internal balances are used, PWLB rates may rise) and the element of borrowing that is being undertaken at variable rates (ie. rates equivalent to lost investment income).

Balance sheet reviews undertaken by Link Asset Services have established that the average level of internal borrowing is around 20%, however authorities with a relatively low CFR (like Gedling) may be able to successfully run a higher internal borrowing position. The table above shows Gedling's ratio is estimated to be 26% in 2020/21, but that in a climate where interest rates are likely to rise, albeit slowly, action is already being taken to reduce the Council's level to nearer the average, to lessen risk.

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. As detailed at 2.1.3 above, to comply with the "gross debt" indicator, the Council must ensure that its gross debt does not, except in the short term, exceed the total of the closing CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue, or for speculative purposes.

The Chief Financial Officer can report that the Council has complied with this prudential indicator during the current year, 2019/20, and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

2.3.2 Treasury indicators – affordability limits to borrowing (Appendix 1)

a. The Operational Boundary for external debt

This is the limit which external debt is not "normally" expected to exceed. In most cases, this would be a similar figure to the CFR, but it may be lower or higher depending on the levels of actual debt.

b. The Authorised Limit for external debt

This is a key prudential indicator and represents a control on the "maximum" level of borrowing. It is the statutory limit determined under s3 (1) of the Local Government Act 2003 and represents the limit beyond which external debt is prohibited. The Authorised Limit must be set, and revised if necessary, by Full Council. It reflects a level of external debt which, while not desirable, could be afforded in the short term, but is not sustainable in the longer term. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

2.3.3 Prospects for Interest Rates

The Council has appointed Link Asset Services (LAS) as its treasury adviser and part of their service is to assist the Council to formulate a view on interest rates. The following table and commentary gives the LAS central view as at 31 January 2020 and further information on interest rates can be found at Appendix 2.

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above LAS forecasts are based on the assumption that a Brexit deal is agreed, including the terms of trade between the UK and the European Union (EU). The result of the general election has provided some clarity, however it has not removed uncertainty as to whether a trade deal can be reached with the EU by 31 December 2020, as the Prime Minister has pledged.

The Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% during 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. At its meeting in November the MPC became more dovish due to increased concerns over the outlook for the domestic economy, and for weak global economic growth. Should these uncertainties materialise the MPC would be likely to cut rates, however should they dissipate then rates would need to rise at a "gradual pace and to a limited extent." Brexit uncertainty has had a dampening effect on UK growth, and there is still some residual risk that the MPC could cut Bank Rate as the UK economy is likely to grow only weakly in 2020 due to continuing uncertainty over whether there could effectively be a no-deal Brexit in December 2020 if agreement on a trade deal is not reached.

All central banks are now working in economic conditions that are very different to those which existed before the 2008 financial crash, and the neutral rate of interest in an economy (ie. one that is neither expansionary nor deflationary) is difficult to determine definitively in the new environment. Although central banks have stated that they expect the neutral rate to be much lower than before 2008, there is a risk that they may over-increase or over-decrease that rate. Ultra low rates and quantitative easing have encouraged a debt fuelled boom that makes it more difficult for the MPC to raise rates.

The overall long run trend for gilt yields and consequently PWLB rates is to rise gently, however they can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period. In addition, PWLB rates are subject to ad-hoc decisions by HM Treasury to change the margin over gilt yields charged – as evidenced by the sudden addition of 1% to all PWLB rates on 9 October 2019. It is not clear whether if gilt yields were to rise by more than 1% over the next year or so whether HM Treasury would remove this addition.

Economic and interest rate forecasting remains difficult with so many influences weighing on the UK. The LAS forecasts, and MPC decisions, will be liable to amendment depending on how economic data and financial markets develop over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments. In broad terms:

- Investment returns are likely to remain low during 2020/21 with little increase in the next two years. However, if major progress was made with an agreed Brexit there is some upside potential for earnings.

- Borrowing rates were on a major falling trend during the first half of 2019/20 but then unexpectedly increased on 9 October when HM Treasury imposed an additional 1% on PWLB rates across the board. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years, however the unexpected rise of 1% in PWLB rates requires a rethink of treasury management strategy and risk management.

- The Council is unlikely to be able to avoid some new borrowing to finance its commercial investment programme in 2020/21 and there will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will almost certainly incur a revenue cost.

2.3.4 Borrowing Strategy 2020/21

The Council is currently maintaining an under-borrowed position (see 2.3.1 above). This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This represents "internal borrowing". This strategy is prudent since investment returns remain low, and counterparty risk is still an issue that needs to be considered.

However, against this background and the risks within the economic forecast outlined above, and the potential cost of carry (see 2.3.5 below), caution will be adopted with the 2020/21 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around a relapse into recession, or a risk of deflation), then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the UK and US, an increase in world economic activity or a sudden rise in inflation risk, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they are projected to be in the next few years.

Any new borrowing will be discussed with LAS, and any decisions will be reported to Cabinet at the next available opportunity.

2.3.5 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of, its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance of need will be within the forward-approved CFR estimates, and will be considered carefully to ensure value for money can be demonstrated, and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need, the Council will ensure that there is a clear link between the capital programme and the maturity profile of the existing debt portfolio which supports the need to take funding in advance of need. It will ensure that the on-going revenue liabilities created, and the implications for future plans and budgets have been considered, and evaluate the economic and market factors that might influence the manner and timing of any decision to borrow. The advantages and disadvantages of alternative forms of funding will be considered, together with the most appropriate periods over which to fund.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

2.3.6 Debt rescheduling

Reasons for rescheduling to be considered include:

- The generation of cash savings and / or discounted cash flow savings
- Helping to fulfil the Treasury Strategy;
- Enhancement of the portfolio balance (amend the maturity profile and/or the balance of volatility).

When the current day PWLB rate for the same term is higher than that being paid on an existing loan there is the potential for a discount to be available if the loan is repaid prematurely. Rescheduling of borrowing in the Council's debt portfolio is unlikely to be considered in 2020/21, as the 1% increase in PWLB rates applied only to new borrowing rates, and not to premature debt repayment rates.

Any rescheduling will be reported to Cabinet at the earliest meeting following action.

2.3.7 New financial institutions as a source of borrowing

Following the unexpected 1% across the board increase in PWLB rates on 9 October 2019, consideration will be given to alternative sources of funding, including:

- Local authorities (primarily shorter dated maturities);
- Financial institutions (primarily insurance companies and pension funds but also some banks);
- The Municipal Bond Agency is a public limited company currently owned by 56 local authority shareholders and the Local Government Association. It aims to provide Councils with access to market based borrowing via the issue of bonds, at rates lower than the PWLB. There have been no bond issues to date, however an issue to Lancashire County Council is planned subject to their usual governance processes.

The extent to which these funding options may prove cheaper than PWLB is still evolving. The Council may make use of these sources of borrowing if appropriate, but only following advice from its advisers, LAS.

2.3.8 Annual Investment Strategy 2020/21

a. Investment Policy – management of risk

The MHCLG and CIPFA have extended the meaning of "investments" to include both financial (placement of surplus cash) and non-financial (primarily for financial return) investments. The TMSS report deals solely with financial investments managed by the Treasury Management team. Non-financial investments, especially the purchase of income-yielding assets such as commercial property, are managed by the Property Services team and are covered in the Capital Strategy elsewhere on this agenda.

The Council's investment policy has regard to:

- MHCLG's Guidance on Local Government Investments ("the guidance");
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code");
- CIPFA Treasury Management Guidance Notes 2018.

The Council's investment priorities will be security first, portfolio liquidity second, and <u>then</u> yield (return).

The MHCLG and CIPFA guidance place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

i. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus the avoidance of "concentration risk". The Council utilises the LAS Creditworthiness Methodology, whereby banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications. The Council has clearly stipulated its creditworthiness policy at 2.3.8 (b) below.

ii. Ratings will not be the sole determinant of the quality of an institution, as it is important to continually assess and monitor the financial sector in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets, and the Council will engage with its treasury advisers to maintain a monitor on market pricing.

iii. Other information sources will include the financial press, share prices and other such information pertaining to the banking sector, in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

iv. The Council has defined the types of financial investment instruments that are authorised for use and these are classified as either "Specified Investments" or "Non-Specified Investments" (see Appendix 3):

- **Specified Investments** are those with a high level of credit quality, subject to a maximum maturity limit of one year (365 days), and not defined as capital expenditure. Only minimal reference is given to specified investments in the Annual Investment Strategy, and they will generally be used for cash-flow management.

- **Non-Specified Investments** are all those <u>not</u> meeting the criteria for specified investments above, ie. those with a lower credit quality, for periods in excess of one year (365 days), or more complex instruments, eg. property funds, which require greater consideration by Members and officers before being authorised for use. Once an investment is classified as non-specified it remains non-specified through to maturity, ie. an 18 month deposit would still be a non-specified investment even when it had only 11 months left until maturity. If used, non-specified investments will tend to be used for the longer-term investment of core-balances. Appendix 3 also sets out:

- The advantages and associated risk of investments under the non-specified category;

- The upper limit to be invested in each non-specified category;
- Those instruments best used only after consultation with the Council's treasury advisers.

v. Investment counterparty limits for 2020/21 will generally be **£3m** per individual counterparty, however a higher limit of **£4m** per Money Market Fund is considered prudent since such funds are already by definition highly diversified investment vehicles. No limit is placed on deposits with the Debt Management Office (DMO), since these represent lending to the UK Government. The CFO has delegated authority to amend investment limits as he sees fit, and will report any such amendments to Cabinet for information as part of the next quarterly Treasury Management Report following the change.

With regard to the Council's own banker, HSBC, for transactional purposes if the bank was to fall below the standard creditworthiness criteria below, cash balances would be minimised both in monetary size and in duration of deposit.

vi. The Council will set a limit on the amount of its investments which are invested for longer than one year (365 days).

vii. Investments will only be placed with approved counterparties from the UK, or those from other countries with a minimum sovereign rating (see Appendix 4).

viii. The Council has engaged external consultants (see para 1.5) to provide expert advice on how to optimise the appropriate balance of security, liquidity and yield – given the risk appetite of the Council in the context of the expected level of cash balances and the need for liquidity throughout the year.

ix. All investments will be denominated in sterling.

x. As a result of a change in accounting standards in 2019/20 under IFRS9, whereby movements in the value of investments are charged immediately to the revenue accounts, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested, and resultant charges to the General Fund at the end of the year.

In November 2018, MHCLG concluded its consultation on a temporary override to allow English authorities time to adjust their portfolio of pooled investments by announcing a statutory override to delay the implementation of IFRS9 for 5 years commencing 1 April 2018, and currently due to end on 31 March 2023. The Council has an investment of £1m in the CCLA property fund which is subject to the statutory override. If the override is not extended, from 1 April 2023 <u>all</u> movements in the capital value of this investment, both positive and negative, will have to be charged to the General Fund, creating volatility which is a risk that will have to be carefully managed.

The alternative is to decide not to use pooled investments and withdraw the investment before 31 March 2023. This carries a risk of failing to recover the original value of £1m – depending on market performance and the fund's liquidity at the time the withdrawal request is made.

The initial value of the Council's £1m investment in the CCLA Property Fund in December 2017 was £936.7k. The latest value, at 31 December 2019, is £957.2k.

An earmarked reserve has been set aside to mitigate the risk to the General Fund.

xi. The Council will pursue value for money in Treasury Management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

b. Creditworthiness policy

To reiterate, the primary principles governing the Council's creditworthiness criteria are:

i. Security of capital – the categories of investment instruments to be used (specified and non-specified) are set out at Appendix 3;
ii. Liquidity of capital – regular cashflow monitoring determines the optimum period for which funds may be prudently committed at any particular time, and the creditworthiness methodology below determines the maximum time for which funds may be prudently committed with individual counterparties;
iii. Return on investment (yield).

Counterparty selection:

The Chief Financial Officer maintains a "counterparty list" and this is monitored constantly. The CFO has delegated authority to amend the minimum criteria as he sees fit, and will report any such amendments to Cabinet for information as part of the next quarterly Treasury Management Report following the change.

The Council applies the creditworthiness methodology provided by LAS for the selection of investment counterparties. This employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies (Fitch, Moody's and Standard & Poor's). The credit ratings of counterparties are supplemented with overlays for:

- Credit watches and credit outlooks from rating agencies;

- Credit default swap (CDS) spreads which give early warnings of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The LAS modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the output is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested maximum duration of investments with a given counterparty. The colour bandings used by LAS and the Council are as follows:

- Yellow 5 years (UK government debt or its equivalent)
- Dark pink 5 years for Ultra Short Dated Bond Funds (credit score 1.25)
- Light pink 5 years for Ultra Short Dated Bond Funds (credit score 1.50)
- Purple 2 years
- Blue 1 year (nationalised or semi nationalised UK banks only)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The LAS creditworthiness service uses a wider array of information than just "primary" ratings. Furthermore, by using a risk weighted scoring system it does not place undue reliance on one agency's rating. All credit ratings are monitored weekly and the Council is also alerted to interim changes via its use of the LAS creditworthiness online service. If a downgrade deems counterparties no longer acceptable, their use for new investments will be withdrawn immediately.

Ratings under the LAS methodology will not necessarily be the sole determinant for the use of a counterparty. Other information sources used will include market data, the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Ringfencing:

Ringfencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail deposits from investment banking in order to improve resilience. In general, ringfenced banks will focus on lower risk day to day core transactions, whilst more complex and riskier activities will be the domain of an entirely separate non-ringfenced bank. Whilst the structure of banks included in this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the newly formed entities under the LAS creditworthiness methodology.

Property Funds:

Property Funds are not credit-rated, due to their diverse portfolios and structures. There are inherent risks associated with Property Fund investment in that the capital value is not guaranteed, and past dividend performance is not a guarantee of future returns. Investments should therefore be made with a time horizon of at least five years, to accommodate potential reductions in property values in the short to medium term. Evidence from recent years suggests that over time, property has been a positive long-term investment, however the market is undeniably cyclical, and investing for less than five years, may pose a significant risk.

The timing of property fund investments represents some degree of risk both in terms of the dividend and the capital sum. The key unknown is the future performance relative to the risk. If investment is done at or near the bottom of a cycle, significant benefits might accrue from subsequent upturn, with rising dividends and increasing capital value. Conversely, should the cycle turn downwards for a significant proportion of the investment period, dividends might be lower than would be acceptable given the additional risks taken, and the capital sum returned might be **less** than that originally invested – see 2.3.8(a) (x).

Property is not a liquid asset and it can take time to realise an investment. Whilst Property Funds must hold a proportion of their assets as cash, in practice there may be a delay whilst assets are sold to realise the cash with which to make a redemption payment. Investment in Property Funds should be from core cash that is not likely to be required for at least five years, and even then not on demand.

Evidence to support the use of only core cash was clearly demonstrated on 4 December 2019 by the suspension of the M&G property fund, whereby investors were temporarily prevented from withdrawing their money from one of the UK's largest commercial property funds, worth some £2.5bn. The same fund was suspended for four months in 2016 following the EU referendum when money flooded out of property funds.

Country limits:

The Council will use approved **UK** counterparties subject to their individual credit ratings under the LAS methodology (see above). The Council **may** also use approved counterparties from countries with a minimum sovereign credit rating of **AA**. No more than £3m will be placed with **each** non-UK country at any time. The list of countries that currently qualify is shown at Appendix 4, however this list will be adjusted by officers in accordance with this policy should ratings change. The CFO has delegated authority to amend the minimum sovereign credit rating as he sees fit, and will report any such amendment to Cabinet for information as part of the next quarterly Treasury Management Report following the change.

***The ultimate decision on what is prudent and manageable for the Council will be taken by the Chief Financial Officer under the approved scheme of delegation*.**

c. Investment Strategy

The Council's in-house managed funds are mainly cash-flow derived however, there has for some time been a core balance available for investment over a longer period if appropriate.

If it is thought that Bank Rate is likely to rise significantly within the relevant time horizon, consideration will be given to keeping most investments short term or variable. Conversely, if it is thought that Bank Rate is likely to fall, consideration will be given to locking in to the higher rates currently obtainable for longer periods.

On the assumption that the EU and UK agree a Brexit deal including the terms of trade by the end of 2020 or soon after, Bank Rate is forecast to rise only slowly over the next few years to reach 1.25% by Q1 of 2023. At 31 January 2020, Bank Rate forecasts for financial year ends (31 March) are:

- 2019/20 0.75% (current year)
- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.25%

LAS have suggested the following budgeted investment earnings rates for investments up to 100 days for the next three years:

- 2019/20 0.75% (current year)
- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.25%

Investments will be made with careful reference to any remaining core balance, to cash-flow requirements, and to the outlook for short-term interest rates (ie. for investments up to 365 days).

For its cashflow generated balances, the Council will seek to utilise its money market funds, notice accounts and short dated deposits in order to benefit from the compounding of interest.

The overall balance of risk to economic growth in the UK is currently judged by LAS to be to the downside due to uncertainty over Brexit, and to a softening global economic picture. The balance of risk to increases in Bank

Rate and shorter term PWLB rates are broadly similar, to the downside.

An Investment treasury indicator and limit must be set for the total principal funds invested for periods in excess of one year (365 days) in the forthcoming and two subsequent years (ie. new non-specified investments). The limit for each year is set with regard to the Council's liquidity requirements. As at 23 January 2020 the Council's **total** non-specified investment is £2,000,000 - represented by the £1,000,000 investment in the CCLA property fund, and a £1m investment with Bank of Scotland with an initial term of 366 days.

The treasury indicator and limit for new non-specified investments to be made in each of 2020/21, 2021/22 and 2022/23 is £3m, as detailed at Appendix 1 (treasury indicators) however this is subject to an overall limit of £5m for the total non-specified investments held by the Council at any one time (see Appendix 3). An overall individual counterparty limit of £3m also applies, including both specified and non-specified investments.

In accordance with the revised Treasury Management Code, a statement in the TMSS stating how interest rate exposure is managed and monitored is required, and this is set out below:

The Council has a general preference for fixed rate borrowing in order to minimise uncertainty and ensure stability in the charge to revenue, however it is acknowledged that in certain circumstances, some variable rate borrowing may be prudent, for example if interest rates are expected to fall. The Council's investments are generally for cashflow purposes and accordingly a mix of fixed and variable rates will be used to maximise flexibility and liquidity. Interest rate exposure will be managed and monitored on a daily basis by the Chief Financial Officer.

d. Investment risk benchmarking

The Council will use the average 7-day and 3-month LIBID rates to benchmark its equated investment rate.

LIBID is the interest rate at which London banks are willing to borrow from each other in the inter-bank market. It is the average of rates which five major London banks are willing to bid for a £10 million deposit for a given period. The rate at which the London banks are BORROWING from each other in turn affects the rate at which they will borrow from other parties, eg. local authorities like Gedling, which are LENDING money.

e. Investments defined as capital expenditure

The acquisition of share capital or loan capital in a body corporate is defined as capital expenditure under regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded out of capital or revenue resources, and will be classified as non-specified investments.

A loan or grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure.

Investments in Money Market Funds, which are collective investment schemes, and bonds issued by "multilateral development banks", both defined in SI 2004 No 534, will not be treated as capital expenditure.

f. Provision for credit-related loss

If any of the Council's investments appear to be at risk of loss due to default, this is a "credit-related loss" and not a loss resulting from a fall in price due to movements in interest rates. In such an instance, the Council will make revenue provision of an appropriate amount.

g. End of Year Investment Report

At the end of the year, the Council will report on its investment activity as part of its Annual Treasury Report.

h. Policy on the use of external service providers

The Council uses LAS as its external Treasury Management advisers, however it recognises that responsibility for Treasury Management decisions remains with the Council at all times, and will ensure that undue reliance is not placed upon the external service providers.

The Council also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2.3.9 Gedling Borough Council scheme of delegation

Full Council is responsible for:

- Receiving and reviewing reports on Treasury Management policies, practices and activities;
- Approval of the annual Strategy (TMSS);
- Annual budget approval.

Cabinet is responsible for:

- Approval of, and amendments to, the Council's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices;
- Budget consideration and virement approval;

- Approval of the division of responsibilities;
- Receiving and reviewing regular Treasury Management monitoring reports, and acting on recommendations;

Audit Committee is responsible for:

- Reviewing the Treasury Management policy and procedures, and making recommendations to the responsible body through the Internal Audit process.

2.3.10 The role of the Section 151 Officer (Chief Financial Officer)

The role of the S151 (responsible) officer includes the following:

- Recommending clauses, Treasury Management Policy and Practices for approval, reviewing these regularly, and monitoring compliance;
- Submitting regular Treasury Management policy reports;
- Submitting budgets and budget variations;
- Receiving and reviewing management information reports;
- Reviewing the performance of the Treasury Management function;
- Ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Approving the selection of external service providers and agreeing terms of appointment.

Implicit in the December 2017 changes to the Prudential and Treasury Management Codes was a major extension of the function of the S151 role, especially in respect of non-financial investments (which CIPFA has defined as being part of treasury management). The S151 officer role is also now responsible for:

- Preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management over a significant time-frame;
- Ensuring that the capital strategy is prudent, sustainable and affordable in the long term, and provides value for money;
- Ensuring that due diligence has been carried out on all treasury and non-financial investments, and is in accordance with the risk appetite of the authority;
- Ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- Ensuring the proportionality of all investments so that the authority does not undertake a level of investment which exposes it to an excessive level of risk compared to its financial resources;
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities;

- Provision to Members of a schedule of all non-financial investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- Ensuring that Members are adequately informed and understand the risk exposure taken on by the authority;
- Ensuring that the authority has adequate expertise, either in-house or externally provided, to carry out any non-financial investments;
- The creation of Treasury Management Practices which specifically deal with how non-financial investments will be carried out and managed.

Alternative Options

There are no alternative options, this report being a statutory requirement.

Financial Implications

No specific financial implications are attributable to this report.

Appendices

1. Prudential and Treasury Indicators 2020/21 to 2022/23 for approval, and Indicative Indicators for 2023/24 and 2024/25;
2. Interest rate forecasts;
3. Specified and non-specified investments;
4. Approved countries for investment.

Background Papers

None identified.

Reasons for Recommendations

To comply with the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP guidance, the CIPFA Treasury Management Code and MHCLG investment guidance.

For more information, please contact:

Alison Ball, Financial Services Manager, on 0115 901 3980

Prudential Indicators 2020/21 to 2022/23 for approval, and Indicative Indicators for 2023/24 and 2024/25

Appendix 1

		Indicators for approval			Indicative Indicators	
		2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	Prudential Indicators - Capital Affordability					
a)	Capital Expenditure	£ 11,225,600	£ 2,851,000	£ 2,019,000	£ 2,581,000	£ 2,000,000
b)	Capital Financing Requirement (CFR)	£ 17,353,900	£ 17,812,700	£ 17,354,400	£ 17,443,800	£ 17,414,600
c)	Gearing Ratio (CFR to long term assets)	37%	37%	35%	34%	33%
d)	Ratio of Financing Costs to Net Revenue Stream					
	Service activity	18.61%	8.32%	9.17%	8.93%	9.48%
	Commercial activity	0.72%	1.98%	2.20%	2.14%	2.10%
	Total	19.33%	10.30%	11.37%	11.07%	11.58%
e)	Ratio of Commercial Income to Net Revenue Stream	1.41%	2.93%	3.18%	3.08%	3.00%
f)	Maximum Gross Debt	£ 17,812,700	£ 17,902,100	£ 17,902,100	£ 17,902,100	£ 17,902,100
g)	Ratio of Internal borrowing to CFR	26%	22%	20%	18%	18%
	Treasury Indicators -					
	Affordability Limits to Borrowing					
a)	Operational Boundary for External Debt:					
	Borrowing	£ 18,800,000	£ 18,900,000	£ 18,900,000	£ 18,900,000	£ 18,900,000
	Other Long Term Liabilities	£ 1,500,000	£ 1,500,000	£ 1,500,000	£ 1,500,000	£ 1,500,000
	Total Operational Boundary	**£ 20,300,000**	**£ 20,400,000**	**£ 20,400,000**	**£ 20,400,000**	**£ 20,400,000**
b)	Authorised Limit for External Debt:					
	Borrowing	£ 19,800,000	£ 19,900,000	£ 19,900,000	£ 19,900,000	£ 19,900,000
	Other Long Term Liabilities	£ 1,500,000	£ 1,500,000	£ 1,500,000	£ 1,500,000	£ 1,500,000
	Total Authorised Limit	**£ 21,300,000**	**£ 21,400,000**	**£ 21,400,000**	**£ 21,400,000**	**£ 21,400,000**
	Prudent Limits on Borrowing Activity					
c)	Investment treasury indicator and limit:					
	Maximum NEW principal sum to be invested in-year for periods OVER 365 days (ie. Non-Specified Investments). This is subject to a limit of £3m per counterparty (Specified plus Non-Specified) AND to the TOTAL Non-Specified limit of £5m (all counterparties and all investment types).	£ 3,000,000	£ 3,000,000	£ 3,000,000	£ 3,000,000	£ 3,000,000
d)	Upper limits for the maturity structure of total o/s Borrowing (fixed/variable) during 2020/21: (Lower limit 0% in all cases)					
	Under 1 Year	40%				
	1 Year to 2 Years	40%				
	2 Years to 5 Years	50%				
	5 Years to 10 Years	50%				
	Over 10 Years	100%				

This page is intentionally left blank

INTEREST RATE FORECASTS TO MARCH 2023 (as at 31 January 2020)

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Asset Services Interest Rate View	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80
Bank Rate													
Link Asset Services	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%
Capital Economics	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.30%	2.30%	2.40%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%
Capital Economics	2.40%	2.50%	2.50%	2.60%	2.60%	2.80%	2.80%	2.90%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%
Capital Economics	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	3.00%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%
Capital Economics	3.10%	3.10%	3.20%	3.20%	3.20%	3.30%	3.30%	3.40%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.90%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.80%
Capital Economics	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	-	-	-	-	-

This page is intentionally left blank

LOCAL GOVERNMENT INVESTMENTS (England) page1

SPECIFIED INVESTMENTS 2020/21

All "Specified Investments" listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating?	Capital Expenditure?	Circumstance of use	Maximum period
Debt Management Agency Deposit Facility (DMADF) This facility is at present available for investments up to 6 months	No	Yes	Govt-backed	No	In-house	365 days
Term deposits with the UK government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	No	Yes	High security, although Local Authorities are not credit rated.	No	In-house	365 days
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year (365 days)	No	Yes	Adopt LAS creditworthiness methodology to assess usage, and duration of investments	No	In-house	365 days
Certificates of Deposit issued by credit-rated deposit takers (banks and building societies) up to 1 yr. *Custodial arrangement required prior to purchase*	No	Yes	Adopt LAS creditworthiness methodology to assess usage, and duration of investments	No	To be used in-house after consultation/advice from Link Asset Services (LAS)	365 days
Gilts with maturities up to 1 year *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed	No	Buy and hold to maturity. To be used in-house after consultation/advice from LAS	365 days

SPECIFIED INVESTMENTS 2020/21 (CONTINUED)

All "Specified Investments" listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating?	Capital Expenditure?	Circumstance of use	Maximum period
Money Market Funds (MMFs) Collective investment schemes as defined in SI 2004 No 534 Since early 2019 there are 3 structural options for MMFs, CNAV (Constant Net Asset Value) LVNAV (Low Volatility Net Asset Value) and VNAV (Variable Net Asset Value) *These funds do not have any maturity date*	No	Yes	AAA	No	In-house with advice from LAS New rules strengthen the requirements for portfolio diversification and transparency for all MMFs. Advice will be taken from LAS but the assumption is that only CNAV and LVNAV funds will be used	*The period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements*
Treasury bills Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed	No	In-house	365 days
Bonds issued by a financial institution that is guaranteed by the United Kingdom Government (as defined in SI 2004 No 534) with maturities under 12 months *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed	No	Buy and hold to maturity. To be used in-house after consultation/advice from LAS	365 days

SPECIFIED INVESTMENTS 2020/21 (CONTINUED)

All "Specified Investments" listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating?	Capital Expenditure?	Circumstance of use	Maximum period
Bonds issued by multilateral development banks (as defined in SI 2004 No 534) with maturities under 12 months *Custodial arrangement required prior to purchase*	No	Yes	AAA	No	Buy and hold to maturity. To be used in-house after consultation/advice from LAS	365 days

NON-SPECIFIED INVESTMENTS 2020/21

The limit for the Council's TOTAL "Non-Specified Investments" is £5m. The maximum non-specified investment per counterparty is £3m, but this is also subject to a TOTAL maximum investment limit per counterparty of £3m (ie. Specified plus Non-Specified).

Investment	(A) Why use it? (B) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum credit rating	Capital Exp?	Circumstance of use	Maximum Investment	Maximum maturity of investment
Term deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year (365 days)	(A) (i) Certainty of rate of return over period invested. (ii) No movement in capital value of deposit despite changes in interest rate environment. (B) (i) Illiquid - as a general rule, cannot be traded or repaid prior to maturity. (ii) Return will be lower if interest rates rise after making the investment. (iii) Credit risk - potential for greater deterioration in credit quality over longer period	No	No	Adopt LAS creditworthiness methodology to assess usage, and duration of investments	No	In-house	£3m any ONE counterparty **AND £5m in TOTAL.** AND subject to the prevailing OVERALL maximum investment with any one counterparty	3 years
Certificates of Deposit with credit rated deposit takers (banks and building societies) with maturities greater than 1 year (365 days) *Custodial arrangement required prior to purchase*	(A) (i) Although in theory tradable, are relatively illiquid. (B) (i) 'Market or interest rate risk' - Yield subject to movement during life of CD which could negatively impact on price of the CD.	No	Yes	Adopt LAS creditworthiness methodology to assess usage, and duration of investments	No	To be used in-house after consultation/ advice from LAS	£3m	3 years

NON-SPECIFIED INVESTMENTS 2020/21 (Continued)

The limit for the Council's TOTAL "Non-Specified Investments" is £5m. The maximum non-specified investment per counterparty is £3m, but this is also subject to a TOTAL maximum investment limit per counterparty of £3m (ie. Specified plus Non-Specified).

Investment	**(A) Why use it?** **(B) Associated risks?**	**Share/ Loan Capital?**	**Repayable/ Redeemable within 12 months?**	**Security / Minimum credit rating**	**Capital Exp?**	**Circumstance of use**	**Maximum investment**	**Maximum maturity of investment**
Fixed Term Deposits with variable rates and variable maturities with credit rated deposit takers (banks and building societies) with maturities greater than 1 year (structured deposits)	(A) (i) Enhanced income - Potentially higher return than using a term deposit with similar maturity. (B) (i) Illiquid – only borrower has the right to pay back deposit; the lender does not have a similar call. (ii) period over which investment will actually be held is not known at the outset. (iii) Interest rate risk - borrower will not pay back deposit if interest rates rise after deposit is made.	No	No	Adopt LAS creditworthiness methodology to assess usage, and duration of investments	No	To be used in-house after consultation/ advice from LAS	£3m	3 years in aggregate
UK government gilts with maturities in excess of 1 year *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality. (ii)Very Liquid. (iii) If held to maturity, known yield (rate of return) per annum - aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk (B) (i) 'Market or interest rate risk' - Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.	No	Yes	Govt backed	No	Buy and hold to maturity. To be used in-house after consultation/ advice from LAS	£3m	Maturity limit 5 years

NON-SPECIFIED INVESTMENTS 2020/21 (Continued)

The limit for the Council's TOTAL "Non-Specified Investments" is £5m. The maximum non-specified investment per counterparty is £3m, but this is also subject to a TOTAL maximum investment limit per counterparty of £3m (ie. Specified plus Non-Specified).

Investment	(A) Why use it? (B) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum credit rating	Capital Exp?	Circumstance of use	Maximum Investment	Maximum maturity of investment
Sovereign issues ex UK govt gilts - any maturity *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality. (ii) Liquid. (iii) If held to maturity, known yield (rate of return) per annum - aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk (B) (i) 'Market or interest rate risk' - Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.	No	Yes	AAA	No	Buy and hold to maturity. To be used in-house after consultation/ advice from LAS	£3m	5 years
Bonds issued by a financial institution that is guaranteed by the United Kingdom Government (as defined in SI 2004 No 534) with maturities in excess of 1year *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality. (ii) relatively liquid (but not as liquid as gilts) (iii) If held to maturity, known yield (rate of return) per annum which would be higher than that on comparable gilt - aids forward planning, enhanced return compared to gilts. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (B) (i) 'Market or interest rate risk' - Yield subject to movement during life of bond which could negatively impact on price of the bond i.e. potential for capital loss. (ii) Spread versus gilts could widen	Yes	Yes	AAA / government guaranteed	No	Buy and hold to maturity. To be used in-house after consultation/ advice from LAS	£3m	5 years

NON-SPECIFIED INVESTMENTS 2020/21 (Continued)

The limit for the Council's TOTAL "Non-Specified Investments" is £5m. The maximum non-specified investment per counterparty is £3m, but this is also subject to a TOTAL maximum investment limit per counterparty of £3m (ie. Specified plus Non-Specified).

Investment	(A) Why use it? (B) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum credit rating	Capital Exp?	Circumstance of use	Maximum Investment	Maximum maturity of investment
Bonds issued by multilateral development banks (as defined in SI 2004 No 534) with maturities in excess of 1 year *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality. (ii) relatively liquid. (although not as liquid as gilts) (iii) If held to maturity, known yield (rate of return) per annum, which would be higher than that on comparable gilt - aids forward planning, enhanced return compared to gilts. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (B) (i) 'Market or interest rate risk' - Yield subject to movement during life of bond which could negatively impact on price of the bond i.e. potential for capital loss. (ii) Spread versus gilts could widen	Yes	Yes	AAA or government guaranteed	No	Buy and hold to maturity. To be used in-house after consultation/ advice from LAS	£3m	5 years
Property Funds Collective investment Schemes. The CCLA Local Authority Property Fund is a local government investment scheme approved by the Treasury under the Trustee Investments Act 1961 (section 11). *These funds do not have any maturity date*	(A) Property Funds allow a property element to be introduced into an investment portfolio, without the direct purchase of assets and associated risks. (B) (i) The value of Property Fund investments fluctuate, and can go down as well as up since past performance is no guarantee of future returns. There is therefore inevitably some risk to the capital sum. The timing of investment in a Property fund poses some additional risk. (B) (ii) Property is not a liquid asset and it may take time to realise an investment.	No	No	Property Funds are not rated, due to their diverse portfolios and structures	Investment in the CCLA LAPF is NOT deemed capital expenditure and ONLY such schemes will be used	To be used in-house after consultation/ advice from LAS and appropriate due diligence.	£3m	Property Funds do not have any maturity dates and therefore no maximum period of investment. A minimum period of 5 years is envisaged to take account of the property cycle.

NON-SPECIFIED INVESTMENTS 2020/21 (Continued)

The limit for the Council's TOTAL "Non-Specified Investments" is £5m. The maximum non-specified investment per counterparty is £3m, but this is also subject to a TOTAL maximum investment limit per counterparty of £3m (ie. Specified plus Non-Specified).

Investment	(A) Why use it? (B) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum credit rating	Capital Exp?	Circumstance of use	Maximum Investment	Maximum maturity of investment
Share capital or loan capital in a body corporate	The acquisition of share capital or loan capital in a body corporate is defined as capital expenditure under regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.	Yes	No		Yes	Use of these instruments is deemed to be capital expenditure, ie the application of capital resources. Advice will be sought on the appropriateness and associated risks of any share or loan capital investment.	£3m	Acquisitions of share and loan capital do not have maturity dates.

APPROVED COUNTRIES FOR INVESTMENT

The Council will use any UK Counterparties subject to their individual credit ratings under the Link Asset Services Methodology.

The Council may also use counterparties from countries with a minimum AA sovereign rating. No more than £3m will be placed with each non-UK country at any time.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- USA

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- UK

List provided by Link Asset Services as at 4 February 2020, based on the lowest rating from Fitch, Moody's and Standard & Poor's.

This page is intentionally left blank

Gedling Borough Council

Report to Cabinet

Subject: Capital Programme and Capital Investment Strategy 2020/21 to 2024/25

Date: 13 February 2020

Author: Senior Leadership Team on behalf of the Leader

Wards Affected

Borough wide.

Purpose

This report summarises:

a) The proposed Capital Investment Strategy for 2020/21 to 2024/25; and

b) The proposed Capital Programme for 2020/21 to 2022/23 for approval, and the indicative capital programme for 2023/24 to 2024/25, in light of the Council's priorities and the resources available.

The Capital Investment Strategy and Capital Programme determined by Cabinet at this meeting will be referred to the Council on the 5 March 2020 for final approval. The detailed capital programme proposals are shown in Appendix 2 to this report.

Key Decision

This is a Key Decision.

Recommendations

Members are **recommended** to:

a) Note the estimated capital financing available for 2020/21 to 2024/25;

b) Approve the Capital Investment Strategy 2020/21 to 2024/25 detailed at Appendix 1 and refer it to Council for approval on 5 March 2019;

c) Approve the Capital Programme for 2020/21 to 2022/23 detailed at Appendix 2 and refer it to Council for approval on 5 March 2019;

d) Note the indicative Capital Programme for 2023/24 to 2024/25.

Further information on the subject of this report is available from
Alison Ball, Financial Services Manager on (0115) 9013980

Background

1.1 The prudential framework for Local Authority Capital Investment was introduced through the Local Government Finance Act 2003.

1.2 This prudential framework incorporates four statutory codes. These are:

- The Prudential Code prepared by CIPFA;
- The Treasury Management Code prepared by CIPFA;
- The Statutory Guidance on Local Authority Investments prepared by the Ministry of Housing, Communities and Local Government (MHCLG);
- The Statutory Guidance on Minimum Revenue Provision (MRP) prepared by MHCLG.

1.3 During 2017/18 both CIPFA and MHCLG updated all of the above codes in recognition of the changing landscape in which Councils are now required to deliver public services, i.e. the increasing move to commercialism following the sustained period of reduced public funding. The updated codes ensure that the key objectives remain relevant and can continue to be fulfilled in the context of this changing landscape and the activities that local authorities are now embarking upon e.g. investment in property as a tool to generate financial returns.

1.4 The Prudential Code underpins the systems of capital finance and planning and is the primary document which provides the framework for the development of the capital strategy and the capital programme which are proposed in this report. The key issues addressed by the code relate to how Councils will ensure prudence, in respect of longer term planning, the MRP, increasing commercialisation, understanding of risk and the ability to raise council tax.

1.5 The Prudential Code sets out the following key objectives, to ensure that:

- Local strategic planning, asset management planning and proper option appraisal are supported;

- The capital investment plans of local authorities are affordable, prudent and sustainable. Affordability has regard to the implications of capital expenditure for Council Tax, whilst prudence and sustainability have regard to the long term implications for external borrowing considering the actual impact, and potential impact on overall fiscal sustainability;

- Treasury management and other investment decisions are taken in accordance with good professional practice and in the full understanding of risks involved;

- The authority is accountable, by providing a clear and transparent framework.

To provide a clear and transparent framework authorities are required by the Code to formulate a Capital Strategy which sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and their impact on priority outcomes. Whilst the Code does not define ‘long term’ the Council’s current capital investment strategy proposed at Appendix 1 covers the five year period of the medium term financial plan (MTFP), 2020/21 to 2024/25, to ensure that longer term forecasts for capital expenditure, disposals and borrowing are fully considered in the revenue budget and demonstrated to be prudent and affordable.

1.6 Following lengthy consultations, the MHCLG issued revised Investment Guidance and MRP Guidance in February 2018 with the aim of ensuring that local authorities continue to make borrowing and investment decisions in a way that is commensurate with their statutory duties. All Councils are required to have regard to this guidance in their investment decisions.

The revised Investment guidance extends the definition of “investment” to include expenditure driven activity, e.g. commercial property, as well as simple treasury cash. Such activity would represent “non-treasury investments”, i.e. investment in “non-financial assets”. The revised guidance also reaffirms that borrowing may only be undertaken for investments that are made for strategic purposes, and not “purely” for financial return.

The MRP guidance also focuses on expenditure on non-financial investments, e.g. commercial property, making it clear that the duty to make prudent MRP extends to commercial investment property where its acquisition has been partially or fully funded by an increase in borrowing.

1.7 The requirements of the codes are fully reflected in each of the Budget Cabinet reports which appear on this agenda to ensure fully integrated revenue, capital and treasury management planning.

Proposal

2. **<u>Capital Investment Strategy</u>**

2.1 The Capital Investment Strategy outlines the principles and framework that shape the Council’s capital investment decisions. The principal aim is to deliver a programme of capital investment that contributes to the achievement of the Council’s priorities and objectives as set out in the Gedling Plan.

2.2 The Strategy defines at the highest level how the capital programme is to be formulated; it identifies the issues and options that influence capital spending; and sets out how the resources and capital programme will be managed.

2.3 The Strategy addresses the Prudential Code requirements in respect of the Council’s commercial property investment plans which are contained in the capital programme at £5m in total (£0.9m 2019/20 and £4.1m 2020/21), with an estimated ongoing financial return of £0.1m included in the current efficiency plans and the medium term financial plan. The Prudential Code requires details of the authority’s approach to commercial activities to be included in the Capital Strategy, including:

- processes ensuring effective due diligence and defining the authority’s risk appetite for this investment, including proportionality in respect of overall resources;
- requirements for independent and expert advice and scrutiny arrangements;
- Periodic re-evaluation of individual business cases to ensure current circumstances inform the overall capital strategy.

2.4 The Prudential Code details the indicators that Councils are required to set to demonstrate that capital plans are affordable and prudent. There is a requirement for indicators to be set that are transparent in terms of demonstrating that commercial property investment is proportionate to the level of resources available to the authority. The required indicators are included in the Prudential and Treasury Indicators and Treasury Management Strategy Statement, an item elsewhere on this agenda, and they demonstrate that the commercial property investment plans are prudent and proportionate.

2.5 Commercial property investments are governed by the Commercial Property Investment Strategy which was approved by Council on 24 April 2019. This strategy incorporates all of the requirements of the Prudential Code above, and outlines the key success criteria against which each individual property investment business case will be assessed e.g. must provide a financial return whilst ensuring an appropriate balance of risk and reward.

2.6 A copy of the proposed Capital Investment Strategy for 2020/21 to 2024/25 is attached at Appendix 1.

3. **Proposed Capital Programme**

3.1 The following table presents the proposed three year Capital Programme for 2020/21 to 2022/23 for approval, together with the indicative programme for a further two years to match the period of the MTFP as detailed in paragraph 1.5 above. The full programme of schemes is presented in Appendix 2.

Portfolio	**Proposed Programme for Approval**			**Indicative Programme**	
	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£	**£**	**£**	**£**	**£**
Housing, Health and Wellbeing	212,300	0	0	0	0
Public Protection	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Environment	1,500,700	1,198,000	466,000	1,161,000	580,000
Growth and Regeneration	3,303,600	0	0	0	0
Resources and Reputation	5,209,000	483,000	383,000	250,000	250,000
Future Equipment Replacement	0	70,000	70,000	70,000	70,000
Future Service Development Bids	0	100,000	100,000	100,000	100,000
Total Capital Programme	**11,225,600**	**2,851,000**	**2,019,000**	**2,581,000**	**2,000,000**

3.2 The proposed capital programme is derived from the following:

a) **Schemes already approved as part of the 2019/20 budget setting process**:

- Commercial Property Investment Phase 2 **£2,500,000** in 2020/21.

b) **Schemes re-profiled from 2019/20**

Schemes totalling **£5,634,600** approved for deferral by Cabinet to 2020/21:

	2020/21 £
Burton Road - Affordable Housing	12,000
Station Road - Temporary Accommodation and Affordable Housing	165,300
Arnold Leisure Centre - Replacement Theatre System	35,000
Vehicle Replacement Programme	131,000
PASC – Second Tree Team and Landscaping Service Equipment	83,000
Carlton Cemetery Expansion	278,900
Redhill Community Garden (funded by a developer contribution)	10,000
Gedling Country Park - Outdoor Seating Area	107,800
Lambley Lane Changing Rooms and Pitch Renovation	95,000
Calverton Enterprise Units (subject to securing funding approval)	1,370,000
IT Licences	12,000
Customer Service Improvements	100,000
Commercial Property Investment	1,600,000
Hazelford Way - Drainage	51,000
Manifesto Pledges	
Arnold Market Town Centre Improvements	983,600
Carlton Square Improvements	600,000
Total	**5,634,600**

c) **<u>Ongoing Capital Programme Items (previously approved as ongoing)</u>**

- Disabled Facilities Grants **£1,000,000** per annum (subject to confirmation of grant funding via Better Care Fund).
- Future Service Development Bids **£100,000** per annum 2021/22-2024/25.

d) **Replacement Equipment/Vehicles and Asset Maintenance**

Replacement assets and maintenance to ensure continuation of existing service:

	Proposed Programme			Indicative Programme	
	2020/21	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£
Vehicle Programme	372,000	1,198,000	466,000	1,161,000	580,000
IT Licencing	100,000	100,000	100,000	100,000	100,000
Equipment Replacement	0	70,000	70,000	70,000	70,000
Asset Management and Maintenance	746,000	283,000	283,000	150,000	150,000
Total	**1,218,000**	**1,651,000**	**919,000**	**1,481,000**	**900,000**

e) **New resource development bids which meet the Council priorities**

The table below show schemes totalling **£973,000** 2020/21-2021/22 which score 15 points and above using the Council's approved methodology as detailed in the Capital Investment Strategy (see paragraph 2 above). The approved methodology assesses schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans. They are assessed as affordable in line with the Council's Prudential Code Indicators contained within the Treasury Management Strategy and within the overall context of the Medium Term Financial Strategy.

A number of the development bids have been introduced to implement the Manifesto Pledges as detailed below:

- Play Area Development - to target investment of £333,000 for improving parks and play areas and maximise their use within the community (subject to securing external grant funding).
- Carbon Reduction Initiatives – Develop and implement a carbon reduction plan investing £200,000 over a two year period to enable carbon efficient improvements over 2020/21-2021/22
- Provision of public toilets – an investment of £90,000 to review and develop the availability and quality of Council public toilets across the borough

Description	Capital Budget 2020/21 £	Capital Budget 2021/22 £	Revenue Ongoing (Full Year Effect) £
Hazelford Way Industrial Unit Extension (business case)	350,000	0	(17,500)
Manifesto Pledges:			
Provision of Public Toilets	90,000	0	0
Carbon Reduction Initiatives	100,000	100,000	(10,000)
Play Area Development (subject to securing external funding approval)	333,000	0	0
Total Capital Development Bids	**873,000**	**100,000**	**(27,500)**

4. Capital Resources

4.1 Capital Receipts

When the Council sells General Fund assets it is permitted to use this income to fund capital expenditure.

The estimated annual capital receipt generation for 2020/21 to 2024/25 is detailed in the table below and it is proposed that these are fully utilised to finance the capital programme as detailed in paragraph 3.1:

	Proposed Programme			Indicative Programme	
	2020/21	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£
Land Sales	561,000	560,900	560,100	560,900	0
Improvement Grant Repayments	50,000	50,000	50,000	50,000	50,000
Total Capital Receipt Estimate	**611,000**	**610,900**	**610,100**	**610,900**	**50,000**

4.2 Direct Revenue Financing

The use of earmarked revenue reserves and revenue equipment budgets as contributions to specific capital schemes totalling **£1,321,200** in 2020/21 are proposed as follows:

a) £150,000 contribution from the Business Rates Pool Reserve for the Calverton Enterprise Units extension (subject to securing grant funding for the project);

b) £739,200 contribution from the Economic Development Fund and the Business Rates Pool Reserve for the Arnold Market Development;

c) £135,000 contribution from the Asset Management Car Park Reserve for Car Park maintenance.

d) £100,000 contribution from the Economic Development Fund for the Carlton Square development;

e) £180,000 contribution from the Transformation Fund Revenue Reserve for maintenance works;

f) £12,000 contribution 2020/21 from IT replacement equipment revenue budget for IT Licences deferred from 2019/20.

g) £5,000 contribution from the Asset Management Revenue Reserve for the Station Road Affordable Housing scheme deferred from 2019/20.

4.3 Capital Grants and Contributions

External funds such as the Disabled Facilities Grant (DFG) and contributions from developers continue to be important in the funding of capital expenditure, and schemes financed in this way are included in the programme.

Grants and contributions estimated for financing the capital programme include:

	2020/21 £	2021/22 to 2024/25 £
HCA for Affordable and Temporary Housing, Station Road, Carlton.	160,300	0
S106 Contribution for Affordable Housing Projects	12,000	0
Disabled Facilities/Better Care Fund Grant *(assumed £1m per annum ongoing 2020/21-2024/25)*	1,000,000	1,000,000
S106 Contribution for Lambley Lane Project	30,000	0
CIL Contribution Lambley Lane Project	45,000	0
S106 Contribution for Gedling Country Park Outdoor Seating Area	107,800	0
Developers Contribution for Community Garden in Redhill	10,000	0
Private Contributions for Road Resurfacing	8,700	0
Grant Contributions for Play Area Development (assuming successful grant bids)	300,000	0
N2 Growth Fund Grant for Carlton Square Development	350,000	0
Private Contribution for Carlton Square Development	150,000	0
LEP for Calverton Enterprise Units (subject to confirmation)	660,700	0
Total Grants and Contributions	**2,834,500**	**1,000,000**

Disabled Facilities/Better Care Fund grant funding is now paid by the MHCLG to Nottinghamshire County Council for distribution. The actual allocations to each District Council are agreed by the Nottinghamshire Health and Wellbeing Board. There have not yet been any grant announcements for 2020/21 so an estimated grant amount of £1,000,000 is included for 2020/21 and for the future programme. Any variation will be reported to Cabinet via the usual quarterly budget monitoring process.

Expenditure in the capital programme has been grossed up and the contributions are shown in the table below as adding to the resources available to finance the programme.

4.4 Prudential Borrowing

The total borrowing that is required to finance the proposed 2020/21 to 2022/23 capital programme is £8.10m. It is currently estimated that a further £1.92m of borrowing will be required to finance the indicative capital programme for 2023/24 to 2024/25. The proposed borrowing amounts are detailed in paragraph 4.5 below.

The Council's Prudential Indicators in respect of both the proposed programme 2020/21 to 2022/23 and the indicative programme for 2023/24 to 2024/25 are contained within the Prudential and Treasury Indicators and Treasury Management Strategy Statement, an item elsewhere on this agenda. These Prudential Indicators, in conjunction with the calculations within the Medium Term Financial Plan, show that this level of borrowing is affordable and sustainable, subject to securing the commitment to delivering a budget reduction programme of £1.924m in the medium term i.e. £1.674m net remaining from the current planned efficiency programme plus £0.250m from the new proposed efficiency programme.

4.5 Capital Resources Summary

An estimate of the resources for financing the 2020/21 to 2022/23 programme is summarised below:

	Proposed Programme			**Indicative Programme**	
Capital Resources	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£	**£**	**£**	**£**	**£**
Use of Capital Receipts	611,000	610,900	610,100	610,900	50,000
Direct Revenue Financing	1,321,200	0	0	0	0
Grants and Contributions	2,834,500	1,000,000	1,000,000	1,000,000	1,000,000
Total Cash Resource	**4,766,700**	**1,610,900**	**1,610,100**	**1,610,900**	**1,050,000**
Prudential Borrowing	6,458,900	1,240,100	408,900	970,100	950,000
Total Financing	**11,225,600**	**2,851,000**	**2,019,000**	**2,581,000**	**2,000,000**

Alternative Options

5 As the resources for financing the capital programme are limited there is no capacity to implement further service developments which are not funded by specific grants/ contributions or are not invest to save schemes, therefore no alternative options are available. However, depending upon the timing and value of expected capital receipts, borrowing may be utilised as a substitute for capital receipts to fund the programme in any one year, and vice versa.

Financial Implications

6 As detailed in the report.

Appendices

7 Appendix 1 - Capital Investment Strategy 2020/21 – 2024/25
Appendix 2 - Proposed Capital Programme 2020/21 – 2022/23 (including Indicative Programme 2023/24 to 2024/25)

Background Papers

- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2020/21
- Gedling Plan 2020/21-2022/23

Reasons for Recommendations

8 To obtain approval of the draft Capital Programme and Capital Investment Strategy, which support the delivery of the Gedling Plan.

Appendix 1

Gedling Borough Council

CAPITAL INVESTMENT STRATEGY 2020/21 to 2024/25

CAPITAL INVESTMENT STRATEGY 2020/21 to 2024/25

1. INTRODUCTION

This Capital Investment Strategy outlines the principles and framework that shape the Council's capital investment proposals. The principal aim is to deliver an affordable programme of capital investment consistent with the Council's financial strategy and that contributes to the achievement of the Council's priorities and objectives as set out in the Gedling Plan.

The Strategy defines at the highest level how the capital programme is to be formulated and designed; it identifies the issues and options that influence capital spending, and sets out how the resources and capital programme will be managed.

As well as detailing the approved capital investment programme over the forthcoming three years, the document also sets out the Council's ambitions over the medium to longer term.

The basic elements of the Strategy therefore include:

- A direct relationship to the Gedling Plan;
- A framework for the review and management of existing and future assets (the Property Asset Management Plan);
- An investment programme expressed over the medium term;
- A document that indicates the opportunities for partnership working;
- A framework that prioritises the use of capital resources;
- A consideration of the need to pursue external financing (grants, contributions etc.), which reconcile external funding opportunities with the Council's priorities and organisational objectives, so that it is the achievement of the latter that directs effort to secure the former;
- A direct relationship with the Treasury Management Strategy, and the limitations on activity through the treasury management Prudential Indicators;
- A direct relationship with the Commercial Property Investment Strategy.

This document is intended for the use by all stakeholders to show how the Council makes decisions on capital investment:

- for the Cabinet and Council – to decide on capital investment policy within the overall context of investment need/opportunity and affordability;

- for Councillors – to provide an understanding of the need for capital investment and help them scrutinise policy and management. Training will be provided as necessary to support this scrutiny process;

- for Officers – to provide an understanding of the Council's capital investment priorities, to assist them in bidding for capital resources, and to confirm their role in the capital project management and monitoring arrangements;

- for taxpayers – to demonstrate how the Council seeks to prudently manage capital resources and look after its assets;

- for partners – to share with them our Vision and help to co-ordinate and seek further opportunities for joint ventures.

The capital programme consists of investment in the Councils own assets and also provides Disabled Facilities Grants to a number of private dwellings during the year. The Capital Programme is approved by Council for a period of 3 years but an Indicative programme for a further 2 years is also completed which matches the 5 year period of the Council's Medium Term Financial Plan. This ensures that longer term forecasts for capital expenditure, disposals and borrowing that are fully reflected in the MTFP are also demonstrated to be affordable and sustainable in the Prudential Indicators for the same period. The current summary capital programme is detailed in the table below:

	Proposed Programme for Approval			**Indicative Programme**	
	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£	**£**	**£**	**£**	**£**
Expenditure:					
Gedling Assets	10,225,600	1,851,000	1,019,000	1,581,000	1,000,000
Disabled Facilities Grant	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Programme	**11,225,600**	**2,851,000**	**2,019,000**	**2,581,000**	**2,000,000**
Financed by:					
Capital Receipts	611,000	610,900	610,100	610,900	50,000
Direct Revenue Financing	1,321,200	0	0	0	0
Grants and Contributions	2,834,500	1,000,000	1,000,000	1,000,000	1,000,000
Borrowing Requirement	6,458,900	1,240,100	408,900	970,100	950,000
Total Financing	**11,225,600**	**2,851,100**	**2,019,000**	**2,581,000**	**2,000,000**

2. PRINCIPLES SUPPORTING THE STRATEGY

The Capital Investment Strategy reflects the aspirations included within the Council’s main strategic documents - principally the Gedling Plan but also other key planning documents such as the Property Asset Management Plan, Treasury Management Strategy and Prudential Code Indicators, Medium Term Financial Plan/Budget Strategy, and the ICT Strategy.

The principles that underpin the Capital Investment Strategy include:

Policy Principles:

- A direct relationship between Council priorities, including our statutory requirements, and a capital programme driven by essential investment needs and prioritised on an authority-wide basis, demonstrating an explicit link with all key strategic planning documents;

- The use of a rational process for assessing the relative importance of potential schemes.

Financial Principles:

- The overarching commitment to affordability of investments over the longer term, considering the actual impact, and potential impact, on overall fiscal sustainability;

- A recognition that the Council's own locally generated resources are limited and will only be used to fund those capital priorities that are unlikely to be able to access any other funding sources;

- A commitment to developing partnerships, including the pursuit of joint venture and community arrangements where appropriate, to achieve the Council's investment aspirations;

- To pursue all available external funding where there is a direct compatibility with the Council priorities;

- Value for money of investments in assets over their full life cycle.

Asset Management Principles:

- The development of Property Asset Management Plans (AMP) and investment plans for the use of all Council assets, be these operational buildings, investment properties, equipment and machinery, Information Technology or infrastructure assets;

- The optimisation of surplus assets by maximising income or application to other purposes informed through the AMP process, with all receipts generated through the sale of surplus property assets being used to fund the Capital Programme;

- Recognition of the value of surplus properties that are gifted by the Council as a contribution to a particular scheme. This value will be treated as capital resources and will have to be assessed against other capital proposals;

- A process of declaring property assets as surplus will be led by the Service Manager Property in consultation with the holding department, who will be able to declare a site surplus to requirements if deemed to be under-utilised or surplus to requirements;

- Wherever possible ensuring active community involvement in informing priorities and engagement in management plans, in line with the Localism Act 2011;

- Management of assets to take full account of the Council's wider priorities including its environmental priorities;

- The continuation of financial support to schemes that involve site assembly, which will potentially generate significant capital receipts in the medium term;

- The Property Review process will determine if an asset meets the corporate need in the longer term. If this is the case then investment in the asset will be maintained. Conversely, if it is not required, then the asset is more valuable to the Council as a capital receipt.

- An assessment of asset condition to determine investment required over the life of the asset to ensure they continue to be fit for purpose in service delivery.

Implementation and Management Principle

- The operation of robust management arrangements for the implementation, updating and review of the Strategy.

Links to Other Financial Documents

Medium Term Financial Plan

The Capital Strategy is closely linked to the Medium Term Financial Plan (MTFP), where available funding and projected levels of expenditure are set out. The revenue implications of the capital programme are also included in the MTFP, and the affordability of the impact on Council Tax is demonstrated.

Prudential Code

The Capital Strategy sets out the framework for prioritisation of capital investment decisions. The strategy for funding this investment is underpinned by the Prudential Code for Local Authority investment, which was introduced by The Local Government Act 2003. The Prudential Code has the following key objectives:

- local strategic planning, asset management planning and proper option appraisal are supported;

- The capital investment plans of local authorities are affordable, prudent and sustainable having regard to the long term implications for external borrowing considering the impact, and potential impact, on overall fiscal sustainability;

- Treasury management and other investment decisions are taken in accordance with good professional practice and in the full understanding of risks involved;

- The authority is accountable, by providing a clear and transparent framework.

To demonstrate that these objectives have been fulfilled, the Prudential Code details the indicators that must be set and monitored. These are designed to support and record local decision-making, and not to be comparative performance indicators. The Prudential Indicators must be approved by full Council.

The Prudential Code classifies Commercial Property Investment as a non-treasury investment to be reported through the Capital Strategy as the investment is usually driven by expenditure on assets. This is distinct from the core treasury investments of surplus cash which operate under strict principles of security, liquidity and yield as detailed in the Treasury Management Strategy. The Prudential Code requires that indicators are set that are transparent in respect of Commercial Property Investments to demonstrate that these investments are proportionate to the level of resources available to the authority and that detail:

- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value.

In accordance with the government's Investment Guidance and the Prudential Code, borrowing purely for commercial purposes, i.e. the generation of a return, will not be undertaken. However if a commercial investment is at least in part for an economic or social reason, borrowing is permitted. If any non-treasury investment sustains a loss during the year, the strategy and revenue implications will be reported to Cabinet.

The current suite of Prudential Indicators which are approved as part of the Treasury Management Strategy demonstrate that the financial risk associated with the current proposed Commercial Property Investment is proportionate to the level of resources available to the authority.

Treasury Management Strategy

The Treasury Management Strategy links to the Capital Investment Strategy in determining the Council's approach to borrowing and investment, including borrowing to fund capital expenditure. The Treasury Management Strategy is closely related to the Prudential Code and Prudential Indicators discussed above.

The Authority has an integrated Treasury Management Strategy, and has adopted the CIPFA Code of Practice for Treasury Management in Public Services. The Treasury Management Strategy deals with borrowing and investment arising as a consequence of all the financial transactions of the authority, not exclusively those arising from capital spending.

Commercial Property Investment Strategy

The Commercial Property Investment Strategy was approved by Council in April 2019 and links to the Capital Investment Strategy in determining the Council’s approach to commercial property investment and ensuring good governance processes are in place, including:

- processes ensuring effective due diligence and defining the authority’s risk appetite for this investment, including proportionality in respect of overall resources;
- requirements for independent and expert advice and scrutiny arrangements;
- Periodic re-evaluation of business cases to ensure current circumstances inform the overall Capital strategy.

The primary purpose of Commercial Property Investment is to generate a financial return for the Council and each investment that is to be funded by borrowing will be expected to make a contribution to the Council’s Gedling Plan objectives. If any commercial property investment sustains a loss during the year, the strategy and revenue implications will be reported to Cabinet.

Statement of Accounts

The capital expenditure carried out in the year which increases asset values is reflected in the Balance Sheet of the Statement of Accounts ensuring stewardship of assets is demonstrated. The accurate monitoring and recording of capital expenditure ensures that this document is free from material error. The Statement of Accounts is externally audited at the end of each financial year to certify that it presents a true and fair view of the financial position of the Council.

Procurement Strategy

The manner in which capital monies are spent is determined by the Procurement Strategy, which along with the Contract Standing Orders and Financial Regulations, looks at who can be used to supply goods and services to the Council, and how these goods and services should best be obtained to secure value for money.

3. CAPITAL INVESTMENT PRIORITIES

The aim of the Council is to make a sustainable improvement to the long-term quality of life of our residents. The Gedling Plan 2020 sets out the vision for Gedling. This Vision is intended to be external facing and clearly indicates the Council's ambition for the district and the people within. Underpinning the Council's contribution to the Gedling Plan vision are the priorities. These are:

Cohesive, Diverse and Safe Communities

- Promote and encourage pride, good citizenship and participation
- Reduce poverty and inequality and provide support to the most vulnerable
- Improve social mobility and life chances
- Reduce anti-social behaviour, crime and fear of crime

Healthy Lifestyles

- Improve health and wellbeing and reduce health inequalities
- Support physically active lifestyles
- Increase recreational activities and users to parks and open spaces
- Reduce levels of loneliness and isolation

Sustainable Environment

- Provide an attractive and sustainable environment that local people can enjoy
- Improve transport infrastructure and connectivity
- Conserve, enhance, promote and celebrate our heritage
- Promote and protect the environment by minimising pollution and waste

Vibrant Economy

- Provide more homes
- Ensure local people are well prepared and able to compete for jobs
- Safeguard and create job opportunities
- Create thriving and vibrant town and local centres

- Drive business growth and job creation through local and inward investment

High Performing Council

- Improve the customer experience of engaging with the Council.
- Provide efficient and effective services
- Maintain a positive and productive working environment and strong staff morale.
- Improve use of digital technologies

4. FINANCIAL CONTEXT

Spending Review

The Comprehensive Spending Review Period 2016/17 to 2019/20 resulted in a multi-year local government finance settlement which included the removal of Revenue Support Grant with the intention that there would be a move to 100% funding by business rates income i.e. a system of Local Government funded by local taxation. A new multi-year settlement was expected for April 2020 alongside the implementation of the Fair Funding Review and 75% Business Rates Retention but due to Brexit this has been delayed and is now expected to be implemented in April 2021.

In December 2019 the Chancellor announced a one year only local government finance settlement for 2020/21 which rolled forward the core components of the previous multi-year settlement meaning there is still no clarity of funding levels after March 2021 which hampers effective medium term financial planning. Total Settlement reductions now equate to 38% or £1.86m in cash terms over the spending review periods 2016/17 to 2020/21. Further changes to the New Homes Bonus (NHB) were also announced by Government in the local government finance Settlement 2020/21, providing a one year only award (instead of four years of award) which reduces Gedling’s NHB to significantly lower levels.

What this means in practice is that local authorities will find it much harder to fund capital expenditure, resulting from less government funding, more expensive borrowing, and reduced capital receipts in the current economic climate.

In response to these significant pressures, local authorities must now explore alternative sources of funding capital expenditure. These various options can be summarised as follows:

- External partners – Traditionally Section 106 monies have been levied on private contractors where funds have been required to deliver (amongst other things) capital projects necessary to make a planning application acceptable e.g. to upgrade highways infrastructure, within the district. These opportunities are now extended to include the Community Infrastructure Levy

(CIL), which allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure that is needed to deliver new development. The infrastructure to be funded by CIL must be clearly set out and can include transport schemes, flood defences, schools, hospitals, other health and social care facilities, parks, green spaces and leisure centres.

- Grants – Capital grants are made available by the central government and other public sector bodies that could be used to fund capital expenditure. Unfortunately capital grants are now diminishing in number as further cuts are enforced on Local Government. For example, as detailed above, changes to the New Homes Bonus, which is an established non-ringfenced grant is not expected to be a source of capital funding going forward.

- Business Improvement Districts (BIDs) – A partnership between a local authority and local businesses to develop projects and services that benefit the local trading environment.

- Local Asset Backed Vehicles (LABVs) – This is a form of public and private sector partnership that allows public sector bodies to use their assets (usually land and buildings) to attract long term investment from the private sector in order to deliver socio-economic development and regeneration. They are designed to encourage parties to pool resources, such as finance, planning powers, land and expertise, in order to deliver regeneration with an acceptable balance of risk and return for all those involved. They are increasingly being looked at as a potential model to help local authorities meet their regeneration aspirations.

- Tax Increment Financing (TIF) – This is an initiative that allows a local authority to borrow money against the predicted future growth in local business rates income.

- Social Impact Bonds (SIBs) – A contract between a public body and a private investor, where the investor funds are used to pay for interventions to improve the social outcome, and the public body pays the investor based on that improved social outcome. Examples include prisons based on reduced re-offending, and CCTV based on reduced anti-social behaviour and crime levels.

- Community Involvement – The Localism Act 2011 introduced the concept of "community asset transfer", "community right to challenge" and "community right to bid" for services. These changes in legislation have opened up the whole spectrum of opportunities of private sector investment in community-led capital projects, where deemed appropriate.

- Collaborative Working – a move away from the traditional development agreement structure and towards a more collaborative approach, either to enhance marketing prospects for a site or to enhance its redevelopment value by addressing planning issues. This type of approach encourages interest from expert developers to promote a site or work together on the planning and infrastructure process, to enhance the attractiveness of the site to end users.

Financial Process

The Council's financial and service planning process ensures decisions about the allocation of capital and revenue resources are taken to achieve a corporate and consistent approach.

The funding of capital schemes is via the following hierarchy:

- External grants and contributions;
- Capital receipts from the disposal of fixed assets;
- Borrowing;
- Leasing finance; (where applicable)
- Revenue contributions.

The following paragraphs examine the current and prospective means of financing projects and the range of choices available.

External Grants and Contributions - Some capital projects are financed wholly or partly through external grants and contributions that are specific to projects and cannot be used for other purposes.

Grants from external sources are a valuable source of capital finance for the Council and have enabled the Council to realise a substantial number of capital developments that would otherwise have been unable to progress. Given the scale of the Council's ambitions to improve and add to its asset base much will depend on our ability to secure external funding.

The most significant grants that the Council is now likely to receive are from Section 106 monies and the Community Infrastructure Levies from development sites. Section 106 agreements are contributions from developers tied into new construction projects, such as funding a new play area when building a housing development. These agreements can be complex and difficult to monitor, and the provision of the funding can be contingent upon a certain stage in the development being met. Once contributions have been received, there is usually a time limit within which they must be spent. Where there is a revenue element to provide for ongoing maintenance of facilities, it needs to be correctly reflected in directorate revenue budgets.

Capital Receipts - The Council also generates its own capital resources through the sale of surplus land and buildings and these resources can be used by the Council to invest in new capital projects. However, the Council is not asset rich and the ability to realise significant capital receipts is becoming limited. Moreover, the current economic climate will restrict the capital value of any sale. Decisions to dispose of assets at less than full value should therefore be tested against the opportunity cost of the capital spending given up as a consequence.

All capital receipts arising from the sale of land and buildings will feed directly into the corporate capital pot for reinvestment. Generally capital receipts will be treated as a corporate resource.

The Council will ring-fence capital receipts to specific schemes where there is a legal requirement to do so i.e. whether it arises from the terms under which the asset was acquired, or from a statutory requirement. Exceptionally the Council may ring-fence receipts where there is a close link between the receipt and reinvestment.

Borrowing – Prudential borrowing is where the debt costs have to be funded from the Council’s revenue resources. The principle of affordability is therefore a key consideration.

Prudential borrowing will be tightly controlled due to the financial impact it will have on a revenue budget that already operates to very tight margins. The planning assumption for the three-year programme is that the Council may use borrowing for ‘long life’ assets, or as an alternative for leasing, or for an ‘invest to save’ scheme. This must, however, be proven to be affordable within the revenue budget through the production of a robust business case.

Revenue Funding - The Council can also use revenue resources to fund capital projects, although pressures on the revenue budgets limit the ability to fund schemes from this source.

Leasing

Leasing does not currently play a part in funding the Council's capital expenditure, as vehicles are now purchased rather than leased when they are replaced. This falls outside the prioritisation and scoring mechanism, and checks need to be made to ensure that vehicle replacements form part of a coherent overall strategy that provides value for money.

Other Sources of Capital Financing - The Council will continue to explore the potential for developing partnerships and private sector involvement. In all cases the resulting revenue costs of these sources of funding are tested for relative Value for Money alongside debt financing.

The Council recognises that certain services have greater potential for attracting capital finance from external sources. The Council aims to ensure that it maximises the opportunities to attract partnership or third party funding where appropriate and will focus the use of its own scarce capital resources to provide public assets where these alternative funding sources are not available.

5. CAPITAL BUDGET PREPARATION

The capital programme is derived from the following:

(a) Rolling Programme Items

- ongoing investment required to ensure continuation of existing service e.g. replacement of vehicles and equipment;
- Asset Management Fund to ensure existing assets are maintained to appropriate standards;
- schemes determined to be an ongoing requirement and funded by grant e.g. Disabled Facilities Grant;

(b) Resource Development Bids - new capital investment proposals to secure the achievement of Council priorities.

Capital Investment Prioritisation

The purpose of the capital budgeting process is to ensure that the money available for capital expenditure is prioritised in the way which best meets the Council's objectives. This must be achieved within the constraints of the capital funding available. Demand for capital resources to meet investment needs and aspirations will exceed the resources available to the Council and so are prioritised as follows:

(a) Rolling Programme Items are the first call on available resources to ensure that existing approved service levels can continue to be delivered.

The vehicle replacement programme identifies vehicles reaching the end of their useful life for which replacement vehicles need to be purchased. Additional vehicles for new service proposals are subject to the development bidding process.

Asset maintenance of a capital nature e.g. refurbishment of leisure centre changing rooms, are bid for annually by service departments and included in the programme as an Asset Management Fund scheme. Schemes may be prioritised in accordance with the capital scoring methodology (see below) if there are more bids than funds available in the Asset Management allocation. Funding for routine asset repairs and maintenance is not bid for on a yearly basis as the majority of ongoing repairs and maintenance budgets are held as revenue by directorates.

(b) Resource Development Bids present the competing directorate priorities for capital resources which are assessed by a capital scoring methodology (see below) which assigns points to proposed schemes based on their fit with the priorities identified.

The Capital Budgeting Process

The capital budgeting process commences in September each year, and is made up of several steps.

- Service Managers identify capital schemes in line with identified corporate and service priorities.
- Resource Development Bids are scored against the capital scoring methodology.
- The ranked scores of schemes are considered in conjunction with the capital funds available, to arrive at a proposed capital programme.
- Council has the final decision on which schemes proceed, informed by the proposed programme.

Service Managers submit proposed capital schemes on development bid pro-formas. The financial information required includes the initial outlay and ongoing costs of the scheme, as well as any income or savings generated.

The revenue impact of proposed schemes is of particular concern. Schemes that have a high ongoing impact on revenue may fail to proceed, due to the constraints on revenue financing. Conversely, schemes which generate additional revenue income, or contribute to revenue savings will score additional points on the financial element of the methodology. This also applies to schemes which generate external funding or capital receipts.

The bid process also asks Service Managers to identify the non-financial outputs and outcomes which their scheme will provide, and this information is used to score schemes against the criteria in the scoring matrix.

Bids are scored by the Deputy Chief Executive and Director of Finance, the Service Manager for Financial Services and a Corporate Director.

A good capital bid is likely to be one which:

- makes a significant contribution to one or more corporate priorities;
- has been thoroughly researched, both practically and financially, including consideration of an option appraisal and whole life costing approach for major schemes;
- considers fully the ongoing revenue implications, both costs and incomes;
- pays for itself and generates an income stream i.e. Invest to Save schemes;
- has been developed in conjunction with stakeholders, including Members and any other services or partners affected;
- has identified and secured possible external funding or capital receipts;
- identifies realistic and achievable outcomes and outputs;
- is deliverable within the resources (such as staffing) available within the directorate, or identifies extra resources required.

The submission of bids by directorates which demonstrate these qualities is key to ensuring that the Council's priorities are delivered through capital investment.

The Capital Scoring Methodology

The aim of the capital scoring methodology is to ensure that the schemes that best fit the Council's priorities, within the funds available, are taken forward. A copy of the current scoring methodology is attached at Appendix A. Scores are awarded based on:

- the extent to which schemes meet the priorities identified. Weighting may be applied to the scores if Cabinet propose that a particular priority or ward area requires additional investment. No weighting has been applied in the development of the 2020/21 to 2024/25 programme;
- Asset management priorities – this section is used to prioritise Asset Management Fund items if bids to the fund exceed the budget allocation;
- the measure of the financial impact of the scheme, where points are awarded for external funding, income generation, value for money, impact of risk, and generation of capital receipts.

The maximum score possible (excluding Asset Management Fund items) is 80 points. The highest score would only be achievable if the scheme made a high contribution to all of the Council priorities together with a maximum positive financial impact in terms of value for money, funding/income generation and risk. The maximum available score is unlikely to be achieved by any individual scheme so scoring parameters are set, based on the level of contribution to priorities achieved, by which schemes are considered for inclusion in the proposed capital programme.

For the 2020/21 to 2022/23 capital budget, the following score parameters have determined the schemes to be proposed for inclusion in the capital programme based on contribution to priorities:

Score	**Capital Programme Inclusion**
Greater than 25 points	Automatic Proposal
Between 15 and 25 points	Include with Cabinet Support
Less than 15 points	Automatic Disregard

Scheme are ranked in accordance with the scores secured and those above 15 points considered by Cabinet in light of resources available before making final recommendations to Council of the final programme for approval.

Managing the Capital Programme

A key role in the monitoring of the capital programme is undertaken by the Capital Monitoring Group, which meets on a bi-monthly basis. This Group is attended by responsible officers providing a supportive environment in which problem areas are identified and corrective actions agreed and implemented at an early stage to avoid slippage. Each scheme has a nominated project manager who is responsible for the successful completion of the scheme both to time and on budget.

The Council maintains comprehensive and robust procedures for managing and monitoring its Capital Programme. The ongoing monitoring arrangement for the delivery of the approved programme is a reciprocal process between service directorates and Financial Services consisting of:

- Project Managers identified for each scheme who are responsible for monitoring progress, spend and income and producing action plans to respond to variations in pace or cost of delivery;

- Project Managers feed information on scheme progress to the Finance Business Partner to produce the monthly budget monitoring statement;

- Bi-monthly capital monitoring meetings consider each Project Manager's report on performance outputs on each of their capital projects in progress. Variations and unexpected items are discussed and appropriate action taken;

- Service Managers are responsible for ensuring that Project Manager monitoring reports are quality assured and challenged, and that corporate implications arising from capital monitoring are brought to the attention of the Senior Leadership Team and Cabinet;

- Capital budget monitoring is reported to Cabinet on a quarterly basis, for consideration of deferrals and budget amendments;

- At year end, Financial Services collate the outturn position for capital schemes, and report under and overspends and propose budget carry forwards. The Asset Register and Statement of Accounts are updated with new assets acquired within the year;

- A post-implementation review of capital projects after completion is important to assess to what extent the financial and non-financial aims of the project were met. Where they were not, lessons can be learned, which can inform future projects and may lead to revisions in either the budgeting or monitoring processes.

6. CONCLUSION

The Capital Investment Strategy is a 'live' document which enables the Council to make rational capital investment decisions in order to achieve its corporate priorities and objectives. As a consequence, it provides a framework for determining the relative importance of individual capital projects.

If the Council is to achieve its ambitions, it is recognised that a commitment to partnership working with both the private sector and other public sector bodies will play a significant part of the Council's overall approach.

The adoption of a three-year capital planning framework and indicative 5 year programme is a significant means of improving programming for major projects and ensuring the longer term sustainability of the borrowing requirement.

The Council aims to ensure that it will maximise the opportunities to attract partnership or third party funding, and will focus the use of its own scarce capital resources to provide public assets where these alternative funding sources are not available.

New and innovative ways of generating increased capital finance will continue to be explored, as well as adopting a rigorous approach to the identification and disposal of surplus assets.

The Council will maintain comprehensive and robust procedures for managing and monitoring its Capital Programme.

Any policy or strategy proposed to Council that requires capital investment must be consistent with the Capital Investment Strategy. The Strategy is to be revisited annually, to ensure that it is kept up-to-date and is relevant and effective.

Appendix A

Capital Resource Development Bid – Scoring Methodology

		Scoring system	Bid Name	Bid Name
1.	**Priorities**			
a.	**Cohesive, Diverse and Safe Communities**			
i	Promote and encourage pride, good citizenship and participation	**0 – 3**		
ii	Reduce poverty and inequality and provide support to the most vulnerable	**0 – 3**		
iii	Improve social mobility and life chances	**0 – 3**		
iv	Reduce anti-social behaviour, crime and fear of crime	**0 – 3**		
	Total for 1a: Maximum points =	**12**	**0**	**0**
Weighting due to performance indicator:		**1**	**1**	**1**
b.	**Healthy Lifestyles**			
i	Improve health and wellbeing and reduce health inequalities	**0 - 3**		
ii	Support physically active lifestyles	**0 - 3**		
iii	Increase recreational activities and users to parks and open spaces	**0 - 3**		
iv	Reduce levels of loneliness and isolation	**0 - 3**		
	Total for 1b: Maximum points =	**12**	**0**	**0**
Weighting due to performance indicator:		**1**	**1**	**1**
c.	**Sustainable Environment**			
i	Provide an attractive and sustainable local environment that people can enjoy	**0 - 3**		
ii	Improve transport infrastructure and connectivity	**0 - 3**		
iii	Conserve, enhance, promote and celebrate our heritage	**0 - 3**		
iv	Promote and protect the environment by minimising pollution and waste	**0 - 3**		
	Total for 1c: Maximum points =	**12**	**0**	**0**
Weighting due to performance indicator:		**1**	**1**	**1**
d.	**Vibrant Economy**			
i	Provide more homes	**0 - 3**		
ii	Ensure local people are well prepared and able to compete for jobs	**0 - 3**		
iii	Safeguard and create job opportunities	**0 - 3**		
iv	Create thriving and vibrant town and local centres	**0 - 3**		
v	Drive business growth and job creation through local and inward investment	**0 - 3**		
	Total for 1d: Maximum points =	**12**	**0**	**0**
Weighting due to performance indicator:		**1**	**1**	**1**

e	**High Performing Council**			
i	Improve the customer experience of engaging with the Council	**0 - 3**		
ii	Provide efficient and effective services	**0 - 3**		
iii	Maintain a positive working environment and strong employee morale	**0 - 3**		
iv	Make best use of digital technologies	**0 - 3**		
	Total for 1e: Maximum points =	**12**	**0**	**0**
Weighting due to performance indicator:		**1**	**1**	**1**
	Total Priorities		**0**	**0**

2.	**Asset Management Plan Priority**			
a.	AMP 1 (urgent Health & Safety)	**25 pts**		
b.	AMP 2 (desirable Health & Safety)	**5 pts**		
c.	AMP 3 or 4	**0 pts**		
	Total for 2: Maximum Points =	**25**	**0**	**0**
3.	**Measure of Finance Impact**			
a.	External Funding	**0 - 10**		
b.	Income Generation	**0 - 10**		
c.	VFM	**0 - 10**		
d.	Risk	**0 - 10**		
e.	Capital Receipt Generation	**0 - 10**		
	Total for 3: Maximum points =	**20**	**0**	**0**
4.	**Weighting based on ABI impact**			
5.	**Total points Maximum points possible =**	**105**	**0**	**0**

APPENDIX 2

Proposed Capital Programme 2020/21 - 2022/23 and Indicative Programme 2023/24 to 2024/25

	CAPITAL PROGRAMME FOR APPROVAL			INDICATIVE PROGRAMME	
SCHEME DESCRIPTION	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£	£	£	£	£
HOUSING, HEALTH & WELLBEING					
Station Road Carlton Affordable and Temporary Housing	165,300	0	0	0	0
Burton Road Affordable Housing	12,000	0	0	0	0
Replacement Theatre System	35,000	0	0	0	0
Total Housing, Health & Wellbeing	**212,300**	**0**	**0**	**0**	**0**
PUBLIC PROTECTION					
Disabled Facilities Grant	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Public Protection	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**
ENVIRONMENT					
Lambley Lane Changing Room and Pitch Renovation	95,000	0	0	0	0
Gedling Country Park Outdoor Seating	107,800	0	0	0	0
Carlton Cemetery Expansion	278,900	0	0	0	0
Vehicle Replacement Programme	503,000	1,198,000	466,000	1,161,000	580,000
PASC Landscaping and Equipment	83,000	0	0	0	0
Community Garden - Redhill	10,000	0	0	0	0
Provision of Public Toilets	90,000	0	0	0	0
Play Area Development	333,000	0	0	0	0
Total Environment	**1,500,700**	**1,198,000**	**466,000**	**1,161,000**	**580,000**
GROWTH AND REGENERATION					
Arnold Town Centre Development	983,600	0	0	0	0
Carlton Square Development	600,000	0	0	0	0
Calverton Enterprise Units	1,370,000	0	0	0	0
Hazelford Way Industrial Units	350,000	0	0	0	0
Total Growth and Regeneration	**3,303,600**	0	0	0	0
RESOURCES AND REPUTATION					
Asset Management Fund	50,000	150,000	150,000	150,000	150,000
Asset Maintenance Schemes	747,000	133,000	133,000	0	0
Commercial Property Investment	4,100,000	0	0	0	0
IT Licences - Microsoft Office	112,000	100,000	100,000	100,000	100,000
Customer Service Improvements	100,000	0	0	0	0
Carbon Reduction Initiatives	100,000	100,000	0	0	0
Total Resources and Reputation	**5,209,000**	**483,000**	**383,000**	**250,000**	**250,000**
Future Equipment Replacement	**0**	**70,000**	**70,000**	**70,000**	**70,000**
Future Development Bids	**0**	**100,000**	**100,000**	**100,000**	**100,000**
TOTAL CAPITAL PROGRAMME	**11,225,600**	**2,851,000**	**2,019,000**	**2,581,000**	**2,000,000**

This page is intentionally left blank

Report to Cabinet

Subject: General Fund Revenue Budget 2020/21

Date: 13 February 2020

Author: Senior Leadership Team on behalf of Leader of the Council

Wards Affected

Borough wide.

Purpose

This report sets out revenue budget which aligns to the Gedling Plan priorities, objectives and top actions for the Council for the forthcoming year.

Key Decision

This is a Key Decision.

Recommendation(s)

Cabinet is asked to approve:

i. a 3% discretionary income inflation increase for the individual portfolios as shown in the table at paragraph 2.5.6.

Cabinet is asked to recommend to Council on 5 March 2020:

ii. that the financial threshold above which decisions will be regarded as Key Decisions be set at £0.5m for 2020/21;

iii. a Council Tax increase of 3.07% (£5.00) which balances the financing of a Net Council Tax Requirement of £6,283,600 in 2020/21;

iv. that the detailed budget for 2020/21, as detailed in Appendix 2 be approved.

Background

1.1 The Constitution of the Council requires the Leader to present, before 21 February each financial year, a draft Budget and Performance Plan to the Cabinet for approval, highlighting budget priorities, growth items and proposed efficiencies.

1.2 The Executive is required to consider any comments made on the draft Budget and Performance Plan and to present the final drafts to Council for adoption in accordance with the statutory requirements. To fulfil these requirements the 2020/21 budget proposals together with the Gedling Plan will be presented to Budget Council on 5 March 2020. The Borough Council has a statutory responsibility to determine its Council Tax by 10 March.

1.3 This report ensures that these requirements will be met for the 2020/21 budget process.

Proposal

2. Proposed General Fund Budget 2020/21

2.1 The Council's proposed General Fund budget sets out the financial strategy and framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Developments and Efficiency proposals impact on the annual budget and this has been taken into account in presenting this annual budget and Medium Term Financial Plan (MTFP) Summary.

2.2 **Principles Underpinning the Budget Strategy**

The Council has a number of agreed principles as a basis for financial management and budget planning as follows:

- Emerging pressures are managed within existing overall budgets;
- Spending is aligned to key priorities as set out in the Gedling Plan;
- Income is only included in the budget where supported by robust proposals and is deliverable;
- The Council will maximise its commercial income where possible to ensure that fee charging services break-even over time and are provided with a nil cost subsidy from the taxpayer where appropriate, or return a surplus where appropriate;
- Where possible, future liabilities are anticipated;
- Budgets are sustainable;
- Savings proposals are supported by project plans and the impact on service delivery is clear;
- Capital and revenue planning must be integrated to ensure that implications are fully anticipated;
- The Council's reserves and balances are not to be used as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are

used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

In light of the anticipated medium term gap, the Council has developed a forward strategy to inform future financial planning, by providing a framework for reducing planned expenditure over the medium term to ensure that the Council is financially sustainable, while still delivering the Council's key priorities as set out in the Gedling Plan.

To meet the financial challenges of the next five years the proposed approach represents a continuing strategic shift in the focus of the organisation from a model based largely on cost reduction and service redesign, through to include a strengthened focus on a more commercial council approach with an income earning emphasis.

2.3 Central Government Spending Round 2019

On 4 September 2019 the Chancellor of the Exchequer set out the Government's spending plans for 2020/21. Due to the uncertainties around Brexit this is a one-year only Spending Round with a stated focus on funding people's priorities: high quality healthcare, education and reducing crime.

The 2019 Spending Round announced a 4.1% real terms (i.e. after accounting for inflation) increase in day-to-day departmental spending delivered within the current fiscal rules: keeping the structural deficit below 2% of gross domestic product (GDP) in 2020/21 and debt falling as a percentage of GDP. Since 2010 the amount the government borrows each year has reduced to 1.1% of GDP enabling a sustainable increase in spending. A 4.4% real terms increase (6.3% in cash terms) in Core Spending Power was reported for Local Government to help meet the rising demand in social care services. *However, as detailed at paragraph 2.4.5, according the Government's published Core Spending Power figures for each authority, Gedling's increase in 2020/21 is just 2.3% in cash terms which is 4% below the average received by the sector as a whole.*

A full multi-year spending review will be conducted in 2020 for budgets beyond 2020/21 and will take into account the nature of Brexit and set out plans for long term reform.

2.4 Local Government Finance Settlement 2020/21

2.4.1 The local government finance settlement is the annual determination of funding for local government, distributing revenue raised from business rates and other funding streams through:

- Revenue Support Grant and Business Rates Retention known as the Settlement Funding Assessment;
- Other Key Grants – e.g. New Homes Bonus

The provisional settlement figures for 2020/21 were announced by the Secretary of State for Housing, Communities and Local Government (MHCLG) on 20 December 2019. The Government's assessment of the Core Spending Power of local authorities and its proposals for the referendum principles for managing excessive council tax increases were also announced as part the Settlement proposals.

A full analysis of the provisional settlement was completed by the Local Government Association and is attached at Appendix 1 for information. At the time of publishing this report the final settlement for 2020/21 had not been announced. An update on the final settlement will be provided at the meeting.

2.4.2 Settlement Funding Assessment (SFA)

The 2020/21 Settlement determines how much Revenue Support Grant central government will give to each local authority in England in 2020/21 and sets the Baseline Funding Level for Business Rates (the actual amount of business rates funding will be determined by the actual amount of rates collected and movements in the business rates base in accordance with the business rates retention scheme).

As detailed in 2.3 the Government announced a one year only Spending Round for 2020/21 and consequently is 'rolling forward' core components of the 2019/20 local government finance settlement without change to offer a one year local government finance settlement for 2020/21. The one year settlement means that there is still no clarity over funding levels after March 2021. This hampers meaningful financial planning at a time when demand pressures are increasing. There is still no detail available regarding the planned Fair Funding Review and the next stage of business rates retention, consultation processes launched by the Communities Secretary are ongoing.

As the 2020/21 figures represent a simple roll forward of the previous multi-year settlement period 2016/17 to 2019/20, they are presented with the previous period for comparative purposes in the table below:

Year	Revenue Support Grant £	Business Rates £	**Total SFA £**	Cash (Reduction) /Increase £	Movement from Prev. Year
2016/17	1,415,700	2,815,500	**4,231,200**	(707,200)	-14.3%
2017/18	780,500	2,873,000	**3,653,500**	(577,700)	-13.7%
2018/19	384,900	2,959,300	**3,344,200**	(309,300)	-8.5%
2019/20	0	3,027,100	**3,027,100**	(317,100)	-9.5%
2020/21	0	3,076,400	**3,076,400**	49,300	+1.6%

The total cumulative settlement reductions equate to 38% or £1.86m in cash terms over the spending review periods 2016/17-2020/21 compared to the base position of 2015/16. Total settlement reductions compared to the amount received in 2010/11 are £5.8m or 65% by 2020/21. This is marginally reduced from last year due to the inflationary increase added to business rates in 2020/21.

SFA has now reduced to 27% of Gedling's net budget for 2020/21, compared to 60% in 2010/11.

2.4.3 Business Rates Retention – Current 50% Retention Scheme

Business Rates growth compared to baseline funding levels of £3,076,400 for 2020/21 is estimated at £704,000 giving total income from business rates of £3,780,400, including S31 grants to compensate for new reliefs and indexation introduced by the government since the scheme's introduction (Note: S31 Grants are used by central government to reimburse a local authority for additional activities which are not covered by existing funding methods). Growth amounts for the medium term are currently forecast at a prudent level of £700,000 due to the uncertainties that remain in the estimation process i.e.:

- the business rates retention scheme has shown volatility in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates/closes; and
- the impact of changes arising from the planned move to 75% business rates retention in 2021/22 remain largely unknown (see paragraph 2.4.7 below).

2.4.4 New Homes Bonus

During 2011/12 Central Government introduced the New Homes Bonus (NHB) which is funded from the centrally retained share of Business Rates income and paid as a separate non-ringfenced grant in addition to the Settlement Funding Assessment.

The principles of the grant are to reward local authorities for each new property completed within their boundary plus an additional reward for returning empty properties back into use. The value of the reward is linked to the national average council tax band D property for a number of specified years, initially set at six years.

When the NHB was introduced, the Department for Communities and Local Government stated in its final scheme design that it was intended to be a predictable, permanent and enduring feature of local government funding. However, since its introduction a number of changes have been made as summarised in the table below:

Scheme Period	Growth Level Awarded	Number of Years of Award
2011/12 – 2016/17	All	6
2017/18 – 2019/20	Above 0.4% Threshold	4
2020/21	Above 0.4% Threshold	1

During 2016/17 the Government made changes to the NHB with the intention of delivering savings to fund pressures in social care. The main changes to the scheme included:

- Reducing the length of time bonus is paid from six years to four years;
- Introduction of a 0.4% growth threshold, recognising that some housing would be built regardless of the NHB, to remove what Government terms as 'deadweight' from the payment. Local authorities need to achieve growth of greater than 0.4% in each year before they receive any NHB funding. For Gedling, this equates to 180 Band D properties before any payment is made. It was considered that the baseline could remove any incentive to grow in relatively low growth areas and penalise areas with limited opportunity to grow.

For 2020/21 the Government have confirmed that there will be no change to the way the NHB is calculated but the award will be for one year only. The Secretary of State for MHCLG stated that it is not clear that the NHB in its current form is focussed on incentivising homes where they are needed most and has announced that the government will consult on the future of the housing incentive in the spring.

For the period measured for the 2020/21 New Homes Bonus i.e. October 2018 to October 2019, growth in Gedling was 359 band D equivalent houses, equivalent to 0.8% growth. This is above the national baseline of 0.4% and NHB has been confirmed at **£269,400** for 2020/21 which will be paid for one year.

The impact of the scheme changes has been a significantly reduced award as demonstrated in the table below:

New Homes Bonus Projections Compared to 2016/17

Payment Relating to	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000	£000	£000
2011/12	339						
2012/13	410						
2013/14	366	366					
2014/15	448	448					
2015/16	468	468	468				
2016/17	369	369	369	369			
2017/18		9	9	9	9		
2018/19			11	11	11	11	
2019/20				93	93	93	93
2020/21					270	0	0
Total MTFP	**2,400**	**1,660**	**857**	**482**	**383**	**104**	**93**
Reduction from 2016/17		**(740)**	**(1,543)**	**(1,918)**	**(2,017)**	**(2,296)**	**(2,307)**

There remains considerable uncertainty surrounding the future of the NHB scheme. Following the consultation process announced by the Secretary of

State it is likely that NHB will be considered in the context of the Fair Funding review and may even be removed as part of the Comprehensive Spending Review 2021. It is considered prudent for medium term financial planning purposes to assume that zero NHB awards will be available to support revenue financing going forward. Any future awards will be available to support one off projects or an increase in balances to support future budgets.

2.4.5 Core Spending Power 2020/21 Compared to 2015/16

As part of the Settlement announcements the Government includes its projection and comparison of Core Spending Power for each authority. This demonstrate the movements in spending power for the four year spending review period 2016/17 - 2019/20 together with the 2020/21 spending round.

For Gedling the components of Core Spending Power include the Settlement Funding Assessment (revenue support grant and business rates), the Government's estimate of Council Tax Receipts, the New Homes Bonus and S31 grants and these are summarised in the table below:

Core Spending Power 2016/17 to 2020/21

Year	SFA and S31 Grant £m	Assumed Council Tax £m	New Homes Bonus £m	Total £m	Movement from Prior Year	Movement from 2015/16
2015/16	5.0	5.5	2.0	12.5		-
2016/17	4.2	5.5	2.4	12.2	-2.6%	-2.6%
2017/18	3.7	5.7	1.7	11.1	-9.0%	-11.2%
2018/19	3.3	6.0	0.9	10.2	-7.7%	-18.4%
2019/20	3.1	6.0	0.5	9.6	-5.9%	-21.5%
2020/21	3.2	6.3	0.4	9.9	+2.3%	-21.3%

As detailed in paragraph 2.3 the 2019 Spending Round reported a 6.3% cash terms increase in Core Spending Power for Local Government as a whole in 2020/21. The table shows a cash terms increase of 2.3% for Gedling in 2020/21 which is 4% below the average received by the sector as a whole.

The Government's estimate of council tax receipts assumes that District Councils will increase Council Tax by the maximum possible. However, actual council tax receipts will be determined by local decisions for council tax increases and actual tax base growth. The Government forecast presents a total cumulative reduction in core spending power by 2020/21 of 21.3% when compared to 2015/16**, making Gedling the worst affected Council in England.**

2.4.6 Council Tax Increase Referendum Trigger

The Localism Act 2011 gives powers to the local community to either endorse or veto Council Tax rises that are above a limit which is to be set annually by the House of Commons. If a local authority decides to implement a council tax increase above the government set limit this will trigger a referendum so that local voters can either support or reject the proposed rise.

In the Provisional Settlement the Government announced the referendum limit for 2020/21 for Shire Districts at 2% (set at 3% in 2019/20) or £5 whichever is higher. For Gedling the £5 cash limit equates to 3.07% in 2020/21. Any Council which sets an increase greater than the referendum limit and does not get support from the electorate via a referendum will have to revert to a council tax level that is compliant, and bear the costs of re-billing its residents.

2.4.7 **Local Government Financing from 2021/22**

Fair Funding Review

Alongside the local government finance settlement in 2018/19, the Government announced its intention to implement the Fair Funding Review in April 2020 but they have now confirmed that this will be delayed until April 2021. The review and consultation process is ongoing with the objective of delivering a sustainable funding allocation formula for local government.

Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.

Since that time, demographic pressures have affected local areas in different ways, as has the cost of providing particular services. In recognition of these pressures, the Fair Funding Review will address concerns about the fairness of current funding distributions. The outcome of this review will enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which they will continue to have greater control over the money that they raise.

The consultation is seeking views on the approach to measuring the relative needs and resources of local authorities, which will determine new baseline funding allocations for local authorities in England in 2021/22. It:

- proposes to simplify the assessment of local authorities' relative needs;
- considers the type of adjustment that will be made to an authority's relative needs assessment to take account of the relative resources available to them to fund local services;
- proposes a set of principles that will be used to design potential transitional arrangements and examines how the baseline for the purposes of transition should be established.

Transitioning to the new funding distribution. The Government recognises that introducing a new needs and resources formula could result in significant changes to the funding baselines of some local authorities. It is therefore intended to introduce transitional arrangements that are fair, transparent and easily understood so that budgetary impacts can be accommodated. The consultation proposes that the starting baseline for the purposes of transition will be a measure of the current funding available to each local authority. This should mean that no authority will see its funding reduce as a result of the new system in the first instance. However, it is proposed that transition is time-limited, establishing a fixed period of time to enable target allocations to be reached as soon as practicable.

Future Business Rates Retention

❖ 75% Business Rates Retention

The Government continues to consult on its proposals to further extend the business rates retention programme and its intention to implement a new phase alongside the implementation of the wider changes to the local government finance system i.e. the Fair Funding Review which has now been deferred to 2021. By 2021/22 the stated aim is for local authorities to retain 75% of business rates. The initial baseline funding levels for individual authorities will be determined by the needs assessment as concluded in the Fair Funding Review.

Alongside the local government finance settlement 2019/20, the Government published a technical consultation: *Business Rates Retention Reform*. The consultation process commenced seeking views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system. The consultation covers two broad areas:

- ♦ The right balance of risk and reward in the system. Local authorities should continue to receive benefit from the growth they achieve in their local areas. This includes a review of the tier splits for sharing growth between districts and counties;
- ♦ Summarises the work undertaken to mitigate volatility in income and address the impact of appeal losses and valuation change on local authorities.

There will be a full re-set of the business rates system in 2021/22 to allow full implementation of both business rates reforms and the Fair Funding Review. The re-set will impact on the funding baseline, potentially removing or reducing the current level of growth that has been achieved in the system to date and reducing current income levels. The consultation seeks views on two types of reset, phased or partial and on the length of the reset period – with the objective of ensuring a strong growth incentive whilst also recognising redistribution need.

❖ 100% Business Rates Retention

The Government continues to pilot the 100% business rates retention scheme but it is not yet clear when this might be introduced nationally. It was initially intended to introduce a Bill into Parliament early in 2017 but this was delayed.

It is intended that Local Government will retain 100% of business rates revenues to fund local services and the current system of top-ups and tariffs will be retained to ensure appropriate distribution of resources. The Government's intention is for this change to be fiscally neutral at a national level. As part of these reforms, the revenue support grant will be phased out, as demonstrated in the table at paragraph 2.4.2, and additional responsibilities devolved to local authorities (these are unknown at this stage), empowering them to drive local economic growth and support their local community. It is intended that the Uniform Business Rate will be abolished and any local area will be able to cut business rates (but not increase business rates), to win new jobs and generate wealth. Powers to increase business rates are only currently proposed for city-wide metro mayors for local infrastructure projects, with the support of local business.

Business Improvement Districts (BIDs)

BIDs are partnerships between a local authority and local businesses to develop projects and services that benefit the local trading environment and are funded by imposing a business rates levy within the development area. This scheme is proposed to continue alongside the 100% business rates retention scheme.

2.5 General Fund Budget 2020/21 Summary

2.5.1 The following table summarises the proposed General Fund Budget for 2020/21. The detailed budgets are presented at Appendix 2 together with an explanation of major variances between the original estimate for 2019/20 and the estimate for 2020/21. In developing a budget proposal, assumptions on the core budget have to be made and the various assumptions in respect of inflation are shown at Appendix 3. These have been included in both the annual base budget and MTFP calculations.

General Fund Budget Summary 2020/21

Portfolio	Original Budget 2019/20 £	Base Budget 2020/21 £	Variance £
Community Development	1,521,400	1,526,200	4,800
Housing, Health and Wellbeing	2,418,800	2,347,500	(71,300)
Public Protection	1,485,200	1,609,400	124,200
Environment	4,529,500	4,844,500	315,000
Growth and Regeneration	1,264,300	853,200	(411,100)
Resources and Reputation	1,222,000	2,174,100	952,100
Net Portfolio Budget	**12,441,200**	**13,354,900**	**913,700**
Transfer to/(from) Earmarked Reserves	(765,200)	(1,752,200)	(987,000)
Net Council Budget	**11,676,000**	**11,602,700**	**(73,300)**

2.5.2. **Major Budget Pressures**

The base budget includes the following major budget increases **greater than £50,000,** which are broadly in line with previous medium term financial plan expectations:

- Employee pay award (average 2%) - implementation of a local pay award - £276,200;
- Increase in the rates of Superannuation from 15% to 18.2% - £175,300;
- Inflation increases on utilities, NNDR & other contracts - £103,400;
- Interest on additional borrowing required to finance the capital programme and a reduction in the interest receivable from investments - £99,000.

2.5.3 **Major Budget Reductions – Efficiency Programme**

In response to the budget pressures arising from the downturn in the economy and consequent reductions in central government grant funding, the Council has approved a number of efficiency/budget reductions programmes to ensure delivery of a sustainable Medium Term Financial Plan (MTFP).

The Council's efficiency programme has been developed in accordance with the themes contained in the approved Efficiency Strategy i.e.:

- **Efficiency & Effectiveness** – including: service efficiencies delivering the same level of service with a reduced level of resource; effective asset management; new ways of working including service re-engineering and new delivery methods; demand management; and service reductions or cessation;
- **Contract Management** – improved value for money in procurement;
- **Income Generation** – to maximise all income and reduce the level of subsidy provided in our discretionary service areas moving towards full cost recovery where appropriate; innovation/new ideas for new income streams.

Efficiency Programmes – Progress Update

Since 2014/15 Council have approved four separate efficiency programmes totalling £6.5m net of risk provision. Progress has been positive with delivery of £3.9m being delivered in line with the estimate up to 2018/19.

Progress with the delivery of the remaining 2019/20 to 2022/23 programme of £2.582m (net of risk provision) has been fully reviewed as part of 2019/20 quarterly budget monitoring and the 2020/21 budget process. Total delivery is expected to be broadly in line with the estimate at £2.536m with a minor shortfall of £46k that could not be contained within the approved risk provision of £125k (which has now been fully allocated) and this has been fully reflected in the MTFP.

Of the remaining programme £1.874m is now due to be delivered over the period 2020/21 to 2022/23. It is recognised that there are still risks in delivering the full amounts of savings in the remaining projects, some of which contain additional uncertainties inherent in more innovative commercial approaches.

Therefore, it is recommended that a further budget reduction risk provision of £200k be recognised over the course of the programme, equating to approximately 10% of the planned efficiencies. Total ongoing savings now included in the MTFP for the current programme are £1.674m net of risk provision.

It is also recognised that as we continue to implement these proposals further resources will be required to manage the change effectively and it is proposed that further one-off Transformation Fund resources of £250,000 be established in 2020/21. This will cover change management costs, including costs of potential redundancy/retirement.

Efficiency Proposals – Additional Target 2021/22 to 2022/23

Due to the reduced delivery of the existing efficiency programme (above) and new budget pressures arising e.g. additional pension contributions, a new cumulative efficiency target of £250,000 is included in the MTFP, made up of the following annual ongoing targets: **2021/22 £100,000; 2022/23 £150,000.** The inclusion of this target ensures that the Council's balances do not drop below the minimum required for the period of the MTFP and is included in the summary table in paragraph 3.2. Whilst the proposed targets are not yet supported by outline business plans, meaning this aspect of the financial plan is less robust, the first savings are not proposed for delivery until year 2 of the MTFP giving the Council a good lead in time for developing detailed plans.

2.5.4 **Implementation of Manifesto Pledges**

Delivery of the 2019 manifesto pledges has been reflected in the Gedling Plan actions over the 3 year period (an item elsewhere on this agenda). The revenue implications of the pledges developed to date include:

- *Offer every household one free bulky waste collection every year* – improvements to the existing scheme are being considered, with an estimated reduction in income of £37,500 per annum;
- *Invest in new and existing CCTV in priority hot spots* – schemes identified will be funded from the CCTV earmarked reserve established for this purpose;
- *Promote and support community based 'clean up' initiatives including seasonal big clean events* – additional budget of £2,000 per annum for expenses and equipment;
- *Deliver town centre events and festivals* – to be delivered from established projects budgets in economic regeneration and earmarked reserves. These events will complement the capital investment planned for the delivery of the manifesto pledge to *regenerate town centres* including Arnold and Carlton Square developments (see capital programme report – an item elsewhere on the agenda);
- *Provide targeted business support to small and medium businesses across the borough* – new budget provision of £10,000 per annum;
- *Plant 500 native trees annually across the borough* – additional budget of £4,000 per annum;
- *Maintain Council's commitment as a Plastic Clever Council* - projects continuing from 2019/20 via use of earmarked reserves. These projects

complement the proposed capital investment in Carbon Reduction Initiatives (see capital programme report – an item elsewhere on the agenda);

- *Deliver management savings to ensure continuing investment in front line services* - provision included as part of the efficiency programme detailed at paragraph 2.5.3 above.

2.5.5. **Proposed Revenue Resource Developments 2020/21**

Following discussions with the Leader, the Revenue Resource Developments detailed in the tables below are recommended to Cabinet for approval.

The table below show schemes scoring 15 points and above using the Council's approved methodology which assesses schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans.

(a) Revenue Resource Developments 2020/21

Scheme	**Revenue Bid 2020/21**	**Ongoing**
	£	£
Selective Licencing Phase 2 *(to improve property management and housing conditions in the private rented sector)* Total project cost £320,000 over 5 years fully funded by licence fee income.	0	0
Holiday Activity Programme 16s and Under *(to deliver a range of diversionary activities to improve health and wellbeing, addressing issues of youth disaffection, loneliness, isolation and mental health)*	10,000	10,000
IT Technical Officer *(to support the delivery of digital projects, maintain cyber security and secure planned efficiencies across council services)*	31,500	31,500
Engagement and Consultation with Young People *(to address gap in consultation in Gedling Plan development)*	5,000	0
Total Revenue Bids	**46,500**	**41,500**

(b) One Off Resource Development Bids funded by Earmarked Reserve

Scheme	Revenue Bid 2020/21
	£
Health and Housing Co-ordinator *(supporting vulnerable people affected by inappropriate housing to enable their return home from healthcare).*	30,000
VE and VJ Day Commemoration Fund (*to support the community in delivering local events which bring people together in remembrance and understanding)*	20,000
Total One Off Revenue Bids	**50,000**

In addition to the revenue resource development proposals a number of capital resource developments (see capital programme report an item elsewhere on this agenda) have ongoing revenue implications which have been included in the revenue budget and MTFP, as detailed in the table below:

(c) General Fund Ongoing Revenue Implications of the Proposed Capital Development Proposals (excluding borrowing costs)

Description	Capital Budget – For Information	Revenue Costs 2020/21	Ongoing Full Year Effect
	£	£	£
Hazelford Way Small Business Unit Extension (business case)	350,000	(4,400)	(17,500)
Carbon Reduction Initiatives	200,000	0	(10,000)
Total Ongoing Revenue Costs/(Saving)		**(4,400)**	**(27,500)**

2.5.6 **Discretionary Income Inflation**

The Medium Term Financial Plan includes income inflation at 3% on discretionary income, (excluding leisure DNA memberships, Trade Waste, Building Control, town centre car parking), which equates to £99,500, and the increase per Portfolio is shown in the table below. Each additional 1% increase will raise a further £33,100.

It is suggested that the Portfolio Holder agrees individual charges with the relevant Corporate Director, with discretion to vary the percentage increase, as long as the overall cash amount for that Portfolio is raised or exceeded.

Portfolio	Discretionary Income £	1% increase £	3% increase £
Community Development	(79,200)	(800)	**(2,400)**
Housing, Health & Wellbeing	(1,817,700)	(18,200)	**(54,500)**
Public Protection	(574,800)	(5,700)	**(17,300)**
Environment	(805,500)	(8,100)	**(24,200)**
Growth & Regeneration	(2,100)	0	**(100)**
Resources & Reputation	(32,300)	(300)	**(1,000)**
Total	**(3,311,600)**	**(33,100)**	**(99,500)**

Some of the services operated by the Council are not included in the general fee inflation increase due either to: the sensitivity of demand to price changes e.g. Leisure DNA memberships, Garden Waste or; being operated on a commercial basis and therefore required to breakeven e.g. Trade Waste Services and Building Control. The levels of fees which are set in these areas are considered separately and the base budget amended to ensure appropriate fees are set.

Some fees for statutory services e.g. development control, are determined by Central Government and any changes are reflected in the base budget.

2.5.7 **Summary of Significant Budget Changes 2020/21**

In summary, the table below highlights the areas of significant variance in expenditure/income which have been reflected in the base budget 2020/21.

Significant Budget Changes 2020/21

	Budget Impact 2020/21 £	£
Original Net Council Budget 2019/20		**11,676,000**
Revenue Budget Pressures		
Pay Award 2%	276,200	
Increase in Superannuation from 15% to 18.2%	175,300	
Utility, NNDR & Contract Inflation	103,400	
Adjustment Borrowing Interest and Reduction in Investment Interest	99,000	
Reduction in Housing Benefit Administration Grants	27,900	
Other minor variances (net)	(10,800)	
Total Pressures		**671,000**
Revenue Budget Growth		
Manifesto Pledges	53,500	
Revenue development bids 2020/21 (see table above)	46,500	
Total Growth		**100,000**
Efficiency/Budget Reduction Programmes		
Previous Approved Programmes – additional efficiencies for delivery in 2020/21	(519,000)	
Total Efficiency Programme 2020/21 (net impact)		**(519,000)**
Provisions		
Adjustment to the Transformation Reserve	(150,000)	
Addition of an Asset Management Provision	100,000	
Adjustment to Budget Reduction Risk Reserve	75,000	
Total Provision		**25,000**
Other Base Budget Reductions		
Rent Allowances	(120,800)	
Removal of Local Election Budget	(130,000)	
Fees and Charges Income Inflation (see para 3.6.5)	(99,500)	
Total Other Budget Reductions		**(350,300)**
Net Decrease in Budget 2020/21		**(73,300)**
Proposed 2020/21 Net Council Budget		**11,602,700**

Note: In addition to the above 2020/21 budget changes and future inflationary increases the MTFP includes the following:

- Elections costs in 2023/24 £133,500;
- Assumptions about the transfer of Housing Benefit administration to the Department of Works and Pensions following the introduction of Universal Credit have been made including the deferral of the roll-out announced by the Government. The net cost to the authority is now expected to be £30,000 in 2021/22 rising to £120,000 by 2024/25;
- Expected demand pressure arising from growth in the number of households £100,000 from 2024/25.

2.5.8 **Review of Balance Sheet Reserves**

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's minimum General Fund Balance requirement is set at 7.5% of the Net Council Budget which is £0.870m for 2020/21. The General Fund balance is currently projected to be in excess of the minimum by £1.95m at 31 March 2021. The medium term projection on the General Fund Balance is detailed in the Medium Term Financial Plan summary at paragraph 3 below.

Earmarked Reserves on the balance sheet have been reviewed to ensure appropriate levels of funds are retained for specific future purposes and risks. The estimated movement on reserves for 2019/20 and 2020/21 are detailed at Appendix 4 and show expected balances of £3.73m at 31 March 2021.

2.5.9 **Financing of the Capital Programme**

As detailed in the Capital Programme report earlier on this agenda it is currently forecast that borrowing will be required to finance part of the capital programme in 2020/21 to 2024/25. Borrowing has an impact on the revenue budget in terms of interest costs and principal repayment. This is reflected in the Medium Term Financial Plan.

2.5.10 **Collection Fund**

Council Tax

The Council is statutorily obliged on 15 January each year to prepare an estimate of its Collection Fund transactions for Council Tax. This estimate enables Gedling and the three major precepting authorities to take account of any surpluses or deficits on the Fund when they set their own authority budgets.

As detailed in Appendix 5 the declared surplus and deficit calculation at 31 March 2020 estimates that a fully balanced Collection Fund will be achieved i.e. a surplus/deficit of zero, which means there will be no charges or credits to the General Fund during 2020/21.

Business Rates

The Business Rates Collection Fund balance at 31 March 2019 was slightly better than forecast and resulted in a deficit of only £0.566m being carried forward, compared to the estimated deficit of £0.717m declared in January 2019 for collection in 2019/20 - a decrease of £0.151m. An estimated deficit of £0.789m at 31 March 2020 has been declared in January 2020, and this will be split between the major preceptors in line with their share of business rates income – for Gedling, the 40% share of the declared deficit is £0.316m. The primary reason for the deficit on the Business Rates Collection Fund is an increase in the appeals provision.

2.5.11 **Business Ratepayers Consultation**

There is a statutory requirement to consult with business ratepayers on the budget proposal. The consultation has commenced and any responses will be reported at the meeting.

3. MEDIUM TERM FINANCIAL PLAN

3.1 The implementation of the Local Government Act 2003, which introduced a requirement for the Council's Chief Financial Officer to comment on the robustness of the Council's estimates, and the need to look at the medium term (3 years) in order to produce the required indicators as detailed in the Prudential Code, means greater emphasis needs to be placed on the Council's medium term financial planning. Although an absolute requirement to look over three years is required, it is considered good practice to look over as long a period as is reasonable. This Council has a history of producing a Medium Term Financial Plan over a 5 year horizon and this is still considered the appropriate period for this authority.

3.2 The following table identifies the impact of all the options that are proposed in this report:

- The incremental increase in base revenue expenditure from 2019/20, manifesto pledges (paragraph 2.5.4) and budget growth items (paragraph 2.5.5);
- Fees and charges to be increased by an average 3% (paragraph 2.5.6);
- Planned budget reductions and efficiency savings, including proposed new efficiency target, 2020-2023 (paragraph 2.5.3);
- Anticipated cost of borrowing to finance the capital programme for 2020/2025;
- A £5 Band D Council Tax increase has been assumed for 2020/21. Beyond that a £5 or 2% Council Tax increase, whichever greater, has been assumed for each year of the MTFP in line with the maximum possible without triggering a referendum. However, future council tax increases will be dependent upon future spending decisions, total local government funding and the achievement of efficiency savings.

The table below demonstrates a balanced medium term plan with a projected surplus on balances at the end of year 5 (2024/25). Whilst the budget still requires a contribution from balances in year 5, the inclusion of a higher efficiency target to that included in paragraph 2.5.3 is not recommended due to the uncertainties surrounding the future of local government funding. Given the projected surplus on balances and the many variables in the medium term plan there will be sufficient time to address any future imbalance that may arise.

MEDIUM TERM FINANCIAL PLAN 2020/21 TO 2024/25 - HIGH LEVEL SUMMARY

	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Net Council Budget	11,602,700	11,229,000	10,990,200	11,387,900	11,703,100
Financed by:					
Less: SFA Business Rates Baseline	(3,076,400)	(3,138,000)	(3,200,700)	(3,264,700)	(3,330,000)
SFA – Revenue Support Grant	0	0	0	0	0
NNDR Growth/ Collection Fund (Surplus)/Deficit /S31 Grant	(704,000)	(700,000)	(700,000)	(700,000)	(700,000)
New Home Bonus - Current	(269,400)	0	0	0	0
New Homes Bonus - Legacy	(113,300)	(104,300)	(93,100)	0	0
Less: Amount (from)/to Balances	(1,156,000)	(751,200)	(205,300)	(372,800)	(359,600)
Council Tax Requirement	6,283,600	6,535,500	6,791,100	7,050,400	7,313,500
Council Tax increase	£5 (3.07%)	£5 (2.97%)	£5 (2.89%)	£5 (2.81%)	£5 (2.73%)
Tax Base	37,387	37,762	38,137	38,512	38,887

The MTFP above assumes that a £5 increase will be applied between 2021/22 and 2024/25 but the actual increase will be determined on an annual basis by Council.

Expected balances at year end	2,824,000	2,072,800	1,867,500	1,494,800	1,135,200
Required balance (7.5% projected exp)	870,200	842,200	824,300	854,100	877,700
(Surplus)/Deficit on required balances	**(1,953,800)**	**(1,230,600)**	**(1,043,200)**	**(640,700)**	**(257,500)**

Note: Actual General Fund Balance at 1 April 2019 was £5,160,900.

4. **COUNCIL TAX**

4.1 The Council Taxpayer has to meet the difference between the planned expenditure and the Government grant receivable after the use of any balances are taken into account. It is this difference that is used to calculate individual Council Tax bills for 2020/21.

4.2 Gedling's share of the council tax for a band D property for 2019/20 is £163.07. The level of council tax for 2020/21 depends on the extent of service reductions/developments and financial risk issues (see paragraph 5 below) that the Council decides to provide for in the budget for next year. For illustration, an increase in council tax by 1% provides additional funding of £60,900. In the above MTFP a £5 (equivalent to 3.07%) increase has been assumed for 2020/21. **The MTFP at paragraph 3.2 assumes that a £5 increase will be applied for the whole period of the plan but the actual increase will be determined on an annual basis by Council**. The maximum council tax increase that a shire district can apply without triggering a referendum is £5 or 2%, whichever is greater. To illustrate the impact of the £5 increase, the overall position on each banding is as follows:

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£3.33	£3.89	£4.44	£5.00	£6.11	£7.22	£8.33	£10.00

5. ROBUSTNESS OF ESTIMATES

5.1 Sections 25 and 26 of the Local Government Act 2003 place a personal duty on the Chief Finance Officer to make a report to Council when considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of 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.

Under Section 25 of the Local Government Act 2003 the Section 151 Officer is required to provide a commentary assessing the robustness of the estimates when Cabinet and Council are considering the budget proposals.

The key strategic risks in considering the 2020/21 revenue budget proposals and Capital Programme in the context of the Medium Term Financial Plan are detailed in paragraphs 5.2 to 5.8 below.

5.2 Financial Settlement/Funding Streams

A number of significant changes have been made to the local government financial settlements and grant funding over the period of the last Comprehensive Spending Review and proposals have been announced for future changes. Whilst the Spending Review 2019 announced a 4.4% real terms increase in Core Spending Power for the local government sector in 2020/21, this has not applied to Gedling which only received a 0.4% real terms increase. The overall message is one of continuing financial restraint which in itself creates some degree of inherent risk. The following specific items carry a particular risk for this authority:

- **Business rates retention/Fair Funding Review**: The extension of the business rates retention scheme and implementation of the Fair Funding

Review was planned for 2020/21 but this has now been delayed for a year until 2021/22 to coincide with the next spending review period. The Government continues to pilot the 100% business rates retention scheme but it is not yet clear when this might be introduced. The 2020/21 settlement is for a one year period only and it is a concern that there is no clarity over funding levels after March 2021. This hampers meaningful financial planning at a time when demand pressures are increasing.

The intention of the retention scheme is that it will be fiscally neutral and in order to achieve this, additional responsibilities will need to be transferred to Local Government. Any retention of business rates will still require a mechanism to ensure funding is distributed in respect of need which will create winners and losers which will be determined by the Fair Funding Review. With an obvious emphasis already included in the Spending Review to support upper tier authorities in respect of their funding for social care, there is a real risk that district councils could lose further under any new allocation process. In addition, care will be needed to ensure that new transferred responsibilities are capable of being fully funded in both the short and long term.

The current retention of business rates has shown the volatility of this funding in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates/closes. These changes are likely to require local authorities to hold higher levels of reserves in the future.

- **New Homes Bonus**: the main body of the report at paragraph 2.4.4, identifies the significant impact that changes to this funding stream has for Gedling Borough Council due to the introduction of a 0.4% growth baseline resulting in a significantly reduced awards since 2016/17.

  For 2020/21 the NHB award has been made for one year only as the government has stated that it is no longer clear that the NHB in its current form is focussed on incentivising homes where they are needed most and they plan to consult on the future of the housing incentive in the spring. Following the consultation process it is likely that the future of NHB will be considered in the context of the Fair Funding review and may even be removed as part of the Comprehensive Spending Review 2021.

  Whilst there may still be an opportunity to receive NHB in the future it is considered that there is a significant downside risk to this arising and it is not prudent to rely on this funding stream to support the revenue budget. Therefore the MTFP assumes future payments will be zero. In the event that the Council does receive some NHB in the future, this will be used to support projects or be transferred to balances to support future budget setting.

- **Council Tax**: The Government's Core Spending Power figures are based on the assumption that Council Tax will be increased by 2% or £5 per annum whichever is greater, and that significant growth in the tax base will be achieved by the creation of additional hereditaments. These may be optimistic assumptions and in any case leave very little room for local discretion to set a higher Council Tax in order to plug any funding gaps. The MTFP contained in this report assumes that a £5 increase will be applied between 2021/22 and 2024/25 but the actual increase will be determined on an annual basis by Council. Any increase below the £5 will require an increase in the efficiency targets to ensure that a balanced budget can be set.

- **Economic Growth/Inflation**: The Chancellor has announced a one year only spending review for 2019, basing spending decisions on estimates of future growth and assumptions on inflation. These figures are supported by the independent Office of Budget Responsibility but there is a degree of uncertainty in these figures, due to the ongoing uncertainties surrounding Brexit. Without a multi-year settlement or an understanding of what the Fair Funding Review or business rates retention will bring any future pressure arising from an economic downturn would need to be managed within local resources i.e. from further budget reductions or efficiencies. A commercial strategy is being implemented to support the achievement of a balanced budget through new income streams and increased efficiency to ensure a minimum adverse impact on service levels.

  Inflation assumptions have been incorporated in the MTFP as detailed in Appendix 3, including pay award. The Chancellor removed the 1% public sector pay cap in 2018/19 and this has also impacted on pay expectations in local government. In Gedling pay increases equated to an average 3% for 2018/19 and 3.1% for 2019/20 – slightly higher than the national average of 2.8%. Pay awards of 2% have been included for 2020/21 to 2024/25. It is considered that these are realistic assumptions but uncertainties in the economy present a risk that future awards could be higher.

5.3 A minimum balance of 7.5% of total projected net expenditure on the General Fund is recommended by the Chief Financial Officer to be a prudent amount given the scale of the business conducted by the Council. The external auditor regards this level of balance on the General Fund to be satisfactory, and it is also appropriate to reflect uncertainties in the financial position in the medium term. The minimum balance required for 2020/21 is £870,200.

5.4 The (surplus)/deficit on balances in the MTFP table in 3.2. shows amounts (above)/below the recommended minimum General Fund balance in any one year. Current spending plans show a surplus of £1,953,800 in 2020/21 declining to £257,500 by the end of 2024/25. Achievement of this position is reliant upon existing and new efficiency plans being progressed and delivered during the period of the MTFP. Underlying this is an annual deficit between the amounts of income expected and anticipated expenditure which needs to be managed beyond the five-year horizon but this is significantly reduced to manageable levels with the inclusion of the efficiency programmes. However this still does not leave significant capacity to manage future budget and inflation pressures that may arise which will have to be managed by further budget reductions.

The Council has a substantial programme of budget reductions planned for delivery, as detailed in paragraph 2.5.3. Whilst risk provisions and transformation funds have been approved, (which mitigate the risk of non-delivery) and delivery of the programme is progressing well, the remaining scale of the programme, which also contains more projects that contain uncertainties inherent in more innovative commercial approaches, presents an increasing downside risk to successful delivery. Programmes are regularly monitored and progress reported to Cabinet to manage this risk.

The challenges that lie ahead remain equal to those in previous years, but this plan is considered robust. Gedling is not alone in facing this challenge - it is a national problem - and it is better placed than most councils to react and to develop strategies to meet the set efficiency targets.

5.5 Initiatives introduced to manage within reduced resources bring increased risks both financially and in terms of service delivery. For example:

- Reduced maintenance budgets – can be accommodated in the medium term but may bring pressures in the longer term as major capital investment plans may need to be accelerated as assets deteriorate faster. Increased public building maintenance budgets have been included in both the 2020/21 revenue and capital budget proposals to mitigate this risk;
- Earmarked reserves for specific purposes/risk management have been reviewed and will be managed at minimum requirement levels providing less scope for managing emerging risks. However, additional reserves have been set aside for the potential staffing redundancy/transfer costs in respect of the move of rent allowance payments to the Universal Credit system which has again been delayed.

5.6 The Authority continues with activities undertaken in association with a variety of partners. This requires reliance on partnership funding and/or the delivery of integrated programmes and is an approach which is integral to the Council's efficiency programme. However, a significant number of the Council's partners are public sector organisations which are also facing significant budget pressures and changing roles. This places increasing risk on the Council both directly, in respect of possible withdrawal of partnership funding, and indirectly, with the Council potentially facing additional burdens resulting from budget cuts in other organisations. This is especially true in respect of the most vulnerable in society which could therefore have a direct impact on troubled families initiatives, homelessness and those with specialist housing need.

5.7 Although there remains some risk arising from these assumptions, it is not considered necessary to increase minimum balances above the 7.5% of total projected net expenditure as the Council is responding to the challenges through efficiency measures and service reductions. It is considered that the annual and medium term budgets are robust, but given the above risk assessment the achievement of the estimated Medium Term Financial Plan will not be easy to deliver.

5.8 Given the Council's excellent track record for budget management, careful budget monitoring and financial planning, which will continue, the structural deficit that remains in the Medium Term Financial Plan is considered to still be at a manageable level, although it should be expected that there may need to be some contraction of service delivery/performance if existing efficiency plans do not proceed in line with expectations or there are further funding reductions following the implementation of the Fair Funding Review.

6. Risk Assessment

Gedling needs to review its Financial Strategy and Medium Term Financial Plan annually to ensure its projected expenditure is balanced with the income it receives, and where it doesn't, or is projected not to, corrective action needs to be identified and put in hand.

Risk	Impact	Comments
Time	Medium	Gedling has always aimed to be at least one year ahead of the budget reductions it needs to make, so that any changes required are as trouble free as possible. Efficiency plans to meet the approved targets will continue to be implemented over the next 3 years to balance the MTFP.
Viability	Medium	The reduction in New Homes Bonus coupled with increasing pay awards and the review of local government funding increases the risks to the finances of the Council; however, it has enough reserves to cushion the impact whilst delivering the approved efficiency programme.
Finance	Medium	With the continued removal of central government support, the Council will increasingly rely on income generated by local fees and charges, and council tax, and these will need to consistently increase year on year to offset the momentum of continual reductions in available budgets.
Profile	Medium	The achievement of a balanced and sustainable MTFP is reliant upon the effective delivery of the efficiency programme, with £1.674m planned for delivery 2020/21 to 2022/23 and a new proposed efficiency target of £0.250m over 2021/22 to 2022/23

Adaptability	High	Working with partners will be essential to successfully respond to the challenges that face the Council. The joint work with the DWP has provided a positive model of partnership working and Gedling is working more closely with the Police and the local Clinical Commissioning Group to work laterally across the sector.

7. **Equality Issues**

The Council has a duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services.

Service Managers have been asked to assess the equalities impact of the proposals for service changes contained in this report. It is not anticipated that there will be any significant cumulative impact on any protected group arising from these budget proposals.

Where appropriate, individual Equality Impact Assessments will be carried out in relation to specific proposals identified in this report. Any equality issues arising will be brought to the attention of the decision maker when the decisions on those proposals are made.

8. **Key Decision Thresholds**

In accordance with the Council's Constitution, full Council will in each year determine the financial thresholds for each service or function above which expenditure or saving is regarded to be significant and should therefore be regarded as a Key Decision. Traditionally the threshold has operated at above £0.5m and it is proposed that this value be continued for 2020/21.

Alternative Options

Cabinet could consider recommending an alternative budget and service plan. Recommending an alternative budget may alter the level of recommended Council Tax for 2020/21. If Cabinet chose not to recommend a budget to Council this would be in contravention of the Council's Constitution and would not be in compliance with the Local Government Finance Act 1992.

Financial Implications

As detailed in the report.

Appendices

Appendix 1 - Local Government Association Settlement Briefing
Appendix 2 - Detailed Gedling Plan Portfolio Budgets 2020/21

Appendix 3 - Major Price Indices – Medium Term Financial Plan
Appendix 4 - Movement on Earmarked Reserves
Appendix 5 - Council Tax Collection Fund Estimate 2020/21

Background Papers

- Central Government Report – Local Government Finance Report 2019 to 2020
- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2020/21
- Capital Programme and Capital Investment Strategy 2020/21 to 2024/25
- Gedling Plan 2020/21 to 2022/23

Reasons for Recommendations

To obtain approval of the General Fund Revenue Budget 2020/21 for referral to Council.

Local Government Association
Provisional Local Government Finance Settlement 2020/21
On the Day Briefing
20 December 2019

Briefing

Introduction

The local government finance settlement is the annual determination of funding to local government from central government. This briefing covers the provisional local government finance settlement for 2020/21. We expect the final 2020/21 settlement to be laid before the House of Commons, for its approval, in late January or early February 2020.

The LGA has issued a media statement responding to today's statement.

Key messages

- The LGA is pleased that the Government listened to our call for the publication of this settlement before Christmas which gives councils much of the certainty they need about how local services will be funded next year.

- The Settlement indicates that core spending on local services has the potential to increase by £2.9 billion next year, which is good news for councils and shows that the Government has responded to the financial pressures local authorities face in meeting rising costs and demand for services, such as adult and children's social care, and homelessness support. The further addition of over £780 million to the high needs block of dedicated schools grant to fund the rising costs of meeting special educational needs brings the total of potential additional resources to over £3.5 billion as announced in the Spending Round.

- The Settlement includes an additional £1 billion of central government funding for social care, as announced in the 2019 Spending Round. This will help ensure councils can continue to help older and disabled people live more independently and support our most vulnerable young people. Confirmation that key social care grants will also continue next year provides much-needed stability for local authorities.

- The ability of councils to increase council tax and levy an adult social care precept next year gives them the potential to raise £1.6 billion. This will help councils to continue to deliver vital services, but it is not a sustainable solution because increasing council tax raises different amounts of money in different parts of the country, unrelated to need, and adds an extra financial burden on households. The Government needs to deliver on its pledge to bring forward proposals for long term reform of adult social care and how it is funded. The LGA, as a cross-party organisation, has previously offered to host and facilitate cross-party talks and that offer remains open to the Government.

Iredia Oboh, Public Affairs and Campaigns Adviser
Email: Iredia.Oboh@local.gov.uk
Tel 020 7664 3127 www.local.gov.uk

- The Government needs to work closely with councils during its review of the New Homes Bonus, and provide clarity to councils on legacy payments from 2021/22 onwards, as well as the outcome of the review, as soon as possible to allow them to plan their 2021/22 budgets and into the future.

- It is also vital that councils are fully funded for the loss of income due to the business rates reliefs announced in the Queen's Speech, in line with normal government practice.

- It is disappointing that the Government has not provided a progress update on the Fair Funding Review or further business rates retention today. With implementation scheduled for April 2021, it is crucial for local authority financial planning that the Government consults on proposals for reform and provides certainty to councils as soon as possible.

- Today's provisional settlement reflects the work the LGA has done with councils to demonstrate that investing in local government is good for people's health and wellbeing, can help to tackle inequalities in our communities, build our economy and enhance the nation's prosperity.

- We will continue to promote the role councils play in making a huge difference to the lives of our residents and communities. We look forward to working with the Government as a vital partner to help deliver its commitment to levelling up powers and investment in local areas in the run up to the 2020 Spending Review.

Council Tax Referendum Principles

The following council tax referendum principles were announced:

  - a core principle of up to 2 per cent applying to shire county councils, unitary authorities, London borough councils, the City of London, the Isles of Scilly, the GLA general precept and fire and rescue authorities.
  - a continuation of the Adult Social Care precept, with an additional 2 per cent flexibility available for social care authorities on top of the core principle.
  - 2 per cent or £5, whichever is higher, for shire district councils.
  - There is no referendum principle for Mayoral Combined Authorities.
  - No referendum limits for town and parish councils. The Government will keep this under review for future years.

The referendum limit for policing bodies will be announced at the time of the police funding settlement.

The settlement in detail

The Ministry for Housing Communities and Local Government (MHCLG) has announced the provisional local government finance settlement for 2020/21.

We have provided a glossary of Local Government Finance terms which provides a brief explanation of some of the language used in this briefing. This can be found at Annex B.

Today's statement is broadly in line with the indicative figures for 2020/21 announced in the Spending Round in September 2019 with the following changes:

- Council tax figures have been updated to reflect decisions local authorities made in 2019/20, revised taxbase growth assumptions, and assumptions on council tax increases as set out in the 'Core Spending Power' section below;

- a council tax referendum principle of 2 per cent or £5, whichever is greater, for shire district councils in 2020-21;

- The elimination of negative RSG;

- New Homes Bonus allocations have been revised to reflect actual housing growth. The Government has not increased the New Homes Bonus threshold; the government is committing £7 million to maintain this threshold.

Settlement Funding Assessment, which consists of Revenue Support Grant and the retained business rates baseline, will rise in line with inflation.

As previously announced, the Devolution Deal area pilots will continue. There are no 75 per cent business rate retention pilots. There are 27 business rates pools.

The closing date for responses to the consultation document to MHCLG is 17 January 2020. We expect the final settlement to be published in late January / early February 2020.

At the LGA's Annual Finance Conference on Tuesday 7 January 2020 we will provide further analysis of the settlement with councils. The event will also cover the forthcoming Spending Review, further Business Rates Retention and the Fair Funding Review. You can book your place and find out more information online.

Core Spending Power

Core Spending Power in 2020/21 consists of:

- Revenue Support Grant;
- The retained business rates baseline;
- Section 31 grants to compensate for historic caps on business rates multiplier increases, and uprating the multiplier by the Consumer Price Index

instead of the Retail Price Index;
- Income from the New Homes Bonus
- The additional Social Care Grant for 2020/21;
- Improved Better Care Fund, which now incorporates the Adult social care winter pressures grant;
- Rural Services Delivery Grant;
- Income from council tax assuming that the tax base grows and councils increase council tax by the 2 per cent basic referendum limit in 2020/21. It also includes an assumption of the maximum possible social care precept in 2020/21, and the additional flexibility for shire districts.

The Government figures indicate that Core Spending Power in accordance with this definition will rise by an average 6.3 per cent in 2020/21 in cash terms (4.4 per cent in real terms). These Government forecasts are on the assumption that every council will raise their council tax by the maximum permitted without a referendum.

Detailed Core Spending Power figures are included in Annex A.

LGA view:

- The funding increases announced in the Spending Round in September 2019 and confirmed in this settlement recognise the vital role of councils in meeting the needs of local communities and provided local government with much of the funding certainty and stability they need for 2020/21. We look forward to working with the Government to ensure that the 2020 Spending Review builds on this Spending Round and provides sustainable long-term funding for local services.

<u>New Homes Bonus</u>

The provisional amount of £907 million for the New Homes Bonus (NHB) has been included in Core Spending Power in 2020/21. The bonus will be funded through £7 million in grant with the rest (£900 million) in top-sliced funding. The 2020/21 element of NHB will be paid for one year only. The legacy payments of the bonus in respect of growth in 2019/20 and previous years will continue to be paid in 2020/21.

The threshold over which the bonus is paid will remain at 0.4 per cent.

The Government will consult on the future of the housing incentive in the Spring. The Written Ministerial Statement says this will include moving to a new, more targeted approach which is aligned with other measures around planning performance.

LGA view:

- The NHB makes up a considerable part of funding for some councils, particularly shire district authorities. They will welcome the decision not to increase the threshold in 2020/21 but they will be concerned about the decision to pay the bonus for 2020/21 for one year only.

- The Government needs to work closely with councils as part of its review of housing incentives in order to ensure it helps us deliver more homes and works for local government.

- It is important that sufficient clarity about legacy payments from 2021/22 onwards, as well as the outcome of the review, is provided to councils as soon as possible to allow them to plan their 2021/22 budgets and beyond.

Business rates retention and the Fair Funding Review

The settlement provides no update on the progress of either the move to further business rates retention or the Review of Relative Needs and Resources (commonly called the Fair Funding Review).

As previously announced, there are no new business rates pilots in 2020/21. The business rates pilots for areas with ratified devolution deals which started in 2017/18 will continue. These are: Greater Manchester, Liverpool City Region, Cornwall Council, the Combined Authorities of the West of England and the West Midlands.

MHCLG is consulting on 27 business rates pools.

The following table shows the change to the business rates multiplier, incorporating the September 2019 increase to the Consumer Prices Index, assuming that the Order laid before Parliament on 4th November is approved by the time the Local Government Finance Settlement is voted on:

2019/20 small business rates multiplier	49.1p
plus September 2019 CPI increase	0.8p
equals 2020/21 small business rates multiplier	49.9p
2020/21 national business rates multiplier	51.2p

Source: The Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order 2019

LGA view:

- It is disappointing that the Government has not provided a progress update on the Fair Funding Review or further business rates retention today. With implementation scheduled for April 2021, it is crucial for local authority financial planning that the Government provides early exemplifications and consults on options as soon as possible, preferably by the time of the final 2020/21 local government finance settlement.

- There are still more than 55,000 business rates appeals outstanding from the 2010 list, most of these relate to ATMs. We are working with the Government to find a better way to deal with business rates appeals under the Business Rates Retention system. Separately, we call on the

Government to ensure that all outstanding appeals from the 2010 rating list are dealt with as soon as possible, through providing resources to the Valuation Office Agency and other relevant organisations, to free up provisions for local authorities to spend on vital local services. This will be relevant in the run-up to the next revaluation, due in 2021.

- It is positive that the Government is continuing to fully compensate councils for the loss of income from previously announced centrally determined reliefs, including rural rate relief and the small business rates relief. It is imperative that, in line with normal government practice, this also applies to the reliefs announced yesterday in the Queen's Speech which include increasing the retail discount from one-third to 50 per cent, extending that discount to cinemas and music venues, extending the duration of the local newspapers discount, and introducing an additional discount for pubs.

- Any relief reduces the buoyancy of the tax base by impacting upon the amount of business rates income and the growth in business rates. This is one of the issues for the LGA and councils to discuss with the Government as we move to further Business Rates Retention.

Council tax

The basic referendum principle for 2020/21 is proposed to be 2 per cent, with the exception of shire district authorities, for which the higher of either 2 per cent or £5 (on a Band D bill) applies. The Government will continue with its policy of not setting referendum limits for parish and town councils, which they will keep under review for future years.

As previously announced, social care authorities will be able to increase their council tax by up to 2 per cent (over the existing basic referendum threshold of 2 per cent referred to above).

There will be no referendum principles for mayoral combined authorities (MCAs).

The referendum limit for policing bodies will be announced at the time of the police funding settlement.

LGA view:

- No national tax is subject to referenda. The council tax referendum limit needs to be abolished so councils and their communities can decide how local services are paid for, with residents able to democratically hold their council to account through the ballot box.

- Increasing council tax, or introducing a social care precept, is not a sustainable solution as it raises different amounts of money in different parts of the country, unrelated to need. This also adds an extra financial burden on households.

Should the Government proceed with setting referendum limits, we would call on it to take into account the following:

- Consideration should be given to a 3 per cent core threshold as in previous years, as opposed to a 2 per cent threshold as proposed.

- We agree that districts should have the extra flexibility of a £5 increase but this should be the higher of 3 per cent or £5 given that this is a rollover settlement.

Adult and children's social care

The Government has confirmed there will be a new Social Care Grant of £1.41 billion for adult and children's services. Of this, £410 million is a direct continuation of 2019/20 Social Care Support Grant, with an injection of £1 billion of new funding in 2020/21, baselined for the rest of the Parliament. The grant is not ringfenced.

The allocations of the grant are broadly in line with the indicative figures first published as part of the technical consultation on the settlement (there have been small changes to all local authorities' allocations due to reorganisation in Buckinghamshire and Dorset). £1.26 billion of the grant is distributed on the adult social care relative needs formula, and £150 million takes into account the funding that could potentially be raised through the adult social care precept in 2020/21.

The 2020/21 Improved Better Care Fund will be composed of the 2019/20 amount (£1.837 billion) and the £240 million paid for winter pressures (no longer ringfenced for this purpose) in 2019/20, making £2.077 billion. The total allocation of the combined fund for each council will not change from 2019/20 levels.

As mentioned above, the Government is also consulting on a 2 per cent adult social care precept that would raise £574 million in total as part of the council tax referendum principles.

The settlement reaffirms the Spending Round 2019 announcement that the NHS contribution to adult social care through the Better Care Fund will increase by 3.4 per cent in real terms.

LGA view

- An additional £1 billion for social care (children's and adults), on top of the continuation of existing social care funding package, is welcome and shows that the Government has listened to our, and our partners', calls for urgent investment to stabilise these vital services. Councils understand their local communities and need maximum discretion to direct this new funding to ensure the best outcomes. It is therefore positive that the Government has clarified that the new funding for social care will be un-ringfenced.

- The funding for social care confirmed in the Settlement can be an important foundation from which to build solutions for the long-term. The next Spending Review will be a crucial opportunity to lay the ground for the reforms that are needed and deliver long-term, sustainable funding.

- In the Queen's Speech, the Government committed to building a cross-party consensus on solutions for the long-term funding of adult social care. The LGA, as a cross- party organisation, has previously offered to host and facilitate cross-party talks and that offer remains open to the Government. Local government is eager to see - and support - meaningful and lasting change for the benefit of all people who use and work in adult social care and support.

- The issue of relatively low pay in the social care sector is highlighted regularly and this settlement provides resources to begin to address this challenge. In the long term, the low pay issues needs to be addressed as part of the arrangements for the future funding of both adult and children's social care.

Education and children

In October, the Government set out provisional allocations for schools and local authorities under the National Funding Formula and confirmed those allocations for local authorities, based on the latest pupil numbers, on 19 December 2019. This covers funding for schools, high needs and early years.

The allocations reflect the announcement earlier this year that the budget for schools and high needs would be increased by £2.6 billion next year, £4.8 billion in 2021/22 and £7.1 billion in 2022/23 respectively – plus an extra £1.5 billion per year to fund additional pensions costs for teachers. The total includes £780 million extra in 2020/21 to help children with Special Educational Needs and Disabilities (SEND).

There has been an increase in early years funding of £66 million to increase the hourly rate paid to childcare providers through the free hours offers and supplementary funding for Maintained Nursery Schools will continue for 2020/21.

LGA view

- We welcome the Government's announcement of an increase in schools budgets of £7.1 billion, which will help give certainty up to 2023.

- The additional £780 million for council high needs budgets to support children and young people with Special Educational Needs and Disabilities (SEND) for next year is also good news. We are pleased that the LGA's call for more money to be made available to support children with SEND has been recognised and in the longer term we are keen to work with the Government to tackle the high needs funding gap facing councils as demand for support continues to increase. We want to see all schools become more inclusive so that more children with high needs can be appropriately supported in mainstream schools.

Public health

In the 2019 Spending Round the Government announced a real terms increase in the public health budget. It will continue to be paid through a ring-fenced grant in 2020/21.

However, the settlement includes no information about the national total, or individual council allocations, of the public health grant for 2020/21.

LGA view:

- We call on government to provide councils with clarity on the funding available in 2020/21. The current delay to the announcement is making it extremely difficult for councils to plan effectively.

- The promise of a real terms increase for public health as announced in the Spending Round 2019 will be a welcome change of direction. In the long term we will continue to work with the Government to secure sufficient ongoing funding to ensure all local authorities can continue to meet their public health responsibilities beyond 2020/21. This should include the reversal of reductions in public health grant since 2015.

Independent Living Fund

The Former Independent Living Fund (ILF) Recipient grant will continue in 2020/21, with funding levels matching 2019/20 funding levels of £160.6 million.

LGA view:

- The confirmation that this grant will continue with no reduction is welcome.

- However, this grant has reduced since its introduction in 2015/16 to reflect the gradual decrease in remaining ILF recipients as the scheme was being wound up. No funding was made available to match the demand arising from residents who would have been future recipients of ILF had it continued. This is an unmet new burden on councils and should be addressed as part of a sustainable long-term adult social care funding package.

Rural Services Funding

The Rural Services Delivery Grant will remain unchanged at £81 million in 2020/21. The Government is minded to retain the current method of distributing the grant but has included a consultation question on this.

LGA view:

- Councils in rural areas will welcome this additional funding.

- We encourage affected local authorities to respond to the consultation.

Fire Funding

As set out above, Fire and Rescue Authorities will be able to raise their precept by 2 per cent in 2020/21. In line with councils, fire authorities will also receive an increase in their settlement funding assessment (consisting of the business rates baseline and Revenue Support Grant) in line with inflation.

LGA view:

- After a number of years where there have been reductions in Fire and Rescue Authorities' funding, the inflationary increase in 2020/21 is a helpful reversal.

- The LGA is seeking more detail on the settlement from the Home Office relating to the changes in the valuation of employers' contributions to fire sector workers' pensions, which could have a significant impact on Fire and Rescue Authority budgets in 2020/21 unless the increased contributions are funded by Government. We need urgent confirmation that the additional pension costs will be covered.

- We will continue to work with the Home Office and the National Fire Chiefs Council ahead of the 2020 Spending Review. Fire and rescue services need to be funded to take account of the full range of risks, demands and cost pressures they face. This includes new roles as a result of the building and fire safety legislation announced in the Queen's Speech and to invest in associated protection work as well as tackling risks associated with climate change such as flooding and wild fires.

- Additional funding should also be made available to enable fire and rescue services to drive transformation in the way they deliver their services, and the capital funding issues faced by some services should be addressed.

Police Funding

The police funding settlement for 2020/21 has not yet been published.

Further Information

To help inform the LGA's response to the consultation settlement we will continue to analyse the settlement to develop a deeper understanding of the effect on councils. To further inform the LGA's response please send your responses to, and any comments on, the settlement to lgfinance@local.gov.uk.

At the LGA's Finance Conference on 7 January 2020 we will get underneath the 2020/21 provisional local government finance settlement and look at what it means for local authorities, as well as look to the longer term with a multi-year Spending Review on the horizon for 2020. There will also be a chance to discuss the latest on further business rates retention and the Fair Funding Review as well as other issues that shape the broader local government finance agenda. You can find out more about the agenda and book your place online.

For further information on the content of this briefing please contact Mike Heiser, Senior Adviser (Finance) (mike.heiser@local.gov.uk / 020 7664 3265) and Iredia Oboh, (Public Affairs) (Iredia.Oboh@local.gov.uk / 020 7664 3127 Adviser.

Annex A: Core Spending Power

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
			£ million			
Settlement Funding Assessment	**21,249.9**	**18,601.7**	**16,632.6**	**15,574.2**	**14,559.6**	**14,796.9**
Compensation for under-indexing the business rates multiplier	**165.1**	**165.1**	**175.0**	**275.0**	**400.0**	**500.0**
Improved Better Care Fund	**0.0**	**0.0**	**1,115.0**	**1,499.0**	**1,837.0**	**2,077.0**
Rural Services Delivery Grant	**15.5**	**80.5**	**65.0**	**81.0**	**81.0**	**81.0**
Transition Grant	**0.0**	**150.0**	**150.0**	**0.0**	**0.0**	**0.0**
Adult Social Care Support Grant	**0.0**	**0.0**	**241.1**	**150.0**	**0.0**	**0.0**
New Homes Bonus	**1,167.6**	**1,461.9**	**1,227.4**	**947.5**	**917.9**	**907.3**
New Homes Bonus - returned funding	**32.4**	**23.1**	**24.5**	**0.0**	**0.0**	**0.0**
Winter pressures Grant	**0.0**	**0.0**	**0.0**	**240.0**	**240.0**	**0.0**
Social Care Grant	**0.0**	**0.0**	**0.0**	**0.0**	**410.0**	**1,410.0**
Council Tax *of which:*	**22,035.9**	**23,247.3**	**24,665.8**	**26,331.6**	**27,767.8**	**29,369.7**
'Core' Council Tax, including tax base growth and maximum allowed increases from 2017/18 to 2019/20	*22,035.9*	*22,858.5*	*23,701.6*	*24,766.9*	*25,877.2*	*26,892.2*
Adult Social Care Precept	*0.0*	*381.8*	*948.2*	*1,529.1*	*1,799.7*	*2,373.3*
Additional flexibility for Shire Districts	*0.0*	*7.0*	*16.0*	*35.6*	*90.8*	*104.2*
Core Spending Power	**44,666.4**	**43,729.6**	**44,296.4**	**45,098.3**	**46,213.3**	**49,142.0**
Year-on-year Change (£ million)		*-936.8*	*566.8*	*801.9*	*1,115.0*	*2,928.7*
Year-on-year Change (%)		*-2.1%*	*1.3%*	*1.8%*	*2.5%*	*6.3%*

Source: Core Spending Power: Supporting Information, Department for Communities and Local Government

Annex B – Glossary of Local Government Finance Technical Terms

Adult Social Care Precept	Local authorities with responsibility for adult social care have flexibility to raise additional council tax above the referendum threshold. Funding raised through this additional ‘precept’ must be used entirely for adult social care.
Baseline funding level	The business rates baseline for each authority determined at the start of the 50 per cent business rates retention scheme in 2013/14, uprated in line with the small business rates multiplier each year.
Better Care Fund (BCF)	A single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities.
Business rates revaluation	A regular exercise by the Valuation Office Agency, last carried out in 2017, to reassess the rateable value of individual non-domestic hereditaments. The results are used to set new business rates bills. The next revaluation is planned for 2021 and from then on the Government intends to move to a three-yearly revaluation cycle.
Central Share	The percentage share of locally collected business rates paid to central government by billing authorities. In 2013/14 when business rates retention began this was set at 50 per cent. The central share is redistributed to local government through grants including the Revenue Support Grant.
Core Spending Power	The Government’s measure of the core components of local government funding, comprising the Settlement Funding Assessment, assumed income from council tax (including the adult social care precept), New Homes Bonus, Rural Services Delivery Grant and the improved Better Care Fund and Adult Social Care Support Grant
Dedicated Schools Grant	The Dedicated Schools Grant is the principal source of funding for schools and related activities in England. It is a ringfenced grant paid to local authorities for maintained schools. School-level allocations are currently determined in consultation with the schools forum in each local authority area. From April 2017 has also included the ‘retained duties’ element previously paid as part of the Education Services Grant
Improved Better Care Fund (iBCF)	Additional funding for adult social care authorities from 2017/18 onwards that has to be included within the Better Care Fund plans.
Levy account	A Government account into which proceeds from the business rates levy, and any top-slice, are paid and which is used to pay safety net to qualifying authorities. Any surplus is to be returned to authorities.
Local Share	The percentage share of locally collected business rates retained by local government. This was set at 50 per cent at the implementation of business rates retention.
(Business Rate) Multiplier	The business rates multiplier when multiplied by the rateable value of a property determines a ratepayer’s business rate bill. There are two multipliers – one for small businesses and one for larger businesses. These are set nationally. Unless the Government decides to set a lower increase, the small business multiplier is uprated annually by the Consumer Prices Index and the other multiplier adjusted accordingly.
New Burdens Doctrine	The Cabinet agreed that all new burdens on local authorities must be properly assessed and fully funded by the relevant department.
New Homes Bonus (NHB)	A grant paid to reward local authorities for the number of homes built and brought back into use.

Pupil Premium	A grant allocated to schools based on the number of pupils who have been registered for free school meals at any point in the last six years ('Ever 6 FSM'). Schools also receive funding for children who are or have been in local authority care and for children of service personnel.
Revenue Support Grant	A grant paid to local authorities as part of the Settlement Funding assessment (see below) which can be used to fund revenue expenditure on any service.
Rural Services Delivery Grant	A grant paid to the top quartile of local authorities on the basis of the super-sparsity indicator, in recognition of possible additional costs for rural councils.
Safety Net	A mechanism to protect any authority which sees its business rates income drop, in any year, by more than a given level below their baseline funding level. In 2019/20 this level is set at 7.5 per cent for authorities with 50 per cent business rates retention, 5 per cent for authorities with 75 per cent business rates retention and 3 per cent for authorities with 100 per cent business rates retention.
Section 31 Grant	A grant paid to local councils under Section 31 of the Local Government Act 2003, under such conditions as the minister may determine. This mechanism is used to compensate local authorities for the costs of additional business rates reliefs announced by Government.
Settlement Core Funding	Settlement Funding Assessment (Revenue Support Grant plus baseline funding) plus council tax at 2015/2016 levels.
Settlement Funding Assessment (SFA)	This is a local authority's share of the local government spending control total which will comprise its Revenue Support Grant for the year in question and its baseline funding level.
Small Business Rate Relief	Businesses with a property with a rateable value of £12,000 and below receive 100 per cent relief on business rates. Businesses with a property with a rateable value between £12,000 and £15,000 receive tapered relief.
Social Care Grant	A £1.4 billion grant paid in 2020/21. This is intended to be spent, where necessary, to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children.
Top-Ups and Tariffs	The difference between an authority's business rates baseline (the amount expected to be collected through the local share of business rates) and its baseline funding level (the amount of SFA provided through the local share). Tariff authorities make a payment and top-up authorities receive a payment. Tariffs and top-ups are self-funding at the outset of the scheme and uprated in line with the small business rates multiplier each year, except for recalculation so that authorities do not have gains or losses solely due to business rates revaluation.

Portfolio Summary - Revenue Budget 2020-21

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Portfolio				
Community Development	1,462,792	1,521,400	1,526,200	4,800
Housing, Health & Well-being	1,924,462	2,418,800	2,347,500	(71,300)
Public Protection	1,338,578	1,485,200	1,609,400	124,200
Environment	4,628,780	4,529,500	4,844,500	315,000
Growth & Regeneration	814,062	1,264,300	853,200	(411,100)
Resources & Reputation	508,969	1,222,000	2,174,100	952,100
Net Portfolio Budget	**10,677,644**	**12,441,200**	**13,354,900**	**913,700**
	1,072,791	(765,200)	(1,752,200)	(987,000)
Transfer to(from) Earmarked Reserves	**1,072,791**	**(765,200)**	**(1,752,200)**	**(987,000)**
Net Council Budget	**11,750,435**	**11,676,000**	**11,602,700**	**(73,300)**

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Consisting of				
Employee Expenses	13,518,838	14,309,200	14,558,100	248,900
Premises Related Expenses	1,866,226	1,811,400	1,896,300	84,900
Transport Related Expenses	563,386	575,800	595,500	19,700
Supplies & Services	5,271,666	4,704,400	4,751,000	46,600
Third Party Payments	356,288	331,500	311,100	(20,400)
Transfer Payments	25,270,014	22,098,800	18,141,500	(3,957,300)
Capital Interest	1,102,500	1,510,600	2,337,500	826,900
Revenue Income	(37,271,275)	(32,900,500)	(29,236,100)	3,664,400
Controllable	**10,677,644**	**12,441,200**	**13,354,900**	**913,700**
Consisting of				
Premises Related Recharges	146,497	113,500	157,200	43,700
Transport Related Recharges	1,576,442	1,651,600	1,674,500	22,900
Supplies & Services Related Recharges	309,450	290,000	250,000	(40,000)
Central Support and Service Admin	5,245,286	5,797,900	5,889,700	91,800
Internal Recharges	(7,277,675)	(7,853,000)	(7,971,400)	(118,400)
Recharges	**0**	**0**	**0**	**0**
Consisting of				
Capital Financing Charges	4,458,905	2,851,300	2,961,200	109,900
Capital Entries	(4,458,905)	(2,851,300)	(2,961,200)	(109,900)
Capital	**0**	**0**	**0**	**0**
Net Portfolio Revenue Budget	**10,677,644**	**12,441,200**	**13,354,900**	**913,700**
Consisting of				
Transfer to Reserves	1,917,754	202,400	202,400	0
Transfer from Reserves	(844,963)	(967,600)	(1,954,600)	(987,000)
Reserves	**1,072,791**	**(765,200)**	**(1,752,200)**	**(987,000)**
Transfer to(from) Earmarked Reserves	**1,072,791**	**(765,200)**	**(1,752,200)**	**(987,000)**
Net Council Budget	**11,750,435**	**11,676,000**	**11,602,700**	**(73,300)**

Community Development

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Division				
Democratic Mgt & Representation	617,951	709,300	695,100	(14,200)
Localities	155,144	161,400	158,000	(3,400)
Community Grants	268,576	252,100	278,800	26,700
The Arts & Tourism	44,723	50,800	49,100	(1,700)
Community Centres	213,396	230,500	213,600	(16,900)
Events	163,002	117,300	131,600	14,300
Total Community Development Portfolio Budget	**1,462,792**	**1,521,400**	**1,526,200**	**4,800**
Transfer to(from) Earmarked Reserves				
Community Development	(53,407)	(18,000)	(38,000)	(20,000)
Total Reserves	**(53,407)**	**(18,000)**	**(38,000)**	**(20,000)**
TOTAL	**1,409,385**	**1,503,400**	**1,488,200**	**(15,200)**

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Consisting of				
Employee Expenses	499,660	539,300	534,200	(5,100)
Premises Related Expenses	73,416	63,100	64,000	900
Transport Related Expenses	4,356	6,800	6,800	0
Supplies & Services	649,688	580,900	609,400	28,500
Revenue Income	(150,569)	(127,900)	(135,900)	(8,000)
Controllable	**1,076,551**	**1,062,200**	**1,078,500**	**16,300**
Consisting of				
Premises Related Recharges	10,066	9,000	13,100	4,100
Supplies & Services Related Recharges	6,936	6,300	5,000	(1,300)
Central Support and Service Admin	305,647	385,400	373,200	(12,200)
Recharges	**322,648**	**400,700**	**391,300**	**(9,400)**
Consisting of				
Capital Financing Charges	63,592	58,500	56,400	(2,100)
Capital	**63,592**	**58,500**	**56,400**	**(2,100)**
Total Community Development	**1,462,792**	**1,521,400**	**1,526,200**	**4,800**
Consisting of				
Transfer to Reserves	29,960	0	0	0
Transfer from Reserves	(83,367)	(18,000)	(38,000)	(20,000)
Reserves	**(53,407)**	**(18,000)**	**(38,000)**	**(20,000)**
Transfer to(from) Earmarked Reserves	**(53,407)**	**(18,000)**	**(38,000)**	**(20,000)**
TOTAL	**1,409,385**	**1,503,400**	**1,488,200**	**(15,200)**

R140 Democratic Mgt & Representation	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	107,099	135,600	122,600	(13,000)
Transport Related Expenses	3,269	5,500	5,500	0
Supplies & Services	326,559	330,500	338,200	7,700
Revenue Income	1,237	(4,900)	(10,000)	(5,100)
Controllable	**438,164**	**466,700**	**456,300**	**(10,400)**
Supplies & Services Related Recharges	1,539	1,500	1,300	(200)
Central Support and Service Admin	178,248	241,100	237,500	(3,600)
Recharges	**179,787**	**242,600**	**238,800**	**(3,800)**
Transfer from Reserves	(3,406)	0	0	0
Reserves	**(3,406)**	**0**	**0**	**0**
Total	**614,545**	**709,300**	**695,100**	**(14,200)**

R210 Localities	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	97,601	98,200	101,100	2,900
Premises Related Expenses	10,051	9,900	9,900	0
Transport Related Expenses	684	1,000	1,000	0
Supplies & Services	20,279	19,200	16,200	(3,000)
Revenue Income	0	0	0	0
Controllable	**128,615**	**128,300**	**128,200**	**(100)**
Supplies & Services Related Recharges	1,330	1,300	1,000	(300)
Central Support and Service Admin	25,199	31,800	28,800	(3,000)
Recharges	**26,528**	**33,100**	**29,800**	**(3,300)**
Total	**155,144**	**161,400**	**158,000**	**(3,400)**

R420 Community Grants	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	76,357	76,400	78,700	2,300
Transport Related Expenses	63	0	0	0
Supplies & Services	202,330	154,400	168,600	14,200
Revenue Income	(29,960)	0	0	0
Controllable	**248,790**	**230,800**	**247,300**	**16,500**
Supplies & Services Related Recharges	956	900	700	(200)
Central Support and Service Admin	14,920	20,400	30,800	10,400
Recharges	**15,876**	**21,300**	**31,500**	**10,200**
Transfer to Reserves	29,960	0	0	0
Transfer from Reserves	(64,773)	(15,000)	(35,000)	(20,000)
Reserves	**(34,813)**	**(15,000)**	**(35,000)**	**(20,000)**
Capital Financing Charges	3,910	0	0	0
Capital	**3,910**	**0**	**0**	**0**
Total	**233,764**	**237,100**	**243,800**	**6,700**

R765 The Arts & Tourism	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	29,494	29,900	30,800	900
Transport Related Expenses	161	100	100	0
Supplies & Services	5,404	4,900	4,500	(400)
Revenue Income	30	0	0	0
Controllable	**35,089**	**34,900**	**35,400**	**500**
Supplies & Services Related Recharges	384	300	300	0
Central Support and Service Admin	9,250	15,600	13,400	(2,200)
Recharges	**9,634**	**15,900**	**13,700**	**(2,200)**
Transfer from Reserves	(510)	0	0	0
Reserves	**(510)**	**0**	**0**	**0**
Total	**44,213**	**50,800**	**49,100**	**(1,700)**

R775 Community Centres	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	141,463	153,100	153,500	400
Premises Related Expenses	63,365	53,200	54,100	900
Transport Related Expenses	93	200	200	0
Supplies & Services	8,285	7,400	7,400	0
Revenue Income	(106,969)	(108,200)	(110,700)	(2,500)
Controllable	**106,237**	**105,700**	**104,500**	**(1,200)**
Premises Related Recharges	9,734	9,000	13,100	4,100
Supplies & Services Related Recharges	1,926	1,500	1,300	(200)
Central Support and Service Admin	35,816	55,800	38,300	(17,500)
Recharges	**47,476**	**66,300**	**52,700**	**(13,600)**
Transfer from Reserves	(11,678)	0	0	0
Reserves	**(11,678)**	**0**	**0**	**0**
Capital Financing Charges	59,682	58,500	56,400	(2,100)
Capital	**59,682**	**58,500**	**56,400**	**(2,100)**
Total	**201,718**	**230,500**	**213,600**	**(16,900)**

R780 Events	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	47,645	46,100	47,500	1,400
Transport Related Expenses	87	0	0	0
Supplies & Services	86,831	64,500	74,500	10,000
Revenue Income	(14,907)	(14,800)	(15,200)	(400)
Controllable	**119,656**	**95,800**	**106,800**	**11,000**
Premises Related Recharges	332	0	0	0
Supplies & Services Related Recharges	801	800	400	(400)
Central Support and Service Admin	42,213	20,700	24,400	3,700
Recharges	**43,346**	**21,500**	**24,800**	**3,300**
Transfer from Reserves	(3,000)	(3,000)	(3,000)	0
Reserves	**(3,000)**	**(3,000)**	**(3,000)**	**0**
Total	**160,002**	**114,300**	**128,600**	**14,300**

Housing, Health & Well-being

Division	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Housing Needs	284,426	379,000	390,100	11,100
Leisure Services Division	145,262	500	0	(500)
Calverton Leisure Centre	210,869	262,100	273,300	11,200
Carlton Forum Leisure Centre	131,948	226,700	228,800	2,100
Redhill Leisure Centre	247,954	199,000	222,100	23,100
Arnold Theatre	94,065	156,100	158,300	2,200
Arnold Leisure Centre	313,981	334,100	363,400	29,300
Richard Herrod Centre	291,655	349,300	346,600	(2,700)
Health & Wellbeing	26,899	(1,300)	(4,000)	(2,700)
Council Tax Benefits	(32,755)	(10,000)	(9,500)	500
Rent Allowances	(200,056)	(14,200)	(135,000)	(120,800)
Housing Benefit Administration	404,645	535,300	508,400	(26,900)
Rent Rebates	5,571	2,200	5,000	2,800
Budget	**1,924,462**	**2,418,800**	**2,347,500**	**(71,300)**
Transfer to(from) Earmarked Reserves				
Housing, Health & Well-being	138,061	18,000	18,000	0
Total Reserves	**138,061**	**18,000**	**18,000**	**0**
TOTAL	**2,062,523**	**2,436,800**	**2,365,500**	**(71,300)**

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Consisting of				
Employee Expenses	3,094,362	3,234,500	3,311,500	77,000
Premises Related Expenses	837,971	863,600	889,700	26,100
Transport Related Expenses	4,659	5,100	5,100	0
Supplies & Services	919,676	977,300	867,800	(109,500)
Transfer Payments	25,270,014	22,098,800	18,141,500	(3,957,300)
Capital Interest	408	0	0	0
Revenue Income	(29,577,415)	(26,256,300)	(22,374,100)	3,882,200
Controllable	**549,676**	**923,000**	**841,500**	**(81,500)**
Consisting of				
Premises Related Recharges	37,393	33,500	45,200	11,700
Supplies & Services Related Recharges	42,757	38,200	25,800	(12,400)
Central Support and Service Admin	959,136	1,114,500	1,097,500	(17,000)
Recharges	**1,039,286**	**1,186,200**	**1,168,500**	**(17,700)**
Consisting of				
Capital Financing Charges	335,500	309,600	337,500	27,900
Capital	**335,500**	**309,600**	**337,500**	**27,900**
Total Housing, Health & Well-being	**1,924,462**	**2,418,800**	**2,347,500**	**(71,300)**
Consisting of				
Transfer to Reserves	236,475	18,000	18,000	0
Transfer from Reserves	(98,414)	0	0	0
Reserves	**138,061**	**18,000**	**18,000**	**0**
Transfer to(from) Earmarked Reserves	**138,061**	**18,000**	**18,000**	**0**
TOTAL	**2,062,523**	**2,436,800**	**2,365,500**	**(71,300)**

R630 Housing Needs	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	273,181	304,200	316,300	12,100
Premises Related Expenses	38,557	20,900	33,100	12,200
Transport Related Expenses	692	600	600	0
Supplies & Services	166,843	166,400	194,400	28,000
Revenue Income	(298,045)	(253,600)	(300,100)	(46,500)
Controllable	**181,228**	**238,500**	**244,300**	**5,800**
Premises Related Recharges	1,776	1,600	2,000	400
Supplies & Services Related Recharges	3,742	3,600	2,700	(900)
Central Support and Service Admin	86,819	110,600	130,400	19,800
Recharges	**92,336**	**115,800**	**135,100**	**19,300**
Transfer to Reserves	32,920	0	0	0
Transfer from Reserves	(27,600)	0	0	0
Reserves	**5,320**	**0**	**0**	**0**
Capital Financing Charges	10,862	24,700	10,700	(14,000)
Capital	**10,862**	**24,700**	**10,700**	**(14,000)**
Total	**289,746**	**379,000**	**390,100**	**11,100**

R700 Leisure Services Division	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	39,061	0	0	0
Transport Related Expenses	73	0	0	0
Supplies & Services	110,966	0	0	0
Revenue Income	(5,348)	0	0	0
Controllable	**144,752**	**0**	**0**	**0**
Supplies & Services Related Recharges	510	500	0	(500)
Recharges	**510**	**500**	**0**	**(500)**
Transfer to Reserves	29,848	0	0	0
Transfer from Reserves	0	0	0	0
Reserves	**29,848**	**0**	**0**	**0**
Total	**175,110**	**500**	**0**	**(500)**

R725 Calverton Leisure Centre	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	332,670	366,600	376,800	10,200
Premises Related Expenses	126,923	122,600	124,900	2,300
Transport Related Expenses	504	600	600	0
Supplies & Services	64,217	78,000	78,000	0
Capital Interest	38	0	0	0
Revenue Income	(396,994)	(394,500)	(395,900)	(1,400)
Controllable	**127,357**	**173,300**	**184,400**	**11,100**
Premises Related Recharges	4,312	4,300	4,600	300
Supplies & Services Related Recharges	5,042	4,000	2,700	(1,300)
Central Support and Service Admin	67,668	74,100	75,800	1,700
Recharges	**77,022**	**82,400**	**83,100**	**700**
Transfer to Reserves	31,153	0	0	0
Transfer from Reserves	(485)	0	0	0
Reserves	**30,668**	**0**	**0**	**0**
Capital Financing Charges	6,490	6,400	5,800	(600)
Capital	**6,490**	**6,400**	**5,800**	**(600)**
Total	**241,537**	**262,100**	**273,300**	**11,200**

R730 Carlton Forum Leisure Centre	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	757,022	773,600	789,400	15,800
Premises Related Expenses	263,703	265,600	264,500	(1,100)
Transport Related Expenses	878	800	800	0
Supplies & Services	189,587	190,500	185,500	(5,000)
Capital Interest	211	0	0	0
Revenue Income	(1,221,342)	(1,244,700)	(1,257,800)	(13,100)
Controllable	**(9,941)**	**(14,200)**	**(17,600)**	**(3,400)**
Premises Related Recharges	7,055	6,000	7,300	1,300
Supplies & Services Related Recharges	9,240	8,200	6,000	(2,200)
Central Support and Service Admin	111,764	174,900	181,900	7,000
Recharges	**128,059**	**189,100**	**195,200**	**6,100**
Transfer to Reserves	18,314	0	0	0
Transfer from Reserves	(3,880)	0	0	0
Reserves	**14,434**	**0**	**0**	**0**
Capital Financing Charges	13,830	51,800	51,200	(600)
Capital	**13,830**	**51,800**	**51,200**	**(600)**
Total	**146,383**	**226,700**	**228,800**	**2,100**

R735 Redhill Leisure Centre	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	363,496	374,300	388,900	14,600
Premises Related Expenses	112,362	127,900	132,800	4,900
Transport Related Expenses	494	200	200	0
Supplies & Services	89,730	86,600	94,600	8,000
Capital Interest	4	0	0	0
Revenue Income	(470,701)	(519,300)	(533,100)	(13,800)
Controllable	**95,385**	**69,700**	**83,400**	**13,700**
Premises Related Recharges	2,945	4,200	4,600	400
Supplies & Services Related Recharges	4,999	4,900	2,600	(2,300)
Central Support and Service Admin	75,332	97,900	96,600	(1,300)
Recharges	**83,277**	**107,000**	**103,800**	**(3,200)**
Transfer to Reserves	18,000	18,000	18,000	0
Transfer from Reserves	(28,949)	0	0	0
Reserves	**(10,949)**	**18,000**	**18,000**	**0**
Capital Financing Charges	69,292	22,300	34,900	12,600
Capital	**69,292**	**22,300**	**34,900**	**12,600**
Total	**237,005**	**217,000**	**240,100**	**23,100**

R740 Arnold Theatre	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	118,540	156,500	159,700	3,200
Premises Related Expenses	38,773	32,500	33,900	1,400
Transport Related Expenses	176	100	100	0
Supplies & Services	96,440	71,600	98,100	26,500
Capital Interest	13	0	0	0
Revenue Income	(218,012)	(166,300)	(206,200)	(39,900)
Controllable	**35,930**	**94,400**	**85,600**	**(8,800)**
Premises Related Recharges	2,028	900	300	(600)
Supplies & Services Related Recharges	1,850	1,800	1,100	(700)
Central Support and Service Admin	41,453	48,200	59,100	10,900
Recharges	**45,331**	**50,900**	**60,500**	**9,600**
Capital Financing Charges	12,804	10,800	12,200	1,400
Capital	**12,804**	**10,800**	**12,200**	**1,400**
Total	**94,065**	**156,100**	**158,300**	**2,200**

R745 Arnold Leisure Centre	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	398,959	426,600	446,700	20,100
Premises Related Expenses	144,987	165,800	167,100	1,300
Transport Related Expenses	426	900	900	0
Supplies & Services	48,145	48,200	46,200	(2,000)
Capital Interest	56	0	0	0
Revenue Income	(507,108)	(512,200)	(521,900)	(9,700)
Controllable	**85,465**	**129,300**	**139,000**	**9,700**
Premises Related Recharges	6,173	6,100	11,400	5,300
Supplies & Services Related Recharges	5,446	4,400	3,400	(1,000)
Central Support and Service Admin	89,405	95,300	87,800	(7,500)
Recharges	**101,023**	**105,800**	**102,600**	**(3,200)**
Transfer to Reserves	18,000	0	0	0
Reserves	**18,000**	**0**	**0**	**0**
Capital Financing Charges	127,492	99,000	121,800	22,800
Capital	**127,492**	**99,000**	**121,800**	**22,800**
Total	**331,981**	**334,100**	**363,400**	**29,300**

R750 Richard Herrod Centre	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	274,651	290,300	294,500	4,200
Premises Related Expenses	112,666	128,300	133,400	5,100
Transport Related Expenses	417	600	600	0
Supplies & Services	74,133	68,300	65,300	(3,000)
Capital Interest	85	0	0	0
Revenue Income	(350,997)	(329,500)	(347,500)	(18,000)
Controllable	**110,956**	**158,000**	**146,300**	**(11,700)**
Premises Related Recharges	13,105	10,400	15,000	4,600
Supplies & Services Related Recharges	4,313	4,300	2,300	(2,000)
Central Support and Service Admin	68,551	82,000	82,100	100
Recharges	**85,969**	**96,700**	**99,400**	**2,700**
Transfer from Reserves	(580)	0	0	0
Reserves	**(580)**	**0**	**0**	**0**
Capital Financing Charges	94,730	94,600	100,900	6,300
Capital	**94,730**	**94,600**	**100,900**	**6,300**
Total	**291,075**	**349,300**	**346,600**	**(2,700)**

R770 Health & Wellbeing	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	49,446	49,000	50,600	1,600
Transport Related Expenses	378	800	800	0
Supplies & Services	29,710	9,600	5,100	(4,500)
Revenue Income	(73,801)	(72,400)	(73,000)	(600)
Controllable	**5,733**	**(13,000)**	**(16,500)**	**(3,500)**
Supplies & Services Related Recharges	622	600	400	(200)
Central Support and Service Admin	20,544	11,100	12,100	1,000
Recharges	**21,166**	**11,700**	**12,500**	**800**
Transfer to Reserves	6,540	0	0	0
Transfer from Reserves	(23,220)	0	0	0
Reserves	**(16,680)**	**0**	**0**	**0**
Total	**10,219**	**(1,300)**	**(4,000)**	**(2,700)**

R877 Council Tax Benefits	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Transfer Payments	1,493	1,000	500	(500)
Revenue Income	(34,248)	(11,000)	(10,000)	1,000
Controllable	**(32,755)**	**(10,000)**	**(9,500)**	**500**
Total	**(32,755)**	**(10,000)**	**(9,500)**	**500**

R880 Rent Allowances	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Supplies & Services	3,013	228,000	70,500	(157,500)
Transfer Payments	25,186,867	22,020,800	18,003,000	(4,017,800)
Revenue Income	(25,389,936)	(22,263,000)	(18,208,500)	4,054,500
Controllable	**(200,056)**	**(14,200)**	**(135,000)**	**(120,800)**
Total	**(200,056)**	**(14,200)**	**(135,000)**	**(120,800)**

R882 Housing Benefit Administration	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	487,335	493,400	488,600	(4,800)
Transport Related Expenses	621	500	500	0
Supplies & Services	46,893	30,100	30,100	0
Revenue Income	(534,799)	(415,000)	(387,100)	27,900
Controllable	**51**	**109,000**	**132,100**	**23,100**
Supplies & Services Related Recharges	6,996	5,900	4,600	(1,300)
Central Support and Service Admin	397,599	420,400	371,700	(48,700)
Recharges	**404,595**	**426,300**	**376,300**	**(50,000)**
Transfer to Reserves	81,700	0	0	0
Transfer from Reserves	(13,700)	0	0	0
Reserves	**68,000**	**0**	**0**	**0**
Total	**472,645**	**535,300**	**508,400**	**(26,900)**

R885 Rent Rebates	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Transfer Payments	81,654	77,000	138,000	61,000
Revenue Income	(76,083)	(74,800)	(133,000)	(58,200)
Controllable	**5,571**	**2,200**	**5,000**	**2,800**
Total	**5,571**	**2,200**	**5,000**	**2,800**

Public Protection

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Division				
Licencing & Hackney Carriages	42,734	103,500	79,700	(23,800)
Environmental Protection	326,227	307,500	317,900	10,400
Food, Health & Safety	223,248	224,200	241,200	17,000
Comm Protection & Dog Control	604,227	614,300	638,000	23,700
Public Sector Housing	142,141	235,700	332,600	96,900
Total Public Protection Portfolio Budget	**1,338,578**	**1,485,200**	**1,609,400**	**124,200**
Transfer to(from) Earmarked Reserves				
Public Protection	121,350	(26,800)	(142,900)	(116,100)
Total Reserves	**121,350**	**(26,800)**	**(142,900)**	**(116,100)**
TOTAL	**1,459,928**	**1,458,400**	**1,466,500**	**8,100**

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Consisting of				
Employee Expenses	1,063,841	1,238,200	1,274,000	35,800
Transport Related Expenses	9,029	10,400	11,400	1,000
Supplies & Services	306,961	160,300	196,300	36,000
Third Party Payments	21,165	19,000	19,000	0
Revenue Income	(916,107)	(799,700)	(773,100)	26,600
Controllable	**484,889**	**628,200**	**727,600**	**99,400**
Consisting of				
Transport Related Recharges	19,386	19,800	22,500	2,700
Supplies & Services Related Recharges	136,530	131,400	129,100	(2,300)
Central Support and Service Admin	632,563	703,400	726,400	23,000
Internal Recharges	(5,800)	(5,800)	(5,800)	0
Recharges	**782,679**	**848,800**	**872,200**	**23,400**
Consisting of				
Capital Financing Charges	927,602	908,200	909,600	1,400
Capital Entries	(856,592)	(900,000)	(900,000)	0
Capital	**71,010**	**8,200**	**9,600**	**1,400**
Total Public Protection	**1,338,578**	**1,485,200**	**1,609,400**	**124,200**
Consisting of				
Transfer to Reserves	193,350	29,300	29,300	0
Transfer from Reserves	(72,000)	(56,100)	(172,200)	(116,100)
Reserves	**121,350**	**(26,800)**	**(142,900)**	**(116,100)**
Transfer to(from) Earmarked Reserves	**121,350**	**(26,800)**	**(142,900)**	**(116,100)**
TOTAL	**1,459,928**	**1,458,400**	**1,466,500**	**8,100**

R100 Licencing & Hackney Carriages	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	158,347	198,000	204,500	6,500
Transport Related Expenses	185	0	0	0
Supplies & Services	45,730	56,900	56,900	0
Revenue Income	(625,634)	(642,300)	(681,900)	(39,600)
Controllable	**(421,372)**	**(387,400)**	**(420,500)**	**(33,100)**
Supplies & Services Related Recharges	124,968	120,200	119,700	(500)
Central Support and Service Admin	339,138	370,700	380,500	9,800
Recharges	**464,105**	**490,900**	**500,200**	**9,300**
Total	**42,734**	**103,500**	**79,700**	**(23,800)**

R200 Environmental Protection	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	205,904	219,700	226,300	6,600
Transport Related Expenses	1,234	1,600	1,600	0
Supplies & Services	31,336	18,600	18,600	0
Third Party Payments	3,010	2,000	2,000	0
Revenue Income	(19,109)	(17,000)	(22,200)	(5,200)
Controllable	**222,375**	**224,900**	**226,300**	**1,400**
Transport Related Recharges	6,258	6,100	6,400	300
Supplies & Services Related Recharges	2,580	2,500	2,000	(500)
Central Support and Service Admin	100,815	79,800	89,000	9,200
Internal Recharges	(5,800)	(5,800)	(5,800)	0
Recharges	**103,853**	**82,600**	**91,600**	**9,000**
Transfer to Reserves	2,550	0	0	0
Transfer from Reserves	(6,000)	0	0	0
Reserves	**(3,450)**	**0**	**0**	**0**
Total	**322,777**	**307,500**	**317,900**	**10,400**

R205 Food, Health & Safety	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	176,901	175,500	181,300	5,800
Transport Related Expenses	2,206	3,700	3,700	0
Supplies & Services	4,372	6,700	6,700	0
Revenue Income	(3,212)	(6,900)	(7,100)	(200)
Controllable	**180,267**	**179,000**	**184,600**	**5,600**
Supplies & Services Related Recharges	2,189	2,100	1,500	(600)
Central Support and Service Admin	40,792	43,100	55,100	12,000
Recharges	**42,981**	**45,200**	**56,600**	**11,400**
Total	**223,248**	**224,200**	**241,200**	**17,000**

R215 Comm Protection & Dog Control	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	359,023	372,300	357,200	(15,100)
Transport Related Expenses	729	1,600	1,600	0
Supplies & Services	125,466	74,900	99,900	25,000
Third Party Payments	18,155	17,000	17,000	0
Revenue Income	(32,257)	(11,200)	(11,200)	0
Controllable	**471,117**	**454,600**	**464,500**	**9,900**
Transport Related Recharges	13,128	13,700	16,100	2,400
Supplies & Services Related Recharges	4,825	4,700	3,400	(1,300)
Central Support and Service Admin	109,987	133,100	144,400	11,300
Recharges	**127,940**	**151,500**	**163,900**	**12,400**
Transfer to Reserves	39,300	29,300	29,300	0
Transfer from Reserves	(41,000)	(30,000)	(55,000)	(25,000)
Reserves	**(1,700)**	**(700)**	**(25,700)**	**(25,000)**
Capital Financing Charges	5,171	8,200	9,600	1,400
Capital	**5,171**	**8,200**	**9,600**	**1,400**
Total	**602,527**	**613,600**	**612,300**	**(1,300)**

R600 Public Sector Housing	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	163,667	272,700	304,700	32,000
Transport Related Expenses	4,674	3,500	4,500	1,000
Supplies & Services	100,057	3,200	14,200	11,000
Revenue Income	(235,896)	(122,300)	(50,700)	71,600
Controllable	**32,503**	**157,100**	**272,700**	**115,600**
Supplies & Services Related Recharges	1,968	1,900	2,500	600
Central Support and Service Admin	41,831	76,700	57,400	(19,300)
Recharges	**43,800**	**78,600**	**59,900**	**(18,700)**
Transfer to Reserves	151,500	0	0	0
Transfer from Reserves	(25,000)	(26,100)	(117,200)	(91,100)
Reserves	**126,500**	**(26,100)**	**(117,200)**	**(91,100)**
Capital Financing Charges	922,431	900,000	900,000	0
Capital Entries	(856,592)	(900,000)	(900,000)	0
Capital	**65,839**	**0**	**0**	**0**
Total	**268,641**	**209,600**	**215,400**	**5,800**

Environment

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Division				
Waste Management	2,121,719	2,061,900	2,157,300	95,400
Trade Waste	(145,088)	(135,100)	(160,600)	(25,500)
Street Care	884,428	972,500	963,200	(9,300)
Public Conveniences	19,629	20,000	22,100	2,100
Direct Services Service Support	1,644	0	0	0
Building Services	975	0	0	(0)
Car Parks	103,166	98,400	80,900	(17,500)
Fleet Management	0	(300)	0	300
Parks	1,764,933	1,665,800	1,823,800	158,000
Parks - External Works	41,532	(88,700)	(1,700)	87,000
Cemeteries	(164,157)	(65,000)	(40,500)	24,500
Total Environment Portfolio Budget	**4,628,780**	**4,529,500**	**4,844,500**	**315,000**
Transfer to(from) Earmarked Reserves				
Environment	(34,774)	(18,400)	(8,400)	10,000
Total Reserves	**(34,774)**	**(18,400)**	**(8,400)**	**10,000**
TOTAL	**4,594,006**	**4,511,100**	**4,836,100**	**325,000**

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Consisting of				
Employee Expenses	3,714,448	3,939,600	4,006,500	66,900
Premises Related Expenses	413,301	349,800	371,200	21,400
Transport Related Expenses	519,084	528,600	547,300	18,700
Supplies & Services	728,697	641,700	650,900	9,200
Third Party Payments	311,051	297,300	271,300	(26,000)
Capital Interest	0	15,000	0	(15,000)
Revenue Income	(2,844,733)	(3,178,100)	(3,068,600)	109,500
Controllable	**2,841,849**	**2,593,900**	**2,778,600**	**184,700**
Consisting of				
Premises Related Recharges	47,899	26,200	35,100	8,900
Transport Related Recharges	1,553,169	1,627,600	1,647,600	20,000
Supplies & Services Related Recharges	45,970	41,100	32,700	(8,400)
Central Support and Service Admin	999,581	992,600	1,081,400	88,800
Internal Recharges	(1,964,539)	(2,019,200)	(2,078,100)	(58,900)
Recharges	**682,080**	**668,300**	**718,700**	**50,400**
Consisting of				
Capital Financing Charges	1,104,852	1,267,300	1,347,200	79,900
Capital	**1,104,852**	**1,267,300**	**1,347,200**	**79,900**
Total Environment	**4,628,780**	**4,529,500**	**4,844,500**	**315,000**
Consisting of				
Transfer to Reserves	67,625	43,100	43,100	0
Transfer from Reserves	(102,400)	(61,500)	(51,500)	10,000
Reserves	**(34,774)**	**(18,400)**	**(8,400)**	**10,000**
Transfer to(from) Earmarked Reserves	**(34,774)**	**(18,400)**	**(8,400)**	**10,000**
TOTAL	**4,594,006**	**4,511,100**	**4,836,100**	**325,000**

R500 Waste Management	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	1,568,440	1,607,500	1,652,200	44,700
Transport Related Expenses	0	400	400	0
Supplies & Services	93,232	76,800	76,800	0
Third Party Payments	14,341	12,700	12,700	0
Revenue Income	(850,458)	(910,200)	(902,700)	7,500
Controllable	**825,555**	**787,200**	**839,400**	**52,200**
Transport Related Recharges	892,892	884,200	911,100	26,900
Supplies & Services Related Recharges	19,334	16,900	12,800	(4,100)
Central Support and Service Admin	378,088	367,700	388,100	20,400
Recharges	**1,290,314**	**1,268,800**	**1,312,000**	**43,200**
Capital Financing Charges	5,850	5,900	5,900	0
Capital	**5,850**	**5,900**	**5,900**	**0**
Total	**2,121,719**	**2,061,900**	**2,157,300**	**95,400**

R503 Trade Waste	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	56,052	60,200	61,400	1,200
Supplies & Services	301,718	292,900	292,900	0
Revenue Income	(580,040)	(588,100)	(588,100)	0
Controllable	**(222,270)**	**(235,000)**	**(233,800)**	**1,200**
Transport Related Recharges	47,172	60,200	48,800	(11,400)
Supplies & Services Related Recharges	807	800	500	(300)
Central Support and Service Admin	80,793	82,500	77,200	(5,300)
Internal Recharges	(51,590)	(43,600)	(53,300)	(9,700)
Recharges	**77,182**	**99,900**	**73,200**	**(26,700)**
Total	**(145,088)**	**(135,100)**	**(160,600)**	**(25,500)**

R505 Street Care	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	541,388	604,900	599,900	(5,000)
Premises Related Expenses	6,656	6,700	6,700	0
Transport Related Expenses	78	400	400	0
Supplies & Services	70,751	68,900	70,900	2,000
Third Party Payments	2,680	2,200	2,200	0
Revenue Income	(28,900)	(26,500)	(26,500)	0
Controllable	**592,652**	**656,600**	**653,600**	**(3,000)**
Transport Related Recharges	241,197	265,100	258,200	(6,900)
Supplies & Services Related Recharges	6,559	5,500	5,000	(500)
Central Support and Service Admin	41,513	42,800	43,900	1,100
Recharges	**289,268**	**313,400**	**307,100**	**(6,300)**
Transfer from Reserves	0	0	0	0
Reserves	**0**	**0**	**0**	**0**
Capital Financing Charges	2,507	2,500	2,500	0
Capital	**2,507**	**2,500**	**2,500**	**0**
Total	**884,428**	**972,500**	**963,200**	**(9,300)**

R510 Public Conveniences	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Premises Related Expenses	9,663	12,900	13,000	100
Supplies & Services	1	0	0	0
Controllable	**9,664**	**12,900**	**13,000**	**100**
Premises Related Recharges	283	200	700	500
Central Support and Service Admin	5,869	5,900	4,600	(1,300)
Recharges	**6,152**	**6,100**	**5,300**	**(800)**
Capital Financing Charges	3,813	1,000	3,800	2,800
Capital	**3,813**	**1,000**	**3,800**	**2,800**
Total	**19,629**	**20,000**	**22,100**	**2,100**

R514 Direct Services Service Support	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	139,157	128,700	132,900	4,200
Transport Related Expenses	74	100	100	0
Supplies & Services	774	1,100	1,100	0
Revenue Income	(500)	0	0	0
Controllable	**139,505**	**129,900**	**134,100**	**4,200**
Supplies & Services Related Recharges	1,644	1,600	1,200	(400)
Central Support and Service Admin	9,800	21,800	27,000	5,200
Internal Recharges	(149,305)	(153,300)	(162,300)	(9,000)
Recharges	**(137,861)**	**(129,900)**	**(134,100)**	**(4,200)**
Total	**1,644**	**0**	**0**	**0**

R520 Building Services	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	75,975	78,400	80,900	2,500
Transport Related Expenses	24	100	100	0
Supplies & Services	12,067	5,200	5,200	0
Controllable	**88,067**	**83,700**	**86,200**	**2,500**
Supplies & Services Related Recharges	975	900	700	(200)
Central Support and Service Admin	16,173	21,500	25,600	4,100
Internal Recharges	(107,371)	(109,200)	(115,600)	(6,400)
Recharges	**(90,223)**	**(86,800)**	**(89,300)**	**(2,500)**
Transfer from Reserves	(12,000)	0	0	0
Reserves	**(12,000)**	**0**	**0**	**0**
Capital Financing Charges	3,131	3,100	3,100	0
Capital	**3,131**	**3,100**	**3,100**	**0**
Total	**(11,025)**	**0**	**0**	**0**

R540 Car Parks	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	21,633	18,300	18,700	400
Premises Related Expenses	116,086	123,000	129,700	6,700
Transport Related Expenses	780	700	800	100
Supplies & Services	8,176	5,700	5,700	0
Third Party Payments	235,605	229,900	223,900	(6,000)
Capital Interest	0	15,000	0	(15,000)
Revenue Income	(323,736)	(350,900)	(347,900)	3,000
Controllable	**58,545**	**41,700**	**30,900**	**(10,800)**
Premises Related Recharges	2,767	3,700	3,700	0
Supplies & Services Related Recharges	273	200	200	0
Central Support and Service Admin	36,195	40,300	40,700	400
Recharges	**39,236**	**44,200**	**44,600**	**400**
Transfer to Reserves	31,394	35,000	35,000	0
Transfer from Reserves	0	(15,000)	0	15,000
Reserves	**31,394**	**20,000**	**35,000**	**15,000**
Capital Financing Charges	5,386	12,500	5,400	(7,100)
Capital	**5,386**	**12,500**	**5,400**	**(7,100)**
Total	**134,560**	**118,400**	**115,900**	**(2,500)**

R555 Fleet Management	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	280,195	299,300	312,600	13,300
Transport Related Expenses	516,201	524,600	543,200	18,600
Supplies & Services	37,412	32,400	32,400	0
Third Party Payments	240	0	0	0
Revenue Income	(18,429)	(44,600)	(44,600)	0
Controllable	**815,620**	**811,700**	**843,600**	**31,900**
Premises Related Recharges	2,558	2,200	2,800	600
Transport Related Recharges	83,090	76,300	68,300	(8,000)
Supplies & Services Related Recharges	3,592	3,500	2,500	(1,000)
Central Support and Service Admin	88,773	89,100	107,100	18,000
Internal Recharges	(1,616,007)	(1,693,300)	(1,724,200)	(30,900)
Recharges	**(1,437,994)**	**(1,522,200)**	**(1,543,500)**	**(21,300)**
Transfer from Reserves	0	(7,500)	(7,500)	0
Reserves	**0**	**(7,500)**	**(7,500)**	**0**
Capital Financing Charges	622,374	710,200	699,900	(10,300)
Capital	**622,374**	**710,200**	**699,900**	**(10,300)**
Total	**0**	**(7,800)**	**(7,500)**	**300**

R715 Parks	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	625,112	578,200	594,200	16,000
Premises Related Expenses	230,632	168,500	172,600	4,100
Transport Related Expenses	814	1,000	1,000	0
Supplies & Services	173,986	120,200	129,200	9,000
Third Party Payments	36,970	25,000	25,000	0
Revenue Income	(184,386)	(139,300)	(140,200)	(900)
Controllable	**883,128**	**753,600**	**781,800**	**28,200**
Premises Related Recharges	8,144	7,600	12,400	4,800
Transport Related Recharges	200,225	207,500	235,400	27,900
Supplies & Services Related Recharges	7,585	6,600	4,900	(1,700)
Central Support and Service Admin	232,538	213,400	244,400	31,000
Internal Recharges	(139)	0	0	0
Recharges	**448,353**	**435,100**	**497,100**	**62,000**
Transfer to Reserves	36,232	8,100	8,100	0
Transfer from Reserves	(90,400)	(39,000)	(44,000)	(5,000)
Reserves	**(54,168)**	**(30,900)**	**(35,900)**	**(5,000)**
Capital Financing Charges	433,452	477,100	544,900	67,800
Capital	**433,452**	**477,100**	**544,900**	**67,800**
Total	**1,710,765**	**1,634,900**	**1,787,900**	**153,000**

R717 Parks - External Works	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	221,293	375,700	360,100	(15,600)
Premises Related Expenses	20,129	16,600	26,900	10,300
Transport Related Expenses	15	100	100	0
Supplies & Services	22,410	34,200	32,400	(1,800)
Third Party Payments	96	23,500	3,500	(20,000)
Revenue Income	(311,940)	(674,600)	(561,300)	113,300
Controllable	**(47,997)**	**(224,500)**	**(138,300)**	**86,200**
Premises Related Recharges	21,123	0	700	700
Transport Related Recharges	45,350	86,900	73,800	(13,100)
Supplies & Services Related Recharges	2,797	2,700	3,200	500
Central Support and Service Admin	60,387	61,600	57,300	(4,300)
Internal Recharges	(40,128)	(19,800)	(22,700)	(2,900)
Recharges	**89,529**	**131,400**	**112,300**	**(19,100)**
Capital Financing Charges	0	4,400	24,300	19,900
Capital	**0**	**4,400**	**24,300**	**19,900**
Total	**41,532**	**(88,700)**	**(1,700)**	**87,000**

R720 Cemeteries	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	185,201	188,400	193,600	5,200
Premises Related Expenses	30,136	22,100	22,300	200
Transport Related Expenses	1,099	1,200	1,200	0
Supplies & Services	8,170	4,300	4,300	0
Third Party Payments	21,121	4,000	4,000	0
Revenue Income	(546,344)	(443,900)	(457,300)	(13,400)
Controllable	**(300,618)**	**(223,900)**	**(231,900)**	**(8,000)**
Premises Related Recharges	13,025	12,500	14,800	2,300
Transport Related Recharges	43,243	47,400	52,000	4,600
Supplies & Services Related Recharges	2,403	2,400	1,700	(700)
Central Support and Service Admin	49,452	46,000	65,500	19,500
Recharges	**108,123**	**108,300**	**134,000**	**25,700**
Capital Financing Charges	28,339	50,600	57,400	6,800
Capital	**28,339**	**50,600**	**57,400**	**6,800**
Total	**(164,157)**	**(65,000)**	**(40,500)**	**24,500**

Growth & Regeneration

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Division				
Development Service Support	1,112	0	0	0
Development Management	69,482	(65,500)	(28,500)	37,000
Planning Policy	345,088	357,300	366,200	8,900
Building Control Account	52,279	56,900	49,800	(7,100)
Building Control Fee Earning Account	18,237	4,600	700	(3,900)
Land Charges	(14,628)	(24,600)	(8,500)	16,100
Economic Development	225,526	802,500	330,600	(471,900)
Housing Strategy	116,966	133,100	142,900	9,800
Total Growth & Regeneration Portfolio Budget	**814,062**	**1,264,300**	**853,200**	**(411,100)**
Transfer to(from) Earmarked Reserves				
Growth & Regeneration	33,850	(544,100)	(45,200)	498,900
Total Reserves	**33,850**	**(544,100)**	**(45,200)**	**498,900**
TOTAL	**847,912**	**720,200**	**808,000**	**87,800**

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Consisting of				
Employee Expenses	1,200,888	1,321,100	1,368,500	47,400
Transport Related Expenses	16,942	15,200	15,200	0
Supplies & Services	300,330	144,500	128,800	(15,700)
Third Party Payments	11,984	8,000	13,600	5,600
Capital Interest	0	484,100	0	(484,100)
Revenue Income	(1,121,615)	(1,170,200)	(1,145,100)	25,100
Controllable	**408,530**	**802,700**	**381,000**	**(421,700)**
Consisting of				
Supplies & Services Related Recharges	26,806	26,300	17,800	(8,500)
Central Support and Service Admin	488,609	555,800	588,000	32,200
Internal Recharges	(110,882)	(121,500)	(134,600)	(13,100)
Recharges	**404,533**	**460,600**	**471,200**	**10,600**
Consisting of				
Capital Financing Charges	1,000	1,000	1,000	0
Capital	**1,000**	**1,000**	**1,000**	**0**
Total Growth & Regeneration	**814,062**	**1,264,300**	**853,200**	**(411,100)**
Consisting of				
Transfer to Reserves	143,087	0	0	0
Transfer from Reserves	(109,237)	(544,100)	(45,200)	498,900
Reserves	**33,850**	**(544,100)**	**(45,200)**	**498,900**
Transfer to(from) Earmarked Reserves	**33,850**	**(544,100)**	**(45,200)**	**498,900**
TOTAL	**847,912**	**720,200**	**808,000**	**87,800**

R105 Development Service Support	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	85,266	94,500	97,800	3,300
Supplies & Services	3,042	3,700	3,700	0
Controllable	**88,308**	**98,200**	**101,500**	**3,300**
Supplies & Services Related Recharges	1,112	1,100	800	(300)
Central Support and Service Admin	22,574	22,200	32,300	10,100
Internal Recharges	(110,882)	(121,500)	(134,600)	(13,100)
Recharges	**(87,195)**	**(98,200)**	**(101,500)**	**(3,300)**
Total	**1,112**	**0**	**0**	**0**

R110 Development Management	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	420,460	439,900	472,400	32,500
Transport Related Expenses	3,775	3,500	3,500	0
Supplies & Services	49,459	60,400	30,400	(30,000)
Revenue Income	(620,381)	(818,500)	(798,500)	20,000
Controllable	**(146,686)**	**(314,700)**	**(292,200)**	**22,500**
Supplies & Services Related Recharges	8,268	8,200	4,000	(4,200)
Central Support and Service Admin	207,900	241,000	259,700	18,700
Recharges	**216,168**	**249,200**	**263,700**	**14,500**
Transfer from Reserves	0	(30,000)	(7,800)	22,200
Reserves	**0**	**(30,000)**	**(7,800)**	**22,200**
Total	**69,482**	**(95,500)**	**(36,300)**	**59,200**

R115 Planning Policy	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	233,131	239,100	245,500	6,400
Transport Related Expenses	982	600	600	0
Supplies & Services	113,366	31,700	31,700	0
Third Party Payments	11,984	8,000	13,600	5,600
Revenue Income	(78,962)	(600)	(600)	0
Controllable	**280,500**	**278,800**	**290,800**	**12,000**
Supplies & Services Related Recharges	2,989	2,900	2,200	(700)
Central Support and Service Admin	60,599	74,600	72,200	(2,400)
Recharges	**63,588**	**77,500**	**74,400**	**(3,100)**
Transfer to Reserves	50,087	0	0	0
Transfer from Reserves	(88,900)	(30,000)	(30,000)	0
Reserves	**(38,813)**	**(30,000)**	**(30,000)**	**0**
Capital Financing Charges	1,000	1,000	1,000	0
Capital	**1,000**	**1,000**	**1,000**	**0**
Total	**306,275**	**327,300**	**336,200**	**8,900**

R120 Building Control Account	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	42,027	42,900	37,300	(5,600)
Transport Related Expenses	2,682	3,000	3,000	0
Supplies & Services	36	2,100	2,100	0
Controllable	**44,746**	**48,000**	**42,400**	**(5,600)**
Supplies & Services Related Recharges	532	400	400	0
Central Support and Service Admin	7,001	8,500	7,000	(1,500)
Recharges	**7,533**	**8,900**	**7,400**	**(1,500)**
Total	**52,279**	**56,900**	**49,800**	**(7,100)**

R121 Building Control Fee Earning Account	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	154,709	154,700	166,500	11,800
Transport Related Expenses	6,993	7,000	7,000	0
Supplies & Services	4,220	4,000	4,000	0
Revenue Income	(200,339)	(235,800)	(245,900)	(10,100)
Controllable	**(34,417)**	**(70,100)**	**(68,400)**	**1,700**
Supplies & Services Related Recharges	1,948	1,900	1,400	(500)
Central Support and Service Admin	50,706	72,800	67,700	(5,100)
Recharges	**52,654**	**74,700**	**69,100**	**(5,600)**
Transfer from Reserves	(20,337)	0	0	0
Reserves	**(20,337)**	**0**	**0**	**0**
Total	**(2,100)**	**4,600**	**700**	**(3,900)**

R172 Land Charges	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Supplies & Services	26,894	24,400	24,400	0
Revenue Income	(104,573)	(100,100)	(100,100)	0
Controllable	**(77,679)**	**(75,700)**	**(75,700)**	**0**
Supplies & Services Related Recharges	7,641	7,600	5,800	(1,800)
Central Support and Service Admin	55,410	43,500	61,400	17,900
Recharges	**63,051**	**51,100**	**67,200**	**16,100**
Total	**(14,628)**	**(24,600)**	**(8,500)**	**16,100**

R175 Economic Development	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	151,924	239,900	239,000	(900)
Transport Related Expenses	1,432	500	500	0
Supplies & Services	103,002	17,600	31,900	14,300
Third Party Payments	0	0	0	0
Capital Interest	0	484,100	0	(484,100)
Revenue Income	(87,145)	0	0	0
Controllable	**169,213**	**742,100**	**271,400**	**(470,700)**
Supplies & Services Related Recharges	2,964	2,900	2,200	(700)
Central Support and Service Admin	53,349	57,500	57,000	(500)
Recharges	**56,313**	**60,400**	**59,200**	**(1,200)**
Transfer to Reserves	93,000	0	0	0
Transfer from Reserves	0	(484,100)	(7,400)	476,700
Reserves	**93,000**	**(484,100)**	**(7,400)**	**476,700**
Total	**318,526**	**318,400**	**323,200**	**4,800**

R640 Housing Strategy	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	113,371	110,100	110,000	(100)
Transport Related Expenses	1,077	600	600	0
Supplies & Services	312	600	600	0
Revenue Income	(30,216)	(15,200)	0	15,200
Controllable	**84,544**	**96,100**	**111,200**	**15,100**
Supplies & Services Related Recharges	1,352	1,300	1,000	(300)
Central Support and Service Admin	31,069	35,700	30,700	(5,000)
Recharges	**32,421**	**37,000**	**31,700**	**(5,300)**
Total	**116,966**	**133,100**	**142,900**	**9,800**

Resources & Reputation

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Division				
Organisational Development	3,533	(0)	(0)	0
Corporate Management	1,015,416	1,089,800	1,098,900	9,100
Health & Safety and Emergency Planning	7,819	7,700	7,800	100
Legal Services	3,813	0	0	0
Central Print Room	80	(0)	0	0
Registration Of Electors	145,661	144,100	153,400	9,300
Elections	10,740	131,700	1,600	(130,100)
Estates & Valuation	1,630	0	0	0
Public Land & Buildings	8,843	(22,900)	(108,900)	(86,000)
Information Technology	7,981	0	0	0
Communications & Publicity	2,150	0	(0)	(0)
Corporate Officers	693	39,600	41,400	1,800
Business Units	(10,708)	(7,900)	(18,600)	(10,700)
Public Offices	20,712	1,000	1,100	100
Corporate Administration	(6,489)	0	0	0
Financial Services	7,571	0	0	0
Customer Services	16,695	(0)	0	0
Insurance Premiums	96,843	0	0	0
Revenues-Local Taxation	(55,975)	547,200	541,300	(5,900)
Central Provisions Account	(114,016)	235,400	134,100	(101,300)
Non Distributed Costs	125,222	128,900	124,600	(4,300)
Corporate Income & Expenditure	(1,594,315)	237,200	326,900	89,700
Movement in Reserves (MiRs)	815,072	(1,309,800)	(129,500)	1,180,300
Total Resources & Reputation Portfolio Budget	**508,969**	**1,222,000**	**2,174,100**	**952,100**
Transfer to(from) Earmarked Reserves				
Resources & Reputation	867,712	(175,900)	(1,535,700)	(1,359,800)
Total Reserves	**867,712**	**(175,900)**	**(1,535,700)**	**(1,359,800)**
TOTAL	**1,376,681**	**1,046,100**	**638,400**	**(407,700)**

	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Consisting of				
Employee Expenses	3,945,640	4,036,500	4,063,400	26,900
Premises Related Expenses	541,538	534,900	571,400	36,500
Transport Related Expenses	9,315	9,700	9,700	0
Supplies & Services	2,366,313	2,199,700	2,297,800	98,100
Third Party Payments	12,087	7,200	7,200	0
Capital Interest	1,102,092	1,011,500	2,337,500	1,326,000
Revenue Income	(2,660,835)	(1,368,300)	(1,739,300)	(371,000)
Controllable	**5,316,149**	**6,431,200**	**7,547,700**	**1,116,500**
Consisting of				
Premises Related Recharges	51,139	44,800	63,800	19,000
Transport Related Recharges	3,887	4,200	4,400	200
Supplies & Services Related Recharges	50,451	46,700	39,600	(7,100)
Central Support and Service Admin	1,859,750	2,046,200	2,023,200	(23,000)
Internal Recharges	(5,196,454)	(5,706,500)	(5,752,900)	(46,400)
Recharges	**(3,231,226)**	**(3,564,600)**	**(3,621,900)**	**(57,300)**
Consisting of				
Capital Financing Charges	2,026,359	306,700	309,500	2,800
Capital Entries	(3,602,313)	(1,951,300)	(2,061,200)	(109,900)
Capital	**(1,575,954)**	**(1,644,600)**	**(1,751,700)**	**(107,100)**
Total Resources & Reputation	**508,969**	**1,222,000**	**2,174,100**	**952,100**
Consisting of				
Transfer to Reserves	1,247,257	112,000	112,000	0
Transfer from Reserves	(379,545)	(287,900)	(1,647,700)	(1,359,800)
Reserves	**867,712**	**(175,900)**	**(1,535,700)**	**(1,359,800)**
Transfer to(from) Earmarked Reserves	**867,712**	**(175,900)**	**(1,535,700)**	**(1,359,800)**
TOTAL	**1,376,681**	**1,046,100**	**638,400**	**(407,700)**

R130 Organisational Development	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	281,191	272,700	257,900	(14,800)
Transport Related Expenses	347	700	700	0
Supplies & Services	21,143	20,800	25,200	4,400
Third Party Payments	5,227	0	0	0
Revenue Income	(46,394)	(23,700)	(24,100)	(400)
Controllable	**261,514**	**270,500**	**259,700**	**(10,800)**
Supplies & Services Related Recharges	3,533	3,400	2,300	(1,100)
Central Support and Service Admin	57,002	69,200	64,000	(5,200)
Internal Recharges	(318,516)	(343,100)	(326,000)	17,100
Recharges	**(257,982)**	**(270,500)**	**(259,700)**	**10,800**
Transfer to Reserves	30,000	0	0	0
Transfer from Reserves	(9,799)	0	(4,700)	(4,700)
Reserves	**20,201**	**0**	**(4,700)**	**(4,700)**
Total	**23,734**	**0**	**(4,700)**	**(4,700)**

R145 Corporate Management	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	577,962	585,200	592,100	6,900
Transport Related Expenses	2,837	3,400	3,400	0
Supplies & Services	180,983	156,500	171,500	15,000
Revenue Income	(586)	0	0	0
Controllable	**761,196**	**745,100**	**767,000**	**21,900**
Supplies & Services Related Recharges	6,965	6,700	5,600	(1,100)
Central Support and Service Admin	536,710	633,000	624,500	(8,500)
Internal Recharges	(289,455)	(295,000)	(298,200)	(3,200)
Recharges	**254,220**	**344,700**	**331,900**	**(12,800)**
Transfer from Reserves	(6,000)	0	0	0
Reserves	**(6,000)**	**0**	**0**	**0**
Total	**1,009,416**	**1,089,800**	**1,098,900**	**9,100**

R150 Health & Safety and Emergency Planning	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	57,377	56,800	64,600	7,800
Transport Related Expenses	382	300	300	0
Supplies & Services	19,034	19,000	18,000	(1,000)
Third Party Payments	6,800	7,200	7,200	0
Controllable	**83,593**	**83,300**	**90,100**	**6,800**
Supplies & Services Related Recharges	657	600	500	(100)
Central Support and Service Admin	17,960	26,800	29,700	2,900
Internal Recharges	(94,391)	(103,000)	(112,500)	(9,500)
Recharges	**(75,774)**	**(75,600)**	**(82,300)**	**(6,700)**
Transfer from Reserves	(9,400)	(7,500)	(7,500)	0
Reserves	**(9,400)**	**(7,500)**	**(7,500)**	**0**
Total	**(1,581)**	**200**	**300**	**100**

R160 Legal Services	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	319,633	328,200	368,700	40,500
Transport Related Expenses	647	800	800	0
Supplies & Services	40,398	39,700	38,200	(1,500)
Revenue Income	(43,203)	(53,600)	(99,700)	(46,100)
Controllable	**317,475**	**315,100**	**308,000**	**(7,100)**
Supplies & Services Related Recharges	3,813	3,800	2,900	(900)
Central Support and Service Admin	40,398	54,500	57,400	2,900
Internal Recharges	(357,873)	(373,400)	(368,300)	5,100
Recharges	**(313,662)**	**(315,100)**	**(308,000)**	**7,100**
Transfer to Reserves	24,100	0	0	0
Transfer from Reserves	(4,103)	0	(5,000)	(5,000)
Reserves	**19,997**	**0**	**(5,000)**	**(5,000)**
Total	**23,810**	**0**	**(5,000)**	**(5,000)**

R165 Central Print Room	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	6,023	6,300	6,600	300
Transport Related Expenses	8	0	0	0
Supplies & Services	19,204	20,100	15,100	(5,000)
Revenue Income	(86)	0	0	0
Controllable	**25,149**	**26,400**	**21,700**	**(4,700)**
Supplies & Services Related Recharges	80	100	100	0
Central Support and Service Admin	6,442	8,100	1,700	(6,400)
Internal Recharges	(31,591)	(34,600)	(23,500)	11,100
Recharges	**(25,069)**	**(26,400)**	**(21,700)**	**4,700**
Transfer to Reserves	12,500	10,000	10,000	0
Reserves	**12,500**	**10,000**	**10,000**	**0**
Total	**12,580**	**10,000**	**10,000**	**0**

R170 Postages	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Supplies & Services	53,832	50,200	50,200	0
Revenue Income	(1,073)	(700)	(700)	0
Controllable	**52,759**	**49,500**	**49,500**	**0**
Internal Recharges	(52,759)	(49,500)	(49,500)	0
Recharges	**(52,759)**	**(49,500)**	**(49,500)**	**0**
Transfer to Reserves	1,100	0	0	0
Reserves	**1,100**	**0**	**0**	**0**
Total	**1,100**	**(0)**	**0**	**0**

R177 Registration Of Electors	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	61,982	70,900	84,300	13,400
Transport Related Expenses	219	200	200	0
Supplies & Services	52,164	23,700	23,700	0
Revenue Income	(19,058)	(1,900)	(1,900)	0
Controllable	**95,307**	**92,900**	**106,300**	**13,400**
Supplies & Services Related Recharges	805	800	500	(300)
Central Support and Service Admin	49,549	50,400	46,600	(3,800)
Recharges	**50,354**	**51,200**	**47,100**	**(4,100)**
Total	**145,661**	**144,100**	**153,400**	**9,300**

R180 Elections	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	3,418	80,000	99,900	19,900
Premises Related Expenses	1,904	10,000	16,500	6,500
Supplies & Services	9,487	48,000	80,500	32,500
Revenue Income	(6,045)	(8,000)	(200,000)	(192,000)
Controllable	**8,763**	**130,000**	**(3,100)**	**(133,100)**
Supplies & Services Related Recharges	388	100	3,100	3,000
Recharges	**388**	**100**	**3,100**	**3,000**
Capital Financing Charges	1,589	1,600	1,600	0
Capital	**1,589**	**1,600**	**1,600**	**0**
Total	**10,740**	**131,700**	**1,600**	**(130,100)**

R182 Estates & Valuation	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	129,043	134,700	138,900	4,200
Transport Related Expenses	158	300	300	0
Supplies & Services	46,555	17,700	17,700	0
Controllable	**175,756**	**152,700**	**156,900**	**4,200**
Supplies & Services Related Recharges	1,630	1,600	1,200	(400)
Central Support and Service Admin	76,724	48,600	46,900	(1,700)
Internal Recharges	(252,480)	(202,900)	(205,000)	(2,100)
Recharges	**(174,125)**	**(152,700)**	**(156,900)**	**(4,200)**
Transfer from Reserves	(10,900)	0	0	0
Reserves	**(10,900)**	**0**	**0**	**0**
Total	**(9,270)**	**0**	**0**	**0**

R185 Public Land & Buildings	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	2,365	0	4,200	4,200
Premises Related Expenses	31,898	12,400	30,800	18,400
Supplies & Services	10,730	22,100	18,400	(3,700)
Revenue Income	(183,305)	(218,900)	(340,700)	(121,800)
Controllable	**(138,311)**	**(184,400)**	**(287,300)**	**(102,900)**
Premises Related Recharges	8,581	3,500	12,900	9,400
Supplies & Services Related Recharges	56	100	100	0
Central Support and Service Admin	134,518	153,900	161,200	7,300
Recharges	**143,155**	**157,500**	**174,200**	**16,700**
Transfer to Reserves	10,000	0	0	0
Transfer from Reserves	(5,900)	0	0	0
Reserves	**4,100**	**0**	**0**	**0**
Capital Financing Charges	3,999	4,000	4,200	200
Capital	**3,999**	**4,000**	**4,200**	**200**
Total	**12,943**	**(22,900)**	**(108,900)**	**(86,000)**

R300 Information Technology	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	292,225	291,600	332,300	40,700
Transport Related Expenses	470	500	500	0
Supplies & Services	561,309	827,500	825,900	(1,600)
Capital Interest	0	20,000	0	(20,000)
Revenue Income	(14,330)	(12,600)	(8,100)	4,500
Controllable	**839,674**	**1,127,000**	**1,150,600**	**23,600**
Premises Related Recharges	4,227	4,100	2,800	(1,300)
Supplies & Services Related Recharges	3,753	3,700	2,700	(1,000)
Central Support and Service Admin	63,197	64,200	57,900	(6,300)
Internal Recharges	(905,422)	(1,300,800)	(1,325,000)	(24,200)
Recharges	**(834,244)**	**(1,228,800)**	**(1,261,600)**	**(32,800)**
Transfer to Reserves	126,800	67,000	67,000	0
Transfer from Reserves	(45,307)	(270,200)	(203,700)	66,500
Reserves	**81,493**	**(203,200)**	**(136,700)**	**66,500**
Capital Financing Charges	2,551	101,800	111,000	9,200
Capital	**2,551**	**101,800**	**111,000**	**9,200**
Total	**89,474**	**(203,200)**	**(136,700)**	**66,500**

R340 Communications & Publicity	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	159,742	158,800	165,000	6,200
Transport Related Expenses	339	200	200	0
Supplies & Services	57,828	57,000	57,200	200
Revenue Income	(2,691)	(24,300)	(21,300)	3,000
Controllable	**215,218**	**191,700**	**201,100**	**9,400**
Supplies & Services Related Recharges	2,150	2,100	1,500	(600)
Central Support and Service Admin	54,942	53,600	65,500	11,900
Internal Recharges	(270,159)	(247,400)	(268,100)	(20,700)
Recharges	**(213,068)**	**(191,700)**	**(201,100)**	**(9,400)**
Total	**2,150**	**0**	**0**	**0**

R350 Corporate Officers	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	42,257	82,300	86,300	4,000
Supplies & Services	732	5,000	5,000	0
Controllable	**42,988**	**87,300**	**91,300**	**4,000**
Supplies & Services Related Recharges	693	600	700	100
Central Support and Service Admin	568	5,100	1,700	(3,400)
Internal Recharges	(43,557)	(53,400)	(52,300)	1,100
Recharges	**(42,295)**	**(47,700)**	**(49,900)**	**(2,200)**
Transfer from Reserves	0	0	(41,400)	(41,400)
Reserves	**0**	**0**	**(41,400)**	**(41,400)**
Total	**693**	**39,600**	**0**	**(39,600)**

R410 Business Units	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Premises Related Expenses	105,385	109,100	110,400	1,300
Supplies & Services	1,000	1,000	1,000	0
Revenue Income	(206,066)	(209,300)	(215,000)	(5,700)
Controllable	**(99,680)**	**(99,200)**	**(103,600)**	**(4,400)**
Premises Related Recharges	5,640	5,600	6,000	400
Central Support and Service Admin	58,711	51,000	49,400	(1,600)
Recharges	**64,351**	**56,600**	**55,400**	**(1,200)**
Capital Financing Charges	24,622	34,700	29,600	(5,100)
Capital	**24,622**	**34,700**	**29,600**	**(5,100)**
Total	**(10,708)**	**(7,900)**	**(18,600)**	**(10,700)**

R560 Public Offices	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	135,652	150,000	155,100	5,100
Premises Related Expenses	385,091	386,900	397,200	10,300
Supplies & Services	50,292	22,600	26,700	4,100
Third Party Payments	60	0	0	0
Revenue Income	(277,901)	(285,600)	(334,700)	(49,100)
Controllable	**293,195**	**273,900**	**244,300**	**(29,600)**
Premises Related Recharges	32,691	31,600	42,100	10,500
Supplies & Services Related Recharges	2,108	1,800	1,400	(400)
Central Support and Service Admin	89,747	82,900	81,900	(1,000)
Internal Recharges	(516,263)	(532,600)	(510,500)	22,100
Recharges	**(391,718)**	**(416,300)**	**(385,100)**	**31,200**
Transfer from Reserves	(22,700)	0	0	0
Reserves	**(22,700)**	**0**	**0**	**0**
Capital Financing Charges	119,235	143,400	141,900	(1,500)
Capital	**119,235**	**143,400**	**141,900**	**(1,500)**
Total	**(1,988)**	**1,000**	**1,100**	**100**

R800 Corporate Administration	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	22,423	46,500	0	(46,500)
Supplies & Services	2,050	1,300	0	(1,300)
Controllable	**24,473**	**47,800**	**0**	**(47,800)**
Supplies & Services Related Recharges	311	300	0	(300)
Central Support and Service Admin	15,365	27,700	0	(27,700)
Internal Recharges	(46,638)	(75,800)	0	75,800
Recharges	**(30,962)**	**(47,800)**	**0**	**47,800**
Total	**(6,489)**	**0**	**0**	**0**

R805 Financial Services	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	589,520	630,800	640,700	9,900
Transport Related Expenses	795	100	100	0
Supplies & Services	80,993	87,200	137,300	50,100
Revenue Income	(39,313)	(46,500)	(44,400)	2,100
Controllable	**631,995**	**671,600**	**733,700**	**62,100**
Supplies & Services Related Recharges	7,908	6,700	5,900	(800)
Central Support and Service Admin	146,984	155,100	151,500	(3,600)
Internal Recharges	(800,476)	(854,600)	(912,300)	(57,700)
Recharges	**(645,584)**	**(692,800)**	**(754,900)**	**(62,100)**
Transfer to Reserves	27,600	0	0	0
Transfer from Reserves	0	0	(54,000)	(54,000)
Reserves	**27,600**	**0**	**(54,000)**	**(54,000)**
Capital Financing Charges	21,160	21,200	21,200	0
Capital	**21,160**	**21,200**	**21,200**	**0**
Total	**35,171**	**0**	**(54,000)**	**(54,000)**

R820 Customer Services	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	722,512	749,600	796,300	46,700
Transport Related Expenses	2,282	2,700	2,700	0
Supplies & Services	15,980	11,700	13,000	1,300
Revenue Income	(13,500)	(14,000)	(18,300)	(4,300)
Controllable	**727,274**	**750,000**	**793,700**	**43,700**
Supplies & Services Related Recharges	9,895	8,800	7,200	(1,600)
Central Support and Service Admin	127,597	156,800	181,300	24,500
Internal Recharges	(848,071)	(915,600)	(982,200)	(66,600)
Recharges	**(710,579)**	**(750,000)**	**(793,700)**	**(43,700)**
Transfer from Reserves	0	(9,300)	(9,300)	0
Reserves	**0**	**(9,300)**	**(9,300)**	**0**
Total	**16,695**	**(9,300)**	**(9,300)**	**0**

R825 Insurance Premiums	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Supplies & Services	454,114	292,600	272,600	(20,000)
Revenue Income	(38,883)	0	0	0
Controllable	**415,231**	**292,600**	**272,600**	**(20,000)**
Internal Recharges	(318,389)	(292,600)	(272,600)	20,000
Recharges	**(318,389)**	**(292,600)**	**(272,600)**	**20,000**
Transfer to Reserves	35,871	35,000	35,000	0
Transfer from Reserves	(17,616)	0	0	0
Reserves	**18,255**	**35,000**	**35,000**	**0**
Total	**115,098**	**35,000**	**35,000**	**0**

R835 Revenues-Local Taxation	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	417,093	413,200	421,800	8,600
Transport Related Expenses	830	500	500	0
Supplies & Services	112,469	90,600	90,600	0
Revenue Income	(928,885)	(339,900)	(335,000)	4,900
Controllable	**(398,492)**	**164,400**	**177,900**	**13,500**
Transport Related Recharges	3,887	4,200	4,400	200
Supplies & Services Related Recharges	5,707	5,500	3,900	(1,600)
Central Support and Service Admin	383,337	405,300	402,000	(3,300)
Internal Recharges	(50,414)	(32,200)	(46,900)	(14,700)
Recharges	**342,517**	**382,800**	**363,400**	**(19,400)**
Transfer to Reserves	588,402	0	0	0
Transfer from Reserves	(29,700)	(900)	(900)	0
Reserves	**558,702**	**(900)**	**(900)**	**0**
Total	**502,727**	**546,300**	**540,400**	**(5,900)**

R872 Central Provisions Account	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	0	(150,000)	(275,900)	(125,900)
Supplies & Services	(96,532)	385,400	410,000	24,600
Revenue Income	(17,484)	0	0	0
Controllable	**(114,016)**	**235,400**	**134,100**	**(101,300)**
Transfer to Reserves	390,884	0	0	0
Transfer from Reserves	0	0	0	0
Reserves	**390,884**	**0**	**0**	**0**
Total	**276,868**	**235,400**	**134,100**	**(101,300)**

R875 Non Distributed Costs	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Employee Expenses	125,222	128,900	124,600	(4,300)
Controllable	**125,222**	**128,900**	**124,600**	**(4,300)**
Transfer from Reserves	0	0	0	0
Reserves	**0**	**0**	**0**	**0**
Total	**125,222**	**128,900**	**124,600**	**(4,300)**

R890 Corporate Income & Expenditure	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Premises Related Expenses	17,259	16,500	16,500	0
Supplies & Services	672,549	0	0	0
Capital Interest	295,506	350,000	405,800	55,800
Revenue Income	(822,033)	(129,300)	(95,400)	33,900
Controllable	**163,281**	**237,200**	**326,900**	**89,700**
Capital Entries	(1,757,596)	0	0	0
Capital	**(1,757,596)**	**0**	**0**	**0**
Total	**(1,594,315)**	**237,200**	**326,900**	**89,700**

R891 Movement in Reserves (MiRs)	Actual 2018-19 £	Original Budget 2019-20 £	Original Budget 2020-21 £	Variance to Original Budget 2019-20 £
Capital Interest	806,586	641,500	1,931,700	1,290,200
Controllable	**806,586**	**641,500**	**1,931,700**	**1,290,200**
Transfer from Reserves	(218,121)	0	(1,321,200)	(1,321,200)
Reserves	**(218,121)**	**0**	**(1,321,200)**	**(1,321,200)**
Capital Financing Charges	1,853,203	0	0	0
Capital Entries	(1,844,717)	(1,951,300)	(2,061,200)	(109,900)
Capital	**8,486**	**(1,951,300)**	**(2,061,200)**	**(109,900)**
Total	**596,951**	**(1,309,800)**	**(1,450,700)**	**(140,900)**

This page is intentionally left blank

Community Development Portfolio
Revenue Budget Summary 2020-21

Major Variances in Net Controllable Expenditure
Major variances within Employee Expenses are mainly due to the pay award, incremental changes and increase in superannuation rates. Other major variances are detailed below.

Democratic Mgt & Representation
Variance mainly due to increase in members allowances offset with reduction in employee costs due to staffing restructure and delivery of efficiencies on Chauffer costs and civic expenses.

Localities
Variance due to efficiency on alternate delivery of Youth Engagement.

Community Grants
Variance due to the efficiency to reduce Parish Grants in respect of the Council Tax Reduction Scheme, partially offset with growth bid for Engagement and Consultation with Young People.

The Arts & Tourism
No major variances

Community Centres
No Major Variances

Events
Variance mainly due to introduction of a budget from the growth bid for a Holiday Activity Programme for under 16's, and the introduction of an events budget for for VE & VJ day which is offset by a contribution from reserves.

Housing, Health & Well-being Portfolio
Revenue Budget Summary 2020-21

Major Variances in Net Controllable Expenditure
Major variances within Employee Expenses are mainly due to the pay award, incremental changes and increase in superannuation rates. Other major variances are detailed below.

Housing Needs
Variance due to additional Homelessness Grant offset by assciated expenditure.

Calverton Leisure Centre
No Major Variances

Carlton Forum Leisure Centre
Variance mainly due to increase in swim school, DNA and income inflation, partly offset by reduced public swimming.

Redhill Leisure Centre
Variance mainly due to increased DNA income, the introduction of parties and income inflation, offset by reduced casual users, maintenance costs for fitness equipment and inflation increases for utilities and NNDR.

Arnold Theatre

Variance due to increased income from the Cinema partly offset by the associated cost of productions and inflation increases for Utilities and NNDR.

Arnold Leisure Centre

No Major Variances

Richard Herrod Centre

Variance mainly due to increase in income based on number of bookings in the Millennium Suite and Playgroup partially offset with inflation increases in utilities & NNDR.

Health & Wellbeing
No Major Variances

Council Tax Benefits
No major variances

Rent Allowances

Caseload is expected to fall as claimants transfer to Universal Credit, at 100% subsidy there is minimal impact on the General Fund. Estimated outstanding Housing Benefit debt is lower than anticipated requiring a reduced contribution to the Bad Debt Provision in the year.

Housing Benefit Administration
Variance due to reduction in Housing Benefit Subsidy Grant and Universal Credit funding.

Rent Rebates
No major variances

Public Protection Portfolio
Revenue Budget 2020-21

Major Variances in Net Controllable Expenditure:

Major variances within Employee Expenses are mainly due to the pay award, incremental changes and increase in superannuation rates. Other major variances are detailed below.

Licencing & Hackney Carriages
Variance due to the efficiency for the increase in licencing fees and income inflation.

Environmental Protection
No Major Variances

Food, Health & Safety
No Major variances

Community Protection & Dog Control
Variance mainly due to employee efficiencies as a result of the management restructure.

Public Sector Housing
Variance due to realignment of Selective Licencing income from Phase1 offset with a contribution from reserves. Growth bids for the introduction of Selective Licencing Phase 2, offset with associated income and the extension of the Health and Housing Co-ordinator offset with contributions from reserves.

Environment Portfolio
Revenue Budget Summary 2020-21

Major Variances in Net Controllable Expenditure
Major variances within Employee Expenses are mainly due to the pay award, incremental changes and increase in superannuation rates. Other major variances are detailed below.

Waste Management
Variance due to the manifesto pledge for free bulky household waste collections, partially offset with the efficiency for growth in garden waste income.

Trade Waste
No Major Variances

Street Care
Variance due to introduction of budget for the manifesto pledge to undertake a “Big Clean” litter pick every two months.

Public Conveniences
No Major Variances.

Direct Services Service Support
No major variances.

Building Services
No Major Variances

Car Parks

Variance mainly due to non-delivery of efficiency on long stay permits partially offset with additional pay & display income.

Fleet Management
Variance mainly due to higher fuel and licensing costs, partially offset by a reduction on tyre expenditure and savings on the vehicle insurance contract.

Parks

Variance mainly due to the introduction of budgets for manifesto pledges for plastic clever and the planting of new trees, plus the new budget for maintenance of closed churchyards.

Parks - External Works
Variance mainly due to Landscaping Team income and Pet Cremation efficiency deferred to future years.

Cemeteries
Variance mainly due to income inflation.

Growth & Regeneration Portfolio
Revenue Budget Summary 2020-21

Major Variances in Net Controllable Expenditure
Major variances within Employee Expenses are mainly due to the pay award, Incremental changes and increase in superannuation rates. Other major variances are detailed below.

Development Service Support
No major variances

Development Management
Variance mainly due to non-deliverable efficiency for pre-application advice income removed from budget.

Planning Policy
No Major Variances

Building Control Account
No major variances

Building Control Fee Earning Account
Variance due to efficiency for additional Building Control Income.

Land Charges
No Major Variances

Economic Development
Variance due to manifesto pledge to introduce a small business advisor, in addition the removal of Direct Revenue Financing for capital projects transferred to Movement in Reserves in the Resource & Reputation Portfolio.

Housing Strategy
Variance due lower to income from secondment of officer.

Resources & Reputation Portfolio
Revenue Budget 2020-21

Major Variances in Net Controllable Expenditure:

Major variances within Employee Expenses are mainly due to the pay award, incremental changes and increase in superannuation rates. Other major variances are detailed below.

Organisational Development
Variance due to reduction in staffing costs through efficiencies.

Corporate Management
Variance mainly due to increased employee expenses, and increased Audit and Banking costs partially offset by staffing efficiencies.

Health & Safety and Emergency Planning
No Major Variances

Legal Services
Variance due to additional staffing offset by additional commercial income and income inflation.

Central Print Room
Variance due to efficiency for the reduction in the number of printers.

Postages
No major variances

Registration of Electors
No Major Variances

Elections
Variance due to the removal of the budget for the Local Election in 2019/20 and the addition of budget for the Police & Crime Commissioners election offset by associated grant.

Estates & Valuation
No Major Variances

Public Land & Buildings
Variance mainly due to efficiency for income from Commercial Property Investments.

Information Technology
Variance mainly due to Revenue Bid for new IT officer, offset with transfer of digital efficiency to Central provisions.

Communications & Publicity
No major variances

Corporate Officers
No Major Variances

Business Units
No Major Variances

Public Offices
Variance mainly due to efficiency savings from office space rental and the RPI uplift on rents, partially offset by inflation increases on utilities and NNDR.

Financial Services
Variance mainly due to staffing efficiency and the cost of upgrading the core financial system, offset with a contribution from reserves.

Customer Services
No Major Variances

Insurance Premiums
Variance due to a reduction on insurance premiums

Revenues - Local Taxation
No Major Variances.

Central Provisions Account
Variance due to unallocated efficiency programme for management restructure and a reduction in the Transformation Fund partially offset with the introduction of an Asset Management Fund, an increase in the Budget Reduction Risk reserve, and transfer of the Digital efficiency from IT Services.

Non Distributed Costs
No Major Variances

Corporate Income & Expenditure
Variance due to impact on interest of planned borrowing and funds available for investment are expected to fall as the Council's reserves fall.

Movement In Reserves (MIRS)
Variance mainly due to Direct Revenue Financing of the Capital Programme and an increase in the Minimum Revenue Provision.

Appendix 3

Major Inflation Indices - Medium Term Financial Plan

	2020/21	2021/22	2022/23	2023/24	2024/25
Council Tax (Excluding Taxbase Changes)	£5 (3.07%) £187,000	£5 (2.97%) £187,000	£5 (2.89%) £187,000	£5 (2.81%) £187,000	£5 (2.73%) £187,000
Pay Award	2% £276,200	2% £278,000	2% £284,000	2% £289,000	2% £295,000
Superannuation (Triennial Review in Contribution Rate)	175,300	0	0	0	0
	%	%	%	%	%
Premises Expenses:					
Gas	5	2.5	2.5	2.5	2.5
Electricity	8	2.5	2.5	2.5	2.5
Water	2	2	2	2	2
NNDR	2	2	2	2	2
General Supplies & Services	0	0	0	0	0
Discretionary Income	3	3	3	3	3
Vacancy Provision	-£120,000	-£120,000	-£120,000	-£120,000	-£120,000

This page is intentionally left blank

Appendix 4

Movement on Earmarked Reserves

Reserve	Original Estimate 201920				Revised Estimate 2019/20				Original Estimate 2020/21			
	Opening Balance 01/04/19	Transfer to Reserve	Transfer from Reserve	Balance 31/03/20	Opening Balance 01/04/19	Transfer to Reserve	Transfer from Reserve	Balance 31/03/20	Opening Balance 01/04/20	Transfer to Reserve	Transfer from Reserve	Balance 31/03/21
	£	£	£	£	£	£	£	£	£	£	£	£
Leisure Strategy Reserve	**(237,000)**			**(237,000)**	**(237,000)**			**(237,000)**	**(237,000)**			**(237,000)**
Joint Use & Base Maintenance Reserve	**(80,679)**			**(80,679)**	**(80,679)**			**(80,679)**	**(80,679)**			**(80,679)**
Pub Watch Shop Radio Replacement Reserve	**(26,961)**	(3,500)		**(30,461)**	**(26,961)**	(3,500)	10,100	**(20,361)**	**(20,361)**	(3,500)		**(23,861)**
Building Control Reserve	**(10,130)**			**(10,130)**	**(10,130)**			**(10,130)**	**(10,130)**			**(10,130)**
Shops & Garages Repairs Reserve	**0**			**0**	**0**			**0**	**0**			**0**
Community & Crime Reserve	**(76,437)**		11,000	**(65,437)**	**(76,437)**		50,200	**(26,237)**	**(26,237)**		23,000	**(3,237)**
IT Replacement Reserve	**(664,904)**	(77,000)	259,100	**(482,804)**	**(664,904)**	(77,000)	259,100	**(482,804)**	**(482,804)**	(77,000)	204,600	**(355,204)**
Risk Mgmt Reserve	**(74,708)**		7,500	**(67,208)**	**(74,708)**		24,500	**(50,208)**	**(50,208)**		7,500	**(42,708)**
Budget Redn Risk Reserve	**(175,900)**			**(175,900)**	**(175,900)**		175,900	**0**	**0**			**0**
S106 Revenue Reserve	**(191,608)**		29,000	**(162,608)**	**(191,608)**		29,000	**(162,608)**	**(162,608)**		29,000	**(133,608)**
Housing & Housing Benefits Reserve	**(415,703)**		15,000	**(400,703)**	**(415,703)**		101,100	**(314,603)**	**(314,603)**		44,000	**(270,603)**
Insurance Reserve	**(298,718)**	(35,000)		**(333,718)**	**(298,718)**	(35,000)	30,000	**(303,718)**	**(303,718)**	(35,000)		**(338,718)**
Efficiency & Innovation Reserve	**(270,927)**		10,000	**(260,927)**	**(270,927)**		17,600	**(253,327)**	**(253,327)**		73,700	**(179,627)**
Asset Management Reserve	**(532,221)**	(61,100)	15,000	**(578,321)**	**(532,221)**	(61,100)	220,500	**(372,821)**	**(372,821)**	(61,100)	140,000	**(293,921)**
Local Development Framework Reserve	**(108,214)**		60,000	**(48,214)**	**(108,214)**	(14,700)	62,500	**(60,414)**	**(60,414)**		37,800	**(22,614)**
Earmarked Grants Reserve	**(925,667)**	0	30,100	**(895,567)**	**(925,667)**	(84,700)	197,900	**(812,467)**	**(812,467)**		100,200	**(712,267)**
CCTV Reserve	**(220,781)**	(25,800)	30,000	**(216,581)**	**(220,781)**	(25,800)	30,000	**(216,581)**	**(216,581)**	(25,800)	30,000	**(212,381)**
LA Mortgage Scheme Reserve (LAMS)	**(110,593)**			**(110,593)**	**(110,593)**			**(110,593)**	**(110,593)**			**(110,593)**
Apprentice Reserve	**(75,928)**		16,800	**(59,128)**	**(75,928)**		16,800	**(59,128)**	**(59,128)**		16,800	**(42,328)**
Land Charges	**0**			**0**	**0**			**0**	**0**			**0**
NNDR Pool Reserve	**(1,080,621)**		454,100	**(626,521)**	**(1,080,621)**		225,000	**(855,621)**	**(855,621)**		855,600	**(21)**
Transformation Fund Reserve	**(767,655)**			**(767,655)**	**(767,655)**		112,600	**(655,055)**	**(655,055)**		251,400	**(403,655)**
Economic Development Fund Reserve	**(385,408)**		30,000	**(355,408)**	**(385,408)**	(15,300)	65,000	**(335,708)**	**(335,708)**		141,000	**(194,708)**
Property Management Fund	**(64,000)**			**(64,000)**	**(64,000)**			**(64,000)**	**(64,000)**			**(64,000)**
Total Reserves	**(6,794,762)**	**(202,400)**	**967,600**	**(6,029,562)**	**(6,794,762)**	**(317,100)**	**1,627,800**	**(5,484,062)**	**(5,484,062)**	**(202,400)**	**1,954,600**	**(3,731,862)**
Net Transfer (to) / from Reserves	**765,200**				**1,310,700**				**1,752,200**			

This page is intentionally left blank

APPENDIX 5

COUNCIL TAX COLLECTION FUND ESTIMATE 2019/20

	£000	£000
Taxpayer Accounts Due	(89,562)	
LESS		
Council Tax Support	7,167	
Disabled Relief	92	
Exemptions	1,420	
Discounts	7,334	
Disregard	487	
Annexe Discount	5	
Transitional Relief	0	
Local Discretionary Council Tax Reduction	5	
Council Tax Receivable		**(73,052)**
Payment / (Receipt) of Previous Year Surpluses / (Deficits)		0
Precepts Paid		72,444
Anticipated Write-Offs	205	
Increase in bad debt provision	56	
		261
(Surplus) / Deficit in the year		**(347)**
(Surplus) / Deficit B/Fwd		347
(Surplus) / Deficit declared 15th January 2020		**0**

	£000
Allocation of Council Tax (Surplus) / Deficit	
Gedling Borough Council	0
Nottinghamshire County Council	0
Nottinghamshire Police and Crime Commissioner	0
Combined Fire Authority	0
TOTAL	**0**

	£000
Summary:	
Opening (Surplus) / Deficit 1/4/19	347
Previously declared (distributed 19/20)	0
Cumulative (Surplus) / Deficit 31/3/20	347
In year (Surplus) / Deficit 2019/20	(347)
Est (Surplus) / Deficit 31/3/20	**0**

This page is intentionally left blank

Gedling Borough Council

Report to Cabinet

Subject: Gedling Plan 2020-23

Date: 13 February 2020

Author: Senior Leadership Team on behalf of the Leader

Wards Affected

Borough wide

Purpose

To seek agreement for the Gedling Plan 2020-23 to be referred to Council for approval.

Key Decision

This is a key decision.

Recommendation

THAT: The Gedling Plan 2020-23 be agreed and referred to Council for approval on 5 March 2020.

1 Background

1.1 The Constitution of the Council requires the Leader to present, before 21 February each financial year, a draft Budget and Performance Plan (known as the Gedling Plan) to the Cabinet for approval, highlighting budget priorities, growth items and proposed cuts.

1.2 The Executive is required to consider any comments made on the draft Budget and Performance Plan and to present the final drafts to Council for adoption in accordance with the statutory requirements. To fulfil these requirements the 2020/21 budget proposals, which are detailed in a separate report on the agenda, together with the Gedling Plan will be presented to Budget Council on 5 March 2020. The Borough Council has a statutory responsibility to determine its Council Tax by 10 March.

1.3 The Gedling Plan 2019-20 setting out what the Council intended to achieve between 1 April 2019 and 31 March 2020 was approved by Full Council on 5 March 2019. The Plan was based around the following 5 priorities:

- Strong and Dynamic Communities
- High Performing Council
- Vibrant Economy
- Sustainable Environment
- Healthy Lifestyles

2 Proposal

2.1 In view of the fact that 2020 marks the beginning of a new Gedling Plan a full review has been carried out to ensure that it incorporates any changes necessary to address new challenges and reflects the Council's ambitions. It was also an opportunity to re-focus, check and challenge whether the priorities and objectives were the right ones.

2.2 The range of datasets previously used to inform the Gedling Plan 2019-20 have been reviewed and updated to identify the Strengths, Weaknesses, Opportunities and Threats ('SWOT') of both the Borough and the Council. The SWOT analysis was considered by the Senior Leadership Team and Service Managers at a series of workshops, where the priorities and objectives were reviewed and a range of strategic actions proposed. Consultation also took place with STEPs (internal employee group), community groups and representatives of business. The current vision, ambition, values, priorities and objectives remain relevant and it is proposed that they are included in the Gedling Plan 2020-23, subject only to minor amendment.

2.3 The purpose of the Gedling Plan is to set out the Council's strategic direction, and the key strategic actions which need to be delivered to meet the priority objectives. Actions in the current plan have been carried forward where work is still in progress and needs to be completed. New actions have been incorporated to take account of emerging challenges, opportunities, the manifesto pledges and Council ambitions. A copy of the proposed Gedling Plan 2020-23 is attached at Appendix 1. At the lower level the key operational actions that underpin the delivery of each priority objective will be captured in the Service Plans for each of the service areas across the Council.

2.4 A further report will be presented to Cabinet in March to seek approval for the strategic performance indicators which will be used to measure progress against the Gedling Plan.

2.5 It is important that the delivery of the Gedling Plan actions and performance indicators are monitored. Progress will be reported to Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis and performance reports published on the Council's website in the usual way.

2.6 **Equalities Implications**

The Equalities Act 2010 requires the Council to publish at least one objective (at least every 4 years) aimed at achieving the following:

a) eliminating discrimination, harassment, victimisation and other conduct that is prohibited by or under the Act;

b) advancing equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

c) fostering good relations between persons who share a relevant protected characteristic and persons who do not share it.

The Council's current equality objectives are embedded in the current Gedling Plan, its priorities, objectives and key actions. In this way, the Council can ensure the equality objectives are aligned with the corporate priorities. In relation to the Gedling Plan 2020-23 it is proposed that this approach is continued and the following priorities and objectives are recognised as equalities objectives:

Priority	Objectives
Cohesive, Diverse and Safe Communities	• Reduce poverty and inequality and provide support to the most vulnerable. • Improve social mobility and life chances.
Healthy Lifestyles	• Improve health and well-being and reduce health inequalities. • Reduce levels of loneliness and isolation.

2.7 The Council also has a duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services. Where appropriate, individual Equality Impact Assessments will be carried out in relation to specific actions identified in the Gedling Plan. Any equality issues arising will be brought to the attention of the decision maker when the decisions on those proposals are made.

3 Alternative Options

3.1 Cabinet could decide not to recommend any Gedling Plan to Council, however to do so would not be in compliance with the Constitution. In addition, without a Gedling Plan in place, the strategic direction of the Council and key strategic actions to be delivered would be unclear.

3.2 Cabinet could consider recommending an alternative Gedling Plan. However it is considered that the proposed Gedling Plan sets out appropriate data-led priorities, objectives and actions.

4 Financial Implications

4.1 The Gedling Plan will need to be delivered within existing and future approved budgets. The budget required for delivery of the Gedling Plan is set out in the General Fund Revenue Budget 2020-21 report elsewhere on this agenda.

5 Appendices

5.1 Appendix 1 - Gedling Plan 2020-23 – To follow.

6 Background Papers

6.1 None identified.

7 Reasons for Recommendations

7.1 To ensure that the Council’s strategic direction and key strategic priorities and actions are clearly set out.

GEDLING PLAN

2020-2023

Serving people **Improving Lives**

Arnot Hill Park

www.gedling.gov.uk

Gedling Borough Council

Contents

Introduction

We have lots to be proud of as a Council and as a borough, and it gives me great pleasure to introduce the Gedling Plan for 2020-23. This Plan sets out Gedling Borough Council's vision for the future, our priorities and our actions over the next 3 years, all of which support our ethos of 'Serving People, Improving Lives'. Despite the challenges we face, the Plan sets out an ambitious programme of activity to ensure the borough continues to be a place where people choose to live, do business and spend their time.

Feedback from residents in our 2019 Satisfaction Survey tells us that we are delivering good council services, with 82% being satisfied with the local area as a place to live, and 68% were satisfied with the way the Council runs things. Gedling has also recently been listed in the top 50 places to live in a recent Halifax Quality of Life survey.

For many of our residents, the day to day services we provide such as recycling and refuse collection, keeping the place clean and maintaining our open spaces and play areas matter the most, and we will continue to maintain our high standards. Our strong track record of delivery and partnership working enables us to continue to be an ambitious Council and strive to deliver better outcomes for everyone.

The Council plays an important strategic role in developing and shaping the future of the borough for our residents and businesses. This is why we remain committed to promoting and stimulating economic growth, delivering much needed housing, creating vibrant town centres, and protecting and supporting the most vulnerable in our communities. We are also deeply committed to playing our part in tackling the climate emergency and making progress towards meaningful carbon reduction in our borough.

Like all Councils, we are faced with an extremely difficult financial challenge. More and more people are in need of our services at a time when our funding from government has been drastically cut. We are now the worst affected Council in the country when it comes to the government's own statistics of core spending power, and are now reliant on locally generated income to provide the necessary resources that pay for our services. This means that we will have to continue to make difficult decisions about our future operations and spending plans. We want to continue to provide good quality services, and will use technology and smarter ways of working to continue to provide the value for money and customer-focussed services our residents need.

Despite these challenges, we remain committed to delivering this Plan for our communities. It articulates our strategic vision, it sets out priorities that matter to residents in our borough, it will make a positive difference to our local communities and businesses, and it will be at the heart of our programme for the next 3 years.

Cllr. John Clarke
Leader of the Council

About the borough and the people we serve

Arnold Town Centre

About the borough

Gedling borough lies adjacent to the boundary of the City of Nottingham and covers 120Km²

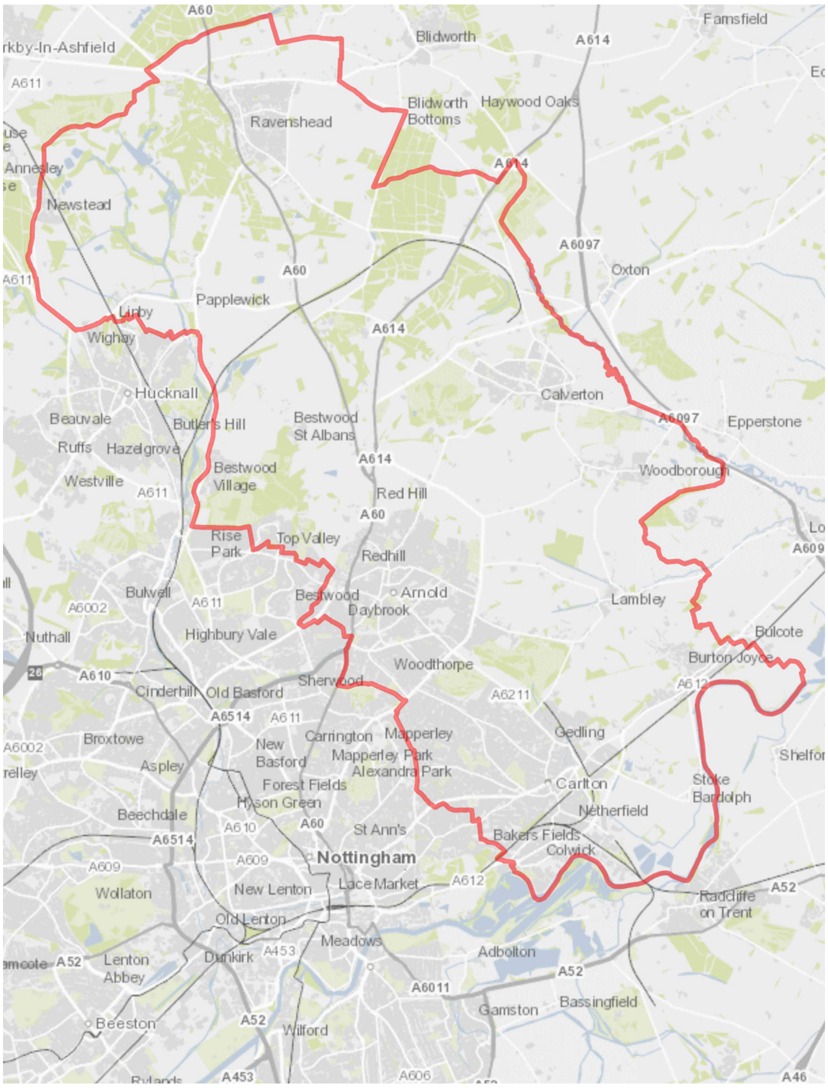
The latest estimated population is 117,800

We have just over 53,000 households

Life expectancy is higher than the national average at 80.1 years for males and 83.0 years for females

Around 5,000 businesses are based in Gedling

District boundaries



Reproduced with the permission of the Controller of H.M.S.O. Crown copyright, Licence No. LA100021246. Unauthorised reproduction infringes Crown copyright and may lead to prosecution or civil proceedings.

2019 Arnold Christmas Market

Vision, Ambition, Values and Priorities

Pride of Gedling Awards

Our Vision

We are responsible for a wide range of local services that matter to our residents and businesses in the borough. However, we do not limit our interest to only those services we are directly accountable for but rather seek to influence and make a difference in all aspects of community life. At the centre of what we do is:

"Serving People, Improving Lives"

Our Ambition

We aspire to be regarded as an excellent council by the people and businesses we serve and the staff we employ, by making a positive difference to people's lives and creating opportunities for everyone to achieve their full potential.

Our Values

What we stand for and the way we go about our business

A competent council that delivers on its promises, acts professionally and can be trusted to provide good quality services

A co-operative council that listens to, involves and responds to the concerns of its citizens, partners and employees

A commercial council that is innovative and forward thinking in its use of resources and focused on achieving value for money

A caring and compassionate council that reaches out to the lonely and marginalised and encourages others to do the same

A considerate council that recognises and respects difference and is sensitive to the impact of its actions on others

Gedling Country Park

Cafe 1899 Heritage wall

Our Priorities

COHESIVE, DIVERSE AND SAFE COMMUNITIES

To promote strong, resilient communities and reduce hardship and inequality

HIGH PERFORMING COUNCIL

To be a high performing, efficient and effective council

VIBRANT ECONOMY

To promote and drive sustainable growth across the borough to meet current and future needs

SUSTAINABLE ENVIRONMENT

To promote a sustainable environment

HEALTHY LIFESTYLES

To promote the health and wellbeing of our residents

Volunteers working on a new mural at Arnot Hill Park

COHESIVE, DIVERSE AND SAFE COMMUNITIES

To promote strong, resilient communities and reduce hardship and inequality

	Year 1	Year 2	Year 3
PROMOTE AND ENCOURAGE PRIDE, GOOD CITIZENSHIP AND PARTICIPATION			
Deliver a programme of community events and youth activities reflecting Gedling Plan priorities	●	●	●
Develop and implement a sustainable plan for our existing Community Centres	●	●	●
Develop, engage and support the voluntary sector to increase participation	●	●	●
Continue to support the Interfaith forum, Gedling Senior's Council and Youth Council and develop new community leadership forums	●	●	●
Deliver the annual Pride of Gedling Awards	●	●	●
Undertake targeted youth engagement to seek their views in order to influence provision of services	●		
Prepare and plan for an event to mark the 50th anniversary of the creation of GBC and the 200 years anniversary of Lord Bryon			●
REDUCE POVERTY AND INEQUALITY AND PROVIDE SUPPORT TO THE MOST VULNERABLE			
Work with local organisations to improve people's life chances and reduce levels of poverty	●	●	●
Deliver improvements to the standard and of availability of temporary accommodation	●	●	●
Coordinate the supported internship programme	●	●	
Identify and deliver key interventions to prevent homelessness and rough sleeping	●	●	●
Ensure equality implications are considered as part of project development and decision making	●	●	●
IMPROVE SOCIAL MOBILITY AND LIFE CHANCES			
Establish a Gedling Social Mobility Commission to improve the life chances and opportunities of young people	●	●	●
Deliver and implement the Social Mobility Action Plan	●	●	●
Identify and facilitate delivery of key interventions in agreed locality areas	●	●	●
REDUCE ANTI-SOCIAL BEHAVIOUR, CRIME AND THE FEAR OF CRIME			
Work with partners to use innovative approaches to bring about a reduction in crime and anti-social behaviour	●	●	●
Seek successful prosecutions and enforcement action for dog fouling, anti-social behaviour and against those that fly-tip waste	●	●	●
Invest in new and existing CCTV in priority hot spots	●	●	●
Work with the Police and Crime Commissioner to establish an additional Neighbourhood Policing Team	●	●	●
Develop the Council's approach to licensing regulation and enforcement	●		
Work with partners to promote and develop support for Neighbourhood Watch	●		

2019 Pride of Gedling winner, Florence Orchard

HIGH PERFORMING COUNCIL

To be a high performing, efficient and effective council

IMPROVE THE CUSTOMER EXPERIENCE OF ENGAGING WITH THE COUNCIL	Year 1	Year 2	Year 3
Engage in local government restructuring debate to ensure local services are maintained and the voice of our residents is heard	•	•	•
Undertake a residents’ satisfaction survey to seek the views of residents to improve council services		•	
Create a welcoming and vibrant reception at the Civic Centre	•		
Strengthen the working arrangements with the Department for Work and Pensions, to improve advice and support for our residents	•		
Create and implement a Communication Strategy and plan	•		
PROVIDE EFFICIENT AND EFFECTIVE SERVICES			
Develop and deliver a new efficiency programme in order to secure a balanced budget in the medium term	•	•	•
Continue to maximise the Council’s commercial investment opportunities	•	•	•
Develop and implement a strategy to maximise current income streams and identify new income opportunities	•		
Continue to implement the Demand Management Strategy	•	•	
Implement the requirements of the financial management code to deliver effective longer term financial planning	•		
Identify further management savings to ensure continuing investment in front line services	•		
Carry out a Local Government Association Peer Review and agree and implement an improvement plan	•		
Explore delivery models in partnership with other local authorities and public bodies	•	•	•
MAINTAIN A POSITIVE AND SUPPORTIVE WORKING ENVIRONMENT AND STRONG EMPLOYEE MORALE			
Continue to implement the Agile Working Strategy	•	•	•
Develop and implement strong, fair employment policies	•	•	•
Support provision of training in order to maintain a skilled, competent and confident workforce	•		
Complete the Constitution review to continue to support good governance	•		
IMPROVE USE OF DIGITAL TECHNOLOGIES			
Review and implement a new Digital Strategy	•	•	•
Continue to invest in digital Infrastructure	•	•	•
Develop and implement a new ICT Strategy	•	•	•

Our Customer Services Digital Team

VIBRANT ECONOMY

To promote and drive sustainable growth across the borough to meet current and future needs

ENSURE A ROBUST STRATEGIC DEVELOPMENT FRAMEWORK IS IN PLACE	Year 1	Year 2	Year 3
Work with partners to review the Aligned Core Strategy	●	●	●
Review and implement a Housing Needs assessment	●		
Put in place and keep up to date an appropriate suite of Planning guidance	●	●	●
Review the Community Infrastructure Levy policy	●	●	
PROVIDE MORE HOMES			
Identify and facilitate the delivery of the identified housing priorities	●	●	●
Drive the delivery of key housing sites	●	●	●
Identify the opportunities for redeveloping vacant or underused sites for new affordable homes and temporary accommodation	●	●	●
Explore the development of additional houses across the borough through appropriate models	●	●	
DRIVE BUSINESS GROWTH, WORKFORCE DEVELOPMENT AND JOB OPPORTUNITIES			
Support schools to prepare young people for work through career/interview skills days or 'Prepare local people for work'.	●	●	●
Work with partners and local businesses to provide training opportunities for residents through apprenticeships, jobs, work experience placements and specialist events	●	●	●
Extend delivery of the Compact Agreement with Nottingham Trent University through provision of student work placements and project opportunities	●	●	●
Work with the Department for Work and Pensions to deliver Mentoring Circles to local unemployed people	●	●	
Support delivery of a local industrial strategy including playing an active role in D2N2/LEP	●	●	●
Identify opportunities to redevelop vacant or underused land for employment uses	●	●	●
Facilitate growth and inward investment across the Borough	●	●	●
Provide targeted business support to small and medium businesses across the borough	●	●	●
CREATE THRIVING AND VIBRANT TOWN AND LOCAL CENTRES			
Facilitate delivery of the key strategic interventions in Arnold town centre, including Arnold Market	●	●	●
Identify and facilitate delivery of the strategic interventions in our local centres, including the Carlton Square development	●	●	●
Create a programme of events and festivals to increase footfall in our Town Centres and High Streets	●	●	●
Implement a Car Parking strategy	●	●	●

Chase Farm Housing Development

SUSTAINABLE ENVIRONMENT

To promote a sustainable environment

PROVIDE AN ATTRACTIVE AND SUSTAINABLE LOCAL ENVIRONMENT THAT LOCAL PEOPLE CAN ENJOY	Year 1	Year 2	Year 3
Develop and implement a long term strategy for the improvement of Gedling Country Park	•	•	•
Develop and implement a plan to enhance existing parks and open spaces	•	•	•
Review the asset stock for Allotments to meet current and future demand	•		
Review and develop availability and quality of Council public toilets	•	•	
IMPROVE TRANSPORT INFRASTRUCTURE AND CONNECTIVITY			
Work with the County Council to ensure completion of the Gedling Access Road to support growth	•	•	
Deliver in partnership sustainable transport links to reduce congestion and improve air quality including the tram extension, bus park and ride etc.	•	•	•
Create a new network of walkways and cycleways around the borough	•	•	•
Work with the Metro Partners and D2N2 to secure funds for key infrastructure priorities	•	•	•
Ensure delivery of new technology infrastructure such as electric charging points, 5G and broadband	•	•	•
CONSERVE, ENHANCE, PROMOTE AND CELEBRATE OUR HERITAGE			
Explore and further develop plans for the Gedling Borough Heritage Way	•	•	•
Work with owners to identify and secure opportunities for external funding for key historic assets	•	•	•
Ensure appropriate Conservation Area coverage and keep under review	•	•	•
Plant 500 UK native trees across the borough to mark the lead up to the 50th Anniversary of the creation of Gedling Borough	•	•	•
PROMOTE AND PROTECT THE ENVIRONMENT BY MINIMISING POLLUTION AND WASTE AND BECOMING CARBON NEUTRAL			
Develop and implement a Carbon Reduction Strategy aligned with key partners across the borough	•	•	•
Produce and implement a practical and robust borough wide action plan to tackle a climate emergency	•	•	•
Approve and implement a plan of action to increase levels of recycling and reduce contamination levels and levels of residual waste	•	•	•
Promote and support community based ‘clean up’ initiatives including the seasonal big clean events	•	•	•
Maintain the Council’s commitment as a ‘Plastic Clever Council’	•	•	•
Make arrangements to offer every household one free bulky waste collection every year and provide additional waste collection at Christmas	•	•	•

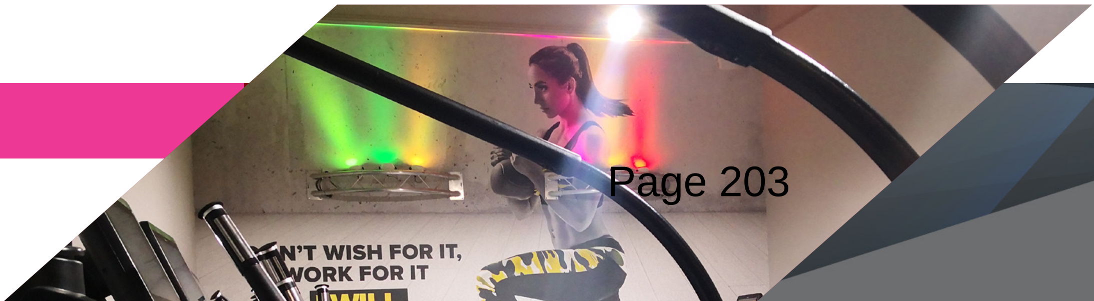
Volunteers planting trees at Gedling Country Park

HEALTHY LIFESTYLES

To promote the health and wellbeing of our residents

IMPROVE HEALTH AND WELLBEING AND REDUCE HEALTH INEQUALITIES	Year 1	Year 2	Year 3
Maintain active involvement in the County wide Health and Wellbeing board, South Nottinghamshire Integrated Care System and continue to support delivery of the approved Health and Wellbeing Plan.	●	●	●
Review the pilot Selective Licensing Scheme and investigate new schemes in the borough	●	●	●
Develop and roll out a 'Quality Scheme' for safe places, health and food outlets	●		
Working with key partners develop and implement a plan to address the impact of alcohol related harm in the borough	●	●	
SUPPORT PHYSICALLY ACTIVE LIFESTYLES			
Agree and implement a range of actions to deliver the approved Sport and Physical Activity Strategy	●	●	●
Review options for improving our Leisure facilities	●		
Develop investment opportunities into sport and physical activity outreach programmes	●	●	●
Explore options and introduce a 'Swimming Passport' providing access & opportunity for free swimming sessions for under-16s and over 65s	●		
Explore the options and implement a 'Gedling Forces Leisure Card' for all serving and retired armed forces personnel	●		
INCREASE RECREATIONAL ACTIVITIES			
Develop and implement a plan to enhance and seek external funding for existing play areas	●	●	●
Develop and implement a plan to raise awareness of and maximise usage of our local parks, play areas and open spaces	●	●	●
Deliver the Playing Pitch Strategy	●	●	●
Work with target groups and community organisations to maximise investment opportunities for the Bonington Theatre and Cinema to increase attendance and improve visitor experience	●	●	●
REDUCE LEVELS OF LONELINESS AND ISOLATION			
Develop and work with key stakeholders to embed a sustainable social prescribing programme across the borough	●	●	●
Directly support local groups to tackle loneliness and isolation	●	●	●
Implement the action plan to deliver the Council's commitment to the Mental Health Concordat	●	●	
Directly work with groups to support those affected by dementia	●	●	●

Recently refurbished Redhill gym



How we measure and manage our performance

Gedling Borough Council Civic Centre

How we manage and measure our performance

Performance Indicators
Each year Cabinet will agree the key strategic performance indicators we will measure our performance against. Service Plans will capture the key operational performance indicators for each service area.

Council Performance
Performance against the Gedling Plan is reported to Cabinet, Overview and Scrutiny Committee, and the Senior Leadership Team every three months. It is monitored by Service Managers to assess progress and ensure we remain on course to deliver against our key priorities.

Service Performance
Service plans capture the key departmental tasks that will deliver the Gedling Plan along with details of all activities planned for each service area. Performance against the service plan is monitored by the Service Manager and reported to the Director to assess progress and make sure the service is on target.

Individual Performance
Annual Performance Development Reviews capture individual staff members' contributions to the service plan and to the Gedling Plan.

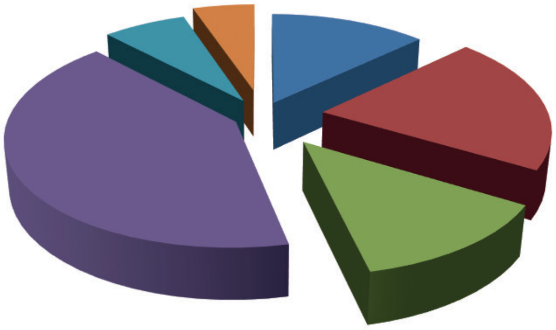
Arnot Hill Park

Financial Position

What we spend and how we spend it

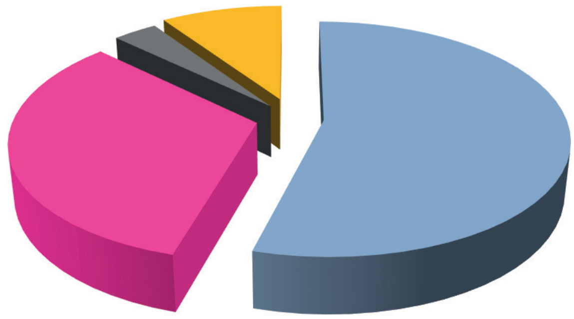
Every year we spend around £11.6 million on a wide range of services. We also administer £18 million in housing benefit payments for central government. Apart from the benefit payments we make, the main areas we spend our money on are:

Community Development	£1.5m
Housing Health and Wellbeing	£2.4m
Public Protection	£1.5m
Environment	£4.8m
Growth and Regeneration	£0.8m
Resources and Reputation	£0.6m



Where we get our money from

Council Taxpayers	£6.3m
Business Rates	£3.8m
Government Grant	£0.4m
Reserves	£1.1m



We have a long track record of delivering low cost, high quality services and our council tax charge remains lower than nearly two-thirds of other councils. The next 3 years will see us continue to face significant pressures to deliver our services with reduced funding from central government. Since 2010 our grants from the Government have been reduced by 65% making us the worst affected council in England.

Having been hit with a £5.8 million cut in money to spend on local services, the council is working hard to deliver efficiency savings to ensure our community continues to receive the high quality services it needs and deserves. Since 2014/15 the Council has approved a £6.5 million programme of efficiencies with £1.9m remaining to be delivered between 2020/21 and 2022/23. We work hard to demonstrate a balanced medium term financial plan, and our projections are that we will have a surplus on balances at 31 March 2023.

Despite the difficulties of having to find this money, there are plans for investment in the borough, including the continuing improvements to our major town centres which will be complemented by a programme of town centre events and festivals. Works are also planned to improve the offering at several of the Council's parks and play areas, including further development at the ever popular Gedling Country Park.

Ensuring an increase in the supply of suitable housing remains a priority for the Council. We will continue to work with landlords to ensure acceptable housing standards in the private rented sector through the extension of our Selective Licencing Scheme, as well as developing our own affordable and temporary accommodation on our own sites in the borough.

We will also seek to improve the safety and cleanliness of our borough by investing in CCTV in priority hotspots, offering one free bulky waste collection for each household and supporting community based 'clean up' initiatives. We will maintain our commitment as a Plastic Clever Council and supplement that with new capital investment in Carbon Reduction initiatives and a commitment to plant at least 500 native trees every year.

Vision for the Future

Vision for the Future

By 2023 the Council will have significantly rebalanced its budget which will mean how services are delivered will change. Tough decisions regarding service delivery have already been made, following the reduction of £5.8m of government grant over the last ten years. We will continue to look at ways to further reduce the council's costs to ensure that the budget we have in place best meets the needs of our borough and the communities we serve. We will also ensure services are commercially minded and that we maximise the returns from our assets.

Going forward the Council will continue to be a key enabler of improvements to the borough. Working collaboratively with our communities, public sector partners, voluntary organisations, schools, universities and businesses we will shape services that deliver real and sustainable improvements to people's lives. This will instil a strong sense of pride for all to reduce inequalities and make Gedling a healthy borough.

Our guiding principles regarding our use of resources and placing the customer first in all that we do will shape our future Council. We will use new technologies and ideas to deliver innovation and increase efficiency. This includes continuing to expand online services, improve processes and use data to design more intelligent ways of working.

We will continue to support national priorities around housing delivery. The borough has experienced sustainable growth, with 2,320 new homes developed since 2011, creating attractive locations in many areas previously in need of regeneration. A key priority for the Council is to boost the supply of new homes, to provide good quality homes to rent, to reduce homelessness, and to tackle the housing waiting list, with a further 4,930 new homes planned by 2028.

Improved transport connectivity is vital to the borough, and we aspire to see an extension of the Nottingham tram into Gedling, and a fourth road crossing built across the River Trent. We also expect our communities to see the roll-out of high speed broadband and high quality mobile connectivity across the borough. The Council will continue to invest in our town centres to improve their vitality and viability for future generations to enjoy.

The new Environment Bill will pose some difficult challenges for all local authorities to deliver, but Gedling is committed to becoming carbon neutral by 2030. This will include examination of our own operations, the collection and recycling of waste streams across the borough, and the development of new communities and neighbourhoods which embrace the highest design and environmental standards.

Chase Farm Housing Development overlooking Gedling Country Park

View from Gedling Country Park

gedlingborough gedlingbc @gedlingbc

Tel: 0115 901 3901 www.gedling.gov.uk

Gedling Borough Council

Report to Council

Subject: Council Tax 2020/21

Date: 5 March 2020

Author: Leader of the Council

Wards Affected

Borough wide.

Purpose

This report summarises the Council's General Fund Revenue Budget for 2020/21. The report also includes information about the Council's external funding support, and sets out the basis from which decisions can be made regarding the Council Tax level for 2020/21.

Recommendations:

That:

(1) Members determine the application of fund balances, or the level of contributions to balances.

(2) Members approve the calculations for 2020/21 required by sections 31 to 36 of the Local Government Finance Act 1992 and the amounts set as Council Tax for each category of dwelling.

Background

The Council Tax Process

1.1 The Council Tax is a tax on property, with personal elements in the form of discounts for dwellings with fewer than two relevant residents, and reductions awarded under the approved Council Tax Reduction Scheme. All dwellings are listed in one of eight valuation Bands. The headline Council Tax is calculated for a Band D property and the tax for each of the remaining bands is calculated as a proportion of this amount. The lowest, Band A, is two thirds of Band D and the highest, Band H, is twice Band D and three times Band A. The proportions are therefore:

Band A 6/9	Band E 11/9
Band B 7/9	Band F 13/9
Band C 8/9	Band G 15/9
Band D 9/9	Band H 18/9

1.2 The Council and its Members have several legal duties when making decisions in relation to the revenue budget and the Council Tax. The Council must:

- Act in accordance with its statutory duties and responsibilities;
- Act reasonably;
- Not act in breach of its fiduciary duty to its Ratepayers and Council Taxpayers.

1.3 As part of the Budget and the Council Tax setting process, the Council is required by the Localism Act 2011 to calculate its Council Tax Requirement for the year. These calculations must be made before 11 March (ie. by midnight on 10 March) although they are not invalid merely because they are made on or after this date. However, until the calculations are made, any attempt to set the Council Tax will be treated as null and void. The Council has a clear legal duty to set a Council Tax and a resolution <u>not</u> to do so would be unlawful, being in breach of Section 30 of the Local Government Finance Act 1992. Similarly, a resolution to set a Council Tax that deliberately did <u>not</u> balance the various calculations would also be unlawful.

1.4 The final stage of the Council Tax setting process is for the Council as billing authority to set the overall Council Tax for each Band. Whereas the billing authority and major preceptors each <u>calculate</u> their own budget requirements, basic amounts and the amounts of each Band, the setting of the Council Tax is solely the responsibility of Gedling Borough Council as billing authority.

1.5 Formal notification of precept requirement has not yet been received from the Combined Fire Authority or from Nottinghamshire County Council. Further details are provided below at paragraphs 2.5.6 and 2.5.7 and final information will be given at the meeting. Amounts in respect of parish precepts are also shown below at paragraph 2.5.8.

<u>Settlement</u>

1.6 As reported to Cabinet on 13 February 2020, the Government announced on 20 December 2019 that there would be only a one year local government finance settlement in 2020/21, meaning that there is still no clarity over funding levels after March 2021. This inhibits meaningful financial planning at a time when demand pressures are increasing, as there is still no detail available regarding the planned Fair Funding Review, or the next stage of the business rates retention regime, although consultation on these issues is ongoing.

1.7 The Council's Settlement Funding Assessment (SFA) for 2020/21 totals £3,076,400 represented wholly by estimated retained business rates. The final settlement was approved by Parliament on 24 February. The SFA represents a cash increase of £49,300 or 1.6% on the comparative figure for 2019/20, due to the inflationary increase added to business rates.

1.8 The cumulative settlement reduction over the 2016/17 to 2020/21 spending review periods equates to 38%, or £1.86m in cash terms, when compared to the 2015/16 base position. The total reduction in settlement when compared to the amount received in 2010/11 will be 65%, or £5.8m, by 2020/21. Settlement now accounts for 27% of Gedling's net budget, compared to 60% in 2010/11.

New Homes Bonus

1.9 The New Homes Bonus (NHB) was introduced in 2011/12 and is funded from the centrally retained share of Business Rates income. It is paid as a separate non ring-fenced grant, which is not part of the SFA. When it was introduced, NHB was intended to be a predictable, permanent and enduring feature of local government funding. The principle is to reward authorities for each new property completed within their boundary, and to offer an additional reward for returning empty properties back into use.

1.10 During 2016/17, the Government made changes to NHB with the aim of delivering savings to fund pressures in social care. Changes included a reduction in the length of time for which NHB is paid, from six years to four years. A baseline growth threshold of 0.4% was also introduced, recognising that some housing would be built regardless of NHB. Councils now need to achieve growth **greater** than 0.4% in a year before **any** NHB is receivable for that year. For 2020/21 the Government have confirmed that there will be no change to the way NHB is calculated, but that the award will be for one year only. MHCLG plans to undertake consultation on the future of the housing incentive in the spring of 2020.

1.11 Between October 2018 and October 2019 housing growth in Gedling was 359 band D equivalent homes, equivalent to 0.8% growth. This is above the national baseline of 0.4% and NHB has been confirmed at £269,400 for 2020/21, payable for one year. The impact of this on the 2020/21 budget when combined with the fallout of previous years' awards is an overall reduction in grant of £99,000 when compared to 2019/20.

1.12 There remains much uncertainty around the future of the New Homes Bonus and it is considered prudent for medium term financial planning to assume that there will be zero NHB awards available to support revenue financing going forward.

Core Spending Power

1.13 The Government forecasts the Council's cumulative reduction in overall core spending power, which includes SFA, NHB, and council tax receipts (assumed at the maximum possible increases which is a local decision), to be 21.3% by 2020/21 when compared to 2015/16, **making Gedling the worst affected council in England.** This is despite an increase in core spending power of 2.3% in 2020/21, which is 4% **below** the average announced for the local government sector as a whole.

Referendum Limit

1.14 The Localism Act 2011 gives powers to the local community to either endorse or veto Council Tax rises that are above a limit which is to be set annually by the House of Commons. If a local authority decides to implement an increase above the Government set limit this will trigger a referendum so that local voters can either support or reject the proposed rise. The referendum limit for 2020/21 for all shire districts has been set at a 2% or £5 increase, whichever is greater. Any Council which sets an increase greater than this, and does not get support from the electorate via the referendum, will have to revert to a Council Tax level that is compliant, and bear the cost of re-billing its residents.

Consultations

1.15 Alongside the local government finance settlement in 2018/19 the Government issued a consultation on the implementation of a "Fair Funding Review" planned for April 2020, but they have now confirmed that this will be delayed until April 2021. The review and consultation process is ongoing, with the objective of delivering a sustainable funding allocation formula for local government. The government recognises that introducing such a new needs and resources formula could result in significant changes to the funding baselines of some local authorities and it is therefore intended to introduce transitional arrangements that are fair, transparent and easily understood. The consultation process proposes that the starting baseline for the purpose of transition will be the current funding available to each authority, which should mean that no authority will see a reduction in its funding in the first instance as a result of the new system.

1.16 The government also continues to consult on its proposals to further extend the business rates retention programme, which has also been delayed for a year until April 2021. By 2021/22 the stated aim is for local authorities to retain 75% of business rates, with the initial baseline funding levels for individual authorities determined by the needs assessment arising from the Fair Funding review. The government also continues to pilot the 100% business rates retention scheme, but it is not yet clear when this might be introduced nationally.

Proposal

2.1 **Proposed Portfolio Budget 2020/21**

The proposed budgets for 2020/21, as recommended by Cabinet on 13 February 2020, are summarised in the following table:

Portfolio:	**£**
Community Development	1,526,200
Housing, Health and Wellbeing	2,347,500
Public Protection	1,609,400
Environment	4,844,500
Growth and Regeneration	853,200
Resources and Reputation	2,174,100
Net Portfolio Budget 2020/21	**13,354,900**
Transfer to/(from) Earmarked Reserves	(1,752,200)
Net Council Budget 2020/21	**11,602,700**

2.2 **Consultation with Non-Domestic Ratepayers**

In accordance with Section 65 of the Local Government Finance Act 1992, consultation with representatives of Non-Domestic Ratepayers has been undertaken. No responses were received by the end of the consultation period.

2.3 **The General Fund Balance**

The General Fund balance at 1 April 2020 is estimated to be £3,980,000.

If a Council Tax increase of £5 is approved, a contribution from balances of £1,156,000 will be required in 2020/21. This will allow prudent provision for the support of General Fund expenditure in the medium term. Members will need to consider the use of balances when determining the Council Tax for 2020/21.

2.4 **Robustness of Estimates**

2.4.1 Sections 25 and 26 of the Local Government Act 2003 place a personal duty on the Chief Financial Officer to make a report to Council when considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of 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.

Under Section 25 of the Local Government Act 2003, the Section 151 Officer is required to provide a commentary assessing the robustness of the estimates when Cabinet and Council are considering the budget proposals.

The key strategic risks in considering the 2020/21 revenue budget proposals and Capital Programme in the context of the Medium Term Financial Plan were reported to Cabinet on 13 February 2020, and are also detailed in paragraphs 2.4.2 to 2.4.8 below.

2.4.2 Financial Settlement/Funding Streams

A number of significant changes have been made to the local government financial settlements and grant funding over the period of the last Comprehensive Spending Review and proposals have been announced for future changes. Whilst the Spending Review 2019 announced a 4.4% real terms increase in Core Spending Power for the local government sector in 2020/21, this has not applied to Gedling which only received a 0.4% real terms increase. The overall message is one of continuing financial restraint which in itself creates some degree of inherent risk. The following specific items carry a particular risk for this authority:

Business rates retention/Fair Funding Review: The extension of the business rates retention scheme and implementation of the Fair Funding Review was planned for 2020/21 but this has now been delayed for a year until 2021/22 to coincide with the next spending review period. The Government is continuing to pilot the 100% business rates retention scheme but at present it is still not clear when this might be introduced. The 2020/21 settlement is for one year only, and it is a concern that there is no clarity over funding levels after March 2021. This hampers meaningful financial planning at a time when demand pressures are increasing.

The intention of the retention scheme is that it will be fiscally neutral and in order to achieve this, additional responsibilities will need to be transferred to Local Government. Any retention of business rates will still require a mechanism to ensure funding is distributed in respect of need which will create winners and losers which will be determined by the Fair Funding Review. With an obvious emphasis already included in the Spending Review to support upper tier authorities in respect of their funding for social care, there is a real risk that district councils could lose further under any new allocation process. In addition, care will be needed to ensure that new transferred responsibilities are capable of being fully funded in both the short and long term.

The current retention of business rates has shown the volatility of this funding in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates/closes. These changes are likely to require local authorities to hold higher levels of reserves in the future.

New Homes Bonus: the main body of the report at paragraph 2.4.4, identifies the significant impact that changes to this funding stream has for Gedling Borough Council due to the introduction of a 0.4% growth baseline resulting in a significantly reduced awards since 2016/17.

For 2020/21 the NHB award has been made for one year only as the government has stated that it is no longer clear that the NHB in its current form is focussed on incentivising homes where they are needed most and they plan to consult on the future of the housing incentive in the spring. Following the consultation process it is likely that the future of NHB will be considered in the context of the Fair Funding review and may even be removed as part of the Comprehensive Spending Review 2021.

Whilst there may still be an opportunity to receive NHB in the future it is considered that there is a significant downside risk to this arising and it is not prudent to rely on this funding stream to support the revenue budget. Therefore the MTFP assumes future payments will be zero. In the event that the Council does receive some NHB in the future, this will be used to support projects or be transferred to balances to support future budget setting.

Council Tax: The Government’s Core Spending Power figures are based on the assumption that Council Tax will be increased by 2% or £5 per annum whichever is greater, and that significant growth in the tax base will be achieved by the creation of additional hereditaments. These may be optimistic assumptions and in any case leave very little room for local discretion to set a higher Council Tax in order to plug any funding gaps. The MTFP contained in this report assumes that a £5 increase will be applied between 2021/22 and 2024/25 but the actual increase will be determined on an annual basis by Council. Any increase below the £5 will require an increase in the efficiency targets to ensure that a balanced budget can be set.

Economic Growth/Inflation: The Chancellor has announced a one year only spending review for 2019, basing spending decisions on estimates of future growth and assumptions on inflation. These figures are supported by the independent Office of Budget Responsibility but there is a degree of uncertainty in these figures, due to the ongoing uncertainties surrounding Brexit. Without a multi-year settlement or an understanding of what the Fair Funding Review or business rates retention will bring any future pressure arising from an economic downturn would need to be managed within local resources i.e. from further budget reductions or efficiencies. A commercial strategy is being implemented to support the achievement of a balanced budget through new income streams and increased efficiency to ensure a minimum adverse impact on service levels.

Inflation assumptions have been incorporated in the MTFP as detailed in Appendix 3, including pay award. The Chancellor removed the 1% public sector pay cap in 2018/19 and this has also impacted on pay expectations in local government. In Gedling pay increases equated to an average 3% for 2018/19 and 3.1% for 2019/20 – slightly higher than the national average of 2.8%. Pay awards of 2% have been included for 2020/21 to 2024/25. It is considered that these are realistic assumptions but uncertainties in the economy present a risk that future awards could be higher.

2.4.3 A minimum balance of 7.5% of total projected net expenditure on the General Fund is recommended by the Chief Financial Officer to be a prudent amount given the scale of the business conducted by the Council. The external auditor regards this level of balance on the General Fund to be satisfactory, and it is also appropriate to reflect uncertainties in the financial position in the medium term. The minimum balance required for 2020/21 is £870,200.

2.4.4 The surplus or deficit on balances in the MTFP shows amounts above or below the recommended minimum General Fund balance in any one year. Current spending plans show a surplus of £1,953,800 in 2020/21, declining to £257,500 by the end of 2024/25. Achievement of this position is reliant upon existing and new efficiency plans being progressed and delivered during the period of the MTFP. Underlying this is an annual deficit between the amounts of income expected and anticipated expenditure, which needs to be managed beyond the five-year horizon, but this is significantly reduced to manageable levels with the inclusion of the efficiency programmes. However, this still does not leave significant capacity to manage future budget and inflation pressures that may arise, which will have to be managed by further budget reductions.

The Council has a substantial programme of budget reductions planned for delivery. Whilst risk provisions and transformation funds have been approved, which mitigate the risk of non-delivery, and delivery of the programme is progressing well, the remaining scale of the programme, which also contains more projects that contain uncertainties inherent in more innovative commercial approaches, presents an increasing downside risk to successful delivery. Programmes are regularly monitored, and progress reported to Cabinet, to manage this risk.

The challenges that lie ahead remain equal to those in previous years, but this plan is considered robust. Gedling is not alone in facing this challenge, it is a national problem, and it is better placed than most councils to react and develop strategies to meet the set efficiency targets.

2.4.5 Initiatives introduced to manage within reduced resources bring increased risks both financially and in terms of service delivery. For example:

Reduced maintenance budgets: these can be accommodated in the medium term but may bring pressures in the longer term as major capital investment plans may need to be accelerated as assets deteriorate faster. Increased public building maintenance budgets have been included in both the 2020/21 revenue and capital budget proposals to mitigate this risk;

Earmarked reserves: reserves for specific purposes and risk management have been reviewed and will be managed at minimum requirement levels providing less scope for managing emerging risks. However, additional reserves have been set aside for the potential staffing redundancy and transfer costs in respect of the move of rent allowance payments to the Universal Credit system, which has again been delayed.

2.4.6 The Council continues with activities undertaken in association with a variety of partners. This requires reliance on partnership funding and/or the delivery of integrated programmes and is an approach which is integral to the Council's efficiency programme. However, a significant number of the Council's partners are public sector organisations which are also facing significant budget pressures and changing roles. This places increasing risk on the Council both directly, in respect of possible withdrawal of partnership funding, and indirectly, with the Council potentially facing additional burdens resulting from budget cuts in other organisations. This is especially true in respect of the most vulnerable in society which could therefore have a direct impact on troubled families initiatives, homelessness and those with specialist housing need.

2.4.7 Although there remains some risk arising from these assumptions, it is not considered necessary to increase minimum balances above the 7.5% of total projected net expenditure as the Council is responding to the challenges through efficiency measures and service reductions. It is considered that the annual and medium term budgets are robust, but given the above risk assessment the achievement of the estimated MTFP will not be easy to deliver.

2.4.8 Given the Council's excellent track record for budget management, careful budget monitoring and financial planning, which will continue, the structural deficit that remains in the Medium Term Financial Plan is considered to still be at a manageable level, although it should be expected that there may need to be some contraction of service delivery/performance if existing efficiency plans do not proceed in line with expectations, or there are further funding reductions following the implementation of the Fair Funding Review.

2.5 Council Tax 2020/21

2.5.1 Tax Base

The Council's overall tax-base was determined by the Portfolio-holder for Resources and Reputation on 31 January 2020 as 37,387.44. The tax-base for each parish is given below at paragraph 2.5.8.

2.5.2 Local Government Finance Settlement

Final Settlement Funding Assessment (SFA) figures are summarised below. This level of support is not dependent on a particular level of expenditure.

Funding Stream:	£
Revenue Support Grant	0
Business Rates - Baseline Funding Level	3,076,400
Settlement Funding Assessment (SFA) excl NHB	**3,076,400**

2.5.3 The Collection Fund

The Collection Fund continues to operate for Council Tax requirements, and following the introduction of the Business Rates Retention regime on 1 April 2013, also for Non Domestic Rates (NDR).

The surplus/deficit for Council Tax was estimated on 15 January 2020 as Nil, therefore there will be no adjustment to be shared by the authorities precepting on the Council Tax Collection Fund in 2020/21.

An estimated NDR deficit of £788,840 was declared on 31 January 2020. This will be split as follows:

Proportionate Share - NDR:	£
Central Government 50%	394,421
Gedling Borough Council 40%	315,536
Nottinghamshire County Council 9%	70,995
Combined Fire Authority 1%	7,888
Total declared DEFICIT	**788,840**

The impact of these surpluses and deficits are included in the Medium Term Financial Plan.

2.5.4 Gedling Borough Council – Council Tax 2020/21

Cabinet have recommended a net budget of £11,602,700 and a Council Tax increase of £5 (3.07%) for 2020/21. The summary of the proposed budget and the amount to be raised by Council Tax of £6,283,600 is detailed in the table below, together with the estimated position on the General Fund Balances:

Budget 2020/21:	£
Total Portfolio Budget:	**11,602,700**
Less:	
Settlement Funding Assessment (SFA)	(3,076,400)
New Homes Bonus Current	(269,400)
New Homes Bonus Legacy	(113,300)
Council Tax (surplus)/deficit declared 15 Jan 2020	0
NDR growth, renewables, & NDR collection fund deficit	(704,000)
Contribution from balances in the year	(1,156,000)
COUNCIL TAX REQUIREMENT 2020/21	**6,283,600**
General Fund Balance:	
Estimated General Fund Balance at 1 April 2020	3,980,000
Transferred from balances during 2020/21 to support General Fund expenditure	(1,156,000)
ESTIMATED GENERAL FUND BALANCE AT 1 APRIL 2021	**2,824,000**
Minimum required General Fund balance at 1 April 2021	870,200

Gedling Borough Council's proposed Council Tax of £168.07 is calculated by dividing the amount to be raised through the Council Tax (£6,283,600) by the tax base (37,387.44). This produces an amount per Band D property.

2.5.5 Nottinghamshire Police and Crime Commissioner

Formal notification of precept has been received from the Nottinghamshire Police and Crime Commissioner, following the meeting of the Police and Crime Panel on Thursday 6 February 2020. The Council Tax will rise by £9.99 (4.56%), which produces an amount per Band D property of £229.32.

2.5.6 Combined Fire Authority

The Combined Fire Authority will meet on Friday 28 February 2020. Current indications are that its Council Tax will rise by 1.95%, and further information will be given to Council at the meeting.

2.5.7 Nottinghamshire County Council

Nottinghamshire County Council will meet on Thursday 27 February 2020. Current indications are that its Council Tax will rise by 3.99%, including an additional 2% permitted for adult social care, and further information will be given to Council at the meeting.

2.5.8 Parish Precepts

Parish Councils are required to give formal notice of their precept requirements for 2020/21 by 1 March 2020. Those that have already been received at the time of writing are detailed in the table below, together with the provisional notifications received from the remainder. Anticipated parish precepts total £739,530 an increase of 3.48% on those declared for 2019/20.

Parish:	Tax Base 2020/21	Precept 2020/21 £	Band D 2020/21 £	Band D 2019/20 £	+/- £	+/- %
Bestwood Village	623.06	25,000	40.12	40.56	(0.44)	(1.08)
Burton Joyce	1,492.15	177,792	119.15	109.32	9.83	8.99
Calverton	2,221.49	208,974	94.07	89.59	4.48	5.00
Colwick	864.61	21,800	25.21	46.45	(21.24)	(45.73)
Lambley	507.60	16,930	33.35	32.38	0.97	3.00
Linby	321.24	20,341	63.32	38.89	24.43	62.82
Newstead	389.66	16,960	45.53	43.52	0.01	0.02
Papplewick	269.68	12,474	46.25	43.85	2.40	5.47
Ravenshead	2,720.60	135,910	49.96	48.95	1.01	2.06
St Albans	924.58	28,161	30.46	29.74	0.72	2.42
Stoke Bardolph	201.06	1,060	5.27	15.17	(9.90)	(65.26)
Woodborough	932.58	74,128	79.49	78.58	0.91	1.16
Unparished	25,919.13					
Total Tax Base	37,387.44					

Percentage movements may on occasion appear excessive; however Members should note that where precepts are small, modest monetary increases can result in significant percentage changes. There is no referendum limit set for parish councils for 2020/21 by central government.

Alternative Options

Had Cabinet chosen not to recommend a budget to Council this would have been in contravention of the Council's constitution and would not be in compliance with the Local Government Finance Act 1992.

Recommending an alternative budget may alter the level of recommended Council Tax for 2020/21.

Financial Implications

All financial implications are discussed within the report.

Appendices

None

Background Papers

- MHCLG Settlement report - Local Government Finance in England 2020/21;
- Prudential Indicators and Treasury Management Strategy Statement (TMSS) 2020/21;
- Capital Programme and Capital Investment Strategy 2020/21 to 2024/25;
- General Fund Revenue Budget 2020/21;
- Gedling Plan 2020/21;
- Precept notifications 2020/21.

Reasons for Recommendations

To set the Council Tax for 2020/21 and comply with the requirements of the Local Government Finance Act 1992.

For more information, please contact:

Alison Ball, Assistant Director, on 0115 901 3980.