Gedling Borough Council

Report to Cabinet

Subject: **Gedling Plan 2018-19 (including General Fund Revenue Budget)**

Date: **15 February 2018**

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

Wards Affected

Borough wide.

Purpose

This report sets out the priorities, objectives and top actions for the Council for the forthcoming year with the associated revenue budget.

Key Decision

This is a Key Decision.

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 cuts.

1.2 The Executive is required to consider any comments made on the draft Budget and Performance Plan and present the final drafts to Council for adoption in accordance with the statutory requirements. To fulfil these requirements the 2018-19 Gedling Plan and revenue budget proposals will be presented to Budget Council on 5 March 2018. The Borough Council has a statutory responsibility to determine its Council Tax by 10 March.

1.3 This report ensures these requirements will be met for the 2018/19 budget process.

1.4 The severe financial pressures that the authority continues to face following the reductions in government grant and increases in public sector pay make this another extremely challenging budget round. As the Council relies heavily on central funding to deliver its services, any funding reductions require the Council to make further budget cuts and efficiencies, and to

generate additional income to deliver a balanced budget in the short and medium term.

Proposal

2. Gedling Plan

2.1 Members will recall that the Gedling Plan 2016/2019 setting out what the Council intends to achieve between 1 April 2016 and 31 March 2019 was approved by Full Council on 7 March 2016. This is the first time a 3 year plan has been developed by the Council, enabling a stronger link between the service and financial planning processes.

2.2 In 2016, it was noted that the Plan would be reviewed and updated on an annual basis to take into account new developments, emerging priorities and actions. The purpose of the annual review is not about creating a new Gedling Plan, but providing an opportunity to reflect on any changes necessary as a result of new challenges and the Council's ambitions. It is also an opportunity to re-focus, check and challenge whether the priorities, actions and performance indicators are the right ones.

2.3 This report presents a revised Gedling Plan 2018/19 (at Appendix 1) setting out an updated position two years on and provides a 'refreshed' suite of actions to take the Council to the end of the life of the current Plan. It also includes updated performance indicator targets.

2.4 The Plan is still based around 3 priorities, which have a range of objectives beneath them.

People

- Reduce anti-social behaviour, crime and fear of crime.
- Reduce hardship and provide support to the most vulnerable.
- Improve health and wellbeing.
- Promote and encourage pride, good citizenship and participation in the local area.

Place

- Create more jobs and better access to them.
- Ensure local people are well prepared and able to compete for jobs.
- Provide more homes.
- Provide an attractive and sustainable environment that local people can enjoy and appreciate.

Performance

- Improve the customer experience of dealing with the Council.
- Create a stronger commercial and entrepreneurial culture.
- Maintain a positive and productive working environment and strong staff morale.

2.5 When reviewing the Plan and determining actions and indicators to be included in the 2018/19 Plan:

- the actions which have been completed during 2017/18 have been removed;
- a small number of actions have been slightly reworded to reflect the forthcoming work to be progressed in the forthcoming year;
- the actions included in the current Gedling Plan which now fall within the remit of the Dynamic Council programme approved in 2017 have been brought under the umbrella of 4 new actions relating to delivery of the Digital Strategy, Agile Working Strategy, Demand Management Strategy and Commercialisation Strategy. The previous actions will continue to be delivered as sub-actions to these new overarching actions;
- a small number of new actions have been included, but given the need to deliver an already ambitious range of actions and the financial pressures faced by the Council, these have been kept to a minimum;
- whilst a small number of performance indicators have been increased, again in recognition of the financial pressures faced by the Council, the approach taken has been to maintain current performance levels.

2.6 Should the recommendations be agreed, progress against the actions and indicators will be reported to Members, including Cabinet and Overview and Scrutiny Committee and to the public online in the usual way. Accountability for individual actions and indicators will be shown clearly in the reports, with each having an accountable officer and lead portfolio holder.

3. Proposed General Fund Budget 2018/19

3.1 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 etc. impact on the annual budget and this has been taken into account in presenting this annual budget and Medium Term Financial Plan (MTFP) Summary.

3.2 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 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 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 strategic shift in the focus of the organisation from a model based largely on cost reduction and service redesign, through to a strengthened focus on a more commercial council approach with an income earning emphasis.

3.3 **The Autumn Budget**

From autumn 2017 the Government is presenting a single Autumn Budget, to allow for greater Parliamentary scrutiny of Budget measures ahead of their implementation. This is intended to put an end to tax announcements being made twice a year in the Budget and Autumn Statement.

The Chancellor of the Exchequer presented his first Autumn Budget to Parliament on 22 November 2017, setting out the Government's plans for public finances and the economy. It provided an update on the state of the economy, based on the latest economic and fiscal forecasts from the Office for Budget Responsibility (OBR), and announced the Government's measures to promote long term economic growth through increased investment which is due to rise to 2.4% of national income, its highest level in 40 years.

The UK economy has grown over the past year with Gross domestic product (GDP) showing a 1.5% increase in the year to the third quarter of 2017. However, the OBR now expects to see slower GDP growth than previously anticipated over the forecast period, mainly reflecting a change in its forecast for productivity growth. It has revised down its forecast for GDP growth by 0.5 percentage points to 1.5% in 2017, and then growth slows in 2018 and 2019, before rising to 1.6% in 2022.

The knock on effect is increased borrowing. Less than two years after the previous Chancellor was promising a public spending surplus of £10 billion in 2019/20, a structural deficit of £35 billion is now forecast for the same period, falling (optimistically in the view of the Institute of Fiscal Studies) to £25 billion

by 2022/23.

The Budget does not signal the end of austerity with £12 billion of welfare cuts still to work through the system while day to day spending on public services is still due to be 6% (excluding health) lower in 2022/23 than it is today. To achieve its plans the government remains committed to maintaining fiscal discipline and therefore Government Departments will be expected to continue to deliver the overall spending plans as set out in the Spending Review which means there will be no easing of austerity for public services.

In terms of Brexit, given the uncertainty of the negotiation process the OBR still has no meaningful basis on which to form any conclusions regarding the impact on the economy. The assumptions in economic forecast included in the Budget have not changed from those used a year ago which predicted a deterioration in public finances. The additional slow-down in this year's forecasts is not put down to Brexit.

In summary, the fact of economic uncertainty remains and the Budget offered very little to ease the financial difficulties facing public services.

3.4 **Local Government Finance Settlement & New Homes Bonus 2018/19**

3.4.1 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.

The 2018/19 Settlement determines how much Revenue Support Grant central government will give to each local authority in England in 2018/19 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).

The provisional settlement figures for 2018/19 were announced by the Secretary of State for Communities and Local Government on 19 December 2017 and the final settlement announcements are expected in February. A full analysis of the provisional settlement was completed by the Local Government Association and is attached at Appendix 2 for information.

During the Settlement process for 2016/17 the Government offered all councils a four year funding settlement for 2016/17 to 2019/20 conditional upon the publication of an efficiency plan. Gedling accepted the offer to gain funding certainty to enable more proactive planning of service delivery, as did all but 10 Councils. Funding allocations have not been increased to reflect the pressure on pay and implementation of the National Living Wage.

The latest figures for the multi-year settlement are detailed in the table below:

Four Year Settlement - Spending Review Period 2016/17 – 2019/20

Year	Revenue Support Grant £	Business Rates £	Total £	Cash Reduction £	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	2,967,900*	2,967,900	376,300	-11.3%

*Net of Tariff Adjustment – (so-called Negative RSG)

The total cumulative settlement reductions equate to 40% or £1.97m in cash terms over the full spending review period 2016/17-2019/20 compared to the base position of 2015/16. Total settlement reductions compared to the amount received in 2010/11 will be £5.9m or 66% by 2019/20. This is marginally reduced from last year's forecast by £52,100 due to the impact of change in inflation indexation used for business rates, however the Government has announced that this change will be fully compensated via S31 grant in the business rates retention system.

Settlement has now reduced to 28% of Gedling's net budget for 2018/19, falling to 25% by 2019/20 at current spending levels, compared to 60% in 2010/11.

The 2019/20 Settlement figures include a Business Rates Tariff Adjustment, the so-called 'Negative RSG' which has resulted from the changes in revenue support grant and is effectively a redistribution of funding across local government. The Tariff adjustment for Gedling is £57,000 which effectively will increase the Tariff due under the business rates retention system. The Secretary of State has recognised the strength of feeling around this issue and has confirmed that there will be a formal consultation in the spring on proposals to ensure that negative RSG is allocated in a fair and affordable way.

The four year settlement ends in 2019/20 and it is a concern that there is no clarity over funding levels after March 2020. This hampers meaningful financial planning at a time when demand pressures are increasing. It is though encouraging to note that the Fair Funding Review and the next stage of business rates retention is progressing (see paragraph 3.4.6).

3.4.2 Business Rates Retention – Current 50% Retention Scheme

As detailed above the business rates baseline figures included in the Settlement have been recalculated by central government and all top-ups and tariffs adjusted to reflect the changes arising from the change in inflation indexation used to increase business rates from RPI to CPI. Government has announced that this change will be fully compensated via S31 grant which has

been incorporated in the financing estimates included in the MTFP.

Business Rates growth compared to baseline funding levels of £2,959,300 for 2018/19 is estimated at £691,000 giving total income from business rates of £3,650,300 including S31 grants to compensate for new reliefs and indexation introduced by the government since the scheme's introduction. This is £441,000 more than £250,000 initially projected in the 2017/18 MTFP but is broadly in line with the additional business rates growth achieved at outturn 2016/17 and the current estimate for 2017/18. Similar levels of growth amounts are expected in the medium term. However, it is important to note that difficulties remain in the estimation process, as 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.

3.4.3 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 which is not part of the Settlement Funding Assessment. 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.

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 and each individual award was for a six year period in the initial scheme.

During 2016/17 the Government consulted on changes to the New Homes Bonus with the intention of delivering savings to fund pressures in social care. The Government introduced the following changes in 2017/18 and have confirmed there will be no new changes introduced for 2018/19:

- Reducing the length of time bonus is paid from six years to five years in 2017/18 followed by a further reduction to four years in 2018/19 thereafter;
- Removal of deadweight – the Government notes that some housing would be built regardless of the NHB and will remove what it terms as 'deadweight' from the payment. A 0.4% baseline has been set which means that local authorities will need to achieve tax base growth of greater than 0.4% in each year before they receive any NHB funding. This is higher than the threshold consulted upon of 0.25% and the Government may further change this threshold in future years if there is a significant increase in housing growth;
- Payments for residential developments allowed on appeal will be withheld with effect from 2018/19.

Impact of the Changed New Homes Bonus Scheme

The introduction of the 0.4% growth baseline effectively means that GBC would have to grow by 180 band D houses per annum before any payment is made. For the period measured for the 2018/19 New Homes Bonus i.e. October 2016 to October 2017, growth in Gedling was 117 band D equivalent houses, equivalent to 0.26% growth. This is below the national baseline of 0.4% and therefore **Gedling will not receive any New Homes Bonus for 2018/19**. For comparative purposes the period measured for the 2017/18 New Homes Bonus growth in Gedling was 157 band D equivalent houses, equivalent to 0.35% growth. This was below the national baseline of 0.4% and therefore Gedling did not receive any additional New Homes Bonus for 2017/18. For additional context, if new housing was built with a value below the band D average, then Gedling would need 270 band A properties or 231 band B properties or 203 band C properties before even meeting the threshold for payment. Even then we would only receive NHB on properties over and above this quantity. The introduction of a baseline could remove any incentive to grow in relatively low growth areas and penalise areas with limited opportunity to grow.

Whilst there remains a possibility that Gedling will receive some New Homes Bonus in the future, housing growth would need to substantially increase above 2018/19 levels to generate, what would still be, a much reduced reward e.g. 100 band D properties above the baseline would generate approximately £160,000 of which 80% for Gedling i.e. £128,000 and 20% for the County £32,000, based on current splits.

However, the Affordable Homes Premium does continue to be paid, irrespective of the baseline, at £350 per affordable unit. For 2018/19, 40 units of the growth were ‘affordable’, generating a total premium of £14,000 of which Gedling retains 80% or £11,200, with the remaining 20% paid to Nottinghamshire County Council.

Due to the uncertainty surrounding future NHB 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.

The table below details the projected financial impact of the new NHB scheme compared to the grant received in 2016/17 prior to the change in the scheme:

New Homes Bonus Projections Compared to 2016/17

Payment Relating to	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£	£
2011/12	339,800					
2012/13	409,600					
2013/14	366,300	366,300				
2014/15	448,100	448,100				
2015/16	467,700	467,700	467,700			
2016/17	368,800	368,800	368,800	368,800		
2017/18		8,900	8,900	8,900	8,900	
2018/19			11,200	11,200	11,200	11,200
2019/20				0	0	0
2020/21					0	0
2021/22						0
Total MTFP	**2,400,300**	**1,659,800**	**845,600**	**388,900**	**20,100**	**11,200**
Reduction from 2016/17		**(740,500)**	**(1,554,700)**	**(2,011,400)**	**(2,380,200)**	**(2,389,100)**

3.4.4 Core Spending Power 2019/20 Compared to 2015/16

As part of the Settlement announcements the Government includes it's projection of Core Spending Power for each authority for the current spending review period 2016/17 to 2019/20. 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 2019/20

Year	Settlement £m	Assumed Council Tax £m	New Homes Bonus £m	Total £m	Movement from 2015/16
2015/16	5.0	5.5	2.0	12.5	-
2016/17	4.2	5.5	2.4	12.2	-2.4%
2017/18	3.7	5.8	1.6	11.1	-11.2%
2018/19	3.3	6.0	0.9	10.2	-18.4%
2019/20	3.0	6.3	0.5	9.8	-21.6%

The Government's estimate of council tax receipts assumes that District Councils will increase Council Tax by the maximum possible of £5 or 3%, whichever is greater. 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 2019/20 of 21.6% when compared to 2015/16**, making Gedling the 6th worst affected Council in the country.**

3.4.5 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.

The Government has announced further flexibility in the setting of Council Tax for 2018/19 giving Councils the ability to increase Council Tax by an additional 1% without triggering a referendum. This changes the referendum limit for Shire Districts from 2% or £5 in 2017/18 to 3% or £5, whichever is greater, in 2018/19. This announced increase in flexibility does not however offer Gedling any additional flexibility compared to the previous limit because a 3% increase is not greater than the £5 cash limit which equates to 3.16% in 2018/19. Any Council which sets an increase greater than the referendum limit 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 costs of re-billing its residents.

3.4.6 **Local Government Financing from 2020/21**

Fair Funding Review

Alongside the local government finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published the consultation: Fair funding review: a review of relative needs and resources.

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.

This consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities. In particular, it:

- presents the idea of using a simple foundation formula to measure the relative needs of local authorities, based on a small number of common cost drivers;

- considers a number of service areas where in addition, a more sophisticated approach to measuring relative needs may potentially be required; and

- outlines the statistical techniques that could be used to construct relative needs.

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. This should mean that no authority should see its funding reduce as a result of the new system in the first instance. However, it is anticipated that any transitional arrangements will unwind over time.

<u>Future Business Rates Retention</u>

- 75% Business Rates Retention

  The Government have announced that it will implement a new phase of the business rates retention programme alongside the implementation of the Fair Funding Review. By 2020/21 the 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, subject to the transitional measures detailed above. Local authorities will be able to keep that same share of growth on baseline levels when the system is re-set.

- 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. 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 3.4.1, 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, 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.

An increasing number of pilots are trialling the 100% retention proposal to enable the proposed system to be tested.

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.

3.5 Council Tax Reduction Scheme Grant

The Council Tax Benefit system was replaced on 1 April 2013 with the Council Tax Reduction Scheme (CTRS) which provides a discount on the council tax bill for eligible applicants. Gedling's initial scheme, which was approved by Council on 19 December 2012, was devised to ensure the most vulnerable are protected by making the discount receivable equivalent to the benefit which would have been payable under the previous system. The basis of the original scheme is proposed to continue for the 2018/19 financial year updated to reflect legislative changes.

At the outset the CTRS was funded partly by Government Grant, initially set at a rate 10% less than previously available as benefit subsidy, and the remainder by introducing new local tax charges for empty properties. Gedling's share of the Council Tax Reduction Scheme non-ringfenced grant, was previously specified at £706,325 for 2013/14, but this has now been incorporated into the base Settlement funding assessment and specific grant figures for CTRS are no longer identifiable or quantifiable. It is reasonable to assume that the government funding for CTRS is reducing in line with the settlement funding assessment reductions and will be removed entirely by 2019/20.

The non-ringfenced CTRS grant included an amount to fund the impact of tax base reductions on local parish precepts, initially predicted by Government at £47,500. However, as the CTRS grant is not protected from settlement funding reductions the amount of grant to be paid to Parish Councils needs to be determined on an annual basis. To date the grant has been reduced by £14,000 leaving total funding of £33,500 in 2017/18. Due to the severe financial pressures facing the Council it is now proposed, as part of the budget reduction proposals detailed at paragraph 3.6.3, that this grant funding be reduced to zero by 2020/21 i.e. £11,500 2018/19, £11,000 in 2019/20 £11,000 2020/21.

3.6 **General Fund Budget 2018/19 Summary**

3.6.1 The following table summarises the proposed General Fund Budget for 2018/19. The detailed Gedling Plan budgets are presented at Appendix 3 together with an explanation of major variances between the original estimate for 2017/18 and the estimate for 2018/19. 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 4. These have been included in both the annual base budget and MTFP calculations.

General Fund Budget Summary 2018/19

Portfolio	Original Budget 2017/18 £	Base Budget 2018/19 £	Variance £
Community Development	1,553,200	1,457,000	(96,200)
Housing, Health and Wellbeing	2,365,800	2,409,100	43,300
Public Protection	1,649,200	1,459,600	(189,600)
Environment	4,765,400	4,426,200	(339,200)
Growth and Regeneration	985,800	868,200	(117,600)
Resources and Reputation	1,836,600	1,535,800	(300,800)
Net Portfolio Budget	**13,156,000**	**12,155,900**	**(1,000,100)**
Transfer to/(from) Earmarked Reserves	(674,900)	(10,700)	664,200
Net Council Budget	**12,481,100**	**12,145,200**	**(335,900)**

3.6.2 **Major Budget Pressures**

The base budget and Medium Term Financial Plan include the following major budget pressures **greater than £50,000**:

- Employee pay award (average 3%) - £396,900;
- Pay increments, including impact of pay-line review - £150,800;
- Rent allowances - increase in the Bad Debt provision in recognition of the future transfer of cases to Universal Credit - £80,900;
- Local Taxation - reduction in council tax summons costs income due to improvements in recovery procedures resulting in fewer cases reaching the summons stage - £63,700.

3.6.3 **Major Budget Reductions – Efficiency/Budget Reduction Programmes**

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).

During the Settlement process for 2016/17 the Government offered councils a four year funding settlement for 2016/17 to 2019/20 conditional upon publication of an efficiency plan. Gedling accepted the offer to gain funding certainty and enable more proactive planning of service delivery. As a result, the Council approved its Efficiency Strategy and the subsequent efficiency/budget reduction programmes have been developed in accordance with its themes 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/Budget Reduction Programme 2014/15 – Progress Update

The 2014/15 budget reduction programme totalling £2.458m was approved for delivery between 2014/15 and 2018/19. The approved programme covered a range of revenue and capital related proposals using a variety of strategies i.e. efficiency, new ways of working, income generation and service cuts. A risk assessment of the programme of budget reductions identified the establishment of a risk provision of £179,500. Delivery of the programme has progressed well and final outturn figures are expected to be broadly in line with the original estimates net of the risk provision. However, the timescale for delivery of the planned community centre and capital receipt related reductions is slower than anticipated with the latter being due to the delay in the sale of a major development site with receipts now expected over the period 2018/19 to 2022/23. The saving still to be delivered is **£590,000** and this is included in the MTFP.

Efficiency/Budget Reduction Programme 2017/18 – Progress Update

The 2017/18 budget reduction programme totalling £1,694,200 was approved for delivery between 2017/18 and 2021/22. A risk assessment of the programme identified the establishment of a risk provision of £140,000. It is now anticipated that projects totalling £178,000 will not be achievable. This is in excess of the overall risk provision of £140,000 by £38,000.

The total saving now included is £1,516,200 of which £532,400 has already been achieved in 2017/18 leaving £983,800 still to be delivered: 2018/19 £512,200; 2019/20 £126,500; 2020/21 £125,900; 2021/22 £219,200.

In order to facilitate the delivery of the budget reduction programme a Transformation Reserve of £500,000 was established over 3 years and it is anticipated that this will be fully utilised.

Efficiency/Budget Reduction Proposals – New Programme 2018/19

Following the announcement of significant reductions in New Homes Bonus (paragraph 3.4.3), Budget Council, at its meeting on 1 March 2017, approved an efficiency target of £1.9m for the period 2018/19 to 2021/22. Officers were asked to develop delivery plans for the 2018/19 budget process.

The proposed budget reductions total £**1,432,200** over the three year period 2018/19 to 2020/21. It is recognised there are risks in being able to deliver the full amounts of the savings in the timescales projected. Therefore it is recommended that a Budget Reduction Risk provision is recognised at **£100,000** over the course of the programme, equating to approximately 7% of the planned reductions. Total net savings proposals included in the MTFP are **£1,332,300**, a £567,700 shortfall on the £1.9m target set by Council which will be incorporated into a new efficiency target as detailed at paragraph 4.3. The shortfall reflects the ever increasing challenge in finding suitable strategies that have the minimum impact on service delivery. It is however positive to note that, to date, it has been possible to achieve the majority of savings through efficiencies and income generation as we strive to become a more commercial and self-sustaining organisation.

It is also recognised that as we work to implement these proposals some resources will be required to manage the change effectively and therefore it is proposed that a new Transformation Fund be established totalling **£400,000** over the next 2 years i.e. £200,000 per annum 2018/19 and 2019/20. This will cover all change management costs, including costs of potential redundancy/retirement.

The tables below summarise the proposed budget reductions analysed by Portfolio and Reduction Type, and a detailed list is included at Appendix 5.

Summary of Budget Reduction Proposals

	Inclusion in 2018/19 Budgets and MTFP			
Portfolio	**2018/19 £**	**2019/20 £**	**2020/21 £**	**Total £**
Community Development	28,800	6,500	27,500	**62,800**
Housing, Health & Wellbeing	4,000	88,000	10,000	**102,000**
Public Protection	106,800	30,700	28,500	**166,000**
Environment	237,200	103,500	31,000	**371,700**
Growth & Regeneration	107,600	13,400	37,000	**158,000**
Resources & Reputation	231,600	137,100	203,100	**571,800**
Total	**716,000**	**379,200**	**337,100**	**1,432,300**
Less Risk Provision	(50,000)	(25,000)	(25,000)	**(100,000)**
Total Proposals (net)	**666,000**	**354,200**	**312,100**	**1,332,300**

Budget Reduction Proposals Summarised by Type

Summary 2018/19 - 2020/21	**Efficiency and Effective-ness £**	**Contract Manage-ment £**	**Income £**	**Total £**
Community Development	42,800	15,000	5,000	**62,800**
Housing, Health & Wellbeing	102,000	0	0	**105,000**
Public Protection	89,000	10,000	67,000	**166,000**
Environment	121,400	0	250,300	**371,700**
Growth & Regeneration	68,000	0	90,000	**158,000**
Resources & Reputation	330,900	26,000	214,900	**571,800**
Total	**754,100**	**51,000**	**627,200**	**1,432,300**
Less Risk Provision	(50,000)	0	(50,000)	(100,000)
Total Proposals (net)	**704,100**	**51,000**	**577,200**	**1,332,300**

3.6.4 **Proposed Revenue Resource Developments 2018/19**

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 ranks schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans.

(a) Revenue Resource Developments 2018/19

Description	Gross Revenue Bid 18/19	2019/20	Score
	£	£	
Temporary Empty Homes Officer (to June 2019)	25,000	8,200	19
'Plastic Clever Council' Initiatives (see note)	20,000	0	22
Total Revenue Resource Development Bids	**45,000**	**8,200**	

Note: at its meeting on 31 January 2018, Council approved a scheme designating Gedling as a **'plastic clever council'**. It is proposed that a £20,000 fund be established to enable the implementation of initiatives around the borough which support the community in changing behaviours in respect of plastic usage. This will be financed from the earmarked efficiency and innovation reserve.

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:

(b) General Fund Ongoing Revenue Cost of the Proposed Capital Resource Development Proposals (excluding borrowing costs)

Description	Capital Budget – For Information	Revenue Costs 2018/19	Revenue Costs 2019/20 ongoing
	£	£	£
Haywood Road Play Area	100,000	600	600
Arnold Town Centre Development	1,050,500	0	(20,000)
Carlton Square Development	350,000	0	0
Total Ongoing Revenue Costs/(Saving)		**600**	**(19,400)**

3.6.5 **Discretionary Income Inflation**

The Medium Term Financial Plan includes income inflation at 3% on discretionary income, (excluding leisure DNA, Trade Waste, Building Control), which equates to £68,400, and the increase per Portfolio is shown in the table below. Each additional 1% increase will raise a further £22,800.

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	(79,700)	(800)	**(2,400)**
Housing, Health & Wellbeing	(1,621,800)	(16,200)	**(48,600)**
Public Protection	(27,900)	(300)	**(900)**
Environment	(539,000)	(5,400)	**(16,200)**
Growth & Regeneration	(2,000)	(0)	**(0)**
Resources & Reputation	(7,900)	(100)	**(300)**
Total	**(2,278,300)**	**(22,800)**	**(68,400)**

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, 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.

3.6.6 **Summary of Significant Budget Changes 2018/19**

In summary, the table below highlights the areas of significant variance in expenditure/income, in excess of £10,000, per annum which have been reflected in the base budget 2018/19.

Significant Budget Changes 2018/19

	Budget Impact 2018/19 £	£
Original Net Council Budget 2017/18		**12,481,100**
Revenue Budget Pressures		
Inflation Pay Award – average 3%	396,900	
Pay Increments including impact of pay line review	150,800	
Apprenticeship Levy & Pension Auto Enrolment	29,300	
Increase in Bank Holiday Overtime Payments	12,900	
Rent Allowances (increased bad debt provision)	80,900	
Increase NNDR costs due to revaluation	36,600	
Reduction in Council Tax Summons Costs Income	63,700	
Reduced Housing Benefit Admin Grant	35,500	
Reduction in Land Charges Income	40,800	
Other Minor Variances (net)	17,400	
Total Pressures		**864,800**
Revenue Budget Growth		
Revenue development bids 2018/19 (see table above)	25,000	
Total Growth		**25,000**
Budget Reduction Review 2018/19 (Appendix 5)		
Budget Reductions for delivery in 2018/19	(716,000)	

	Budget Impact 2018/19 £	£
Less One off Reserves Created:		
Budget Reduction Risk Reserve	50,000	
Transformation/Change Reserve	200,000	
Total Budget Reduction Review 2018/19 (net impact)		**(466,000)**
Budget Reduction Programme 2017/18 Year 2		
Budget Reductions for delivery in 2018/19	(512,200)	
Removal of Risk Provision	(36,000)	
Total Budget Reduction Prog. 2017/18 (net impact)		**(548,000)**
Other Base Budget Reductions		
Reduction in Utility Costs	(18,000)	
Reduction in Office Rents payable Home Brewery	(30,000)	
Removal of expansion round bin purchases	(20,900)	
Fees and Charges Income Inflation (see para 3.6.5)	(68,400)	
Other Income Growth:		
Additional Planning S106 Fee Income	(25,400)	
Additional Office Rental Income	(16,000)	
Additional Cemeteries Income	(12,800)	
Additional Investment Interest	(20,000)	
Total Other Budget Reductions		**(211,700)**
Net Decrease in Budget 2018/19		**(335,900)**
Proposed 2018/19 Net Council Budget		**12,145,200**

Note: In addition to the above 2018/19 budget changes and future inflationary increases the MTFP includes the following:

- Election costs in 2019/20 £133,500
- Additional impact of Pension Auto Enrolment of £25,000 by 2021/22;

- Assumptions about the transfer of Housing Benefit administration to the Department of Works and Pensions following the introduction of Universal Credit have been made. The net cost to the authority is expected to be £32,000 in 2019/20 rising to £122,000 by 2022/23;

- Additional Planning Fee Income of £200,000 in 2019/20 and 2020/21.

3.6.7 **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 minimum General Fund Balance requirement is set at 7.5% of the Net Council Budget which is £0.911m for 2018/19. The General Fund balance is currently projected to be in excess of the minimum by £3.5m at 31 March 2019. The medium term projection on the General Fund Balance is detailed in the Medium Term Financial Plan summary at paragraph 4 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 2017/18 and 2018/19 are detailed at Appendix 6 and show expected balances of £3.3m at 31 March 2019.

3.6.8 **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 2018/19 to 2020/21. 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.

3.6.9 **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.

The Collection Fund balance at 31 March 2017 was worse than forecast and resulted in a deficit of £1.702m carried forward. A deficit of £1.5m was originally declared on 15 January 2017 for collection, with Gedling's share of the deficit of £148,200 being charged to the General Fund in 2017/18. The declared surplus and deficit calculation at 31 March 2018 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 2018/19.

This includes full recovery of the residual 2017/18 deficit of £0.202m which is fully offset by a projected improved performance on Council Tax collection.

Business Rates

Business Rates Collection Fund balances at 31 March 2017 were slightly worse than forecast and resulted in a surplus of £0.386m carried forward compared to the surplus of £0.583m that was declared for distribution, a reduction of £0.197m. A deficit of £0.708m has been declared for 2018/19, which 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 £0.283m. The primary reason for the deficit on the business rates collection fund is an increase in reliefs due to ratepayers and the over-declared surplus in previous years which now need to be recovered. Part of this will be offset by S31 grant from government for compensation for reliefs which is paid directly to the General Fund.

3.6.10 **Business Ratepayers Consultation**

Statutory consultation with 100 business ratepayers has been undertaken and any responses will be reported at the meeting.

4. MEDIUM TERM FINANCIAL PLAN

4.1 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.

4.2 The following table (a) identifies the impact of all the options that are proposed in this report:

- The incremental increase in base revenue expenditure from 2017/18 and budget growth items (paragraph 3.6.4);
- Fees and charges to be increased by an average 3%;
- Planned budget reductions and efficiency savings 2018-2023 (paragraph 3.6.3);
- Anticipated cost of borrowing to finance the capital programme for 2018-23;
- A £5 Council Tax increase has been assumed for each year of the MTFP. However, future council tax increases will be dependent upon future

spending decisions, total local government funding and the achievement of efficiency savings.

Table (a) demonstrates that additional savings and/or income will need to be identified to achieve a sustainable plan.

(a) MEDIUM TERM FINANCIAL PLAN 2018/19 TO 2022/23 - HIGH LEVEL SUMMARY

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Net Council Budget	12,145,200	11,986,900	11,209,700	11,467,000	11,761,500
Financed by:					
Less: Net Settlement Funding Assessment	(3,344,200)	(2,967,900)	(2,967,900)	(2,967,900)	(2,967,900)
NNDR Growth/ Collection Fund (Surplus)/Deficit /S31 Grant	(691,000)	(700,000)	(700,000)	(700,000)	(700,000)
New Homes Bonus	(856,700)	(388,900)	(20,200)	(11,200)	0
Less: Amount (from)/to Balances	(1,278,800)	(1,709,400)	(1,051,000)	(1,063,500)	(1,111,800)
Council Tax Requirement	5,974,500	6,220,700	6,470,600	6,724,400	6,981,800
Council Tax increase	£5 (3.16%)	£5 (3.07%)	£5 (2.97%)	£5 (2.89%)	£5 (2.81%)
Tax Base	36,638	37,013	37,388	37,763	38,138

Expected balances at year end	4,432,900	2,723,500	1,672,500	609,100	(502,700)
Required balance (7.5% projected exp)	910,900	899,000	840,700	860,000	882,100
(Surplus)/Deficit on required balances	**(3,522,000)**	**(1,824,500)**	**(831,800)**	**250,900**	**1,384,800**

4.3 Table (b) demonstrates the impact on balances if an efficiency/budget reduction target of £1.1m is delivered between 2019/20 and 2022/23 i.e. minimal underlying deficit between income and expenditure by 2022/23 and a surplus on minimum balances at the end of the Medium Term Financial Plan.

Due to budget pressures such as pay awards and grant reductions being announced increasingly late in the process e.g. Autumn Budget, it has become more usual to include savings targets in the budget that are not yet

supported by outline business plans, therefore meaning this aspect of the financial plan is less robust. However, the Council has a strong track record of delivering efficiency savings/budget reductions in acceptable timescales. It is recommended that Members approve the cumulative efficiency target of £1.1m for 2019/20 onwards, made up of the following annual ongoing targets: **2019/20 £100,000; 2020/21 £200,000; 2021/22 £400,000; 2022/23 £400,000.**

(b) Proposed Efficiency/Budget Reduction Target and Impact on MTFP/General Fund Balance

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
New Efficiency Target – reducing Net Projected Expenditure	**0**	**(100,000)**	**(300,000)**	**(700,000)**	**(1,100,000)**
Amount (from)/to Balances	(1,278,800)	(1,609,400)	(751,000)	(363,500)	(11,800)
Expected balance at year end	4,432,900	2,823,400	2,072,500	1,709,100	1,697,300
(Surplus)/Deficit on required balance	**(3,522,000)**	**(1,932,000)**	**(1,254,300)**	**(901,600)**	**(897,700)**

5. **COUNCIL TAX**

5.1 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 2018/19.

5.2 Gedling's share of the council tax for a band D property for 2017/18 is £158.07. The level of council tax for 2018/19 depends on the extent of service reductions/developments and financial risk issues (see paragraph 6 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 £57,900. In the above MTFP a £5 (3.16%) increase has been assumed which is the maximum allowed without requiring a referendum and which results in a Council Tax for a band D property at £163.07. 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

6. ROBUSTNESS OF ESTIMATES

6.1 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 2018/19 revenue budget proposals and Capital Programme in the context of the Medium Term Financial Plan are detailed in paragraphs 6.2 to 6.8 below.

6.2 Financial Settlement/Funding Streams

The Comprehensive Spending Review of 2015, Autumn Statement 2016 and Local Government Finance Settlement December 2017 identified a number of significant changes to future local government financial settlements and grant funding. 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**: The Government intends to introduce 75% business rates retention by 2020/21. The Government continues to pilot the 100% business rates retention scheme but it is not yet clear when this might be introduced. It was initially intended to introduce a Bill into Parliament early in 2017 for introduction to coincide with the phasing out of Revenue Support Grant but this has been delayed. The four year settlement ends in 2019/20 and it is a concern that there is no clarity over funding levels after March 2020. 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 recently announced 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 need to be had 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 3.4.3, 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 zero NHB for both the 2017/18 and 2018/19 years. Whilst there is still an opportunity to receive NHB in the future if housing growth levels increase, it is considered that there is a significant downside risk to this arising and it is no longer 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 3% 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 in each year of the plan but the actual increase will be determined on an annual basis by Council. Any increase below the £5 will require an increase in the budget reduction targets to ensure a balanced budget can be set.

- **Economic Growth/Inflation**: The Chancellor has based future spending decisions on estimates of future growth and an assumption on inflation. Although these figures are supported by the independent Office of Budget Responsibility there is a degree of uncertainty in these figures, especially following the Brexit decision. Whilst there is now more certainty of future Settlement funding due to the acceptance of the four year settlement offer, effectively this does now result in zero RSG from 2019/20 and with New Homes Bonus also reducing to zero any future pressure arising from an economic downturn would need to be managed within local resources i.e. from further budget reductions. A commercial strategy is currently 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 4, including pay award. The Chancellor recently removed the 1% public sector pay cap and this has also impacted on pay expectations in local government. Employers have offered an average 3% pay award for 2018/19 (which at the time of writing has been rejected by the unions) and an average 2.8% 2019/20. 2% pay awards have been included for 2020/21 to 2022/23. It is considered that these are realistic assumptions but uncertainties in the economy present a risk that future awards could be higher.

6.3 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 2018/19 is £910,900.

6.4 The (surplus)/deficit on balances in MTFP table (a) above shows amounts (above)/below the recommended minimum General Fund balance in any one year. Current spending plans show a surplus of £3,522,000 in 2018/19 declining to a deficit on balances of £1,384,800 by the end of 2022/23 if no new efficiency plans are progressed during the period of the MTFP. Underlying this is an annual deficit between the amounts of income expected and anticipated expenditure. MTFP projections at paragraph 4.3 above show that this can only be accommodated within available balances by setting additional spending reduction targets for 2019/20 onward. If the proposed target of £1,100,000 is approved, the surplus on balances by 2022/23 will be £897,700. Whilst this does not leave an annual deficit between income and expenditure to be managed beyond the five-year horizon (assuming all budget assumptions are accurate) this does still not leave significant capacity to manage future budget and inflation pressures that may arise which will have to be managed by further budget reductions.

Inclusion of Future Non-costed Savings targets and Delivery of Existing Programmes: The Medium Term Financial Plan can only be balanced by the inclusion of £1.1m of future savings targets. Usually when future efficiency savings are included in our financial planning processes these figures have robust outline business cases, but in this case these targets have been assessed as the **minimum** figure required in each year in order to deliver a sustainable plan. Although the council has a good track record of delivering efficiencies and identifying areas for reduction/savings this element of the MTFP is less robust than that which is usually acceptable and therefore has a greater degree of uncertainty than is usually acceptable.

In addition, the Council already has a substantial programme of budget reductions planned for delivery, as detailed in paragraph 3.6.3. Whilst risk provisions and transformation funds have been approved, (which mitigate the risk of non-delivery) the increasing 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 are therefore even greater than in previous years, although this plan is overall still 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.

6.5 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;
- 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.

6.6 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.

6.7 Although there is increased 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. In addition it is anticipated that further efficiency plans will be developed during the summer 2018 for implementation in future years of the MTFP. 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, and will require some tough decisions to be made by Members.

6.8 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 given the scale of the ongoing reductions required.

7. 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 one year ahead of the budget reductions it needs to make, so that any changes required are as trouble free as possible. There are some pointers to finding the shortfall projected for 2019/20 and future years. These need to be worked on in the next 18 months to continue the smooth transition that Members and officers have been successful in delivering over the last few years.
Viability	Medium	The loss of New Homes Bonus coupled with increasing pay awards has dealt a significant blow to the finances of the Council; however, it has enough reserves to cushion the impact whilst attention is turned to finding the new efficiency target of £1.1m and delivering the existing efficiency programme.
Finance	Medium	Council tax now needs to consistently increase year on year to offset the momentum of continual reductions in available budgets.
Profile	High	Gedling is facing a cut in government grant of £3.9m over the period 2016/17 to 2021/22 and to date has identified savings of £2.8m (net) to bridge the gap, leaving further reductions of £1.1m to be identified over the life of this MTFP.

Adaptability	High	Working with partners will be essential to successfully respond to the challenges that face the Council. The joint work with the DWP points to a new way forward and Gedling needs to work more closely with the Police and the local Clinical Commissioning Group to work laterally across the sector.

8. **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.

9. **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 2018/19.

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 2018/19. 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 – Gedling Plan 2018-19
Appendix 2 - Local Government Association Settlement Briefing
Appendix 3 – Detailed Gedling Plan Portfolio Budgets 2018/19
Appendix 4 – Major Price Indices – Medium Term Financial Plan
Appendix 5 - Budget Reduction Proposals 2018/19 to 2022/23
Appendix 6 – Movement on Earmarked Reserves
Appendix 7 – Council Tax Collection Fund Estimate 2018/19

Background Papers

Central Government Report – Local Government Finance Settlement in England 2018/19

Treasury Strategy 2018/19

Capital Programme Report 2018/19 to 2020/21

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 3.6.5;

Cabinet is asked to recommend to Council on 5 March 2018:

ii. that the financial threshold above which decisions will be regarded as Key Decisions be set at £0.5m for 2018/19;

iii. a Council Tax increase of £5 which balances the financing of a Net Council Tax Requirement of £5,974,500 in 2018/19;

iv. that the Gedling Plan and the detailed budget for 2018/19, as detailed in Appendices 1 and 3 be approved;

v. the future cumulative efficiency target of £1.1m with the following annual ongoing targets: 2019/20 £100,000; 2020/21 £200,000; 2021/22 £400,000; 2022/23 £400,000; and to instruct officers to develop delivery plans for the 2019/20 budget process.

Reasons for Recommendations

To obtain approval of the Gedling Plan 2018-19 for referral to Council