

Report to Cabinet

Subject: Gedling Plan 2019-20 (including General Fund Revenue Budget)

Date: 14 February 2019

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.

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 3.5.5.

Cabinet is asked to recommend to Council on 4 March 2019:

- ii. that the financial threshold above which decisions will be regarded as Key Decisions be set at £0.5m for 2019/20;
- iii. a Council Tax increase of 0% which balances the financing of a Net Council Tax Requirement of £6,034,700 in 2019/20;
- iv. that the Gedling Plan and the detailed budget for 2019/20, as detailed in Appendices 1 and 3 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 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 2019-20 Gedling Plan and revenue budget proposals will be presented to Budget Council on 4 March 2019. 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 2019/20 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 intended to achieve between 1 April 2016 and 31 March 2019 was approved by Full Council on 7 March 2016. The Plan was based around 3 priorities: People, Place and Performance.
- 2.2 The 2016-19 Plan has been reviewed and updated on an annual basis to take into account new developments, emerging priorities and actions. The purpose of the annual review provided an opportunity to reflect on any changes necessary as a result of new challenges and the Council's ambitions. It was also an opportunity to re-focus, check and challenge whether the priorities, actions and performance indicators were the right ones.
- 2.3 In view of the fact that 2019 marks the beginning of a new Gedling Plan a full review has been carried out. This commenced with the consideration of a range of datasets to identify the Strengths, Weaknesses, Opportunities and Threats of both the Borough and the Council. This SWOT analysis was considered by Senior Leadership Team and Service Managers at a series of workshops, where a revised set of data-led priorities and objectives have been identified. The current vision, ambition and values remain relevant and it

is proposed that they are included in the Gedling Plan 2019-20, with a minor amendment to the Vision:

Our Vision

We are responsible for a large number and 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. In other words, at the centre of what we do is:

“Serving People, Improving Lives”

Our Ambition

We aspire to be regarded as a great 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

A **co-operative Council** that listens to and involves its citizens, partners and employees in playing an active part in creating a prosperous future

A **commercial Council** that is innovative in its use of resources and focused on achieving value for money

A **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

2.4 However it is proposed that the current priorities, (People, Place, Performance) are replaced with the following data-led priorities underpinned by a set of priority objectives:

Priority

Strong and Dynamic Communities

To promote strong, resilient communities and reduce hardship and inequality

Objectives

- Promote and encourage pride, good citizenship and participation
- Reduce poverty and provide support to the most vulnerable

- Improve social mobility and life chances
- Reduce anti-social behaviour, crime and the fear of crime

High Performing Council

To be a high performing, efficient and effective Council

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

Vibrant Economy

To promote and drive sustainable growth across the borough to meet current and future needs

- 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

Sustainable Environment

To promote a sustainable environment

- Provide an attractive and sustainable local 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

Healthy Lifestyles

To promote the health and well-being of our residents

- 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

2.5 Members will be familiar with a number of the objectives which replicate those included in the Gedling Plan 2016-19, however new objectives are included in the proposed Gedling Plan which will ensure a focus on improving social mobility and life chances and give greater prominence to the Council's work on the borough's heritage.

2.6 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 any 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, it's 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 19-20 it is proposed that this approach is continued and the following priorities and objectives are recognised as equalities objectives:

<u>Priority</u>	<u>Objectives</u>
<p>Strong and Dynamic Communities To promote strong, resilient communities and reduce hardship and inequality</p>	<ul style="list-style-type: none"> • Reduce poverty and provide support to the most vulnerable • Improve social mobility and life chances
<p>Healthy Lifestyles To promote the health and well-being of our residents</p>	<ul style="list-style-type: none"> • Improve health and wellbeing and reduce health inequalities • Reduce levels of loneliness and isolation

2.7 The Gedling Plan structure and golden thread document detailing how the vision, ambition, priorities and objectives link together, is set out at Appendix 1a.

2.8 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. A copy of the proposed Gedling Plan 2019-20 is attached at Appendix 1 (*to follow*). 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 area across the Council.

- 2.9 Monitoring delivery of the Gedling Plan actions and performance indicators remains unchanged. Progress will be reported to Cabinet and Overview and Scrutiny Committee on a quarterly basis and reports published on the Council's website in the usual way.

3. Proposed General Fund Budget 2019/20

- 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 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.

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 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 a strengthened focus on a more commercial council approach with an income earning emphasis.

3.3 **The Autumn Budget**

Since autumn 2017 the Government has presented 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 Autumn Budget to Parliament on 29 October 2018, 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), referencing eight straight years of economic growth, higher employment and lower unemployment in every region and wages growing at their fastest pace in a decade. The OBR expects growth in the UK economy to be resilient across the forecast period with GDP improving next year from the 1.3% forecast at the Spring Statement to 1.6% then 1.4% in 2020 and 2021, 1.5% in 2022 and 1.6% in 2023. The OBR also reduced borrowing forecasts with debt as a percentage of GDP forecast to decline in every year from the current 76% of GDP to 72% of GDP in 2023/24. The fall in borrowing forecasts enabled the Chancellor to find more money to invest in public services, primarily the NHS, without committing to more borrowing.

Resource Departmental Expenditure Limits, outside of health, are 19% lower today than in 2010/11 and are set to stay broadly flat between now and 2023/24 indicating that for many public services, including local government, there will be no easing of austerity for some time to come.

The Chancellor acknowledged that the Government was at a pivotal moment in the EU negotiations, recognising the uncertainties in economic and fiscal forecasts in the event that negotiations do not secure the expected deal and reserving the right to upgrade the Spring Statement to a full fiscal event (Budget) if the economic outlook changes materially in-year.

In summary, the fact of economic uncertainty remains and the Budget offered little to ease the financial difficulties facing public services which fall outside of protected areas such as health.

3.4 **Local Government Finance Settlement & New Homes Bonus 2019/20**

- 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 2019/20 Settlement determines how much Revenue Support Grant

central government will give to each local authority in England in 2019/20 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 2019/20 were announced by the Communities Secretary on 13 December 2018. A full analysis of the provisional settlement was completed by the Local Government Association and is attached at Appendix 2 for information. The final settlement for 2019/20 was announced on 29 January 2019 and confirmed the figures that had been included in the provisional settlement.

During the Settlement process for 2016/17 the Government offered all councils a four year funding settlement for 2016/17 through 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	3,027,100	3,027,100	317,100	-9.5%

The total cumulative settlement reductions equate to 39% or £1.91m 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 are £5.8m or 66% by 2019/20. This is marginally reduced from last year's forecast by £59,200, largely due to the removal of negative RSG from the Settlement figures.

Members will recall that the 2018/19 Settlement figures included a Business Rates Tariff Adjustment, the so-called 'Negative RSG' which had resulted from changes to revenue support grant and was effectively a redistribution of funding across local government. The Tariff adjustment for Gedling was projected to be £57,000 for 2019/20 and would have reduced Gedling's funding by increasing the Tariff due under the business rates retention system. The Secretary of State at the time recognised the strength of feeling around this issue and announced a consultation for the spring of 2018 to ensure that negative RSG was allocated in a fair and affordable way. The

decision has now been taken to remove the negative RSG from the 2019/20 Settlement. Therefore, the Business Rates Settlement figure for 2019/20 is £57,000 higher than previous expectations.

Settlement has now reduced to 26% of Gedling's net budget for 2019/20, compared to 60% in 2010/11.

The four year settlement ends in 2019/20 and it remains a concern that there is still no clarity over funding levels after March 2020. This hampers meaningful financial planning at a time when demand pressures are increasing. Whilst there is still no detail available regarding the planned Fair Funding Review and the next stage of business rates retention, consultation processes on both of these reforms have been launched by the Communities Secretary.

3.4.2 Business Rates Retention – Current 50% Retention Scheme

Business Rates growth compared to baseline funding levels of £3,027,100 for 2019/20 is estimated at £906,800 giving total income from business rates of £3,933,900, 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). This is a £215,800 increase in business rates growth compared to the current estimate for 2018/19 which is mainly due to an increase in renewable energy schemes. of which Gedling retains 100% of the growth, and the usual inflation increase. Growth amounts for the medium term are currently forecast to be similar to those expected in 2018/19 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 2020/21 remain largely unknown (see paragraph 3.4.6 below).

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 NHB 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 2019/20. 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. The Government may further change this threshold in future years if there is a significant increase in housing growth.

Impact of the Changed New Homes Bonus Scheme

The introduction of the 0.4% growth baseline effectively means that GBC has to grow by 180 band D houses per annum before any NHB payment is made. 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.

During 2017/18 and 2018/19 housing growth in Gedling was below the 0.4% threshold and therefore no NHB was awarded. However, the Affordable Homes Premium does continue to be paid under the scheme, irrespective of the baseline, at £350 per affordable unit and sums of £8,900 and £11,200 were awarded for 2017/18 and 2018/19 respectively.

For the period measured for the 2019/20 New Homes Bonus i.e. October 2017 to October 2018, growth in Gedling was 241 band D equivalent houses, equivalent to 0.54% growth. This is above the national baseline of 0.4% and NHB has been confirmed at **£93,100** for 2019/20 (including Affordable Homes Premium) which will be paid for a period of 4 years totalling £372,400. The impact of the scheme changes and the introduction of the threshold is 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					0		0
2021/22							0
Total MTFP	2,400	1,660	857	482	113	104	93
Reduction from 2016/17		(740)	(1,543)	(1,918)	(2,287)	(2,296)	(2,307)

There remains considerable uncertainty surrounding the future of the NHB scheme. Further changes were being considered during the 2019/20 Settlement process although no changes were ultimately made. It is likely that the NHB will be considered as part of the Comprehensive Spending Review 2020 and the Fair Funding review and may be changed again or even removed. 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.

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

As part of the Settlement announcements the Government includes its 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	-21.5%

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 21.5% when compared to 2015/16, **making Gedling the 2nd worst affected Council in England.**

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.

In the Provisional Settlement the Government announced that the referendum limit for 2019/20 for Shire Districts will remain at 3% or £5 whichever is greater. For Gedling the £5 cash limit equates to 3.07% in 2019/20. 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.

3.4.6 Local Government Financing from 2020/21

Fair Funding Review

Alongside the local government finance settlement in 2018/19, 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*. Responses to that consultation have been considered in taking forward the work of the review and in preparing a further consultation paper: *Review of Local Authorities' Relative Needs and Resources*, which was announced alongside the local government finance settlement 2019/20.

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 current 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 2020/21. 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 funding available to each local authority in 2019/20. 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 is committed to further extend the business rates retention programme and announced in 2017 its intention to implement a new phase alongside the implementation of the wider changes to the local government finance system which the government aims to introduce in 2020 i.e. 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. Gedling did apply,

as part of a group with other Nottinghamshire authorities, to be a pilot for testing the 75% retention scheme, but the application was unsuccessful.

Alongside the local government finance settlement 2019/20, the Government published a technical consultation: *Business Rates Retention Reform*. The consultation seeks views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system. The consultation focuses on the way the business rates retention works, not on how further business rates retention will be delivered or the transition to the reformed 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 2020/21 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. Transitional arrangement will be the subject of a further consultation in 2019.

❖ 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 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 (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.

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 General Fund Budget 2019/20 Summary

3.5.1 The following table summarises the proposed General Fund Budget for 2019/20. The detailed Gedling Plan budgets are presented at Appendix 3 together with an explanation of major variances between the original estimate for 2018/19 and the estimate for 2019/20. 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 2019/20

Portfolio	Original Budget 2018/19 £	Base Budget 2019/20 £	Variance £
Community Development	1,442,400	1,501,200	58,800
Housing, Health and Wellbeing	2,423,700	2,347,500	(76,200)
Public Protection	1,459,600	1,453,900	(5,700)
Environment	4,426,200	4,516,600	90,400
Growth and Regeneration	868,200	1,242,900	374,700
Resources and Reputation	1,535,800	1,379,100	(156,700)
Net Portfolio Budget	12,155,900	12,441,200	285,300
Transfer to/(from) Earmarked Reserves	(10,700)	(765,200)	(754,500)
Net Council Budget	12,145,200	11,676,000	(469,200)

3.5.2 **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 3.1%) - implementation of a local pay structure based on a revised national pay spine - £403,000;
- Local Election in May 2019 - £130,000;
- Utility contract price inflation - £80,300;
- Increase in Minimum Revenue Provision in respect of capital programme financing - £75,800;
- Rent Allowances – increase in bad debts provision in recognition of the future transfer of cases to Universal Credit - £57,700.

3.5.3 **Major Budget Reductions – Efficiency 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 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.

Previous Efficiency Programmes – Progress Update

Since 2014/15 Council have approved three efficiency programmes totalling £5.2m net of risk provision. Progress to date has been positive and budget reductions achieved are in line with the estimate. Of the total programme £1.25m remains to be delivered over the period 2019/20 to 2021/22. Total delivery is expected to be contained within the overall risk provision for the programme.

Efficiency Proposals – New Programme 2019/20

At its meeting on 5 March 2018, Budget Council approved a cumulative efficiency target of £1.1m to be delivered over the period 2019/20 to 2022/23. Officers were asked to develop delivery plans during the 2019/20 budget process. During preparation of the efficiency proposals the target was adjusted by Officers increasing it by £0.1m to £1.2m to allow for budget pressures identified following the setting of the target by Budget Council i.e. potential pension cost increases following the next triennial review of the Pension Fund.

The proposed 2019/20 efficiency programme totals **£1,395,700** to be delivered over the four year period 2019/20 to 2022/23. 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 **£50,000** over the course of the programme, equating to approximately 3.5% of the planned reductions. Total ongoing savings included in the MTFP are **£1,345,700 net of risk provision**.

The tables below summarise the proposed efficiency programme:

Proposed Efficiency Programme 2019/20

Efficiency	Inclusion in 2019/20 Budgets and MTFP				
	2019/20 £	2020/21 £	2021/22 £	2022/23 £	Total £
Dynamic Council Programme					
• Fees and Charge Review	102,100	10,000	93,900	110,000	316,000
• Marketing & Sponsorship	30,500	50,000	0	0	80,500
• Digital Improvements	20,000	20,000	40,000		80,000
Management/Service Reviews	144,000	160,000	140,000	300,000	744,000
Corporate Items e.g. MRP	117,000	0	0	0	117,000
Historic Underspends	58,200	0	0	0	58,200
Total	471,800	240,000	273,900	410,000	1,395,700

Efficiency Proposals Summarised by Portfolio and Theme

Summary 2019/20 - 2021/23	Efficiency and Effectiveness £	Contract Management £	Income £	Total £
Community Development	10,300	0	0	10,300
Housing, Health & Wellbeing	479,500	0	24,000	503,500
Public Protection	25,700	15,000	0	40,700
Environment	58,400	11,200	157,200	226,800
Growth & Regeneration	51,900	0	47,000	98,900
Resources & Reputation	438,400	30,800	46,300	515,500
Total Proposals	1,064,200	57,000	274,500	1,395,700

3.5.4 Proposed Revenue Resource Developments 2019/20

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) Ongoing Revenue Resource Developments 2019/20

Scheme	Revenue Bid 2019/20	Ongoing
	£	£
Town Centres and Markets Manager (to support the development of vibrant town centres)	40,000	40,000
Neighbourhood Warden (contribute to community safety and improve community engagement).	31,500	31,500
Members Pot Increase £1,500 to £2,000 pa (support for community initiatives).	20,500	20,500
Rapid Response Team/Multi-Waste Bins (improve the cleanliness of the borough).	58,800	58,800

Empty Homes Officer (target 35 long term empty properties brought back into use per annum, from July 2019. Existing budget already in place April-June for existing temporary role).	26,100	35,500
Town Centre Public Realm Works	10,000	10,000
Total Ongoing Revenue Bids	186,900	196,300

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

Scheme	Revenue Bid 2019/20
	£
Health and Housing Co-ordinator <i>(supporting vulnerable people affected by inappropriate housing to enable their return home from healthcare).</i>	27,000
Plastic Clever Council <i>(initiative to support community in changing behaviours in respect of plastic usage).</i>	10,000
Planning Policy Evidence Preparation <i>(procurement of evidence base/assessment work to inform local plan)</i>	30,000
CIL Review <i>(procurement of evidence base/ assessment work)</i>	30,000
Total One Off Revenue Bids	97,000

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 2019/20	Full Ongoing From 2021/22
	£	£	£
Replacement Gym Equipment at Redhill Leisure Centre	70,000	(23,000)	(40,000)
Arnold Theatre System Upgrade	35,000	3,500	3,500
Calverton Enterprise Units	1,370,000	0	(35,000)
Total Ongoing Revenue Costs/(Saving)		(19,500)	(71,500)

3.5.5 Discretionary Income Inflation

The Medium Term Financial Plan includes income inflation at 3% on discretionary income, (excluding leisure DNA memberships, Trade Waste, Building Control), which equates to £73,300, and the increase per Portfolio is shown in the table below. Each additional 1% increase will raise a further £24,400.

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	(78,300)	(800)	(2,400)
Housing, Health & Wellbeing	(1,580,000)	(15,800)	(47,400)
Public Protection	(31,200)	(300)	(900)
Environment	(723,900)	(7,200)	(21,600)
Growth & Regeneration	(2,100)	(0)	(100)
Resources & Reputation	(32,800)	(300)	(900)
Total	(2,448,300)	(24,400)	(73,300)

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.

3.5.6 Summary of Significant Budget Changes 2019/20

In summary, the table below highlights the areas of significant variance in expenditure/income which have been reflected in the base budget 2019/20.

Significant Budget Changes 2019/20

	Budget Impact 2019/20 £	£
Original Net Council Budget 2018/19		12,145,200
<u>Revenue Budget Pressures</u>		
Pay Award – average 3.1%	403,000	
Local Election	130,000	
Utility Inflation	80,300	
Increase in Minimum Revenue Provision in respect of capital programme financing	75,800	
Rent Allowances (increased bad debt provision)	57,700	
Increase due to NNDR inflation	37,100	
Other minor variances (net)	9,900	
Total Pressures		793,800
<u>Revenue Budget Growth</u>		
Revenue development bids 2019/20 (see table above)(rising to £196,300 by 2020/21)	186,900	
Ongoing revenue implications of proposed capital programme (rising to £71,500 net income by 2021/22)	(19,500)	
Total Growth		167,400
<u>Efficiency/Budget Reduction Programmes</u>		
New Programme - efficiencies for delivery in 2019/20	(471,800)	
Previous Approved Programmes – efficiencies for delivery in 2019/20	(520,600)	
Adjustment to Budget Reduction Risk Reserve	(25,000)	
Total Efficiency Programme 2019/20 (net impact)		(1,017,400)
<u>Other Base Budget Reductions</u>		
Additional Housing Benefit Administration Grants	(45,400)	
Fees and Charges Income Inflation (see para 3.6.5)	(73,300)	
Other Income Growth:		

	Budget Impact 2019/20 £	£
Additional Planning Fee Income	(200,000)	
Additional Office Rental Income	(29,300)	
Additional Investment Interest	(65,000)	
Total Other Budget Reductions		(413,000)
Net Decrease in Budget 2019/20		(469,200)
Proposed 2019/20 Net Council Budget		11,676,000

Note: In addition to the above 2019/20 budget changes and future inflationary increases the MTFP includes the following:

- Estimated pension cost increase following triennial review of pension fund;
- 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 2020/21 rising to £120,000 by 2023/24.

3.5.7 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's minimum General Fund Balance requirement is set at 7.5% of the Net Council Budget which is £0.876m for 2019/20. The General Fund balance is currently projected to be in excess of the minimum by £2.5m at 31 March 2020. 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 2018/19 and 2019/20 are detailed at Appendix 5 and show expected balances of £4.3m at 31 March 2020.

3.5.8 **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 2019/20 to 2023/24. 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.

3.5.9 **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 declared surplus and deficit calculation at 31 March 2019 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 2019/20.

Business Rates

The Business Rates Collection Fund balance at 31 March 2018 was slightly worse than forecast and resulted in a deficit of £0.417m being carried forward, compared to the estimated deficit of £0.283m that was declared in January 2018 for collection in 2018/19, an increase of £0.134m. An estimated deficit of £0.717m at 31 March 2019 has been declared in January 2019, 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 £.287m. The primary reasons for the deficit on the Business Rates Collection Fund are an increase in reliefs due to ratepayers, and the under declared deficit in January 2018, which now needs 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.

3.5.10 **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 identifies the impact of all the options that are proposed in this report:

- The incremental increase in base revenue expenditure from 2018/19 and budget growth items (paragraph 3.5.4);
- Fees and charges to be increased by an average 3%;
- Planned budget reductions and efficiency savings 2019-2023 (paragraph 3.5.3);
- Anticipated cost of borrowing to finance the capital programme for 2019/2023;
- A zero Council Tax increase has been assumed for 2019/20. Beyond that a £5 or 3% 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 (2023/24). Whilst the budget still requires a contribution from balances in year 5 (following the 'roll on' of the MTFP), largely due to inflationary pressures including pay awards in that year, it is not proposed that a further efficiency programme be developed at this time to enable a clear focus on the current programme. Given the projected surplus on balances and the many variables in the medium term plan there is sufficient time to address any future imbalance that may arise.

MEDIUM TERM FINANCIAL PLAN 2019/20 TO 2023/24 - HIGH LEVEL SUMMARY

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Net Council Budget	11,676,000	10,872,000	10,907,400	10,875,800	11,278,300
Financed by:					
Less: Net Settlement Funding Assessment	(3,027,100)	(3,027,100)	(3,027,100)	(3,027,100)	(3,027,100)
NNDR Growth/ Collection Fund (Surplus)/Deficit /S31 Grant	(906,800)	(700,000)	(700,000)	(700,000)	(700,000)
New Homes Bonus	(482,000)	(113,300)	(104,300)	(93,100)	0
Less: Amount (from)/to Balances	(1,225,400)	(748,900)	(540,000)	(256,700)	(479,500)
Council Tax Requirement	6,034,700	6,282,700	6,536,000	6,798,900	7,071,700
Council Tax increase	0%	£5 (3.07%)	3%	3%	3%
Tax Base	37,007	37,382	37,757	38,132	38,507

Expected balances at year end	3,666,600	2,917,700	2,377,700	2,121,000	1,642,500
Required balance (7.5% projected exp)	875,700	815,400	818,100	815,700	845,900
(Surplus)/Deficit on required balances	(2,790,900)	(2,102,300)	(1,559,600)	(1,305,300)	(795,600)

Note: Actual General Fund Balance at 1 April 2018 was £5,927,600.

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 2019/20.
- 5.2 Gedling's share of the council tax for a band D property for 2018/19 is £163.07. The level of council tax for 2019/20 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

£60,300. In the above MTFP a zero percent increase has been assumed for 2019/20. The maximum council tax increase that a shire district can apply without triggering a referendum is £5 or 3%, 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

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 (at Gedling this is the Deputy Chief Executive and Director of Finance) 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 2019/20 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 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 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 and a comparatively small award for 2019/20. 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 or 3% increase will be applied between 2020/21 and 2023/24 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 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 and the ongoing uncertainties surrounding it. As there is now more uncertainty of future

Settlement funding due as we reach the end of the current four year settlement without 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 4, including pay award. The Chancellor removed the 1% public sector pay cap and this has also impacted on pay expectations in local government. In Gedling the increase 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 2023/24. 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 2019/20 is £875,700.
- 6.4 The (surplus)/deficit on balances in the MTFP table above shows amounts (above)/below the recommended minimum General Fund balance in any one year. Current spending plans show a surplus of £2,790,900 in 2019/20 declining to £795,600 by the end of 2023/24. 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 3.5.3. 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.

- 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 which has again been delayed.
- 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 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.
- 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 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.

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	<p>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.</p> <p>Efficiency plans have now been developed to balance the MTFP. These need to be implemented over the next 4 years to continue the effective delivery that Members and officers have been successful in achieving over the last few years.</p>
Viability	Medium	<p>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.</p>
Finance	Medium	<p>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.</p>
Profile	Medium	<p>The achievement of a balanced and sustainable MTFP is reliant upon the effective delivery of the efficiency programme, with £2.6m planned for delivery 2019/20 to 2022/23.</p>

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.
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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 2019/20.

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 2019/20. 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 2019-20 (*circulated separately*)
- Appendix 1a - The Gedling Plan Structure and Golden Thread
- Appendix 2 - Local Government Association Settlement Briefing
- Appendix 3 - Detailed Gedling Plan Portfolio Budgets 2019/20
- Appendix 4 - Major Price Indices – Medium Term Financial Plan
- Appendix 5 - Movement on Earmarked Reserves
- Appendix 6 - Council Tax Collection Fund Estimate 2019/20

Background Papers

- Central Government Report – Local Government Finance Report 2019 to 2020
- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2019/20
- Capital Programme and Capital Investment Strategy 2019/20 to 2023/24

Reasons for Recommendations

To obtain approval of the Gedling Plan 2019-20 for referral to Council.