

## **Report to Cabinet**

**Subject:** Gedling Plan 2014/15 (including General Fund Revenue Budget)

**Date:** 20 February 2014

**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 details the Budget and Policy Framework Procedural rules. Section 2.01 concerns budget and performance plans. It contains the specific requirement for 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 2014/15 Gedling Plan and revenue budget proposals will be presented to Budget Council on 3 March 2014. 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 2014/15 budget process.
- 1.4 The Gedling Plan has been built around delivery of the Borough Council's Vision and Values agreed by Council in October 2011.

- 1.5 The severe financial pressures that the authority continues to face following the prolonged downturn in the economy and the announcement of further reductions in Government Grant Settlement 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 budget cuts and efficiencies to deliver a balanced budget in the medium term.

## **Proposal**

### **2.1 Gedling Plan**

- 2.1.1 Appendix 1 sets out what we're trying to achieve and how we intend to go about that.
- 2.1.2 Our forward planning has taken place against a backdrop of continuing financial pressures and our approach is based upon :-
- Targeting resources at maintaining the highest levels of performance with those services that residents consider to be most important
  - Protecting services and activities that support the most vulnerable
  - Prioritising activity that helps to get the local economy back on its feet
- 2.1.3 For 2014/15, the previously named "Council Plan" has been renamed the Gedling Plan, reflecting the Council's increasingly important role as "leader of place" and its work in partnership with other agencies to address the key issues highlighted above.

The Plan continues to be focused around five priorities (People; Homes; Jobs; Place and Performance) underneath each of which sit a series of objectives. These have been updated to reflect the principles outlined above.

For each objective, a number of priority actions are identified to be taken forward in the year ahead. These include actions to: -

- Progress stalled building sites through the "Get Gedling Building" programme
- Bring more empty homes back into use
- Improve access to the Nottingham Credit Union for Gedling residents
- Continue to provide support to local food banks
- Encourage take-up of the Local Council Tax Reduction Scheme and other welfare benefits
- Pay Council employees at or above the living wage

- Put in place practical initiatives to address loneliness and isolation
- Provide diversionary activities for young people with an emphasis on our three locality neighbourhoods
- Implement the Obesity and Weight Management Framework and Delivery Plan
- Identify a range of actions to make Gedling Borough Council a dementia friendly organisation
- Develop an ongoing programme of apprenticeship and work placement opportunities for the Council and its partners and support local businesses to provide apprenticeship and work experience placements in the private sector
- Support expansion of existing Gedling businesses through assistance with securing growth investment funds
- Pursue development of part of High Street car park to enhance Arnold Town Centre
- Create a package of incentives to encourage businesses to move to or expand in Gedling
- Continue to press for delivery of the first phase of Gedling Access Road
- Champion the development of a fourth Trent crossing and secure support from key stakeholders
- Investigate and implement a planned programme of activities and initiatives to further minimise the amount of waste disposed of either at landfill or by incineration
- Deliver Gedling Country Park
- Maximise electoral registration through Individual Electoral Registration
- Establish a Gedling Youth Council and encourage young people to participate
- Achieve efficiency commitments incorporated in the 2014/15 Annual Budget
- Develop and implement agreed strategy for future provision of leisure and community centres
- Increase the number, range and take up of services available online
- Secure improved access to services arising from re-location of Arnold Job Centre to the Civic Centre

- 2.1.4 Should the recommendations be agreed, these priority actions will form the high level actions against which progress will be managed and reported to members and to the public on line and through the Covalent performance management system. Accountability for each action will be shown clearly in these reports, with each action having an accountable manager, a lead director and a lead portfolio holder.

Further work is in progress to identify targets for performance indicators for each objective and these will be the subject of a separate report to Cabinet in Spring 2014, for subsequent inclusion in the Gedling Plan and in Service Plans.

Members will note that the Gedling Plan document has from the outset been produced in a more readable and user-friendly format. The Plan will be published on-line in this format and made available to members, employees, partners and customers through the Council's website.

## **2.2 Proposed General Fund Budget 2014/15**

The Council's overarching Financial Strategy sets out the 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.

### **2.2.1 Local Government Finance Settlement 2014/15**

The Local Government Finance Settlement determines how much grant Central Government will give to each local authority in England in 2014/15.

The provisional Settlement figures for 2014/15 and indicative figures for 2015/16 were announced on 18 December 2013 and a full analysis was reported to Cabinet on 15 January 2014. The consultation period on the Settlement closed on 15 January 2014. The final Settlement figures were announced on 5 February 2014 and these contained some very minor changes from the provisional announcements as detailed in the paragraphs below.

#### **2014/15 Settlement**

The final Settlement figure, now known as the **Settlement Funding Assessment** for 2014/15 totals £5,804,065 which is £803 higher than the provisional announcement. This represents the aggregate of Revenue Support Grant of £3,064,178 and estimated retained Business Rates of £2,739,887 (the actual amount of business rates funding will be determined by the actual amount of rates collected and movements in the business rates base). The Settlement Funding Assessment of £5,804,065, which includes non-ringfenced specific grants, represents a cash reduction of £923,214 or 13.7% from the comparative 2013/14 figure.

Non-ringfenced specific grants are detailed below:

- the Council Tax Freeze grant of £138,280 was to be received for a period of 4 years to finance the Council Tax freeze implemented in 2011/12, this will now continue in baseline funding;
- Homelessness grant of £76,860 (a 1.5% reduction compared to 2013/14);
- Council Tax Reduction Scheme grant previously specified at £706,325 for 2013/14 (10% less than the previous benefit subsidy amount), has now been incorporated into the base settlement funding assessment.

In total this further reduction in 2014/15 coupled with reductions in the first 3 years of the spending round (starting 2011/12) means that this authority has had its Central Government grant reduced by £3.037m or 34% in cash terms. Government Settlement is now back to the cash levels received in 1993 when Council Tax was introduced and is programmed to fall even lower in the next spending review period as detailed in the paragraphs below.

#### Future Spending Review Period 2015/16-2018/19

The Government has indicated that Annually Managed Expenditure is set to fall at the same rate as over the Spending Review 2010 period i.e. equivalent to 30% in real terms. The current Settlement allocates a significantly higher proportion of Revenue Support Grant compared to Business Rates than in previous years and so the Council remains heavily reliant upon Central Government Funding and is therefore at significant risk of future funding reductions equivalent to 30%.

#### 2015/16 Indicative Settlement

Indicative Settlement figures for the 2015/16 Settlement Funding Assessment are unchanged from the provisional announcement at £4,885,526. This represents a cash reduction of £918,539 or 15.8% on the 2014/15 figures.

#### Council Tax Freeze Grant

The Government has announced that further funds will be available to local authorities which freeze council tax for a further year in 2014/15. Councils that do so will get a grant equivalent to raising their council tax by 1%, adjusted to exclude the reductions given to those receiving council tax support, which equates to £59,900 for Gedling. The grant will be paid to participating authorities in the financial years 2014/15 and 2015/16. Ministers have altered the funding principles and now funding of the freeze grant should be built into the spending review baseline. This gives as much certainty as possible at this stage that the extra funding for freezing council tax will remain available on an ongoing basis.

The Government also announced additional grant funding to support Councils that freeze council tax in 2015/16. This will be a separate scheme, yet to be confirmed, with grants to be paid in respect of council tax decisions taken by authorities in that financial year.

### 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 2014/15 scheme, which was approved by Council on 15 January 2014, is 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. However, the element of transitional support to benefit claimants is subject to additional funding from Central Government. To date no announcement on the availability of this funding has been made

The new system is being funded partly by Government Grant, at a rate 10% less than previously available as benefit subsidy, and the remainder by the Council introducing new tax charges for empty properties.

The impact of the new discount scheme is to reduce the Council Taxbase which therefore reduces the ability to raise additional revenue from Council Tax increases. The Settlement Funding Assessment includes the non-ringfenced CTRS grant, referred to in paragraph 2.2.1 above, which includes an amount to fund the impact of taxbase reductions on local parish precepts. The impact of the scheme on 2013/14 taxbase figures, when adjusted for our own technical changes, resulted in a precept reduction of £28,400 for Parish Councils as a whole. It is anticipated that this Council will continue to make this equivalent grant payment to the Parish Councils in 2014/15 to ensure no loss is suffered.

As detailed under the 2014/15 Settlement the CTRS grant is not protected from future funding reductions therefore the amount of grant to be paid to Parish Councils will need to be determined on an annual basis.

### 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.

For 2014/15 the limit has been set at **2.0%**. Any Council which sets an increase at 2.0% or greater and does not get support from the electorate via the referendum will have to revert to a council tax level that is compliant.

### New Homes Bonus

During 2011/12 Central Government introduced the New Homes Bonus (NHB) which is now a significant and permanent feature of future local government funding. The Government have committed to funding NHB from the centrally retained share Business Rates income which will continue to be paid as a separate non-ringfenced grant.

The principles of the grant are to reward local authorities for each new property completed within their boundary. The value of the reward is linked to the average council tax band D property and each individual award will be for a six year period.

Gedling has been awarded £448,054 for 2014/15 which is in addition to the £1,115,730 awarded for 2011/12-2013/14, giving a total cumulative New Homes bonus of £1,563,784. The MTFP assumes future increases in grant of £350,000 per annum after 2014/15 reaching a cumulative total of £2,263,800 by 2016/17 which is the end of the six year period after which it is expected to stabilise at this level.

The receipt of the New Homes Bonus has enabled the Council to protect core services and to respond to local priorities by investing in its Economic Development activities through the introduction of free town centre car parking, investment in Arnold leisure centre and theatre facilities, the establishment of an increased and permanent staffing resource for general economic development work.

## 2.2.2 **General Fund Budget 2014/15 Summary**

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 2. These have been included in both the annual base budget and MTFP calculations. The following table summarises the proposed General Fund Budget for 2014/15. The detailed budgets are presented at Appendix 3 together with an explanation of major variances between the original estimate for 2013/14 and the estimate for 2014/15.

### **General Fund Budget Summary 2014/15**

<b>Portfolio</b>	<b>Original Budget 2013/14 £</b>	<b>Base Budget 2014/15 £</b>	<b>Variance £</b>
Community Development	1,292,900	1,438,600	145,700
Health & Housing	1,024,700	1,116,100	91,400
Public Protection and Communication	1,593,500	1,625,900	32,400
Environment	5,146,300	4,499,300	(647,000)
Leisure & Development	2,877,300	2,732,100	(145,200)
Finance & Performance	907,800	1,567,400	659,600
<b>Base Budget</b>	<b>12,842,500</b>	<b>12,979,400</b>	<b>136,900</b>

### 2.2.3 **Budget Pressures**

In addition to the expected inflationary pressures detailed in Appendix 2 the base budget and medium term financial plan include the following major budget pressures greater than £50,000:

- Living Wage – commitment to ensure no member of staff is paid below the living wage - £141,500;
- Pension Fund Contributions – the Actuary's triennial valuation of the pension fund requires a 0.7% increase in employers contributions - £53,200;
- Proposed introduction of Taxi Licencing Topography/Knowledge Test for taxi drivers, covering directions, road signs and numeracy skills. The test is designed to ensure that the taxi service in Gedling is of a high quality, that the drivers are knowledgeable about the area and are suitably skilled. It anticipated this will reduce the number of licence applications and therefore income generated. Net budget impact estimated at £57,400 per annum with effect from 2014/15;
- Increased Housing Benefit costs due to reduced Housing Benefit and Council Tax administration subsidy grant, increased rent levels and higher value fraud detection rates - £149,500;
- Reduced Leisure Centre and Cemetery Income - £107,700.

### 2.2.4 **Budget Reduction Proposals**

Significant reductions in future grant funding together with other cost pressures, detailed in paragraphs 2.2.1 and 2.2.3 above, mean that significant budget reductions are required to deliver a sustainable medium term financial plan. A major review of the Council's service levels has been undertaken and consequently this budget proposal includes a variety of budget reduction strategies as detailed below:

- **Efficiency** – to deliver the same level of service with a reduced level of resource through improved working practices e.g. better use of IT, improved procurement; effective asset management;
- **New Ways of Working** – to change how the service is provided to one that is considered to be equally acceptable but requiring a lower level of resource;
- **Income Generation** – to reduce the level of subsidy provided in our discretionary service areas moving toward full cost recovery where appropriate; sale of surplus non-operational assets;
- **Cuts** – to reduce or discontinue a current service provision.

The total proposed budget reductions over the five year period of the Council's medium term financial plan are £2,458,100. The tables below summarise the



proposed budget reductions analysed by Portfolio and Reduction Type, and a detailed list is included at Appendix 4. It is 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 Transformation Reserve be established totalling £500,000 over the next 3 years i.e. £300,000 2014/15, £150,000 2015/16, £50,000 2016/17. This will cover all change management costs, including costs of redundancy/retirement. It is estimated that up to 37 ftes could be removed from the establishment over the next 3 years as a result of these proposals, with 20 of these posts currently vacant. It is also recognised there are risks in being able to deliver the full amounts of the savings in the timescales projected, therefore it is also recommended that a Budget Reduction Risk Reserve is established equating to approximately 10% of the savings projected.

### **Summary of Budget Reduction Proposals**

	<b>Inclusion in 2014/15 Budgets and MTFP</b>			
<b>Portfolio</b>	<b>2014/15 £</b>	<b>2015/16 £</b>	<b>2016/17 - 2018/19 £</b>	<b>Total £</b>
<b>Community Development</b>	31,100	182,600	0	<b>213,700</b>
<b>Health &amp; Housing</b>	100,300	16,400	0	<b>116,700</b>
<b>Public Protection &amp; Communication</b>	173,600	49,100	10,800	<b>233,500</b>
<b>Environment</b>	390,200	58,000	50,300	<b>498,500</b>
<b>Leisure &amp; Development</b>	435,200	88,900	0	<b>524,100</b>
<b>Finance</b>	179,600	232,800	459,200	<b>871,600</b>
<b>Total Budget Reduction Proposals</b>	<b>1,310,000</b>	<b>627,800</b>	<b>520,300</b>	<b>2,458,100</b>

### **Summary of Budget Reduction Proposals Analysed by Type**

	<b>Reduction Type</b>				
<b>Portfolio</b>	<b>Efficiency £</b>	<b>New Ways of Working £</b>	<b>Income Generation £</b>	<b>Cut £</b>	<b>Total £</b>
<b>Community Development</b>	22,600	167,600	0	23,500	213,700
<b>Health &amp; Housing</b>	94,700	0	0	22,000	116,700
<b>Public Protection &amp; Communication</b>	164,900	5,000	10,000	53,600	233,500
<b>Environment</b>	221,400	135,300	75,000	66,800	498,500
<b>Leisure &amp; Development</b>	147,200	43,800	122,500	210,600	524,100
<b>Finance</b>	162,800	67,400	606,400	35,000	871,600
<b>Total</b>	<b>813,600</b>	<b>419,100</b>	<b>813,900</b>	<b>411,500</b>	<b>2,458,100</b>

The major budget reduction items greater than £50,000 are detailed in the paragraphs below:

**a) Efficiency**

- Redesign of Waste Management and Parks and Street Care working practices and structures - £141,300 2014/15
- Redesign of Customer Services working practices and structures – Estimated saving £127,100 over next 3 years
- Redesign of Leisure Centre working practices - £109,600 over next 2 years
- Review of Organisational Development business transformation service - £71,500 over next 2 years

**b) New Ways of Working**

- **Transfer Community Centres to Community Organisations** – Estimated Saving £227,600 over next 3 years

Community Centres are a discretionary service provided by the Council. Many of the Council's community centres are under-used and are often located next to other community venues. It is not sustainable for the Council to operate community centres in the way that it has in the past so it is proposed to transfer them to local community organisations. If a community organisation cannot be found to run the centre, consideration will be given to the sale of the asset to generate a capital receipt which will reduce the borrowing requirement for the Council. In these circumstances current user groups will be assisted to find alternative facilities in their localities.

- **Introducing Open Grassland Habitats in Parks** – Estimated saving £107,400 over next 3 years

Grounds maintenance regime changes will be introduced that will improve bio-diversity. 'Open Grassland Habitat' areas will be trialled during 2014 which will include mown strip paths for the dog walkers and as such, will not prevent users enjoying the parks/open spaces. As part of this process we intend to eradicate any noxious weeds seen growing in the grass – Docks, Ragwort etc., but otherwise the areas will be left alone and be cut once annually at the end of the growing season.

**c) Income Generation**

- Increase Leisure Centre Fees and Charges (excluding DNA scheme) by 10% above the inflationary level - £122,500 2014/15

- Sale of surplus non-operational land, generating estimated capital receipts of £4.8m, which will be used to finance the Capital Programme and reduce revenue borrowing costs - £603,400 revenue saving over next 5 years

**d) Service Cuts**

- Reduction in Grants to Voluntary Organisations/Community Fund - £54,300 over next 2 years
- Reduction in discretionary leisure activity e.g. sports development; arts projects; exercise promotion; youth activities and administrative support - £183,300 over next 2 years

**2.2.5 Proposed Revenue Resource Developments 2014/15**

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

In light of the overall financial position, and the need to reduce net revenue expenditure significantly in order to achieve a balanced budget over time, revenue resource developments included in the budget proposal for 2014/15 are primarily one off project funds focussed on delivering against key priorities e.g. Economic Development. The MTFP, at paragraph 3 below, assumes no future ongoing revenue development bids. The schemes proposed in the tables below are those scoring 25 points and above using the Council's approved methodology. There were no other revenue development proposals for 2014/15.

**General Fund Revenue Resource Development 2014/15 (25 points or above)**

**(a) One Off Resource Developments**

Description	Gross Rev Bid 2014/15	Gross Rev Bid 2015/16	Gross Rev Bid 2016/17	Total Score
	£	£	£	
<b><u>Environment</u></b>				
Gedling Country Park Project Fund		50,000	100,000	26
Environmental Projects Fund	50,000			25
<b><u>Leisure and Development</u></b>				
Economic Development Fund	500,000	100,000		32
Leisure Centre Options Consultancy	50,000			25
<b>Total One Off Resource Developments</b>	<b>600,000</b>	<b>150,000</b>	<b>100,000</b>	

**(b) Ongoing Resource Developments**

Description	Gross Revenue Bid	Total Score
	£	
<b><u>Community Development</u></b> Youth Engagement Projects in Targeted Localities	20,000	<b>28</b>
<b><u>Environment</u></b> Gedling Country Park Maintenance	20,000	<b>25</b>
<b><u>Leisure and Development</u></b> Economic Development Officer	40,000	<b>26</b>
<b>Total Ongoing Resource Developments</b>	<b>80,000</b>	

**2.2.6 Summary of Significant Budget Changes 2014/15**

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 2014/15.

**Significant Budget Changes 2014/15**

	Budget Impact 2014/15 £	£
<b>Original Budget 2013/14</b>		<b>12,842,500</b>
<b><u>Revenue Budget Pressures</u></b>		
Inflation (Pay 1% 2014/15/NNDR 2%/Fuel/Contracts)	146,500	
Living Wage	141,500	
Increase in Employers Superannuation Contribution 18.2% to 18.9%	53,200	
Pension Scheme Auto Enrolment	10,000	
Increased Housing Benefit Cost (net) – increasing rent levels and higher value fraud detection rates	62,800	
Reduced Housing Benefit and Council Tax Admin Subsidy Grants	52,700	
Removal of one off Housing Benefit Admin Grant	34,000	
Taxi Licencing – Proposed introduction of Knowledge Test (net)	57,400	

	Budget Impact 2014/15 £	£
Reduced Income – Leisure Centres	62,700	
Reduced Income - Cemeteries	45,000	
Reduced Income from Vehicle Scrap	12,800	
Other Minor Variances (net)	25,100	
<b>Total Pressures</b>		<b>703,700</b>
<b><u>Revenue Budget Growth</u></b>		
Environmental Projects Fund (one off 2014/15)	50,000	
Economic Development Fund (one off, additional £100k 2015/16)	500,000	
Leisure Centre Options Consultancy (one off 2014/15)	50,000	
Youth Engagement Localities (ongoing)	20,000	
Gedling Country Park Maintenance (ongoing)	20,000	
Economic Development Officer (ongoing)	40,000	
<b>Total Growth</b>		<b>680,000</b>
<b><u>Revenue Budget Reduction Review (Appendix 4)</u></b>		
<b>Amounts for delivery in 2014/15:</b>		
Efficiencies	(678,300)	
New Ways of Working	(132,100)	
Income Generation (including impact of capital receipt generation on revenue borrowing costs)	(215,500)	
Service Cuts	(284,100)	
<b>Total Ongoing Reductions</b>	<b>(1,310,000)</b>	
<b>Less One Off Reserves Created:</b>		
Budget Reduction Risk Reserve	260,000	
Transformation/Change Reserve	300,000	
<b>Total Budget Reduction Review (Net)</b>		<b>(750,000)</b>

	<b>Budget Impact 2014/15 £</b>	<b>£</b>
<b><u>Other Base Budget Reductions</u></b>		
<u>Efficiency Commitments made during 2013/14 Budget Process:</u>		
Leisure – review of leisure centre and exercise promotions staff	(85,000)	
Parks and Street Care – removal of weekend park and cemetery attendants and procurement efficiencies in parks and allotments	(69,000)	
Waste Management – move to monthly glass collection (rising to £130,000 in 2015/16)	(90,000)	
Fuel procurement efficiency due to larger tank acquisition	(12,300)	
Removal of Employee Advertising budget	(20,000)	
Additional Income – Office Rental	(72,700)	
Additional Income – Planning Fees	(24,800)	
Additional Income – Garden Waste increased customers	(24,900)	
Renegotiated lease with NCC for rent of Community Centre	(22,500)	
Fees and Charges income inflation (see para 2.2.8)	(75,600)	
<b>Total Other Budget Reductions</b>		<b>(496,800)</b>
<b>Net Increase in Budget 2014/15</b>		<b>136,900</b>
<b>Proposed 2014/15 Net Budget</b>		<b>12,979,400</b>

Note: In addition to the above 2014/15 budget changes the MTFP includes the following:

- Changes to National Insurance contracted out contribution rates and rebates – £180,000 per annum from 2016/17;
- Service demands arising from an increasing number of households and ageing population are anticipated in the MTFP to the value of £100,000 in 2015/16 rising to £300,000 in 2017/18;
- Budget reduction proposals 2015/16-2018/19 totalling £1,148,100 as detailed in para 2.2.4, partly offset by additional Transformation Reserve totalling £200,000;
- One off resource development proposal - Gedling Country Park Project Fund £50,000 £2015/16 and £100,000 2016/17.

### **2.2.7 Review of Balance Sheet Reserves and Provisions**

Reserves and Provisions on the balance sheet have been reviewed to ensure appropriate levels of funds are retained for specific future purposes and risks.

As detailed in paragraph 2.2.4 it is recommended that a Transformation Reserve, totalling £500,000, is established over the next 3 financial years i.e. £300,000 2014/15, £150,000 2015/16, £50,000 2016/17. This will accommodate any change management costs that arise during the planned service reviews. In addition a new Budget Reduction Risk Management Reserve is recommended, set initially at £260,000, to recognise that planned budget reductions may not be deliverable to the estimated amounts or within the anticipated timescale.

### **2.2.8 Income Inflation**

Discretionary fees and charges have been increased by 3% equating to £75,600. Specific charges are at the discretion of individual Portfolio Holders provided that the overall level of increase is achieved. Changes in expected volumes of customers, both upwards and downward have also been anticipated, again in line with market expectations.

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

Income from Leisure Centre activity has been increased at a higher rate, as detailed in this report. This has been done to increase the contribution to current running costs from direct service users and therefore reduce the burden on Council Tax payers.

### **2.2.9 Financing of the Capital Programme**

As detailed in the Capital Programme report earlier on this agenda, borrowing is not required to finance the capital programme in 2014/15-2016/17 due to the strategy of generating capital receipts from the sale of surplus non-operational assets (para 2.2.4(c)). It is anticipated that some borrowing will be required to finance the 2017/18 and 2018/19 capital programmes and the impact of this on the revenue budget, in terms of interest costs and principal repayment, has been reflected in the medium term financial plan.

### **2.2.10 Business Ratepayers Consultation**

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

### **3. MEDIUM TERM FINANCIAL PLAN**

- 3.1 The implementation of the Local Government Act 2003, which introduced a requirement for the Council's Chief Financial Officer to comment on the robustness of the Council's estimates, and the need to look at the medium term (3 years) in order to produce the required indicators as detailed in the Prudential Code, means great emphasis needs to be placed on the Council's medium term financial planning. Although an absolute requirement to look over three years is required, it is considered good practice to look over as long a period as is reasonable. This Council has a history of producing a medium term financial plan over a 5 year horizon and this is still considered the appropriate period for this authority.
- 3.2 The following table identifies the impact of all the options that are proposed in this report:
- The incremental increase in base revenue expenditure from 2013/14 and budget growth items (paragraph 2.2.3 and 2.2.5)
  - Fees and charges to be increased by an average 3%.
  - The achievement of the budget reductions and efficiency savings in 2014/2015-2018/19 (paragraph 2.2.4 and 2.2.6 )
  - Anticipated cost of borrowing to finance the capital programme for 2017/2018-2018/19.
  - A zero percent Council Tax increase has been assumed for the first 2 years, beyond that a 1.95% increase is assumed. However, future council tax increases will be dependent upon future spending decisions, total local government funding, the achievement of efficiency savings and the continuation of the council tax freeze grant.



## MEDIUM TERM FINANCIAL PLAN 2014/15 TO 2018/19-HIGH LEVEL SUMMARY

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
<b>Total Net Projected Expenditure</b>	<b>12,979,400</b>	<b>12,388,600</b>	<b>12,397,300</b>	<b>12,811,700</b>	<b>13,177,700</b>
Less: Net External Support (inc freeze grant)	5,864,000	5,005,300	4,519,100	4,180,200	3,866,700
New Homes Bonus	1,563,800	1,913,800	2,263,800	2,263,800	2,263,800
NNDR Growth/Collection Fund Surplus/Deficit	272,100	241,000	266,000	291,000	316,000
Less: Amount (from)/to Balances	64,500	138,500	146,500	(450,900)	(971,500)
<b>Council Tax Requirement</b>	<b>5,344,000</b>	<b>5,367,000</b>	<b>5,494,900</b>	<b>5,625,800</b>	<b>5,759,700</b>
<b>Percentage Council Tax increase</b>	<b>0%</b>	<b>0%</b>	<b>1.95%</b>	<b>1.95%</b>	<b>1.95%</b>
Tax Base	34,912	35,062	35,212	35,362	35,512

Expected balances at year end	5,367,000	5,505,500	5,652,000	5,201,000	4,229,600
Required balance (7.5% projected exp)	973,500	929,100	929,800	960,900	988,300
<b>(Surplus)/Deficit on required balances</b>	<b>(4,393,500)</b>	<b>(4,576,400)</b>	<b>(4,722,200)</b>	<b>(4,240,100)</b>	<b>(3,241,300)</b>

### 4. COUNCIL TAX

- 4.1 The Council Taxpayer has to meet the difference between the planned expenditure and the Government grant receivable after the use of any balances are taken into account. It is this difference that is used to calculate individual Council Tax bills for 2014/15.
- 4.2 The council tax for a band D property for 2013/14 is £153.07. The level of council tax for 2014/15 depends on the extent of service reductions/developments and financial risk issues (see paragraph 5 below) that the Council decides to provide for in the budget for next year. For illustration, an increase in Council Tax by 1% provides additional funding of £53,400. In the above MTFP a freeze has been assumed which retains the Council Tax for a band D property at £153.07.
- 4.3 As detailed in paragraph 2.2.1 Council's that freeze Council Tax in 2014/15 will receive grant equivalent to a 1% increase, adjusted to exclude the reductions given to those receiving council tax support, which equates to £59,900 for Gedling. The grant will be paid to participating authorities in the financial years 2014/15 and

2015/16. Ministers have agreed that the funding for 2014/15 freeze grant should be built into the spending review baseline. This gives as much certainty as possible at this stage that the extra funding for freezing council tax will remain available. An increase above 2% would require a referendum.

## **5. FINANCIAL RISK ISSUES**

- 5.1 A minimum balance of 7.5% of total projected net expenditure on the General Fund is required in accordance with the Council's approved Financial Strategy. 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 process in the medium term. The minimum balance required for 2014/15 is £973,500.
- 5.2 The (surplus)/deficit on balances in the above table shows amounts (above)/below the recommended minimum General Fund balance in any one year. Current spending plans, incorporating Council Tax freeze in 2014/15 (which is yet to be determined by Budget Council 3 March) show a surplus of £4,393,500 in 2014/15 gradually declining to a surplus on balances of £3,241,300 by 2018/19. Underlying this is an annual deficit, from 2017/18, between the amounts of income expected and anticipated expenditure. Although the MTFP projections show that this can be accommodated within the five-year horizon, further adjustments will be required to rectify this core imbalance with in excess of a further £970,000 reduction per annum being required to ensure balances do not fall below the minimum required beyond the term of this MTFP. The Council remains well placed to deal with this remaining challenge.
- 5.3 Projections for Council Tax increases in the MTFP are estimated at 0% for 2015/16 as the Government indicates that the Council Tax Freeze Grant Scheme will become part of mainstream Settlement funding. Therefore there is very limited scope to fund the core imbalance by increasing Council Tax as it has already been assumed that rises just below the referendum trigger amount will be applied in future years. This will need review if the Government maintains Council Tax Freeze Grants beyond the current period.
- 5.4 The current uncertainty resulting from the Government's austerity programme results in increased risks in the financial planning process. However, as the economy continues to grow these uncertainties may reduce. Specific Risks in the MTFP Assumptions include:
  - 5.4.1 The Local Government Finance Settlement provides indicative grant figures for 2015/16. It is anticipated that beyond this the Chancellor has indicated there will be a further reduction in settlement for 2016/17-2018/19. The grant figures included in the MTFP for 2016/17 onwards are based on the Government's projections included in the Comprehensive Spending Review announcement. However, there is some uncertainty regarding how these projections will translate to actual grant payments at a local level, given the experience of higher than projected grant reductions faced by District Councils in 2011/12-2014/15.

- 5.4.2 Central Government are implementing a number of initiatives which affect local government funding, namely Universal Credit, Localisation of Council Tax Support and Business Rates Retention:

**Universal Credit** – This will see a significant transfer of housing benefit expenditure and administration to the Department of Works and Pensions. This will happen in full over the lifetime of the MTFP, however many uncertainties on timing, staff transfer and residual functions exist. The Council has created a reserve to mitigate against any transfer costs arising from this change.

**Localisation of Council Tax Support** – 2013/14 was the first year of operation of this new discount scheme which replaces Council Tax Benefit. The Council moved to protect vulnerable groups with an extension of 'into work' incentives. The budget for this expenditure was based on modelling of existing caseload. The Council remains financially vulnerable to increasing caseload, however projections of a growing economy reduce this risk;

**Business Rates Retention** – This scheme was introduced in 2013/14 but the overall impact of tariffs, levies and surplus/deficits, along with difficulties in determining the impact of medium term growth (or decline) places greater uncertainty on the projections in the MTFP.

**Individual Electoral Registration** – The Government has indicated its intention to cover the additional costs of Individual Electoral Registration. However, as actual grant amounts have not yet been specified there is a risk that they may not cover the full cost of the change.

- 5.4.3 Income figures included in the MTFP are assumed to grow above inflation. This is especially true in basic fees and charges for the use of leisure centres, where a greater share of operating costs is being passed on to direct service users. The impact of a 13% increase in fees carries an above average risk of non-delivery.

- 5.4.4 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. Although additional reserves have been set aside for the potential staffing redundancy/transfer costs in respect of the move of rent allowances

payments to the Universal Credit system.

- 5.5 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.
- 5.6 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. 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 is uncertain. However, reserves and balances remain above minimum levels for the period of the current MTFP.
- 5.7 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 be at a manageable level. Indeed the anticipated early delivery of efficiency reductions that have become evident during the budget preparation process has allowed the authority to invest significant one off amounts in the achievement of its Economic Development priorities.

## **6 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. The most significant areas that may have equality impact issues are the proposed introduction of the taxi licencing knowledge test and proposed changes to award of voluntary grants.

## **7      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 2014/15.

### **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 2014/15. 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

Appendix 2 – Major Price Indices – Medium Term Financial Plan

Appendix 3 – Detailed Portfolio Budgets 2014/15

Appendix 4 – Budget Reduction Proposals 2014/15-2018/19

### **Background Papers**

Finance and Efficiency Strategy

Central Government Report – Local Government Finance Settlement in England 2014/15

Treasury Strategy 2014/15

Capital Programme Report 2014/15

**Recommendation(s)**

Cabinet are asked to recommend to Council on 3 March 2014:

- i. the financial threshold above which decisions will be regarded as Key Decisions be set at £0.5m for 2014/15.
- ii. a Council Tax increase which balances the financing of a Net Council Tax Requirement of £5,344,000 in 2014/15
- iii. the detailed budget, priorities, objectives and actions for 2014/15, as detailed in Appendices 1 and 3, be approved.

**Reasons for Recommendations**

To obtain approval of the Gedling Plan 2014/15 for referral to Council.