



Cabinet

Tuesday, 11 February 2020

2020/21 Budget and Financial Strategy

Report of the Executive Manager - Finance and Corporate Services

Cabinet Portfolio Holder for Finance Councillor Gordon Moore

1. Purpose of report

- 1.1 This report presents the detail of the 2020/21 budget, the 5 year Medium Term Financial Strategy (MTFS) from 2020/21 to 2024/25, which includes the revenue budget, the proposed capital programme, the Transformation Strategy and the Capital and Investment Strategy (with associated prudential indicators).
- 1.2 It should be noted that this report, is based upon the provisional Local Government Finance Settlement (the final settlement is due later in February 2020). Whilst no significant changes are expected in the final settlement, if anything is deemed significant it will be covered in the final report to Full Council.

2. Recommendation

Cabinet RECOMMENDS to Council that it:

- a) adopts the budget setting report and associated financial strategies 2020/21 to 2024/25 (attached **Annex**) including the Transformation Strategy and Efficiency Plan (**Appendix 3**) to deliver efficiencies over the five-year period.
- b) adopts the Capital Programme as set out in **Appendix 4**.
- c) adopts the Capital and Investment Strategy at **Appendix 5**.
- d) sets Rushcliffe's 2020/21 Council Tax for a Band D property at £142.74 (increase from 2019/20 of £4.95 or 3.59%).
- e) sets the Special Expenses for West Bridgford, Ruddington and Keyworth, **Appendix 1**, resulting in the following Band D Council tax levels for the Special Expense Areas:
 - i) West Bridgford £48.51 (£48.51 in 2019/20)
 - ii) Keyworth £3.76 (£1.60 in 2019/20)
 - iii) Ruddington £4.12 (£3.37 in 2019/20)

3. Reasons for Recommendation

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

4. Supporting Information

The Budget and Associated Strategies

- 4.1 The attached report and appendices detail the following:
- a. The anticipated changes in funding over the five year period;
 - b. The financial settlement for 2020/21 and the significant budget pressures the Council must address over the Medium Term;
 - c. The budget assumptions that have been used in developing the 2020/21 budget and MTFS;
 - d. The detailed budget proposals for 2020/21 including the Transformation Strategy (and associated programme) to deliver the anticipated efficiency and savings requirement;
 - e. The recommended levels of Council Tax for Band D properties for the Council and its special expense areas of West Bridgford, Ruddington and Keyworth;
 - f. The projected position with the Council's reserves over the medium term;
 - g. Risks associated with the budget and the MTFS;
 - h. The proposed capital programme;
 - i. The proposed Capital and Investment Strategy
- 4.2 The salient points within the MTFS are as follows (MTFS report (**Annex**) references in parenthesis):
- a. It is proposed that Council Tax for 2020/21 will increase by £4.95 to £142.74 (3.59%). This still means that Rushcliffe's Council Tax remains the lowest in Nottinghamshire and amongst the lowest in the country (Section 3.4);
 - b. Special expenses increasing slightly £712k (£696k 2019/20) although taking into effect tax base changes, this results in Band D charges for West Bridgford staying the same as 2019/20 (£48.51), Keyworth increasing from £1.60 to £3.76 and Ruddington increasing from £3.37 to £4.12 (Section 3.5);
 - c. Business Rates (Section 3.3) are still subject to significant uncertainty given the Government's proposals for a review of the Business Rates system in 2021/22 (delayed from 2020/21) and risk surrounding the de-commissioning of

Ratcliffe-on-Soar power station in 2025 both making forecasting the likely levels of business rates difficult. The Council is anticipating £3.927m in retained business rates in 2020/21 and a reduction thereafter to reflect the anticipated changes to the Business Rates system in 2021/22;

- d. The Council no longer receives Revenue Support grant (reduced to zero in 2019/20) and represents a reduction of £3.25m from 2013/14 (Section 3.6). Importantly the Council has mitigated the loss of income through its Transformation Strategy and is on track for self-sufficiency;
- e. The budget includes various growth pressures (Section 4.2) including replacement refuse bins (£0.16m) now funded from revenue rather than capital, continuing the successful Positive Futures programme (£0.110m) sustainably funding this from the revenue budget rather than reserves and ensuring a contact centre remains for our most vulnerable customers in West Bridgford (£0.05m);
- f. It is proposed not to increase car parking charges ensuring the Council continues to support the retail sector and encourage greater footfall (Section 3.8);
- g. Green waste charges are proposed to increase by £5 for both first and subsequent bins rising to £40 and £35 respectively (Section 3.8). This is less than £1 per week for what is considered an excellent service for Rushcliffe residents. Charges have not increased for 3 years and will not increase for another 3 years and take into future inflationary pressures and the need to replace vehicles that are lower in carbon emissions;
- h. In support of the Council's Empty Homes Strategy and to further tackle the issue of empty homes in the Borough, it is proposed to remove the allowances for uninhabitable properties and reduce the allowance given to unfurnished properties to 28 days. This is consistent with the decision taken last year to amend the premiums on long-term empty homes (Section 3.4);
- i. Taking into account resource predictions, spending plans and savings already identified there is a Transformation Programme requirement of around £0.192m in 2020/21 rising to £1.151m by 2024/25. (Section 7);
- j. The Transformation Strategy continues to roll forward with an updated programme to ensure the savings required can be achieved (Appendix 3).
- k. A crucial component in having a balanced budget and ensuring services are delivered is the Council's commitment to commercial investments and the derived income. Such income is expected to rise to £2.13m over the period of the MTFs accounting for 24.7% of fees and charges income. This is continually managed and proportionate given the risks and opportunities associated with such investments (Appendix 5, Table 13).
- l. The Council has a number of earmarked reserves (excluding NHB reserve), their balance rising over 5 years from £5.5m to £5.9m (Section 6). Retaining sufficient reserves is essential given the volatile financial environment we currently operate in (see risks highlighted below) along with the need to effectively deliver significant projects such as the Bingham Leisure Hub and the Crematorium.

- m. Two new reserves are proposed (i) Development Corporation Reserve £0.1m (to be funded from 2019/20 in-year budget efficiencies); and (ii) Climate Change Action Reserve £1m to be transferred from the Organisational Stabilisation Reserve. Any in-year surpluses the Council may generate (as expected in 2019/20) are essential to replenish reserves given the significant opportunities and risks the Council faces and to smooth the impact of future year deficits (which are estimated to amount to £0.657m) over the next 5 years (Section 5).
 - n. Key risks to the MTFs are highlighted, including the potential impact of the Fair Funding Review, New Homes Bonus, the volatility caused by the aforementioned various business rates issues and the impact of climate change on revenue and capital costs (Section 8);
 - o. The capital programme demonstrates the Council's commitment to deliver more efficient services, improve its leisure facilities, and to facilitate both economic development and housing growth. Spend over the 5 years is estimated at £34.347m (this could potentially be as high as £50m with slippage from the 2019/20 Capital Programme and all schemes subsequently delivered). It is planned to use all available Capital Receipts in the short term to fund the programme and mitigate the need to externally borrow. Capital resources are then projected to increase over the 5-year period as a result of the expected capital receipts in relation to the overage agreement in place for development at Sharphill. By 2024/25, such resources are estimated to be at £5.1m (Section 9). Accurate profiling of the Sharphill receipts is difficult and the timing of them will inform any borrowing requirements.
- 4.3 The MTFs has been developed at a time of significant financial challenge both nationally and locally. The process has been rigorous and thorough, with a Transformation Strategy (and associated programme) that takes into account both officers' and Members' views. Whilst the Council faces financial constraints both the revenue and capital budgets delicately balance the need for efficiency and economy with the desire for growth; and the aim of encouraging economic development in the Borough, with the Council aiming to meet its corporate priorities.

5. Alternative options considered and reasons for rejection

- 5.1 There are other options in terms of increasing Council Tax by a lesser amount but this would put severe pressure on already stretched Council resources (see Section 11 of Annex B). For example comparing the difference from no increase to a £4.95 increase in council tax, in 2024/25 the council tax income foregone is £1.474m and over the 5 year period amounts to £3.444m.

6. Risk and Uncertainties

- 6.1 Section 8 of the Annex covers key risks that may impact upon the MTFs. There is the Fair Funding review and reform of the Business Rates system in addition to a consultation on the future of NHB; all of which will have a direct impact on the income streams for the Council (the impact of which will not be known until late into 2020). Expenditure pressures include the impact climate change and carbon reduction measures. The creation of the Climate Change Action Fund

should help address some of the resulting financial pressures. All of these factors make longer term forecasting subject to even more uncertainty.

7 Implications

7.1 Finance Implications

These are detailed in the attached budget report (Annex). The Council is required to set a balanced budget for the 2020/21 financial year and the proposals present a balanced budget.

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

7.2 Legal Implications

The recommendations of this report support compliance with the Local Government Finance Act 1972.

7.3 Equalities Implications

None.

7.4 Section 17 of the Crime and Disorder Act 1998 Implications

None.

8 Link to Corporate Priorities

Quality of Life	Ensuring services that residents value are maintained and enhanced
Efficient Services	Ensuring efficient use of resources and maximising returns
Sustainable Growth	No direct impact
The Environment	Allocating resources to invest in projects that support the Council's environmental objectives.

9. Recommendations

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Background papers Available for Inspection:	Department for Communities and Local Government (DCLG) website, 2020/21 Financial settlement papers
List of Annexes and Appendices (if any):	Annex to the Budget Report Appendix 1 Special Expenses Appendix 2 Revenue Budget Service Summary Appendix 3 Transformation Strategy and Efficiency Plan 2020/21 – 2024/25 Appendix 4 Capital Programme 2020/21 – 2024/25 (including appraisals) Appendix 5 Capital and Investment Strategy 2020/21 to 2024/25 Appendix 6 Use of Earmarked Reserves 2020/21 Appendix 7 Pay Policy Statement 2020/21