

<b>Report To:</b>	<b>CABINET</b>	<b>Date:</b>	<b>24 FEBRUARY 2020</b>
<b>Heading:</b>	<b>ANNUAL BUDGET &amp; COUNCIL TAX 2020/21 AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) UPDATE</b>		
<b>Portfolio Holder:</b>	<b>CABINET MEMBER FOR FINANCE &amp; RESOURCES - COUNCILLOR RACHEL MADDEN</b>		
<b>Ward/s:</b>	<b>ALL</b>		
<b>Key Decision:</b>	<b>Yes</b>		
<b>Subject to Call-In:</b>	<b>Yes</b>		

### **Purpose of Report**

This report sets out the proposed:

- 2020/21 Annual Revenue (General Fund) and HRA Budgets and the Capital Programme for 2019/20 to 2023/24;
- 2019/20 In-Year Revised Budgets (HRA and Capital); and
- 2020/21 District Council Tax

The report also sets out the estimated financial challenge in the Medium Term Financial Strategy (MTFS) for 2021/22 to 2024/25 and the Chief Finance Officer's advice regarding the robustness of the estimates included in the proposed 2020/21 Budget, and the adequacy of reserves for which the proposed budget provides.

## Recommendation(s)

That Cabinet recommends to Council:

1. Approval of a £5 (2.7%) increase in the level of the District's own Council Tax for 2020/21, setting the Band D equivalent at £190.46;
2. Approval of the proposed 2020/21 Revenue (General Fund) and HRA Budgets as set out in this report. (Sections 3 and 4).
3. Approval of the proposed Capital Programme and associated borrowing 2019/20 to 2023/24 as set out in this report. (Section 5).
4. Approval of the 2019/20 Revised HRA and Capital Budgets as set out in this report. (Sections 4 and 5).
5. Approval that the precept figures from Nottinghamshire County Council, Nottinghamshire Fire and Rescue Authority, Police and Crime Commissioner and the two Parish Council's within the District be incorporated, when known, into the Council Tax recommendation to Council on 5<sup>th</sup> March 2020.
6. That it notes the estimated financial challenge in the Medium Term Financial Strategy (MTFS) for 2021/2022 to 2024/25 and the planned approach to address the challenge. (Section 6).
7. That an updated MTFS will be brought back to Cabinet after the 2019/20 Accounts have been closed and audited.
8. Approval of the proposed use of reserves as set out in this report. (Table 5 (General Fund) and Table 9 (HRA)), the creation of 5 new reserves and the amalgamation of 2 existing reserves (As set out in Section 3.6).
9. That it notes and accepts the comments and advice of the Corporate Finance Manager (Section 151 Officer), provided in compliance with Section 25 of the Local Government Act 2003, as to the robustness of the estimates included in the 2020/21 Budget and the adequacy of the reserves for which this budget provides. (Section 7).
10. Notes that the proposed 2020/21 budgets reflect the agreed changes to Fees and Charges approved by Cabinet on 27th January 2020.
11. Approval of the use of in-year Capital Receipts up to 2020/21 to maximise capitalisation opportunities arising from service transformation to deliver efficiencies and improved services to residents and clients, and thereby minimise the impact of costs on the revenue budget as included in the Flexible Use of Capital Receipts Strategy 2018/19 approved by Council on 11<sup>th</sup> October 2018.
12. Notes that additional recurrent and non-recurrent costs of progressing the Digital Service Transformation (DST) programme at a quicker pace than had previously been planned are not included within the proposed 2020/21 budget and that a separate report detailing the programme, costs and payback periods, and how the programme will be funded will be brought for consideration through the appropriate channels in accordance with the Council's Financial Regulations.

## **Reasons for Recommendation(s)**

To recommend to Council approval of a £5 (2.7%) increase in the District Council's Council Tax for a Band D equivalent property, approval of the HRA and Capital Budget Revisions for 2019/20 and approval of the proposed 2020/21 Revenue and HRA Budgets and the Capital Programme 2019/20 to 2023/24. In accordance with the Local Government Finance Act 1992 the Council must set its annual budget by 10<sup>th</sup> March in the preceding financial year.

## **Alternative Options Considered**

The District Council is able to set a Council Tax increase of up to the greater of 2.00% or £5 per annum without triggering a referendum. The proposal is to increase the level of District Council Tax for 2020/21 by £5 which equates to a 2.7% increase for a Band D equivalent property to assist the Council to set a balanced budget for 2020/21 and to recognise the cumulative impact of this increase in helping to address the estimated funding gap in the Medium Term Financial Strategy for the years 2021/22 to 2024/25.

The District Council was able to freeze its own Council Tax for 2019/20 however, recognising the financial challenge faced beyond 2020/21 the proposed increase for 2020/21 is considered appropriate in order to continue to provide the key services on which our residents rely. Most properties in Ashfield (81.6%) are in Bands A, B and C: (39.2% Band A, 22.0% Band B and 20.4% Band C) and for these properties the proposed increase amounts to £0.06p, £0.07p and £0.09p per week respectively, or an average increase of 1 pence per day.

Careful consideration has been given to each of the proposed investments and savings included in this report. The investments proposed will support the Council in delivering its Corporate Plan priorities. The proposed savings will increase the efficiency of the Council with minimal adverse impact on residents and customers.

## **Detailed Information**

### **1. Background**

- 1.1 Since 2010 Local Government has seen an unprecedented reduction in the level of funding from Central Government.
- 1.2 Despite this significant reduction in funding this Council has a proven track record of setting its annual budget and delivering an Outturn within the budget set. However, despite this good financial performance the Council does face further financial challenges which it will need to address into the medium and longer term.
- 1.3 Although this report contains proposals to balance the 2020/21 revenue budget it is essential that the Council's management continue to work with Cabinet to identify and agree options to address the estimated financial challenge in the Medium Term Financial Strategy for 2021/22 to 2024/25 and beyond; ensuring the Council has a sustainable future.

- 1.4 The proposed 2020/21 Budget reflects the impact of both the Provisional and Final Local Government Settlements, including the Government's decision to extend payment of Revenue Support Grant (RSG) funding by one further year for 2020/21 due to delays in implementing the Fair Funding Review, the Business Rates reset and changes to the level of Business Rates retention.
- 1.5 The proposed revenue and capital budgets included in this report will facilitate the delivery of the Council's Priorities set out in the Corporate Plan 2019-2023.

## 2. District Council Tax 2020/21

- 2.1 **Ashfield District Council is proposing a £5 (2.7%) increase to its own Council Tax.** This would set the District's Council Tax level (Band D equivalent property) at £190.46 for 2020/21.
- 2.2 This proposed District Council Tax increase is reflected in the proposed Annual Revenue Budget for 2020/21 shown in Section 3, Tables 3 and 4.
- 2.3 Based on the number of Band D equivalent properties in the 2020/21 Council Tax Base (33,695.3) and a District Council Tax of £190.46, this will generate Council Tax income of £6.418m for 2020/21.

## 3. Annual Revenue Budget 2020/21

- 3.1 The proposed 2020/21 Annual Revenue Budget includes a number of Investments and Savings/Efficiencies. These are set out in tables 1 and 2 below.
- 3.2 The proposed Revenue Budget includes provision for pay award (2%), provision for the expected costs arising from changes to the national pay spines from April 2020 and contractual inflation. The proposed 2020/21 Budget also includes any revenue implications from the proposed Capital Programme yet to be approved by Council on 5<sup>th</sup> March 2020.

**Table 1 – Proposed Investments 2020/21**

<b>Investment</b>	<b>Detail</b>	<b>£'000</b>
Office 365 Licences	To ensure the Council has appropriate software licences in place for staff, utilising systems relevant to undertake their roles.	71
Corporate Communications	Additional funding to enhance the provision of timely information to residents and businesses across the District.	20
Lone Worker Devices	MyGuard (SOS devices) to provide potentially vulnerable front line staff with a recognised safety device.	7
<b>TOTAL</b>		<b>98</b>

**Table 2 – Proposed Savings/Efficiencies 2020/21 and 2021/22**

<b>Saving / Efficiency</b>	<b>Detail</b>	<b>2020/21</b>	<b>2021/22</b>
		<b>£'000</b>	<b>£'000</b>
Base Budget Review	Savings identified through a line by line review of all General Fund budgets	302	
HRA – reviewed contribution	Increased HRA contribution towards the its fair share of General Fund services costs	100	
Increase Vacancy factor by 0.5% to 3.5%	Following a review of average times taken to recruit to vacant posts it is considered to increase the vacancy factor by 0.5% and potentially increase it by a further 0.5% for 2021/22(subject to in year review)	72	72
Stationery budget reduction of 20% (Including Paper)	Monthly printing limits have been assigned to Officers and this combined with greater agile working has seen significant reductions in printing	10	
Ashfield Business Centre	The lease for this building expired on 24 <sup>th</sup> December 2019 and a decision was taken to not renew.	33	
Reduce ICT Budgets (Capitalisation)	Historically the Council has purchased hardware from revenue budgets in the year required. It is proposed to capitalise this spend where appropriate and this will deliver recurrent revenue budget savings.	40	
Cease Trade Waste arrangement with Mansfield District Council	Process trade waste direct rather than via Mansfield DC as an intermediary.	35	
Outsource Building Control	Transfer of this service, including the two staff to Erewash Borough Council due to experiencing significant recruitment issues.	75	25
Regeneration Service	Through mutual agreement, dissolution of the shared Regeneration Service with Mansfield District Council and reconfiguration of the service to progress delivery of our new Corporate Plan priorities.		
Transport Review	Review led to an increase of 3 staff (including 2 apprenticeships) with the increased capacity reducing the requirement to externalise work at a greater cost.	49	4
Lifeline Service	Transfer of this service to Notts. City Homes due to significant recruitment issues.	58	7

HR/Payroll Structure review	Service review of the shared service with Mansfield District Council resulting in headcount reduction	35	
Pest Control – additional income	Stretch target for the service to continue to build on its success in 2019/20 and achieve a break-even trading position.	13	
Depot Canteen	Increased income target	5	
Democratic Services restructure	Service restructure resulting in deletion of a vacant post and a trial reduction in staff hours	14	-7
Environmental Health restructure	Deletion of a vacant post	37	
Finance review	Deletion of a fixed term contract post in October 2020.	9	14
Community Foundation – Grant reduction	Reduce the level of grant funding allocated via the Community Foundation to £10k per annum	5	
Kings Mill Reservoir Car Parking income	Capital investment in the car park will provide the capacity to generate additional parking income (£7k per annum full year effect)	3	4
Urban Road – Police Rental Income	Increased office space occupied by the Police will generate additional rent income	2	
<b>TOTAL</b>		<b>987</b>	<b>19</b>

3.3 Factoring in the above proposed Investments and Savings/Efficiencies, the proposed Annual Revenue Budget for 2020/21 is shown in Table 3 below:

**Table 3 – Annual Revenue Budget by Directorate 2020/21**

<b>Directorate</b>	<b>£'000</b>
Place & Communities	9,326
Resources & Business Transformation	-1,479
Legal & Governance	1,783
Housing & Assets	2,137
Chief Executive	540
<b>Sub Total - Directorates</b>	<b>12,287</b>
Net Recharges In/Out	-2,781
Borrowing & Capital Financing Costs	2,454
Net Interest Payable	216
Transfers to Earmarked Reserves	959
<b>TOTAL</b>	<b>13,155</b>

3.4 Table 4 below shows how the proposed 2020/21 Annual Revenue Budget is funded:

**Table 4 – Funding the 2020/21 Annual Revenue Budget**

<b>Funding Source</b>	<b>£'000</b>
New Homes Bonus	-1,155
Revenue Support Grant	-197
Net Business Rates / Section 31b Grants	-5,590
Council Tax Collection Fund Deficit	+42
Business Rates Collection Fund Deficit	+432
District Council Tax (Frozen)	-6,418
Use of Earmarked Reserves	-270
General Fund Reserve contribution	0
<b>TOTAL</b>	<b>-13,155</b>

### 3.5 General Fund Earmarked Reserves

Table 5 below shows the planned movement in General Fund Earmarked Reserves:

**Table 5 – Known and Planned Movement in General Fund Earmarked Reserves**

<b>Movement on Earmarked Reserves</b>	<b>Balance as at 1st April 2019</b>	<b>Transfer to Reserve 2019/20</b>	<b>Transfer from reserve 2019/20</b>	<b>Expected Balance as at 31st March 2020</b>	<b>Transfer to Reserve 2020/21</b>	<b>Transfer from Reserve 2020/21</b>	<b>Expected Balance as at 31st March 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
District Planning Inquiry / Local Plan	406	250	335	321	0	250	71
Elections	87	64	144	7	54	0	61
Harold Farr Bequest	5	0	5	0	0	0	0
Joint Use Maintenance Fund	201	0	0	201	0	0	201
Asset Repair & Renewal Reserve	812	0	40	772	0	0	772
LAMS Reserve	76	0	0	76	0	0	76
Joint Crematorium Reserve	492	0	0	492	0	0	492
Insurance Related Funds	334	0	0	334	75	0	409
Revenue Grant Reserve	957	0	17	940	0	0	940
NNDR Equalisation Reserve	1,804	0	0	1,804	0	0	1,804

Supported Housing Reserve	11	0	0	11	0	0	11
Corporate Change Reserve	1,257	0	360	897	200	0	1,097
Commercial Property Investment Reserve	800	900	0	1,700	600	0	2,300
Economic Development & Place Reserve	241	0	116	125	0	0	125
Technology Investment Reserve	402	0	0	402	0	0	402
Legal (ADC) Reserve (NEW)	0	20	0	20	5	20	5
Winter Maintenance (NEW)	0	0	0	0	5	0	5
Commercial Property Delapidations Reserve (NEW)	0	0	0	0	10	0	10
Investment Property (Aborted Enquiries) Reserve (NEW)	0	0	0	0	10	0	10
Brexit Reserve (NEW)	0	52	1	51	0	0	51
<b>Total</b>	<b>7,885</b>	<b>1,286</b>	<b>1,018</b>	<b>8,153</b>	<b>959</b>	<b>270</b>	<b>8,842</b>

### 3.6 Proposed New and Combined Reserves

As indicated in Table 5 above it is proposed that five new reserves are created as follows:

- Legal (ADC) Reserve – to meet costs of external legal advice which is either specialist in nature or in exceptional circumstances because capacity and time constraints dictate that the work cannot be undertaken in-house.
- Winter Maintenance Reserve – to meet the costs of winter gritting. As part of the Base Budget Review these budgets were removed from individual services as it is more appropriate for these costs to be met via a reserve as and when adverse weather requires access for this funding.
- Commercial Property Delapidations Reserve – to meet the costs incurred by the Council where it exits a lease and is required to make good delapidations.
- Investment Property (Aborted Enquiries) Reserve – to meet the costs incurred in pursuing potential Investment Property acquisitions but through due diligence the acquisition decision is aborted.



- Brexit Reserve – creation of a separate reserve for Brexit funding transferring out £17k (2018/19 funding) from the Revenue Grants reserve and also allocating into the reserve the funding received during 2019/20 (£35k).
- It is also proposed that the Corporate Change Reserve and the Investment Technology Reserve be combined and renamed the Corporate Transformation Reserve. This reserve will meet costs associated with service transformation (ICT, severance, etc).

### 3.7 Proposed transfers to Reserves

The proposed transfers to Earmarked Reserves for 2020/21 are:

- £54k to Elections reserve which includes £44k annual contribution and £10k towards costs of potential future By-elections.
- £75k annual contribution to the General Fund Insurance Reserve to meet costs of self-insurance.
- £200k to help meet the costs arising from the Digital and Service Transformation Strategy.
- £600k to the Commercial Property Investment Reserve to help mitigate potential future risks in respect of business failure resulting in void occupancy periods. Following review of the properties in the portfolio and the timing of break clauses, it is considered appropriate in the short term to build this reserve up to £3m. It is anticipated that through planned transfers of unbudgeted income in year (2019/20) this reserve will contain circa £1.7m by the end of 2019/20 and £2.3m by the end of 2020/21. Any additional unbudgeted income generated through new Investment Property acquisitions during 2020/21 will also be transferred to this reserve until it achieves the planned level of £3m.
- £30k transfer to the four new reserves; Legal (£5k), Winter Maintenance (£5k), Commercial Property Delapidations (£10k) and Investment Property Aborted Enquiries (£10k).

### 3.8 Proposed transfers from Reserves

The proposed transfers from Earmarked Reserves for 2020/21 are:

- £250k from the District Planning Inquiry / Local Plan Reserve to fund the evidence base required for the development of the Local Plan.
- £20k from the new Legal Reserve to meet costs which relate to the provision of specialist external legal advice.
- There will be a requirement to utilise the Corporate Transformation Reserve during 2020/21 to progress the pace of delivering our Digital Service Transformation programme. Once confirmed, the costs associated with this and the earlier payback of financial and non-financial benefits are currently being determined and approval for this spend will be brought for consideration through the appropriate channels in accordance with the Council's Financial Regulations.

### 3.9 General Reserve

As at 31<sup>st</sup> March 2019 the balance on the General Reserve was £6.116m. The Outturn Report (to Cabinet on 24<sup>th</sup> June and Council on 25<sup>th</sup> July) agreed utilisation of £55k, leaving a balance of £6.061m. **In setting the proposed budget for 2020/21 there is no proposed withdrawal of funding from the balance of this Reserve.**

#### 4. Housing Revenue Account (HRA)

- 4.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a Housing Revenue Account (HRA). The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of housing revenue expenditure such as maintenance, administration, and contributions to capital costs and how these are funded, mainly being from housing rent.
- 4.2 The proposed 2020/21 Annual HRA Budget includes a number of Investments and Savings/Efficiencies. These are set out in tables 6 and 7 below.
- 4.3 The proposed budget includes provision for pay award (2%), funding for increments and contractual inflation. The 2020/21 Budget also includes any revenue implications from the proposed Capital Programme yet to be approved by Council.

**Table 6 – Proposed HRA Investments 2020/2021**

Investment	Detail	£'000
Housing Management Advisors	Fixed Term contracts to assist with the full rollout of Universal Credit funded from reserves set aside for this purpose.	108
<b>TOTAL</b>		<b>108</b>

**Table 7 – Proposed HRA Savings/Efficiencies 2020/21**

Saving/Efficiency	Detail	£'000
Service Review of Housing Repairs	Annual employee savings from the Housing Repairs Review. (Part year)	13
Vacancy Factor increase (	Increase in vacancy factor from 3% to 3.5%	25
Implementation of the Dynamic Resource Scheduler	Efficiency gained from productivity of repair operatives reducing subcontractor requirement. (Part year)	60
<b>TOTAL</b>		<b>98</b>

- 4.4 **Table 8 below shows the proposed Revised HRA budget for 2019/20 and the proposed HRA Budget for 2020/21:**

2019/20 Revised Budget £	2020/21 Original Budget £
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#### **Summary Budget for Housing Revenue Account**

##### **Service**

Housing Revenue Account	(12,309,480)	(7,712,610)
Housing Courts Schemes	1,041,850	986,380
Tenancy Services and Housing Management	1,323,790	1,435,220
Lettings	690,190	789,290
Technical Services Management	(468,220)	(657,680)
Technical Services Responsive and Void Management	4,011,290	4,115,510
Technical Services Support Services	996,050	974,730
Technical Services Planned and Cyclical	2,999,280	2,890,670
Procurement	68,140	71,750
DLO	152,770	116,840
<b>TOTAL</b>	<b>(1,494,340)</b>	<b>3,010,100</b>

**Subjective Analysis**

Employee Expenses	5,510,540	5,697,270
Premises Expenses	7,326,750	6,969,920
Transport Related Expenses	385,810	257,480
Supplies & Services	4,638,210	4,318,240
Transfer Payments	19,800	0
Income	(24,470,060)	(24,681,150)
DLO Recharges	(6,397,140)	(6,582,650)
<b>Sub Total Excluding Capital Financing Costs &amp; Central Recharges</b>	<b>(12,986,090)</b>	<b>(14,020,890)</b>
Capital Financing Costs	10,012,170	15,026,420
Central & Dept Recharges In	4,101,930	4,053,190
Central & Dept Recharges Out	(2,622,350)	(2,048,620)
<b>TOTAL</b>	<b>(1,494,340)</b>	<b>3,010,100</b>

<b>Net Operating Expenditure</b>	<b>(1,494,340)</b>	<b>3,010,100</b>
Less Adjusting Capital Entries	10,012,170	15,026,420
<b>Total Net Operating Expenditure after Adjusting Capital Entries</b>	<b>(11,506,510)</b>	<b>(12,016,320)</b>

**Borrowing and Capital Financing Costs**

Interest Payable and Other Charges	3,547,590	3,547,590
Depreciation	3,560,300	3,792,720
Direct Revenue Financing of Capital	2,904,280	7,686,110
<b>Total Borrowing and Capital Financing Costs</b>	<b>10,012,170</b>	<b>15,026,420</b>

**Net Expenditure to be Financed from Housing Revenue Account**

	<b>(1,494,340)</b>	<b>3,010,100</b>
Net Deficit/ (Surplus) before movement from/(to) Reserves	<b>(1,494,340)</b>	<b>3,010,100</b>

**Housing Revenue Account**

Balance Brought Forward	(32,597,239)	(34,294,054)
In year (Surplus)/Deficit	(1,494,340)	3,010,100
Transfer to/(from) Earmarked Reserves	(202,475)	(58,000)
Balance Carried Forward	<b>(34,294,054)</b>	<b>(31,341,954)</b>

The 2019/20 Revised Budget above includes the proposed HRA Capital Scheme budget changes for 2019/20 proposed in Section 5 of this report.

- 4.5 The HRA uses a sophisticated 30 year business planning model. This enables the impact of various changes in income and expenditure to be monitored across a 30 year timespan.

Whilst there is not an immediate risk to the HRA within the short term the Council must be mindful that savings are required within the service itself and from those services and funds that receive contributions from the HRA as well as a potential need to scale back capital investment within existing properties. Housing services have continued to make year on year savings within its operating and capital budgets. From a redesign and IT investment of the Housing Repairs service to improve customer service, this will lead to further savings and efficiencies of £0.5m within 3 years.

Even though the HRA borrowing cap ended in October 2018. The current financial position of the HRA cannot sustain further additional debt repayments

- 4.6 Possible Future impacts on the HRA

#### Social Housing Green Paper – A New Deal for Social Housing

Improving People’s Homes and Reducing Bills. The Government will look at a long-term trajectory for energy performance standards across the social housing sector, with the aim of as many social rented homes as possible being upgraded to (Energy Performance Certificates (EPC) Band C by 2030, where practical, cost-effective and affordable.

If all Council stock were required to achieve a Band C energy rating this would cost circa ADC £9.7m based on around 1764 units currently showing as lower than EPC Band C. The figure may vary as property elements are updated or removed, however a broad estimate of £5.5k per property upgrade amounts to some £9.7m spend to achieve the C Band target. This is currently not built into the 30 year business plan as this has not gone through any legislation.

- 4.7 New measures to improve building safety standards – Ministry of Housing, Communities & Local Government (MHCLG)

The Government is shortly commissioning a new Building Safety Regulator in direct response to the Grenfell tragedy. There is debate as to whether this will cover buildings over 11m high which could potentially bring under regulation for the first time many of the Council’s 3 storey accommodation blocks. Whilst Ashfield’s housing stock currently complies with all the relevant standards there may be some unquantified additional cost of compliance to any standard created by the new Regulator.

- 4.8 HRA Earmarked Reserves

Table 9 below shows the already approved movements in the HRA earmarked reserves in 2019/20 and 2020/21:

**Table 9 – HRA Earmarked Reserves**

Movement on Earmarked Reserves	Balance as at 1st April 2019/20	Transfer to Reserve 2019/20	Transfer from reserve 2019/20	Forecast Balance as at 31st March 2020	Transfer to Reserve 2020/21	Transfer from Reserve 2020/21	Forecast Balance as at 31st March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Grants Reserve	25	0	0	25	0	0	25
Eco Funding Reserve	263	0		263	0	0	263
Insurance Reserve	129	50	0	179	50	0	229
Corporate Change Reserve	192	0	0	192	0	0	192
Technology Investment	252	0	252	0	0	0	0
Welfare Reform Reserve	200	0	0	200	0	108	92
<b>Total</b>	<b>1,061</b>	<b>50</b>	<b>252</b>	<b>859</b>	<b>50</b>	<b>108</b>	<b>801</b>

#### 4.9 Planned Movement in HRA Earmarked Reserves 2020/21

The HRA insurance reserve was established in 2016/17 to fund any damage to the Council's housing stock. All housing stock damage claims will go against the HRA insurance reserve, which was agreed to have a contribution of £50k per annum for the financial years 2016/17 through to 2020/21.

The Technology Investment reserve was set up to support the upgrading of out of date technology, to support the introduction of new technology, to support the move to digital delivery of services and improve customer experience and to support the move to more agile working. The reserve of £252k was utilised for a Dynamic Resource Scheduler, Repairs Module and Mobile licencing in housing repairs approved at Cabinet dated 21/01/2019. This investment should produce efficiency savings from 2020 onwards that will return the initial investment over three years.

The Welfare Reform Reserve was created to support and react to the high volume of issues raised with the roll out of Full Service Universal Credit that commenced in November 2018. This is resulting in a significant increase in customer contact, as the vast majority of tenants now have to liaise with us directly to make their rent payments. To help mitigate the adverse impact of the changes on the Council, five fixed term housing positions will be in place during the financial year 2020/21 using funding from this reserve.

## 5. Capital Programme 2019/20 to 2022/23

5.1 The proposed Capital Programme and funding is summarised in Table 10 below. Appendix 1 shows a detailed breakdown of all the schemes below.

The three areas of the Capital Programme (Area Schemes, General Fund and HRA) are discussed in more detail below.

**Table 10 – Capital Programme (2019/20 to 2023/24)**

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
<b>Capital Expenditure</b>						
Area Schemes	1,038	885	0	0	0	1,923
General Fund	51,819	28,135	22,153	3,289	20	105,416
Housing Revenue Account	7,947	12,615	14,495	10,338	9,897	55,292
<b>Grand Total</b>	<b>60,804</b>	<b>41,635</b>	<b>36,648</b>	<b>13,627</b>	<b>9,917</b>	<b>162,631</b>
<b>Capital Financing</b>						
Developers Contributions - Area Schemes	332	567	0	0	0	899
Borrowing	185	305	0	0	0	490
Direct Revenue Financing	41	1	0	0	0	42
Other Capital Grants and Contributions - Area Schemes	480	12	0	0	0	492
<b>Sub Total - Area Schemes</b>	<b>1,038</b>	<b>885</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,923</b>
Prudential Borrowing - General Fund	49,364	26,914	21,335	2,495	20	100,128
Direct Revenue Financing - General Fund	191	0	0	0	0	191
Developers Contributions - General Fund	211	187	0	0	0	398
Capital Receipts	0	0	0	0	0	0
Other Capital Grants and Contributions - General Fund	2,053	1,034	818	794	0	4,699
<b>Sub Total - General Fund</b>	<b>51,819</b>	<b>28,135</b>	<b>22,153</b>	<b>3,289</b>	<b>20</b>	<b>105,416</b>
Funded from HRA Reserves	6,461	11,422	12,472	9,158	8,717	48,230
Future 1-4-1 Capital Receipts						
Funding Recently Built and New Schemes	406	313	1,143	300	300	2,462
Non 1-4-1 Capital Receipts	1,080	880	880	880	880	4,600
<b>Sub Total - HRA</b>	<b>7,947</b>	<b>12,615</b>	<b>14,495</b>	<b>10,338</b>	<b>9,897</b>	<b>55,292</b>
<b>Grand Total</b>	<b>60,804</b>	<b>41,635</b>	<b>36,648</b>	<b>13,627</b>	<b>9,917</b>	<b>162,631</b>

### Area Capital Programme

5.2 These consist of mainly self-financed schemes that enhance the local environment. Developers' contributions (known as Section 106 funding) make up the largest funding source. Additional grant funding is sought wherever possible to maximise the benefit to local communities. Area schemes are included in Table 11.

**Table 11 – Area Schemes (2019/20 to 2023/24)**

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
<b>Area</b>						
Hucknall Area	475	80	0	0	0	555
Kirkby Area	221	598	0	0	0	819
Sutton Area	185	205	0	0	0	390
Rural Area	157	2	0	0	0	159
<b>Total</b>	<b>1,038</b>	<b>885</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,923</b>
<b>Funded by</b>						
Borrowing	185	305	0	0	0	490
Donation	2	0	0	0	0	2
Friends of Cromford Canal	2	0	0	0	0	2
Hucknall and Linby Committee	10	0	0	0	0	10
Nottinghamshire County Council (NCC)	440	0	0	0	0	440
Reserves	41	1	0	0	0	42
Rural Payments Agency	0	4	0	0	0	4
Section 106	197	566	0	0	0	763
Selston Parish Council	21	0	0	0	0	21
Skanska	5	8	0	0	0	13
Sustainable Transport S106	135	1	0	0	0	136
<b>Total</b>	<b>1,038</b>	<b>885</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,923</b>

Table 12 below shows where changes to capital schemes by Area are proposed due to project delays (slippage) or additional project spend.

**Table 12 – Area Schemes (changes in proposed expenditure)**

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
<b>Approved Area Scheme</b>	<b>1,116</b>	<b>804</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,920</b>
Changes to Hucknall Schemes	-66	65	0	0	0	-1
Changes to Sutton Area Schemes	-13	13	0	0	0	0
Changes to Kirkby Area Schemes	-1	3	0	0	0	2
Changes to Rural Area Schemes	2	0	0	0	0	2
<b>Proposed Area Schemes to be Approved</b>	<b>1,038</b>	<b>885</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,923</b>



**Table 13 – Area Schemes (changes to budget – by scheme)**

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
<b>Hucknall Area</b>						
Papplewick Green Public Art Work	-1	0	0	0	0	-1
Play Areas	-65	65	0	0	0	0
<b>Sub Total</b>	<b>-66</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
<b>Sutton Area</b>						
Ashfield Estate Footpaths	-2	2	0	0	0	0
Brand Lane / Wharf Road Open Space Improvements	-1	1	0	0	0	0
Kingsmill Reservoir footpath links	-1	1	0	0	0	0
Kingsmill Reservoir management plan: Implementation Works	-8	8	0	0	0	0
Sutton Lawn Play Area	-1	1	0	0	0	0
<b>Sub Total</b>	<b>-13</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Kirkby Area</b>						
Annesley Art Project	-2	2	0	0	0	0
Kirkby footpaths/cycle ways	2	0	0	0	0	2
Morven Park / West Park Play Area	-1	1	0	0	0	0
<b>Sub Total</b>	<b>-1</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Rural Area</b>						
Jacksdale Car Park Extension	2	0	0	0	0	2
<b>Sub Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Grand Total</b>	<b>-78</b>	<b>81</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

### 5.3 Changes to Existing Area Projects

Table 13 above shows the proposed changes to budget on a scheme by scheme basis. Many of the schemes planned for 2019/20 are not now expected to be completed until 2020/21. The Papplewick Green Public Art Work is now completed and no further works are required. The actual funding allocation to each project is shown at Appendix 1. Two schemes have increased value:

- **Kirkby footpaths/cycleways** – A grant of £2k has been made available from Nottinghamshire County Council.
- **Jacksdale Car Park Extension** – The Council has received additional funding of £2k from Friends of Cromford Canal.

### 5.4 General Fund Capital Programme

Changes to the General Fund Capital Programme are explained below and summarised in the Table 14 and 15 below. Details of the full General Fund Capital Programme are shown in Appendix 1.

**Table 14 - General Fund Schemes Summary Reconciliation of Current Capital Programme to Proposed February 2020 Capital Programme**

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
<b>Current Capital Programme</b>	<b>53,473</b>	<b>26,481</b>	<b>22,153</b>	<b>3,289</b>	<b>20</b>	<b>105,416</b>
Changes to Current Projects	-1,654	1,654	0	0	0	0
<b>Proposed February 2020</b>	<b>51,819</b>	<b>28,135</b>	<b>22,153</b>	<b>3,289</b>	<b>20</b>	<b>105,416</b>

**Table 15 – General Fund Projects (changes in budget – by scheme)**

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
<b>Changes to Current Projects</b>						
Hucknall Leisure Centre	-121	121	0	0	0	0
Kirkby Leisure Centre	-1,354	1,354	0	0	0	0
Leisure Transformation Programme	-74	74	0	0	0	0
Office Accommodation Works to Accommodate DWP at Central Offices	-2	2	0	0	0	0
Office Accommodation Works to Accommodate Police at Central Offices	-5	5	0	0	0	0
Kings Mill Reservoir Car Park Expansion	-98	98	0	0	0	0
<b>Grand Total</b>	<b>-1,654</b>	<b>1,654</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 5.5 Key changes to Existing General Fund Projects.

It is not expected that there will be any change in total costs for the General Fund Capital Programme. However, several of the 2019/20 schemes will be delayed until the 2020/21 financial year. The actual allocation to each project is shown at Appendix 1.

**Table 16 – General Fund – Financing of the Capital Programme**

The tables below show the changes in financing required to move from the existing Capital Programme to the proposed 2019/20 – 2023/24 Capital Programme.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
<b>Current Capital Programme</b>	<b>53,473</b>	<b>26,481</b>	<b>22,153</b>	<b>3,289</b>	<b>20</b>	<b>105,416</b>
Capital Grants	-5	5	0	0	0	0
Capital Receipts - General Fund	0	0	0	0	0	0
Prudential Borrowing	-1,575	1,575	0	0	0	0
Developers Contributions - General Fund	-74	74	0	0	0	0
Direct Revenue Financing	0	0	0	0	0	0
<b>Proposed November 2019 Capital Programme</b>	<b>51,819</b>	<b>28,135</b>	<b>22,153</b>	<b>3,289</b>	<b>20</b>	<b>105,416</b>

## 5.6 Housing Revenue Account (HRA) Capital Programme

There have been changes to the profiling of HRA capital schemes. However, with the exception of a £2k saving for the Darlison Court scheme, which is now complete, the total HRA capital expenditure remains unchanged. These are shown in Table 17 below.

The HRA Vehicle purchases are proposed to increase overall by £409k due to the addition of the next year into the programme for 2023/24. The capital programme has been increased by £1m per year for years 2019/20 – 2023/24 to fund additional investment via the acquisition of dwellings to supplement the current Housing stock. There has been a small increase of £8k in the cost of the new Persimmon Homes in Hucknall.

The 2019/20 non 1-4-1 housing capital receipts to date have been higher than originally anticipated. This has resulted in an extra £200k being available to fund decent home schemes.

Full details of the HRA Capital Programme are shown in Appendix 1.

**Table 17 – Housing Revenue Account (changes to budget)**

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
<b>Expenditure Approved</b>	<b>9,232</b>	<b>14,142</b>	<b>11,685</b>	<b>10,338</b>	<b>9,897</b>	<b>55,294</b>
<b>Changes to Current Projects</b>						
Catch up and Major Repairs	-1,056	1,056	0	0	0	<b>0</b>
Service Improvements	15	-15	0	0	0	<b>0</b>
Contingent Major Repairs	-30	30	0	0	0	<b>0</b>
Exceptional Extensive Works	4	-4	0	0	0	<b>0</b>
Disabled Adaptations	-82	82	0	0	0	<b>0</b>
Electronic Document and Records (EDRM) System	-12	12	0	0	0	<b>0</b>
Darlison Court (New Builds)	-2	0	0	0	0	<b>-2</b>
Investment in New or Existing Dwellings	-44	44	0	0	0	<b>0</b>
Major Repairs Temporary Accommodation	-18	18	0	0	0	<b>0</b>
Davies Avenue Housing Project	-60	-2,750	2,810	0	0	<b>0</b>
Firewalls	0	0	0	0	0	<b>0</b>
SAN Hardware	0	0	0	0	0	<b>0</b>
Switch Network Hardware	0	0	0	0	0	<b>0</b>
<b>Grand Total</b>	<b>7,947</b>	<b>12,615</b>	<b>14,495</b>	<b>10,338</b>	<b>9,897</b>	<b>55,292</b>
<b>Capital Funding</b>						
Funded from HRA Reserves	6,461	11,422	12,472	9,158	8,717	<b>48,230</b>
Future 1-4-1 Capital Receipts						
Funding Recently Built and New Schemes	406	313	1,143	300	300	<b>2,462</b>
Non 1-4-1 Capital Receipts	1,080	880	880	880	880	<b>4,600</b>
<b>Total Capital Funding</b>	<b>7,947</b>	<b>12,615</b>	<b>14,495</b>	<b>10,338</b>	<b>9,897</b>	<b>55,292</b>

## 6. MTFS Update

6.1 There remains significant uncertainty around the level of resources which will be available to the Council beyond 2020/21. This uncertainty is in relation to the outcome of the Fair Funding Review and the impact it will have on 'assessed need' and subsequent resource allocation levels through a Business Rates re-set and the proposal to change levels of business rates retention from 2021/22, and potential changes to the distribution methodology for New Homes Bonus.

6.2 Because of the above significant uncertainty indications of the future financial challenge for the Council (like all other Councils) will potentially be subject to considerable variation. However, based on use of the LG Futures financial model and our current estimate of expenditure required for the next five years the current estimated funding gaps are shown in Table 18 below:

**Table 18 – MTFS Estimated Funding Gap 2020/21 to 2024/25**

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Estimated Expenditure	13,135	12,220	13,020	13,815	14,245
Estimated Income	(13,135)	(11,137)	(10,739)	(10,632)	(10,716)
Estimated Cumulative Funding Gap	0	1,083	2,281	3,183	3,529
Estimated Annual Funding Gap	0	1,083	1,198	902	346

6.3 The above estimated funding gaps currently include the following assumptions (which may change on further review):

- Pay inflation (2%)
- Contract Inflation (2.4%)
- Utilities Inflation (5%)
- No allowance for any inflationary increase in District Council Tax increase from 2020/21
- No allowance for any growth in the Council Tax Base (Number of properties)

The above assumptions will all be revisited over the Summer as part of the MTFS review (See 6.8 below).

6.4 The Corporate Leadership Team (CLT) and Cabinet continue to meet regularly to identify and agree options to address this estimated financial challenge in the Medium Term Financial Strategy for 2021/22 to 2024/25 and beyond; ensuring the Council has a sustainable future.

6.5 Consideration will be given to options for additional income generation, including the potential acquisition of further Investment properties, the identification of efficiencies (service reviews, procurement savings, asset rationalisation, alternate service delivery models, etc.) and potential savings through Invest to Save – in particular via the Council's Digital Transformation Programme.

6.6 An updated MTFS will be brought back to Cabinet after the 2019/20 accounts have been closed and audited and further updates will be provided as greater certainty around future funding becomes available.

## **7. Section 151 Officer Comments**

7.1 Section 25 of The Local Government Act 2003 requires that the 'Chief Financial Officer' (The Corporate Finance Manager at Ashfield District Council) reports to Council on the following matters in making decisions on the budget and financial strategy:

The robustness of the estimates made for the purposes of the calculations; and  
The adequacy of the proposed financial reserves.

It is also recognised good financial management for the Council to identify target levels for reserves and balances that are based on a thorough understanding of its risks and needs.

7.2 The content of this report is the mechanism by which positive assurances are made by the Corporate Finance Manager about the adequacy of the proposed financial reserves.

- 7.3 The Corporate Finance Manager gives his assurance that the budget estimates for 2020/21 are robust. There is a forecast deficit in future years as public sector funding gets tighter and there is recognition that this will have to be addressed for the Council to remain sustainable in the longer term but that there are options available for development, consideration and subsequent implementation to do this. Early progress of any of the supported options during 2020/21 may also deliver in year savings.
- 7.4 The key fundamental principles which underpin the Corporate Finance Managers' assurances are:
- Directorates manage their finances within the clearly defined cash limited budgets within this report
  - The Council recognises the need to explore income and savings options to ensure the future financial sustainability of the organisation
  - The General Reserves (General Fund) Minimum Balance is maintained at its current level and is not called upon for other purposes save in exceptional circumstances with the agreement of the Leader of the Council, Chief Executive and the Corporate Finance Manager and approved by the appropriate body of the Council in accordance with the Constitution.
  - In considering the robustness of the Budget for 2020/21 account has been taken of the need to call on funding from the Corporate Transformation Earmarked Reserve.

## **Implications**

### **Corporate Plan:**

The proposed 2020/21 General Fund budget, HRA Budget and the 2019/20 to 2023/24 Capital Programme reflects the priorities in the Corporate Plan.

The financial position of the HRA has a direct impact on the Corporate Plan. Sustainability of the HRA will assist in maintaining existing homes and increase the supply of affordable homes in the district in the future.

### **Legal:**

When setting the Revenue Budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the Council Tax Requirement and the setting of the overall Budget and Council Tax for the year. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure proper discharge of its statutory duties and lead to a balanced budget.

In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike the right balance between the interests of Council Tax payers and ratepayers on the one hand and the community's interests in adequate and efficient resources on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. It is believed that the proposals in this Budget Report do strike that right balance.

All capital projects require input from Legal Services in relation to contracts. The Council must ensure that robust contractual arrangements are in place, specifications are clearly defined, and it is clear which project risks are the responsibility of the Contractor and which remain with the Council. This is to avoid potential contractual disputes and to limit the potential financial impact on the Council should they arise.

The Council is required by the LGHA 1989 to have a separate Housing Revenue Account.

If supported by Cabinet, this report will require approval by Council as this forms part of the Council's Budgetary Framework (Financial Regulation B.1 and Article 4 of the Constitution).

**Finance:**

Budget Area	Implication
General Fund – Revenue Budget	The financial implications are set out in the body and appendices of this report.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

**Risk:**

Risk	Mitigation
That the budget set may be insufficient to provide the required services and subsequently services overspend.	Monthly budget monitoring arrangements are in place with reports produced monthly from June onwards for CLT and periodically for Cabinet. Any pressures and potential mitigation of pressures is included in these reports.

**Human Resources:**

There are no direct HR implications contained in this report.

**Equalities:**

Projects within the Capital Programme will ensure that as far as possible Council buildings are accessible, to enable all users to access Council services. In addition, the various projects within the Council's Digital Transformation Strategy will ensure that individual customer needs are optimised.

**Environment/Sustainability:**

There are no environment/sustainability implications resulting from the recommendations detailed in this report.

**Other Implications:**

*None*

**Reason(s) for Urgency**

*Not Applicable*

**Reason(s) for Exemption**

*Not Applicable*

**Background Papers**

2020/21 Council Tax Base report  
Housing Rents report 2020/21 – Cabinet 27 January 2020  
Final Local Government Settlement – 6th February 2020  
Budget and Council Tax 2019/20 Report – Council 4<sup>th</sup> March 2019  
CIPFA – The Prudential Code for Capital Finance in Local Authorities 2011 (as amended 2012)  
and related Guidance Notes 2013.

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