Report To:	**CABINET**	**Date:**	**19th February 2018**
Heading:	**GENERAL FUND REVENUE BUDGET REVISED 2017/18 & 2018/19**		
Portfolio Holder:	**CLLR JACKIE JAMES**		
Ward/s:	**ALL**		
Key Decision:	**YES**		
Subject to Call-In:	**YES**		

Purpose of Report

- To agree the General Fund Revenue Estimates for 2017/18 (Revised) and 2018/19.
- To agree the continuation of the Council's Local Council Tax Support Scheme.

Recommendation(s)

The Cabinet agrees

1) **the General Fund Revenue Estimate for 2017/18 (Revised) and 2018/19 are recommended to Council for approval**
2) **the Council's Local Council Tax Support Scheme continues in its current form for 2018/19.**

Reasons for Recommendation(s)

In order to set a balanced budget for 2018/19 which reduces the net cost of the Council's General Fund services, in line with future predictions of resources.

Alternative Options Considered

None appropriate. Because the gap between the Council's resources and its expenditure needs is predicted to remain at a significant level until the end of the decade, it is important that net savings continue to be made each year.

Detailed Information

This report outlines the Revised 2017/18 budget and Original Budget 2018/19.

- Appendix A shows the Summary of Budgets, 2017/18 and 2018/19.
- Appendix B shows the Budget Movements 2017/18 and 2018/19.
- Appendix C shows the Budget in full and detailed movements at service level.

Revised budget 2017/2018

The original 2017/18 budget has been revised during the year to take into account matters not known at budget setting stage. This included:-

1) Rental income generated from commercial properties acquired during the financial year in accordance with the Council's Commercial Investment Property Strategy.
2) Additional grant income received to undertake specific projects, particularly within Revenues & Customer Services. In some areas this has led to corresponding expenditure budgets being established.
3) Budgets being established for specific one-off projects /costs which are being met from an Earmarked Reserve set up for this purpose (e.g. IT transformation projects, service reviews etc).

Three further changes are being proposed:

1) During the year the Council has received additional Section 31 Grant to compensate the Authority for the loss of business rates for implementing the Government's Discretionary Rate relief scheme - £77k.

2) The Council is part of the Nottinghamshire Business Rates Pool. If collectively the Pool performs well, 50% of the additional business rates is returned to the Council whilst a further 50% is retained by the Pool for regeneration purposes. Given that there are fewer commitments to the regeneration pot than anticipated, Ashfield with other District authorities have secured the return of the initial 50% contribution from 2016/17. For Ashfield, this equates to £192k.

   A condition of the amounts being returned is that 50% will be earmarked for regeneration purposes. It is proposed therefore to add £100k to the Economic and Development Reserve with the balance being added to the Technology Investment Reserve to help fund digital customer service improvements. The Council has had an external review undertaken of its digital operations and whilst the report is yet to be finalised this would indicate further IT investment is required.

3) Reduction in capital financing charges due to slippage on the Capital Programme.

In addition to the above Members need to be aware of other issues which may impact upon Business Rates received in 2017/18 and 2018/19, as a result of Government announcements during the past few weeks.

Business Rates figures are calculated by determining the value of net rates payable from all businesses within the District. This is after taking account various reliefs and exemptions which may be awarded and an allowance for appeals and doubtful debts. An estimate is provided to the Government within the NNDR1 form (completed in January before the new accounting period) and the out-turn position reported within the NNDR3 form (completed in May after accounting period has ended).

Business Rates are shared between the Government, the Council, Nottinghamshire County Council (NCC) and the Nottinghamshire Fire Authority but then further adjustments are made:-

- From its proportion the Council is required to pay a 'tariff' to NCC – this is set by the Government in advance of the accounting period. The Government has notified local authorities over the past few weeks that the value quoted in the settlement for 2017/18 and 2018/19 requires adjustment to take account of the revaluation of properties based upon Valuation Office Agency data. The estimated implications for the Council are an increase in tariff in 2017/18 by circa £50k and a reduction in next year's by £40k.
- In December 2017 the Government issued a Technical Consultation paper in relation to 2017/18 Small Business Rates Relief (SBRR) Threshold Changes. In effect due to the Chancellor changing the Small Business Rates Relief schemes local authorities will lose business rates income. The Government intends to compensate authorities for this through Section 31 Grant and has provided a range of options on how to determine the compensation due. The favoured option (using the original estimated figures for SBRR) would provide the Council with a further £200k in Section 31 grants. The outcome of the consultation has not yet been announced.
- There is an on-going discussion between the Government and CIPFA regarding the calculation of Section 31 grants generally which could also impact upon the amount of Section 31 received.
- If the Council has Business Rates income above its baseline then a levy of 50% is paid to the Nottinghamshire Pool. The levy calculation is determined using the tariff and section 31 grants therefore the levy is subject to change.

Due to the uncertainty in respect of the issues above the budget for 2017/18 hasn't been revised and these will be dealt with as part of closure of the accounts.

Original budget 2018/19

A Revenue Budget reduction target of £1m was agreed by Cabinet for the financial year 2018/19 in accordance with the savings strategy. The Council has identified projected savings of £990k. A full list of the saving proposals is given in the table below.

Proposed Savings 2018/19 and 2019/20	**General Fund Savings**				**HRA**			
Description of Saving	17/18 (£000s)	18/19 (£000s)	19/20 (£000s)	Total (£000s)	17/18 (£000s)	18/19 (£000s)	19/20 (£000s)	Total (£000s)
Changes to operation of outdoor markets	20	0	0	20	0	0	0	0
Members grants	0	0	4	4	0	0	0	0
Changes to Essential Car User Scheme & Mileage Allowance	0	30	0	30	0	5	10	15
Reduction in CCTV operating costs	0	15	0	15	0	0	0	0
Hub Community Safety Review- Management - Phase 1	0	99	0	99	0	0	0	0
Commercial Property investment (net receipts) *** see UPDATE	160	432	0	592	0	0	0	0

Corporate Leadership Team Restructure	32	6	0	38	17	3	0	20
Re-introduction of Garden Waste Charge	0	151	0	151	0	0	0	0
Reduction to Training Budget	0	17	17	34	0	8	8	16
Solar PV at Leisure Centres income (net contribution)	0	3	4	7	0	0	0	0
Returned Business rates from the Nottinghamshire Pool	0	25	0	25	0	0	0	0
	212	**778**	25	1,015	**17**	**16**	18	51

It is has been possible to take some of the identified savings within the current financial year and therefore those listed in 2017/18 have already been effected in the revised budget and are not subject to further discussion below. Some savings will be delivered over 2018/19 and 2019/20. Where a change impacts both the General Fund and HRA details have been included for completeness.

<u>Specific changes and Recommendations</u>

1) Changes to Essential Car User Scheme and Mileage Scheme

A review of employee terms and conditions including car allowances took place in 2017/18.

For all employees on Ashfield District Council terms and conditions, car allowances rates are currently paid in accordance with the National Joint Council (NJC) pay and conditions agreement for local government staff. Former AHL employees receive HMRC rates for business mileage and NJC rates for essential car user lump sum payments.

Following the due process of consultation with employees and trade unions resulting in a locally agreed variation to the national NJC terms; car mileage rates, as from April 2018, will be paid to all Ashfield District Council employees at the lower HMRC rate of 45p per mile (generating an annual saving to the General Fund of circa £10k in 2018/19).

Essential car user allowances have also been renegotiated resulting in a cap on the annual lump sum payment to employees on ADC terms and conditions being introduced in April 2018, which will generate a further annual saving to the General Fund of circa £20k.

Further savings will be generated in future years to the HRA, through reduction in essential car user lump sum payment, as former AHL employees transfer to ADC terms and conditions.

2) Reduction in CCTV Call Centre Operating Costs through collaboration in both monitoring and maintenance costs

A collaborative agreement is to be established between Broxtowe Borough Council, Newark and Sherwood District Council and Ashfield to yield savings to current contract costs. By the three districts aligning maintenance contract end dates and making maintenance contracts more reactive than proactive, a joint procurement is expected to deliver savings of £15k to Ashfield.

3) Hub Community Safety Review

A restructure covering the Hub Community Safety Team and Environmental Health has been undertaken which has enabled 2 senior posts (Environmental Health Manager and the New Cross Support Team Leader) to be deleted. This is to deliver £99k of savings in 2018/19.

4) Commercial Property Investment

The Council has been successful in purchasing 4 properties during 2017/18 as part of its Commercial Property Strategy. This is expected to generate £592k per annum in rental income net of associated costs. The Council has internally borrowed to finance these purchases therefore the level of external interest costs has not arisen.

*****UPDATE**: On 2nd February 2018, the Government issued Statutory Guidance on Minimum Revenue Provision (MRP). MRP in essence is the amount to be set aside to repay debt incurred through capital expenditure. At present the Council applies Option 4 – Depreciation Method for MRP which means that debt will be repaid upon sale of the asset.

The Government's latest guidance suggests that with effect from 1st April 2019 MRP must be determined using Option 3 – Asset Life Method, therefore an amount will be set aside to repay debt over the life of the asset. MRP is a charge in the revenue account and therefore this annual charge must be offset against any yield generated. In 2019/20 therefore the net yield will reduce from £592k to approximately £367k. By putting aside funds to repay debt, a larger net capital receipt would be generated provided valuations are maintained or increased. However the certainty of when assets would be sold is not known and is dependent upon market conditions. The Council is also to re-visit its Commercial Property Strategy.

5) Corporate Leadership Team

A restructure of the Corporate Leadership Team leading to the deletion of the Deputy Chief Executive post occurred in June 2017. Savings noted for 2018/19 are to provide a full year saving.

6) Re-introduction of Garden Waste Charge

During the past 2 years the Council operated a project in conjunction with Nottinghamshire County Council to provide a free garden waste service with the purpose of encouraging recycling behaviour. The project has now ended and the Council is now re-introducing a charge. This service is expected to generate a surplus of £151k.

7) Reduction to the Training Budget

It is believed that reductions in the overall training budget can be achieved through:

- Collating, coordination and maximising the combined HRA and GF training budgets to create opportunities for reduced expenditure through removal of duplication.
- Introduction of additional efficiencies through joint procurement and delivery of training amongst partner agencies
- Further implementing increased effective and efficient training tools including e-learning via the Council's e-learning portal.

- Enhanced challenge and management of training plans, training requests and prioritisation based on a hierarchy of need

The proposal is expected to save £17k to the General Fund and £8k to the HRA in 2018/19 and the same amount again in 2019/20.

8) Sale of energy to Leisure Centre Operator running the Council's Centres

The Council is pursuing adding Solar Panels to its Leisure Centres. In addition to providing green energy, it is hoped to reduce the electricity costs of operating the Council's Leisure Centres. As the centres are externally managed by an operator, the energy shall be sold to the operator and generate a saving of £3k.

9) Returned Business Rates from the Nottinghamshire Business Rates Pool

Since the Nottinghamshire Business Rates Pool inception, the Council has received part of its levy back. It is difficult to predict the amount expected to be returned in any one year since this depends on the rates raised by all the District Partners. However, it is concluded that £25k would be reasonable in adding to the budget.

Budget consultation

The Council's budget consultation was smaller this year due to the nature of the savings being proposed, with many having already been consulted on in previous years or not being relevant to public consultation. For example the Commercial Property Investment was consulted on previously and the car mileage rates were subject to consultation with staff and unions rather than the wider public. The Council did however ensure that the public was provided with information and a chance to comment on the overall position and further public engagement and consultation will be undertaken over the next 12 months.

Local Council Tax Support Scheme

The Local Council Tax Support scheme allows the Council to reduce Council Tax for those residents who would have qualified for support when it was operated under government legislation. A local scheme is in place and fully funded by the Council. Further to a review undertaken earlier in the year, there are no plans to change the current arrangement. The arrangements are reviewed annually.

Council Tax Options

District Councils are permitted to increase Council Tax by 2.99% on a Band D property for 2018/19. Any proposal to increase Council Tax by more than this would trigger a referendum. The decision on Council Tax setting will take place on 26th February 2018.

For the purpose of this report, an increase of £5 (a rise of 2.77%) at Band D has been applied. This would provide additional income of £273k as opposed to no increase.

Other material changes - Expenditure

Pay – The MTFS February 2017 allowed for a pay award of 1%. The National Employers have made a pay offer, from April 2018, of 2% for most employees (spinal column points 20 and above) with those at the lower end of the salary scale (spinal column points 6-19) receiving tapered increases of between 3.7% to 9.1%. This has added an additional £340k to the 2018/19 budget compared to 2017/18. The pay offer is currently out to consultation with the Trade Unions whom are balloting their members on whether to accept the pay offer.

In addition, as service reviews are concluded, this is providing further reduction in pay costs (excluding exit costs).

Inflation – The Council has allowed for inflation at September CPI 3% (or RPI 3.8%) where there is a legal requirement to pay such increases (IT contracts, Leisure Centre Contract, Subscriptions). Energy costs have been contained due to lower than anticipated costs in 2017/18. These are included within service expenditure.

HB overpayments income - A reassessment of Housing Benefit Payments, Subsidy, and Housing Benefit overpayments has been undertaken. This results in an increase in net cost of housing benefits by £31k and an increase in the amount of housing overpayments income of £141k. This is forecast to occur due to a higher volume of overpayments as a result of real-time information being received to process claims. Members are reminded that payments equate to circa £30m therefore a small change can have a material impact on the budget.

HRA – IT Purchases. The IT budget of £120k relating to direct housing expenditure has been transferred to the HRA and has also resulted in lower recharges to the HRA in respect of IT services.

Other changes - Pro-rata savings from 2017/18 including the full implementation of some service reviews has also reduced the budget for 2018/19 by £220k.

One-off items from 2017/18 have also been removed from the budget at £325k. The net recharges income has reduced by £421k. There have been smaller value reductions totalling £294k which have reduced service expenditure.

Capital Financing – Capital Financing costs are based upon the capital programme (also on this agenda). Minimum Revenue Provision costs (amount set aside to repay borrowing) have increased by £216k however, this has been offset by a reduction in Direct Revenue Financing.

Other Material Changes – Income

Revenue Support Grant (RSG) - There is a reduction of £451k in RSG. This is as forecast in line with the Government's 4-year settlement.

Business Rates – Business Rates budget including section 31 grants, is £214k higher than the revised 2017/18 budget (£214k higher than the last MTFS). Please note earlier comment in relation to changes to Business Rates determination.

New Homes Bonus (NHB) – The Council is to receive £491k less than in 2017/18, however the figure is £110k higher than that anticipated in the last MTFS. This is due to a higher increase in the number of residential properties than anticipated and bonus payments for providing affordable housing properties (mostly due to the Council's provision; Brook Street and Darlison Court). For 2018/19 the Government also chose not to implement options within its consultation paper that would have linked and reduced NHB to successful residential planning appeals. The Government however still intends to re-visit for future years.

Collection Fund changes – There is no material change in the surplus position in respect of Council Tax but a lower deficit position (reduction of £386k) is forecast compared to 2017/18 for Business Rates.

Reserves

The Council has set a minimum balance for the General Fund Reserve of £1.35m. For 2017/18 and 2018/19 the Council's in-year net expenditure is greater than its financing income therefore there is a call on the General Fund Reserve of £157k and £119k respectively. It is positive to note that due to a reduced net expenditure budget this is improving the General Fund balance position.

Nevertheless as outlined in the MTFS, the gap between expenditure and financing is expected to widen and on-going savings will be required over the next 5 years to ensure the minimum balance can be maintained.

The Council will continue to utilise its Earmarked Reserves to fund specific initiatives and drive through change. The purpose of each Earmarked Reserve is outlined at the end of Appendix C.

Implications

Corporate Plan:

The Revenue Budget underpins all of the Corporate Plan's objectives.

Legal:

The Council must set a legal budget by 11^{th} March 2018.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	As set out in the report.
General Fund – Capital Programme	Further reports on this agenda will cover other budget areas.
Housing Revenue Account – Revenue Budget	Further reports on this agenda will cover other budget areas.
Housing Revenue Account – Capital Programme	Further reports on this agenda will cover other budget areas.

Risk:

Risk	Mitigation
Changes to the Final Settlement	Possible changes have been outlined within the body of the report.

Human Resources: Changes to terms and conditions have negotiated and consulted on at regional and local level. With regards to the reduction in establishment all affected employees are consulted and relevant procedures and policies are adhered to for a fair and consistent approach. The reduction in the training budget it is anticipated to have minimal impact and the training plan for 2018/19 and 2019/20 will accommodate the reduction.

Equalities:
Equalities implications are considered as part of the process in developing individual policy or budget changes

Other Implications:
(if applicable)

Reason(s) for Urgency
N/A

Reason(s) for Exemption
N/A

Background Papers
None

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