

APPENDIX 4

**RESOURCES ALLOCATION – GENERAL FUND REVENUE BUDGET
2019/20**1. Summary of Proposals

The policy committees of the Council have considered the revised budgets for 2018/19 and the base budgets for 2019/20 for their respective areas. Any changes arising from this process are set out below along with a summary of the proposed General Fund budget for 2019/20.

2. Key Assumptions and Other Changes

After consideration of the revised budgets for 2018/19 and the base budgets for 2019/20 by the policy committees, the following changes have been made:

- Mental Health Working Group – Following the important and well received work carried out by the Working Group, a sum of £10,000 has been set aside in the 2019/20 budget to further develop initiatives to support improvements to the mental health of residents and staff.
- Voluntary Redundancies – The Policy and Performance Committee on 6 February 2019 approved the voluntary redundancy of the Street Cleansing Manager (T243) and a Human Resources Officer (C14). The savings from these have been built into the 19/20 budget.
- Following a detailed review of the Council's balance sheet, it is considered that a sum of £149,350 that had been retained to meet potential highways insurance claims is no longer required and can be moved into the General Fund in 2019/20.
- Broxtowe Borough Council's share of contributions to the Nottinghamshire Business Rates Pool up to 2017/18 is £210,650 and this is to be returned to the Council in 2018/19.
- An estimate of £20,000 has been made in respect of the Council's contributions to the Nottinghamshire Business Rates Pool in 2018/19 that are to be returned to the Council in 2019/20.
- A business rates levy of £43,740 from Central Government relating to previous years is to be returned to the Council in 2018/19.

The base budgets for 2019/20 include estimates for inflation on certain headings such as utilities costs and software maintenance agreements. In accordance with the national agreements a 2% annual pay award has been assumed for the majority of staff with effect from 1 April 2019.

No allowance has yet been made for an increase in Member's allowances. On 24 January 2019 the Council's Independent Remuneration Panel recommended increasing member allowance rates in line with any employee pay award. The impact on the General Fund, should the Council resolve to accept the recommendation of the Panel, would be approximately £2,500.

Under the prudential framework for capital finance, prudential borrowing has to be considered in overall terms and taking account of the effect on revenue budgets and general affordability in the short and medium term. Appendix 5 to this report proposes total additional prudential borrowing of £0 in 2019/20 in relation to the Housing Revenue Account and borrowing of £3,571,500 in relation to the General Fund. Based on external borrowing rates, an estimate for additional borrowing costs has been included in the base budget for 2019/2020.

It is prudent to provide a sum of money within the budget to cover unforeseen items of expenditure which may arise during the year. As in 2018/19, a General Contingency of £25,000 has been established for 2019/20.

All known revenue developments have been incorporated into base budgets. No further revenue developments are expected but other items may be brought forward to committees during the course of the year as and when need arises.

Revenue Support Grant (RSG) income falls from £422,789 in 2018/19 to zero in 2019/20 as per the four year agreement.

The Non Domestic Rates income is primarily based on a calculation taking into account the local non-domestic rates tax base and the Government's calculations of each authority's spending requirements. For budgeting purposes the Council completes an assessment at the beginning of each year and uses this to determine the amount of rates to be collected (the NNDR1). The budget is then set on the basis of this assessment. For 2019/20 the non-domestic rates budget based on the NNDR1 for the year has been set at £3,172,342, which includes estimates for losses on appeals and the recovery of deficit arising from prior year transactions on the Collection Fund. Any difference between budgeted income and actual income receivable will be recovered in the following year.

Non Domestic Rates income is also affected by Section 31 grants received from Central Government and by payments to or receipts from the Nottinghamshire Business rates Pool.

The provisional funding settlement for 2019/20 announced by the Ministry of Housing, Communities and Local Government Department (MHCLG) on 13 December 2018 included details of the New Homes Bonus (NHB) allocations to Councils. The provisional NHB allocation to Broxtowe for 2019/20 of £146,750 represents a reduction of £63,598 (30%) on the £210,348 received in 2018/19. This was confirmed by MHCLG on 29 January 2019.

As set out in section 3 below, the recommendations are based upon withdrawing a net £975,302 and £615,045 from balances in 2018/19 and 2019/20 respectively.

3. General Fund Revenue Budget 2019/20

The table below shows the 2018/19 revised budget for each committee along with the base budget figures for 2019/20. It also shows the impact that this would have upon the Council's available balances.

	2018/19 Revised Estimate £	2019/20 Base Budget £
<u>Committee</u>		
Community Safety	1,472,400	1,458,062
Finance and Resources	1,919,812	2,187,663
General Fund Housing	321,750	375,557
Jobs and Economy	541,460	154,309
Leisure and Environment	5,639,750	5,439,913
Committee Net Expenditure	9,895,172	9,615,504
Beeston Special Expenses	25,000	25,000
Total Net Expenditure	9,920,172	9,640,504
<u>Funding</u>		
Revenue Support Grant (RSG)	(422,789)	0
NNDR (ie. Business Rates)	(3,396,331)	(3,172,342)
NNDR (Surplus)/Deficit	720,744	231,541
Estimated Safety Net or Levy Payment to/(from) Pool	719,291	612,863
Estimated S31 Grant (per NNDR1)	(829,403)	(1,150,838)
Returned Funding from Pool 2017/18	(210,650)	0
Returned Funding from Pool 2018/19	0	(20,000)
Returned Levy from Government	(43,740)	0
Council Tax	(5,413,606)	(5,450,252)
Council Tax (Surplus)/Deficit	(43,386)	(51,432)
Beeston Special Expenses Precept	(25,000)	(25,000)
Total Funding	(8,944,870)	(9,025,459)
(Addition to)/withdrawal from balances	975,302	615,045

The decrease in the 2019/20 base budget for total net expenditure when compared with the 2018/19 revised estimate of £279,668 is primarily a consequence of the following items:

	£000s
Removal of 2017/18 underspends carried forward to 2018/19	(287)
Removal of Other 2018/19 One-Off Items	(242)
Business Strategy Savings	(188)
Increase in Distribution from Bramcote Crematorium	(100)
Increase for May 2019 Borough Election	114
Removal of Remaining 2018/19 Savings Target	383
TOTAL	(320)

The increase in funding of £80,589 from the 2018/19 revised estimate total of £8,944,870 to the base budget 2019/20 figure of £9,025,459 is mainly due to the following:

	£000s
Removal of Revenue Support Grant	423
Reduction in NNDR (ie. Business Rates)	224
Decrease in NNDR Deficit	(489)
Decrease in Safety Net or Levy Payment to/(from) Pool	(106)
Increase in S31 Grant	(322)
Returned Funding from Pool 2018/19	(20)
Returned Funding from Pool 2017/18	211
Returned Levy from Notts Pool	44
Increase in Council Tax Income	(37)
Increase in Council Tax Surplus	(8)
TOTAL	(80)

The anticipated withdrawals from balances in 2018/19 and 2019/20 shown above would affect the Council's reserves as follows:

Change in Balances 2018/19

	Actual Balance at 1 April 2018	Projected Withdrawal (Addition)	Estimated Balance at 31 March 2019
General Fund Reserve	(6,053,523)	1,005,302	(5,048,221)
Elections Reserve	(60,000)	(30,000)	(90,000)
Local Land Charges Reserve	(136,891)	0	(136,891)
Local Auth. Mortgage Reserve	(37,434)	0	(37,434)
Total Balances	(6,287,848)	975,202	(5,312,546)

Change in Balances 2019/20

	Actual Balance at 1 April 2019	Projected Withdrawal (Addition)	Estimated Balance at 31 March 2020
General Fund Reserve	(5,048,221)	350,720	(4,697,501)
Elections Reserve	(90,000)	90,000	0
Local Land Charges Reserve	(136,891)	136,891	0
Local Auth. Mortgage Reserve	(37,434)	37,434	0
Total Balances	(5,312,546)	615,045	(4,697,501)

The recommendations are based upon withdrawing £350,720 from the General Fund reserve in 2019/20 as well as £90,000 from the Elections reserve to meet the cost of the Borough Council elections on 2 May 2019.

The Local Land Charges Reserve was established from an allocation of funds received from Central Government to help meet any costs that may be awarded against the Council as a result of a legal action taking place across the country. As no such costs have been incurred in recent years, it is proposed that this reserve is used to meet the cost of General Fund net expenditure in 2019/20.

The Local Authority Mortgage Scheme (LAMS) Reserve was set up in 2013/14 using additional premium interest earned on the deposit with Lloyds Bank. It was intended to offset the cost of any mortgage defaults should they occur. The deposit was returned to the Council on 31 January 2019 and there have been no mortgage defaults thus far. Therefore, it is proposed that this reserve is also used to meet the cost of General Fund net expenditure in 2019/20.

No legislative restriction applies as to how any of the reserves as set out above may be used. The minimum acceptable total of General Reserves to meet revenue expenditure and capital financing commitments is considered to be £1.5 million.

4. Budget Savings

It is proposed to set an employee savings target of £300,000 in 2019/20 to be met from vacancies, flexible retirements and redundancies. This is in line with the previous year's salary savings target. Any further approvals by the Policy and Performance Committee of voluntary redundancy or flexible retirement requests will help to achieve this saving.

A range of potential efficiencies and additional income has been identified and included in the Business Strategy which was presented to the Finance and Resources Committee on 11 October 2018. The majority of these savings and additional income have been built into the 2019/20 budget. Base-to-base budget comparisons indicate that approximately £188,000 was removed from base budgets between 2018/19 and 2019/20 as a consequence of measures in the Business Strategy although these gains are offset by increases in costs and reductions in income elsewhere.

The Business Strategy updated in October 2018 includes further identified potential efficiencies that will need to be realised in order to produce a balanced budget over the lifetime of the Medium Term Financial Strategy. A further refresh of the Business Strategy will be required later in 2019 to identify further potential efficiencies and this work expected to led by the General Management Team, and commence during July 2019.

5. Beeston Special Expenses

Beeston and the surrounding area is a special expense area purely in relation to the cost of maintaining allotments. It is anticipated that, assuming no unforeseen and significant events occur of a size similar to those experienced with water leaks a few years ago, then sufficient monies will remain on the account such that a precept of £25,000 per annum should be capable of being maintained for several years.

In the Beeston Special Expenses Area it is proposed to retain the precept at £25,000 as in 2018/19 (see section 8 above) and hence the council tax charge. In reality this would mean that, within the Beeston Special Expenses Area, the combined effect of the two council tax elements would produce a decrease of £0.01 per band D dwelling whilst the other parts of the borough would show no change.

6. Council Tax

The Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012, provide that any shire district or borough council proposing an increase of 3.0% (or £5) or more in their council tax will need to provide the opportunity for local people to approve or veto the increase in a referendum. The Leader of the Council and Chair of the Finance and Resources Committee have been consulted and the option to freeze Council Tax for 2019/20 at the same rate as in 2018/19 is proposed. It is therefore proposed that the band D basic council tax amount be fixed at £161.85.

The authority's share of the estimated surplus on the Council Tax element of the Collection Fund as at the end of 2018/19 is £51,432. After taking this into account, and the increase in the council tax base for 2019/20 as approved by the Committee on 8 January 2019, then no increase in the basic council tax amount equates to a council tax requirement (excluding the special expenses area) of £5,450,252 in 2019/20 and would require an overall withdrawal from balances totalling £615,045.