

Report To:	CABINET	Date:	18 FEBRUARY 2019
Heading:	ANNUAL BUDGET & COUNCIL TAX 2019/20 AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) UPDATE		
Portfolio Holder:	CABINET MEMBER (INWARD), COUNCILLOR ROBERT SEARS-PICCAVEY		
Ward/s:	ALL		
Key Decision:	Yes		
Subject to Call-In:	Yes		

Purpose of Report

This report sets out the proposed:

- 2019/20 Annual Revenue (General Fund) and HRA Budgets and the Capital Programme for 2018/19 to 2022/23
- 2018/19 In-Year Revised Budgets (HRA and Capital)
- 2019/20 District Council Tax
- Fees and Charges for those services where this information was unavailable for publication when the Fees and Charges report was considered by Cabinet on 26th November 2018.

The report also sets out the estimated financial challenge in the Medium Term Financial Strategy (MTFS) for 2020/21 and 2021/22 and the Chief Finance Officer's advice regarding the robustness of the estimates included in the proposed 2019/20 Budget and the adequacy of reserves for which the proposed budget provides.

Recommendation(s)

That Cabinet recommends to Council:

1. Approval of a freeze in the level of the District's own Council Tax for 2019/20, setting the Band D equivalent at £185.46; the same as in 2018/19.
2. Approval of the proposed Revenue (General Fund) and HRA 2019/20 Budgets as set out in this report. (Sections 3 and 4).
3. Approval of the proposed Capital Programme and associated borrowing 2018/19 to 2022/23 as set out in this report. (Section 5).
4. Approval of the 2018/19 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 4th March 2019.
6. That it notes the estimated financial challenge in the Medium Term Financial Strategy (MTFS) for 2020/2021 and 2021/22, and the planned approach to address the challenge. (Section 6).
7. That an updated MTFS is brought back to Cabinet after the 2018/19 Accounts have been closed and audited.
8. Approval of the proposed use of reserves as set out in this report. (Table 6 (Revenue) and Table 11 (HRA)).
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 2019/20 Budget and the adequacy of the reserves for which this budget provides. (Section 7).
10. Approval of the Fees and Charges set out in this report which were not available for inclusion in the Fees and Charges report to Cabinet on 26th November 2018. (Section 3.10 to 3.13).
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 11th October 2018.

Reasons for Recommendation(s)

To approve a nil increase (a freeze) in the District Council's Council Tax, approve the HRA and Capital Budget Revisions for 2018/19 and approve the proposed 2019/20 Revenue and HRA Budgets and the Capital Programme 2018/19 to 2022/23. In accordance with the Local Government Finance Act 1992 the Council must set its annual budget by 10th 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 2.99% or £5 per annum without triggering a referendum. The proposal is to freeze the level of District Council Tax for 2019/20 as the Council is able to set a balanced budget for 2019/20 without increasing the District's Council Tax level.

Careful consideration has been given to each of the proposed investments included in this report. The investments proposed will support the Council in delivering its Corporate Plan priorities and will further facilitate the progression of the Council's Digital Transformation Programme for the benefit of 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. **Indeed 2019/20 will be the final year the Council will receive Revenue Support Grant (RSG) as part of accepting the Government's 2015 'Four Year Offer'.**
- 1.2 Despite this significant reduction in funding the 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 2019/20 revenue budget it is essential that following the May 2019 District elections, the elected Administration works with the Council's management to identify and agree options to address the estimated financial challenge in the Medium Term Financial Strategy for 2020/21, 2021/22 and beyond; ensuring the Council has a sustainable future.
- 1.4 The 2019/20 Provisional and Final Settlements included notification of the level of New Homes Bonus (NHB); this was £223k less than the value that had been assumed in the Medium Term Financial Strategy. The proposed 2019/20 Revenue Budget and the estimated financial challenge in the MTFs for the following two years (Section 6) reflects the impact of this lower level of NHB funding.
- 1.5 The proposed budgets included in this report will facilitate the delivery of the Council's Priorities set out in the Corporate Plan.

2. District Council Tax 2019/20

- 2.1 **Ashfield District Council is proposing a zero increase (a freeze) to its own Council Tax.** This would set the District's Council Tax level (Band D equivalent property) at £185.46 for 2019/20; the same as in 2018/19.
- 2.2 This proposed District Council Tax freeze is reflected in the proposed Annual Revenue Budget for 2019/20 shown in Section 3, Tables 3 and 4.
- 2.3 Based on the number of Band D equivalent properties in the 2019/20 Council Tax Base (33,542.5) and a District Council Tax of £185.46, this will generate Council Tax income of £6.221m for 2019/20.

3. Annual Revenue Budget 2019/20

- 3.1 The proposed 2019/20 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 2019 and contractual inflation. The proposed 2019/20 Budget also includes any revenue implications from the proposed Capital Programme and assumes that the proposed revision to the Council's Minimum Repayment Provision (MRP) Policy (elsewhere on this agenda) will be approved by Council.

Table 1 – Proposed Investments 2019/20

Investment	Detail	£'000
Ashfield Spring Clean	To continue the programme implemented by the current Administration in 2018.	23
Commercial Programme Support officer	This post recognises the need to invest in and adequately resource the service managing existing and sourcing new Investment opportunities in line with the proposals in the Capital Strategy.	65
Customer Services Manager	This post will enable progression of that part of the Digital Transformation Programme which will maximise the benefits to the Council's residents and customers.	65
Hope Lea Charity – Provision of Grant	Under latest legislation the Council is required to charge the Hope Lea charity market rent for the HRA property it occupies. Provision of this grant will enable the organisation to meet their annual rental charge and continue to provide its valued residential, supported living and day care services to clients with learning disabilities.	7
Investment Property – Annual Revaluations	The Council is required to have its Investment Properties purchased in prior years valued on an annual basis.	10
TOTAL		170

Table 2 – Proposed Savings/Efficiencies 2019/20

Saving / Efficiency	Detail	£'000
Training Budget Reduction	£10k reduction in Divisional Training and £7k reduction in Corporate Training.	17
Insurance Contract retender savings	Savings from retendering the Insurance contract which were not factored into the original 2018/19 budget. (Timing)	75
Reduce spend on newspapers and periodicals	Reduced purchase and more sharing of local newspapers, withdrawal from MJ subscription and move to cheaper on-line access.	1
Police accommodation rental income	Increase in annual rental charge for the Police now occupying a larger proportion of Urban Road accommodation.	12
Localities Review	Annual savings from the Locality Review concluded in Spring 2018 but prior to the 2018/19 budget being set. (Timing)	91
Hub Review	Annual savings from the Hub Review concluded in Spring 2018 but prior to the 2018/19 budget being set. (Timing)	40
Cease Industrial Alliance Subscription	Considered that value for money is not being delivered from the subscription paid.	3
Citizens Advice Bureau (CAB) Grant	In line with national best practice a mutual agreement has been implemented with CAB which provides guaranteed funding at £49k per annum for 3 years, and which delivers a small annual saving to the Council.	3
Lifeline Service saving	Reduced cost of service provision for 2019/20 through working with a neighbouring Council to provide this service.	6
TOTAL		248

3.3 Factoring in the above proposed Investments and Savings/Efficiencies, the proposed Annual Revenue Budget for 2019/20 is shown in Table 3 below:

Table 3 – Annual Revenue Budget by Directorate

Directorate	£'000
Place & Communities	10,672
Resources & Business Transformation	1,613
Legal & Governance	1,844
Housing & Assets	2,345
Chief Executive	527
Sub Total - Directorates	17,001

Net Recharges In/Out	-4,708
Borrowing & Capital Financing Costs	1,781
Net Interest Payable	198
Transfers to Earmarked Reserves	129
TOTAL	14,401

3.4 Table 4 below shows how the proposed 2019/20 Annual Revenue Budget is funded:

Table 4 – Funding the 2019/20 Annual Revenue Budget

Funding Source	£'000
New Homes Bonus	-1,607
Revenue Support Grant	-194
Net Business Rates / Section 31b Grants	-5,368
Council Tax Collection Fund Surplus	-7
District Council Tax (Frozen)	-6,221
Earmarked Reserves	-699
MRP Overprovision (See paragraph 3.5 below)	-305
General Fund Reserve contribution	0
TOTAL	-14,401

3.5 Minimum Revenue Provision (MRP) – Historic Overprovision

Following a Local Government Association (LGA) Finance Review in April 2018 a recommendation was made that the Council should seek external advice on options in respect of the Council's current MRP policy. This work was commissioned through Arlingclose Ltd. The work identified potential benefits of changing the current MRP policy (see report elsewhere on this agenda) and it also identified that the Council had 'overprovided' for MRP in its accounts since 2009. Correcting this overprovision provides a one-off benefit to the Council of £1.221m. This overprovision will be largely used to enhance the Council's reserves (£916k) to help mitigate against known future funding pressures and the balance (£305k) will be used to support the proposed 2019/20 budget. This is set out in Table 5 below:

Table 5 – Use of MRP Overprovision

	£'000
Allocation to the District Planning Inquiry Reserve to fund costs associated with the new Local Plan	400
Allocation to the Corporate Change Reserve to help fund one-off service transformation costs	200
Used to partially fund the proposed 2019/20 Revenue Budget	305
Balance to be used to fund interest costs on borrowing which will be incurred for the new Kirkby Leisure Centre and pool prior to the Leisure Centre opening (Timing difference).	316
TOTAL	1,221

3.6 General Fund Earmarked Reserves

Table 6 below shows the planned movement in General Fund Earmarked Reserves:

Table 6 – Planned Movement in General Fund Earmarked Reserves

Movement on Earmarked Reserves	Balance as at 1st April 2018	Transfer to Reserve 2018/19	Transfer from reserve 2018/19	Expected Balance as at 31st March 2019	Transfer to Reserve 2019/20	Transfer from Reserve 2019/20	Expected Balance as at 31st March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
District Planning Inquiry / Local Plan	56	400	54	402	0	335	67
Elections	82	44	8	118	54	164	8
Harold Farr Bequest	8	0	2	6	0	2	4
Joint Use Maintenance Fund	208	10	15	203	0	0	203
Asset Repair & Renewal Reserve	461	50	72	439	0	0	439
LAMS Reserve	61	15	0	76	0	0	76
Joint Crematorium Reserve	499	0	0	499	0	0	499
Insurance Related Funds	320	75	0	395	75	0	470
Revenue Grant Reserve	908	159	351	716	0	0	716
NNDR Equalisation Reserve	962	0	0	962	0	636	326
Supported Housing Reserve	11	0	0	11	0	0	11
Corporate Change Reserve	1,057	200	360	897	0	200	697
Commercial Property Investment Reserve	400	0	0	400	0	0	400
Economic Development & Place Reserve	227	0	85	142	0	74	68
Technology Investment Reserve	562	0	433	129	0	0	129
Total	5,822	953	1,380	5,395	129	1,411	4,113

3.7 Proposed transfers to Reserves

The proposed transfers to Earmarked Reserves for 2019/20 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

3.8 Proposed transfers from Reserves

The proposed transfers from Earmarked Reserves for 2019/20 are:

- £335k from the District Planning Inquiry / Local Plan Reserve to fund the evidence base required for the development of the Local Plan.
- £164k from the Elections Reserve to meet the cost of the 2019 District Elections.
- £1.5k from the Harold Farr bequest reserve to contribute funding towards projects involving young people.
- £636k from the NNDR Equalisation Reserve to recognise the timing difference associated with Business Rates receipt/assumptions (the reason the reserve was established).
- £200k from the Corporate Change Reserve to meet costs which may arise in-year associated with service transformation.
- £74k from the Economic Place and Development Reserve – Up to £50k for tendering of the Leisure Centre contract and £24k proposed changes to car parks (Parking Order, ticket machine alterations and marking of bays).

3.9 General Reserve

As at 31st March 2018 the balance on the General Reserve was £4.577m. The Outturn Report (to Cabinet on 14th June and Council on 26th July) agreed utilisation of £222k, leaving a balance of £4.355. **In setting the proposed budget for 2019/20 there is no proposed withdrawal of funding from the balance of this Reserve.**

3.10 Fees and Charges

The proposed changes to some fees and charges for 2019/20 were not known when the Fees and Charges Report was considered by Cabinet on 26th November 2018. Details of these are shown below:

3.11 Car Parking Charges

A report elsewhere on this Cabinet agenda, subject to consultation, recommends a change to some of the existing car park charges be implemented. A further report will be brought back to Cabinet following the consultation period. In the meantime it is proposed that the existing 2018/19 car park fees remain in place.

3.12 Mobile homes Site License Fee Structure

Following consultation with Site Owners a licence fee structure will be introduced from 1st April 2019 for all mobile home sites within the District. During the consultation Site Owners did not raise any issues or concern.

The proposed fee structure is consistent with other Districts within the County and will cover the management costs incurred by the Council, such as health and safety inspection visits.

Table 7 – Mobile Homes Site Licence Fees 2019/20

Application for a NEW licence	£407 plus £8 per pitch
Existing licence holders	£12 per pitch annual fee
Transfer/Variation of Site License	£152 to £274 dependent upon complexity
Deposit of site rules – one off fee for new and existing licence holders	£126

A licence lasts for a 12 month period. Existing licence holders will not be charged an initial one-off application fee, they will however be charged an annual pitch fee and for the Deposit of Site Rules.

3.13 Legal Services

A separate report in respect of Legal Services Fees and Charges will be brought to March 2019 Cabinet for consideration.

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 2019/20 Annual HRA Budget includes a number of Investments and Savings/Efficiencies. These are set out in tables 5 and 6 below.
- 4.3 The proposed budget includes provision for pay award (2%), funding for increments and contractual inflation. The 2019/20 Budget also includes any revenue implications from the proposed Capital Programme and assumes that the proposed revision to the Council's Minimum Repayment Provision (MRP) Policy will be approved by Council.

Table 8 – Proposed HRA Investments 2019/20

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.	63
Housing Repairs System	Repairs Dynamic Resource Scheduler, repairs module and mobile working (£250k one-off) and £30k (recurrent) for licence and maintenance costs – approved by Cabinet 18/01/19.	280
Housing Management system	Housing Management modules and mobile working (£56k one-off) and £10k (recurrent) for licence and maintenance costs – approved by Cabinet 14/06/18.	66
TOTAL		409

Table 9 – Proposed HRA Savings/Efficiencies 2019/20

<u>Saving/Efficiency</u>	<u>Detail</u>	£'000
Redecoration Allowance	Freeze Redecoration Allowance at 2018/19 rates.	4
Training	Reduction to Training Budget	8
Council Tax Charges	Reduction in Council Tax charges for void properties	15
Insurance Contract savings	Savings from retendering the Insurance contract which were not factored into the original 2018/19 budget.	37
Hub Review	Annual savings from the Hub Review concluded in Spring 2018 but prior to the 2018/19 budget being set.	18
Additional Rent Income	Hope Lea – annual market rent (See Table 1)	7
TOTAL		89

4.4 2018/19 Revised HRA Budget and Proposed 2019/20 HRA Budget

Table 10 below shows the proposed Revised HRA budget for 2018/19 and the proposed HRA Budget for 2019/20:

Table 10 - Housing Revenue Account 2018/19 (Revised) and Proposed 2019/20 Budget

	2018/19 Revised Budget £	2019/20 Original Budget £
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Summary Budget for Housing Revenue Account

Service

Housing Revenue Account	(8,233,000)	(9,288,550)
Housing Courts Schemes	978,010	1,041,850
Tenancy Services and Housing Management	1,191,540	1,323,790
Lettings	653,510	690,190
Technical Services Management	(750,400)	(468,220)
Technical Services Responsive and Void Management	3,797,560	4,011,290
Technical Services Support Services	993,460	996,050
Technical Services Planned and Cyclical	3,095,610	2,999,280
Procurement	64,120	68,140
DLO	155,360	152,770
Rent Accounting	90	0
TOTAL	1,945,860	1,526,590

Subjective Analysis

Employee Expenses	5,338,250	5,510,540
Premises Expenses	7,144,290	7,326,750
Transport Related Expenses	407,310	385,810
Supplies & Services	4,212,620	4,638,210
Transfer Payments	0	19,800
Income	(30,350,080)	(30,867,200)
Sub Total Excl. Capital Financing Costs & Central Recharges	(13,247,610)	(12,986,090)

Capital Financing Costs	13,746,380	13,033,100
Central & Dept Recharges In	4,110,340	4,101,930
Central & Dept Recharges Out	(2,663,250)	(2,622,350)
TOTAL	1,945,860	1,526,590

Net Operating Expenditure	1,945,860	1,526,590
Less Adjusting Capital Entries	13,746,380	13,033,100

Total Net Operating Expenditure after Adjusting Capital Entries	(11,800,520)	(11,506,510)
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Borrowing and Capital Financing Costs

Interest Payable and Other Charges	0	0
Item 8 Contribution	3,545,640	3,547,590
Depreciation	3,466,330	3,560,300
Direct Revenue Financing of Capital	6,734,410	5,925,210
Total Borrowing and Capital Financing Costs	13,746,380	13,033,100

Net Expenditure to be Financed from Housing Revenue Account	1,945,860	1,526,590
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Net Deficit/ (Surplus) before movement from/(to) Reserves	1,945,860	1,526,590
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Housing Revenue Account

Balance Brought Forward	(28,286,057)	(26,330,197)
In year (Surplus)/Deficit	1,945,860	1,526,590
Transfer to/(from) Earmarked Reserves	10,000	(265,475)
Balance Carried Forward	(26,330,197)	(25,069,082)

The 2018/19 Revised Budget above is the current HRA revised budget. Subject to the proposed HRA Capital Scheme budget changes for 2018/19 proposed in Section 5 of this report, the above 2018/19 Revised Budget will be amended accordingly.

The HRA has within the last year adopted 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.

Historically despite having a large reserve the HRA has been withdrawing from reserves on an annual basis. The impact has been made significantly worse due to the Government imposed 4 year 1% rent reduction which has taken £8m out of the HRA over the 4 year terms amounting to some multiple 10's of millions over the life of the 30 year plan.

Whilst there is no immediate risk to the HRA within the short term the Council must be mindful savings are required within the service itself and from those services and funds which 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 and is seeking to undertake an external review of the business plan to look at areas where expenditure could be reviewed or rationalised.

A further consequence of the net annual contribution from reserves is the inability to take advantage of the lifting of the HRA borrowing cap since the HRA cannot sustain further additional debt repayments.

4.5 Housing and Planning Act 2016

There was originally 2 elements of the Housing and Planning Act that would impact on the HRA.

- End of Lifetime Secure tenancies to new tenants.
- The sale of high value Council homes.

A briefing paper on the Implementation of the Housing and Planning Act 2016 dated 27 September 2018 Number 8229 has given updates on these two elements.

Firstly, the End of Lifetime Secure tenancies to new tenants. In the briefing paper it states the Government has listened carefully to the views and concerns of residents and have decided not to implement the provisions in the Housing and Planning Act 2016 at this time.

Secondly, the sale of high value Council homes. This proposed the Council to consider the sale of high value council properties when they become vacant to fund the discounts given to the housing association tenants as part of the extension of Right to Buy scheme to Housing Associations. The Government has said that these provisions will be repealed.

4.6 Social Housing Green Paper – A New Deal for Social Housing (Possible Future Financial Impacts).

The Government is considering if new safety measures in the private rented sector apply to social housing, such as installing smoke alarms on every storey, carbon monoxide alarms in every room containing solid fuel burning appliances, a mandatory requirement to ensure electrical installations are inspected every 5 years, upgrade the energy performance of homes to Band C by 2030.

If all Council stock was required to achieve a Band C energy rating this would cost ADC £10m due to the sheer amount of non-traditional/prefabricated properties in its stock.

4.7 HRA Earmarked Reserves

Table 11 below shows the already approved movements in the HRA earmarked reserves in 2018/19 and 2019/20:

Table 11 – HRA Earmarked Reserves

Movement on Earmarked Reserves	Balance as at 1st April 2018/19	Transfer to Reserve 2018/19	Transfer from reserve 2018/19	Balance as at 31st March 2019	Transfer to Reserve 2019/20	Transfer from Reserve 2019/20	Estimated Balance as at 31st March 2020
	£'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	135	50	-40	145	50	0	195
Corporate Change Reserve	192	0	0	192	0	0	192
Technology Investment	253	0	0	253	0	-253	0
Welfare Reform Reserve	200	0	0	200	0	-63	137
Total	1,068	50	-40	1,078	50	-316	812

4.8 Planned Movement in HRA Earmarked Reserves 2019/20

The HRA insurance reserve was established in 2016/17 to fund any damage to the Council's housing stock. All claims for housing stock damages will be made against the HRA insurance reserve which will continue to be topped up by £50k per annum for the financial years 2016/17 through to 2020/21. In 2018/19 it is forecast to use £40k of the reserve through various property damage claims.

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. £252k will be required for the initial outlay 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 will result in a significant increase in customer contact as the vast majority of tenants will now have to liaise with us directly to make their rent payments. To help mitigate the potential adverse impact of the changes on the Council, two fixed term housing management advisors are to be recruited for the duration of 2019/20 using funding from this reserve.

5. Capital Programme 2018/19 to 2022/23

5.1 The proposed Capital Programme and funding is summarised in Table 12 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 12 – Capital Programme (2018/19 to 2022/23)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Capital Expenditure						
Area Schemes	1,163	486	120	120	0	1,889
General Fund	12,841	26,394	25,934	22,133	23,269	110,571
Housing Revenue Account	7,353	10,652	11,339	11,613	10,282	51,239
Grand Total	21,357	37,532	37,393	33,866	33,551	163,699
Capital Financing						
Developers Contributions - Area Schemes	751	265	0	0	0	1,016
Borrowing	118	120	120	120	0	478
Direct Revenue Financing	50	5	0	0	0	55
Other Capital Grants and Contributions - Area Schemes	244	96	0	0	0	340
Sub Total - Area Schemes	1,163	486	120	120	0	1,889
Prudential Borrowing - General Fund	11,169	24,162	25,115	21,315	22,475	104,236
Direct Revenue Financing - General Fund	115	120	0	0	0	235
Developers Contributions - General Fund	200	244	20	0	0	464
Other Capital Grants and Contributions - General Fund	1,357	1,868	799	818	794	5,636
Sub Total - General Fund	12,841	26,394	25,934	22,133	23,269	110,571
Funded from HRA Reserves	6,027	9,472	10,159	10,433	9,102	45,193
Future 1-4-1 Capital Receipts Funding Recently Built and New Schemes	446	300	300	300	300	1,646
Non 1-4-1 Capital Receipts	880	880	880	880	880	4,400
Sub Total - HRA	7,353	10,652	11,339	11,613	10,282	51,239
Grand Total	21,357	37,532	37,393	33,866	33,551	163,699

Area Capital Programme

5.2 These consist of mainly self-financed schemes that enhance the local environment. These are mainly financed by developers' contributions (known as Section 106 funding) but additional grant funding is sought wherever possible to maximise the benefit to local communities. Area schemes are included in Table 13.

Table 13 – Area Schemes (2018/19 to 2022/23)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Area						
Hucknall Area	302	152	0	0	0	454
Kirkby Area	299	264	0	120	0	683
Sutton Area	386	70	120	0	0	576
Rural Area	176	0	0	0	0	176
Total	1,163	486	120	120	0	1,889
Funded by						
Ashland Rovers	0	1	0	0	0	1
BFP Trust	24	0	0	0	0	24
Borrowing	118	120	120	120	0	478
Cllr Zadrozny's and Cllr Hollis'						
County Councillor	3	0	0	0	0	3
Donation	1	0	0	0	0	1
Football Foundation Stadium						
Improvement Fund	0	20	0	0	0	20
Hucknall and Linby Committee	1	0	0	0	0	1
Network Rail	0	7	0	0	0	7
Nottinghamshire County Council						
(NCC)	162	50	0	0	0	212
Reserves	50	5	0	0	0	55
Rural Payments Agency	5	0	0	0	0	5
Section 106	747	250	0	0	0	997
Selston Parish Council	3	0	0	0	0	3
Skanska	0	13	0	0	0	13
Sustainable Transport S106	4	15	0	0	0	19
WREN	45	5	0	0	0	50
Total	1,163	486	120	120	0	1,889

Table 14 below shows where changes to capital schemes by Area are proposed due to project delays or additional project spend (slippage).

Table 14 – Area Schemes (changes in proposed expenditure)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Expenditure Approved	1,336	178	120	120	0	1,754
Changes to Hucknall Schemes	15	32	0	0	0	47
Changes to Sutton Area Schemes	-11	70	0	0	0	59
Changes to Kirkby Area Schemes	-172	206	0	0	0	34
Changes to Rural Area Schemes	-5	0	0	0	0	-5
Total Proposed Expenditure to be Approved	1,163	486	120	120	0	1,889

Table 15 – Area Schemes (changes to budget – by scheme)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Hucknall Area						
Butlers Hill Allotment Access	-7	7	0	0	0	0
Common Farm	-10	10	0	0	0	0
Lime Tree Recreation Ground	42	5	0	0	0	47
Titchfield Park and Hucknall Cemetery: implementation of park masterplan	-10	10	0	0	0	0
Sub Total	15	32	0	0	0	47
Sutton Area						
Brierley Forest Park Management Plan	36	0	0	0	0	36
Football Changing Rooms	-15	15	0	0	0	0
Kingsmill Reservoir footpath links	-31	0	0	0	0	-31
Kingsmill Reservoir management plan: Implementation Works	-15	15	0	0	0	0
Oval Play Area	-4	0	0	0	0	-4
Roundhill Recreation Ground	0	30	0	0	0	30
Sutton Lawn Play Area	28	0	0	0	0	28
Taylor Crescent Recreation Ground	-10	10	0	0	0	0
Sub Total	-11	70	0	0	0	59
Kirkby Area						
Annesley Art Project	24	-24	0	0	0	0
Forest Road Nature Area	-29	28	0	0	0	-1
Kingsway Park: implementation of management plan	0	46	0	0	0	46
Kirkby footpaths/cycle ways	-15	15	0	0	0	0
Kirkby Regeneration and Civic Centre	-12	0	0	0	0	-12
Lindleys Lane Play/Youth Area	-101	102	0	0	0	1
Morven Park / West Park Play Area	18	0	0	0	0	18
Sports pavilion, Titchfield Park	-39	39	0	0	0	0
West Park Play Area	-18	0	0	0	0	-18
Sub Total	-172	206	0	0	0	34
Rural Area						
Nottingham Road Recreation Ground	-5	0	0	0	0	-5
Sub Total	-5	0	0	0	0	-5
Grand Total	-173	308	0	0	0	135

5.3 Changes to Existing Area Projects

Table 15 above shows the proposed changes to budget on a scheme by scheme basis. Many of the schemes planned for 2018/19 are not now expected to be completed until 2019/20. The actual allocation to each project is shown at Appendix 1. The main reasons for change are:

- **Lime Tree Recreation Ground** – Additional WREN funding has meant more can be spent on this project.
- **Brierley Forest Park Management Plan** – Additional grant funding has meant more can be spent on this project.
- **Kingsmill Reservoir Footpath Links** – The £31k has been used to fund the Ashfield Estate Footpaths Project.
- **Roundhill Recreation Ground** – Additional Income secured from the Nottinghamshire Local Improvement Scheme.
- **Sutton Lawn Play Area** – Additional Income secured from the Nottinghamshire Local Improvement Scheme.
- **Kingsway Park: Implementation of Management Plan** – Project delayed due to other priorities.
- **Kirkby Regeneration and Civic Centre** – Scheme is now complete, no further expenditure.
- **West Park Play Area** – This scheme has now been included with the Morven Park Play Area.

5.4 General Fund Capital Programme

Changes to the General Fund Capital Programme are explained below and summarised in the Table 16 and 17 below. Details of the full General Fund Capital Programme are shown in Appendix 1.

Table 16 - General Fund Schemes Summary Reconciliation of Current Capital Programme to Proposed February 2019 Capital Programme

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Current Capital Programme	20,508	2,707	1,793	1,704	75	26,787
Changes to Current Projects	-7,667	23,687	24,141	20,429	23,194	83,784
Proposed November 2018	12,841	26,394	25,934	22,133	23,269	110,571

Table 17 – General Fund Projects (changes in budget – by scheme)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Changes to Current Projects						
Affordable Warmth Initiatives	-72	0	0	0	0	-72
Butlers Hill Changing Rooms	-10	0	0	0	0	-10
Cemeteries	-42	42	0	0	0	0
Clegg Hill Drive	-52	0	0	0	0	-52
Flood Support Schemes	-49	49	0	0	0	0
Hucknall Car Park - Titchfield Street	-115	115	0	0	0	0
Improvement Grants 1996 Act						
Disabled Facility Grant	326	-75	-75	-75	794	895
Investment Properties	0	20,000	20,000	20,000	20,000	80,000
Kings Mill Reservoir (The King and Miller to Kingfisher)	-1,025	1,100	25	24	0	124
Kirkby Leisure Centre	-6,000	2,000	4,000	0	0	0
Kirkby Town Centre Shops	-6	0	0	0	0	-6
Leisure Transformation Programme	-140	140	0	0	0	0
Office Accommodation Works to Accommodate police at Central Offices	75	0	0	0	0	75
Purchase of Vehicles	-316	316	191	127	2,400	2,718
Purchase of Vehicles for Garden Waste Collection	-2	0	0	0	0	-2
Solar PV Installations Leisure Centres	-236	0	0	0	0	-236
Vehicle Tracking Scheme	-3	0	0	353	0	350
Grand Total	-7,667	23,687	24,141	20,429	23,194	83,784

5.5 Key changes to Existing General Fund Projects.

The Council profiles its capital programme but inevitably there will be some slippage to project timetables. The Council will endeavour to ensure that costs are projected accurately however some projects costs will vary from the budget due to market forces or unexpected circumstances. The main reasons for the proposed movements in budget are outlined below:-

Affordable Warmth Initiatives – Amounts previously included on this scheme have been moved to the Disabled Facility Grant.

Butlers Hill Changing Rooms – The cost of this scheme is now expected to be less than what was originally proposed.

Clegg Hill Drive – The purchase of this land is now complete as a result no further charges are expected.

Improvement Grants 1996 Act Disabled Facility Grant – This scheme has increased due to the expected funding for Disabled Facilities Grants being greater than previously estimated and the inclusion of an extra £72k funding transferred from the Affordable Warmth Initiatives (see above).

Kings Mill Reservoir (The King and Miller to Kingfisher) – Additional funding has become available which will allow more works to be completed.

New Kirkby Leisure Centre – The value currently showing in the Capital Programme relates to that already approved by Council (£6m). Post tendering, a detailed Business Case will be brought to Cabinet and subsequently Council for funding approval.

Office Accommodation Works to Accommodate DWP at Central Offices – Scheme costs less than originally anticipated.

Office Accommodation Works to Accommodate Police at Central Offices – Works to Car Park at rear of Central Office funded by Police.

Purchase of Vehicles – The majority of the increase in vehicle expenditure is for new vehicles that are expected to be purchased in 2022/23 financial year. Vehicle purchases had previously been put on hold whilst a fleet review was undertaken. One of the outcomes of this fleet review is that it works out less expensive for the Council to purchase vehicles outright rather than to lease them.

Vehicle Tracking Scheme – The vehicle-tracking scheme purchased in 2017/18 is expected to require replacing after four years use.

Table 18 – 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 2018/19 – 2022/23 Capital Programme.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Current Capital Programme	20,508	2,707	1,793	1,704	75	26,787
Capital Grants	-745	999	-70	-51	794	927
Capital Receipts - General Fund	-20	0	0	0	0	-20
Prudential Borrowing	-6,663	22,380	24,191	20,480	22,400	82,788
Developers Contributions - General Fund	-239	244	20	0	0	25
Direct Revenue Financing	0	64	0	0	0	64
Proposed February 2019 Capital Programme	12,841	26,394	25,934	22,133	23,269	110,571

5.6 Investment Properties

At the time of writing the Capital Strategy (elsewhere on this agenda), Guidance is awaited from CIPFA in respect of Investment Properties and subject to the receipt and evaluation of this Guidance, an amended Capital Strategy and Programme may need to be brought for Cabinet/Council consideration and approval.

The Proposed Capital Strategy and Programme assumes that the Authority will be able to purchase future Investment Properties. The Council’s funding sources are diminishing. Therefore, the net rental figure obtainable from Investment Properties will help support continued delivery of existing Council services on which our residents rely.

5.7 Capital Strategy

The last Capital Strategy was approved by Council in March 2018. This set the total borrowing limit for the Capital Programme at £40.754m for the years 2017/18 – 2021/22. Last year the Council borrowed £19.135m which if left unchanged would make the remaining borrowing available to the Council for years 2018/19 – 2021/22 only £21.968m. The Council would like to increase the amount of borrowing to acquire further Investment Properties; an additional £20m for each of the four years from 2019/20 and add £2.4m to the Capital Strategy for borrowing to fund Vehicle purchases in 2022/23 (rolling programme of authorisation). The total borrowing requirement will increase to £104.368m (remaining balance £21.968m plus £80m Investment Properties plus £2.4m for Vehicle Purchases in 2022/23).

Table 19 – Comparison to the Proposed February 2019 Capital Strategy

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	11,169	24,162	25,115	21,315	22,475	104,236
Capital Strategy	20,874	20,874	20,874	20,874	20,874	104,368
Diff	9,705	-3,288	-4,241	-441	-1,601	132
Cumulative Diff	9,705	6,416	2,175	1,733	132	

5.8 Housing Revenue Account (HRA) Capital Programme

There have been changes to the profiling and mix of Decent Homes Schemes. This has resulted in a proposed overall capital expenditure reduction of £61k for these schemes for the years 2018/19 – 2021/22. The capital programme now includes an additional £8.841m for Decent Homes Schemes for the 2022/23 Financial Year (rolling programme).

The HRA Vehicles purchases is proposed to increase overall by £409k due to the addition of the next year to the programme for 2022/23. The capital programme has been increased by £1m per year for years 2019/20 – 2022/23 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 expected 1-4-1 and Non 1-4-1 Housing Capital Receipts is based on receipts received in the 2017/18 financial year. These have been extrapolated to provide full year estimates for 2018/19 and future years. If future Right to Buy receipts are more or less than the estimate then this will affect HRA balances.

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

Table 20 – Housing Revenue Account (changes to budget)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Expenditure Approved	11,447	8,519	8,505	9,531	40	38,042
Changes to Current Projects						
Management Fee	0	0	0	0	591	591
Catch up and Major Repairs	-3,003	469	1,667	869	6,985	6,987
Service Improvements	-374	135	67	173	610	611
Contingent Major Repairs	-154	28	28	33	145	80
Exceptional Extensive Works	-169	99	72	-1	10	11
Disabled Adaptations	-38	38	0	0	500	500
Investment in Additional Council Dwellings in Hucknall	8	0	0	0	0	8
Investment in New or Existing Dwellings	0	1,000	1,000	1,000	1,000	4,000
Housing Vehicles	-364	364	0	8	401	409
Grand Total	7,353	10,652	11,339	11,613	10,282	51,239
Capital Funding						
Funded from HRA Reserves	6,027	9,472	10,159	10,433	9,102	45,193
Future 1-4-1 Capital Receipts						
Funding Recently Built and New Schemes	446	300	300	300	300	1,646
Non 1-4-1 Capital Receipts	880	880	880	880	880	4,400
Total Capital Funding	7,353	10,652	11,339	11,613	10,282	51,239

6. MTFs Update

- 6.1 There is significant uncertainty around the level of resources which will be available to the Council beyond 2019/20. 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 move to 75% retention from 2020/21, and potential changes to the distribution methodology for New Homes Bonus.
- 6.2 The Fair Funding Review is currently being consulted on and although the outcome will not be known until later in the year it is probable that there will be a redistribution of resources to address the national key pressures in social care (Adults and Children's).
- 6.3 Although the New Homes Bonus 'Deadweight' (a minimum of 0.4% annual growth in dwellings before eligibility for NHB funding) did not change for the 2019/20 Local Government Finance Settlement, there is a possibility that this may change into the future.
- 6.4 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 three years the current estimated funding gaps are shown in Table 21 below:

Table 21 – MTFS Estimated Funding Gap 2019/20 to 2021/22

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
Estimated Cumulative Funding Gap	0	2,138	4,604
Estimated Annual Funding Gap	0	2,138	2,466

6.5 The above estimated funding gaps currently include the following assumptions:

- Pay inflation (2%)
- Contract Inflation (2.4%)
- Utilities Inflation (5%)
- A District Council Tax increase from 2020/21 of £5 per annum (March 2018 MTFS update to Council)
- Growth in the Council Tax Base of 380 properties (325 Band D equivalent properties) per year

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

6.6 Following the May 2019 District elections, the elected Administration will work with the Council's management to identify and agree options to address this estimated significant financial challenge in the Medium Term Financial Strategy for 2020/21, 2021/22 and beyond; ensuring the Council has a sustainable future.

6.7 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.

6.8 An updated MTFS will be brought back to Cabinet after the 2018/19 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 2019/20 are robust. There is a forecast significant ongoing 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 2019/20 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 2019/20 account has been taken of the potential need to call on up to £200k funding from the Corporate Change Earmarked Reserve.

Implications

Corporate Plan:

The proposed 2019/20 General Fund budget, HRA Budget and the 2018/19 to 2022/23 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 proposal 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 approved 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 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 being produced monthly from June onwards for CLT and periodically for Cabinet. Any pressures and potential mitigation is included in these reports.

Human Resources:

There are no adverse implications on the number of posts for which this proposed budget provides. The Investments proposed in this report will increase the Full Time Equivalent complement by 2 (if approved).

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.

Other Implications:

None

Reason(s) for Urgency

Not Applicable

Reason(s) for Exemption

Not Applicable

Background Papers

2019/20 Council Tax Base report

Housing Rents report 2019/20 – Cabinet 21st January 2019

Provisional Local Government Settlement – 13th December 2018

Budget and Council Tax 2018/19 Report – Council 5th March 2018

CIPFA – The Prudential Code for Capital Finance in Local Authorities 2011 (as amended 2012) and related Guidance Notes 2013.

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