

POLICY & FINANCE COMMITTEE

20 FEBRUARY 2020

2020/21 PROPOSED GENERAL FUND REVENUE BUDGET

1.0 Purpose of Report

- 1.1 To enable the Policy & Finance Committee to consider the spending proposals in the Councils proposed 2020/21 General Fund revenue budget.
- 1.2 To enable the Committee to make recommendations on the 2020/21 budget to Council for its meeting on 9 March 2020.

2.0 Background Information

- 2.1 This report sets out details of the council's proposed General Fund revenue budget for the 2020/21 financial year. The budget proposals were formulated in accordance with the framework set out in the council's Constitution. A report on the council's budget setting strategy for 2020/21 was presented to this Committee on 27 June 2019.
- 2.2 This report has been prepared by the Resources Directorate in conjunction with the appropriate Committees and relevant budget holders.

3.0 Financial Summary

- 3.1 The council's proposed 2020/21 General Fund (GF) revenue budget is shown in further detail in **Appendices A1** and **A2** to this report. The current overall position is summarised below:

Line in Appendix A1		2020/21 (£)
5	Total service budgets	15,201,920
12	Total other operating income & expenditure	1,633,290
16	Total financing and investment income & expenditure	(291,430)
23 & 24	Less capital reversals	(3,039,400)
	Total Expenditure	13,504,380
25 & 26	Contributions to or (from) Usable Reserves	3,100,740
21	New Homes Bonus (NHB)	(1,740,990)
19 & 20	Non-Domestic Rates (NDR) (Business Rates)	(7,724,300)
17 & 18	Government grants	(122,130)
30	Amount to collect through Council Tax	7,017,700

4.0 Alignment to Community Plan

- 4.1 The Community Plan 2019-23 was approved by Council on 07 March 2019 and sets out the objectives for the organisation over that period. The development of the revised objectives included within the plan commenced during September 2018 and since that time have been updated and refined following consultation with a range of stakeholders including, lead members (Chairs of Committees), members of the Senior Leadership Team and Business Managers.

- 4.2 The Vision and Values for the Council have also been reviewed and updated to better reflect the Council’s purpose and make clear: what we are here to do; and how we will go about it.
- 4.3 The Council also undertook a consultation exercise with residents and other key stakeholders between October and December 2018 so that findings from the survey could be used to sense check the objectives included with the Corporate Plan and where appropriate refine/amend these. Feedback has also been used to prioritise activities under each of the objectives. Further details in relation to the findings from the survey and how this has been used to shape the Council’s objectives is covered elsewhere on the agenda.
- 4.4 During the year since that approval, further priorities have emerged which have needed to be reflected within the Community Plan, and as such the Community Plan has been refreshed. This has been in consultation with the Leader and Deputy Leader and Committee Chairs and Vice Chairs. The refreshed Community Plan can be found at **Appendix B**.
- 4.5 The budget proposed within this report seeks to allocate resources in order to ensure the delivery of the refreshed Community Plan.

5.0 Development of Proposed 2020/21 General Fund Revenue Budget

- 5.1 The proposed 2020/21 General Fund revenue budget collates various types of information, such as the:
- a) level of government grant receivable;
 - b) expected level of council tax and business rates income;
 - c) expected level of other income, such as from fees and charges;
 - d) expected level of spend on employees; and
 - e) expected use of reserves.
- 5.2 The sub-sections in this part of the report summarise these and other areas of importance.

Local Government Finance Settlement: Settlement Funding Assessment (SFA)

- 5.3 The annual Local Government Finance Settlement provides councils with the amount of government grant and other information crucial for setting the next financial year’s budget. The provisional settlement was announced on 20 December 2019, and the final settlement on 06 February 2020. The final settlement completely reflected the provisional settlement.
- 5.4 The Settlement Funding Assessment (SFA) which the government will give councils next year is a combination of Revenue Support Grant (RSG) and the council’s local share of redistributed business rates.
- 5.5 The government will pay Newark and Sherwood £3.762m in SFA for 2020/21. This is an increase of 1.6% compared to 2019/20. The table below breaks down the council’s SFA for the four financial years between 2017/18 and 2020/21. This shows a reduction in government funding of 16.1% over that period.

	2017/18 (£)	2018/19 (£)	2019/20 (£)	2020/21 (£)
Revenue Support Grant (RSG)	1,048,592	592,374	82,785	84,134

Baseline Funding Level (BFL)	3,434,519	3,537,702	3,618,775	3,677,736
Settlement Funding Assessment (SFA)	4,483,111	4,130,076	3,701,560	3,761,870

5.6 The increase in the 2020/21 SFA is because of delays to government's reform of the local government finance system. The government's planned reforms are mainly to increase the proportion of business rates retained locally; and to make fairer the government's annual funding allocations for local authorities. The government previously intended for these reforms to take effect from 2020/21, though now intends for these reforms to take effect from 2021/22. In light of this one year delay, the government has rolled forward the 2019/20 settlement for 2020/21.

5.7 In addition to the council's BFL payment from the government, the council may also receive business rates from the Nottinghamshire Business Rates Pool and retain a proportion of locally generated business rates. Further details can be found in paragraph 5.40.

Proposed 2020/21 Council Tax

5.8 Chapter IVA (Limitation of Council Tax and Precepts) of the Local Government Finance Act 1992 requires billing authorities to hold referenda if their relevant basic amount of council tax for a financial year is in excess of a set of principles determined by the Secretary of State.

5.9 An authority's relevant basic amount of council tax is its average band D council tax excluding local precepts. The relevant basic amount of council tax for Newark & Sherwood District Council (NSDC) includes the levy that Internal Drainage Boards charge the Council.

5.10 Since 2016/17, shire district councils have been able to increase council tax by the greater of the core principle or £5 without holding referenda. For 2016/17 and 2017/18, the core principle was 2%, and for 2018/19 and 2019/20, the core principle was 3%.

5.11 The proposed core principle for 2020/21 is 2%. The government's proposed council tax referendum principle for shire district councils therefore permits increases in the council's 2020/21 relevant basic amount of council tax of up to (and including) the greater of 1.99% or £5.00 without holding a referendum.

5.12 The assumed Council Tax increase within these budget papers is an increase in the Band D equivalent of £5. The Council Tax Base (being the number of Band D equivalent properties within the District) has also assumed to be an increase on the previous years of 1.36%, which takes account of the increase in properties within the District.

Proposed 2020/21 Budget – General Principles

5.13 The appropriate bases agreed centrally and used in the preparation of the budget are:

a)	Employees	Some of the main assumptions used to budget for employee costs for 2020/21 were: - an 2% increase in the basic salary of most posts;
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		<ul style="list-style-type: none"> - an increase in pay point for employees not at the post's highest pay point; and - a 3.5% vacancy rate. <p>3.5% of the council's total salary budget, or £400,000, has been budgeted to be saved from posts remaining vacant before being filled.</p>
b)	Employer's Superannuation	<p>Pension-related costs have been budgeted for in line with the actuarial review which took place as at 31 March 2019 for the three years between 2020/21 and 2022/23.</p> <p>The council's budgeted pension-related costs has reduced overall. The Council's primary rate (charged as a proportion of basic salary at employee level) has increased from 14.5% to 17.5% which has increased the service cost. This has been offset by a reduction in the secondary rate (line 8) (which is a fixed contribution to the past service costs). The outcome of this is an overall reduction in pension costs to the Council.</p>
c)	General Inflation	<p>Most income budgets and non-pay expenditure budgets have been uplifted by 3%, broadly in line with the Retail Price Index (RPI) forecast for 2020/21 by the government's Office for Budget Responsibility (OBR).</p>
d)	Average Interest Rate re External Debt	<p>The council's General Fund borrowing will be in accordance with the Prudential Code for Capital Finance in Local Authorities. The cost of borrowing will depend on the rates available at the time that funding is required.</p>
e)	Capital Charges	<p>The estimates of each Committee's budgets (Appendix A1, lines 1-4) include the notional costs of assets used in delivering services, so that the council can reflect the true cost of delivering services.</p> <p>Statute, however, requires these capital charges to be reversed out (Appendix A1, lines 23-24) and replaced with the Minimum Revenue Provision (MRP) (Appendix A1, line 13). This is because council taxpayers cannot be charged for the notional costs of assets used.</p>
f)	Capital Financing Charges	<p>The council's General Fund (GF) revenue budget is charged when the council borrows to fund the purchase or creation of non-current assets. These charges will be in line with the council's Minimum Revenue Provision (MRP) policy for 2020/21 to be approved by Council on 9 March 2020.</p> <p>MRP is a charge to the taxpayer, calculated by apportioning the value borrowed for assets over their expected useful lives.</p>

Service Expenditure after Reversal of Capital Charges (Appendix A1)

- 5.14 Service expenditure budgets in 2020/21 are £582,668 more than in 2019/20, after capital charges have been reversed (Appendix A1, lines 23 and 24).

Line		2019/20	2020/21	Variance
5	Total service budgets	13,486,260	15,201,920	1,715,660
12	Other operating income & expenditure	1,889,400	1,633,290	(256,110)
16	Total Financing and Investment income & expenditure	(97,998)	(291,430)	(193,432)
23	Revenue Expenditure Funded from Capital Under Statute	(599,360)	(700,000)	(100,640)
24	Capital Charges	(1,756,590)	(2,339,400)	(582,810)
	TOTAL	12,921,712	13,504,380	582,668

- 5.15 The table below details the council's net budget requirement for 2020/21, broken down by gross expenditure and gross income:

Line		2020/21 gross expenditure	2020/21 gross income	2020/21 net expenditure
	Total service budgets (Appendix A2)	47,122,630	(31,920,710)	15,201,920
12	Other operating income & expenditure	1,633,290	(0)	1,633,290
16	Total Financing and Investment income & expenditure	711,210	(1,002,630)	(291,420)
21 & 26	New Homes Bonus (NHB)	1,740,990	(1,740,990)	0
23 & 24	Reversal of Capital Charges	(3,039,400)	(0)	(3,039,400)
	TOTAL	48,168,720	(34,664,330)	13,504,380

- 5.16 Some of the main reasons for increases in 2020/21 service expenditure are listed below:

Type of service spend increase	Reason for service spend increase	Increase in proposed 2020/21 budget, compared to 2019/20 initial budget (£)
Employees	<p>This is the total effect of various changes, though largely because of:</p> <ul style="list-style-type: none"> - an increase in the number of posts budgeted for in 2020/21; - an 2% increase in basic pay budgeted for most employees, and associated increases in oncosts; and - an increase in pension contributions budgeted for against each post, from 14.5% of basic pay to 17.6% of basic pay. 	1,686,740

Capital	<p>This is largely because of how depreciation is now budgeted for.</p> <p>In previous years, the depreciation charge budgeted for future years only accounted for those assets in the council's asset register. Assets in the register are those fully acquired or developed, such as new roads and leisure centres.</p> <p>The depreciation charge now budgeted for future years includes assets planned for acquisition or development as part of the council's approved capital programme.</p> <p>This move towards accounting more wholly for the council's depreciable assets increases the accuracy (and monetary value) of the depreciation charge now budgeted for future years.</p>	683,450
Computer Software	This mainly relates to an increase in licensing costs as part of the council's move towards using the Microsoft Office 365 suite of applications	106,200

5.17 Some of this increase in employee costs is offset by reductions elsewhere. For example:

- a) the increase in pension contributions budgeted for against each post is more than offset by reductions in the council's budgeted pension contributions for former employees (**Appendix A1**, line 8);
- b) the costs of some of the newly created posts will be recharged to third parties (thus increasing the council's income); and
- c) some of the costs now budgeted for as employee costs were formerly budgeted for as temporary worker costs (thus reducing the council's non-employee costs).

5.18 Further details can be found in the 2020/21 General Fund (GF) revenue budget reports presented to each Committee in January 2020.

5.19 The pressures identified in paragraph 5.15 are partly offset by the reductions listed below:

Type of service spend decrease	Reason for service spend decrease	Decrease in proposed 2020/21 budget, compared to 2019/20 initial budget (£)
Recharges to third parties	This increase in income is largely because the costs of some of the newly created posts will be recharged to third parties, such as the council's capital account and Housing Revenue Account (HRA).	(405,200)
Domestic Refuse Collection	This increase in income largely relates to the bringing back in-house of the garden waste service, which Policy & Finance Committee approved on 24/01/2020. Some of the increase in income from	(393,740)

	collecting garden waste is being used to fund the costs of newly created posts within the team.	
Housing Benefit (HB)	<p>This reduction in net expenditure largely relates to the council having to spend less on HB for non-council tenants, and an increase in the proportion of council HB spend recoverable as income from the Department for Work and Pensions (DWP).</p> <p>The DWP pays Universal Credit. The DWP are paying an increasing number of non-council tenants their HB-related income via Universal Credit.</p>	(147,120)

2020/21 Employee Plan (Appendix C)

- 5.20 The council predicts that it will have 535.27 full-time equivalent (FTE) employees at the end of 2019/20. This includes 168.12 FTEs who became council employees on 01 February 2020, following the transfer of services formerly provided by Newark and Sherwood Homes Ltd (NSH) to the council on this date.
- 5.21 Excluding employees transferred to the council from NSH, the council predicts that it will have 367.15 FTEs at the end of 2019/20. This is predicted to increase to 382.98 FTEs by the end of 2020/21. The majority of the 15.83 FTE increase predicted for 2020/21 relates to the review of two existing business units (Waste and Transport, and Parks and Open Spaces), as part of the creation of a new one (Environmental Services).

Fees and Charges Review

- 5.22 Many services administered by the local authority are set by statute and the timing and review is therefore prescribed by central government. There remains, however, many services where the council has the ability to review and if necessary amend its charges or charging regime.
- 5.23 In accordance with the council's Constitution, each service area should consider the level of fees and charges to be implemented in the following financial year as part of the process of service planning and budget setting.
- 5.24 The proposals for the levels of fees and charges to be implemented from 01 April 2020 were subject to scrutiny by each of the Committees during the January cycle and have now been updated where appropriate. The council is currently budgeting to receive £5.296m of income from fees and charges in 2020/21. This is an increase of £0.619m from 2019/20.
- 5.25 The table below summarises some of the services which provide the council with the majority of its fees and charges income, and the income budgeted from these services for 2020/21:

Service	2020/21 proposed budget (£)	Summary
Building Control	n/a	The council is part of the East Midlands Building Consultancy (EMBC), along with South Kesteven District

		<p>Council (SKDC) and Rushcliffe Borough Council. SKDC are the lead authority.</p> <p>Building Control fees for 2020/21 will be published on the EMBC website once these have been agreed.</p>
Planning	915,000	<p>Planning application fees are statutory, set by the government, whereas pre-application advice fees are discretionary, set by the council. The council categorises its pre-application advice fees by the size and type of developments. Further details, including how to access the statutory fees chargeable, can be found in Appendix E.</p>
Car and Lorry Parking	1,238,320	<p>The fees for Car parking are proposed to be frozen for the 2020/21 financial year, though increases have been proposed for lorry charges. Further details can be found in Appendix F.</p>
Market	9,670	<p>The Riverside Arena auction market charges proposed for 2020/21 are the same as those in 2019/20. Further details can be found in Appendix G.</p>
Culture	671,600	<p>The majority of charges related to the Palace Theatre Newark, National Civil War Centre, and Newark Castle and Gardens proposed for 2020/21 are the same as those in 2019/20. Further details can be found in Appendix H.</p>
Parks and Amenities	4,450	<p>The football pitch charges proposed for 2020/21 are the same as those in 2019/20. An inflationary increase to the majority of other parks and playing field fees and charges has been proposed for 2020/21. Further details can be found in Appendix J.</p>
Licensing	48,290	<p>The majority of the council's discretionary licensing fees and charges relate to vehicle licences and gambling. Further details can be found in Appendices L and M respectively.</p> <p>Statutory fees chargeable under the <i>Gambling Act 2005</i> and <i>Licensing Act 2003</i> can be found in Appendices N and O respectively.</p>
Environmental Health	119,300	<p>The Environmental Health section provides a range of services, such as food safety and pollution control. Some of these are statutory, and some discretionary. Increases have been proposed for the majority of the discretionary environmental health fees for 2020/21, to ensure that the council recovers the full cost of services provided. Further details can be found in Appendix Q.</p> <p>The dog warden charges proposed for 2020/21 are the same as those in 2019/20. Further details can be found in Appendix R.</p>
Trade Waste, Recycling and Garden Bins	1,480,730	<p>Businesses based in Newark and Sherwood have to pay for their waste to be collected and disposed of. Nottinghamshire County Council sets the waste disposal charges for all district and borough councils in the county,</p>

		<p>through its statutory role as the Waste Disposal Authority for these authorities.</p> <p>Further details of these and the other proposed charges for 2020/21 can be found in Appendix S.</p>
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- 5.26 Details of the council's proposed charges for 2020/21 for services not listed above can be found in **Appendices E-Y**.

Capital Financing net of Interest Receivable (**Appendix A1**, lines 13-15)

- 5.27 The capital financing costs are the best estimate at this time. However due to their nature and composition they are subject to change on a regular basis. This reflects movements in the financial markets as well as changes to the predicted cashflow.
- 5.28 Due to the increase in the PWLB rate by 1% on 09 October 2019, the council will seek to borrow money from the most efficient and effective institution in order to support its cash flow position. Regard will be taken to the council's Treasury Strategy (which is subject to a separate report which was considered by the Audit and Accounts Committee on 05 February 2020, and will be approved at Council on 09 March 2020) and due diligence through the council's Treasury Advisers.
- 5.29 During the previous financial years, decisions regarding capital expenditure have been taken to utilise internal resources and maintain an under-borrowed position against its Capital Financing Requirement. This is not uncommon across the Local Government sector, at a time when budgets have been squeezed, but reserves have existed. The council is proposing to utilise elements of its reserves in the shape of various projects such as the Modular Pool at Ollerton and the improvements to Southwell Leisure Centre. This has meant that cash backed by these reserves has been utilised meaning that there is a need to borrow money to ensure that the Council has cash at hand to service its day to day costs.
- 5.30 There is an increase in Capital Financing costs of £28,130 (**Appendix A1**, line 13) in 2020/21. This represents the cost of capital financing decisions taken in previous years where there hasn't been capital resources available to fund the capital spend.
- 5.31 Working within the approved Treasury Management Strategy, the council expects to increase investment income during 2020/21 by creating a broader portfolio of investment assets in order to generate further interest income. Advice from the council's external treasury consultants will be sought prior to the investment of any funds to ensure maximum scrutiny is taken on any decision making.

Contribution to or from reserves

- 5.32 Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the council's proposed budget and robustness of estimates made.
- 5.33 The council has reviewed the adequacy of its financial reserves to ensure that these are neither too low (imprudent) or too high (overprudent) based on their purpose and likely use.

- 5.34 The table below summarises the amount of council earmarked reserves as at 31 March 2019, and forecasts of these as at 31 March 2020 and 31 March 2021.

	At 31 March 2019	Forecast at 31 March 2020	Forecast at 31 March 2021
Revenue Reserves	25,375,754	13,412,984	15,182,802
Capital Reserves	9,909,071	10,000,518	8,856,718
Ring Fenced Reserves	139,446	139,446	139,446
Total Reserves	35,424,271	23,552,948	24,178,966

- 5.35 **Appendix D** lists all of the council's current reserves.

General Fund Balance

- 5.36 On 07 March 2019, Council approved a recommendation to change how the authority determines its level of General Fund balance. The council now has a fixed General Fund balance of £1.500m, rather than a variable amount based on 15% of the council's net budget requirement (£1.737m as at 01 April 2018).
- 5.37 The £1.500m General Fund balance has been set aside to pay for exceptional items. Officers consistently review the appropriateness (prudence) of this amount in light of internal and external risks identified. For the council to maintain its current General Fund balance of £1.500m, it is intended that the General Fund balance will only be used to fund expenditure once other appropriate reserves have been fully utilised.

Parish and Town Council Precepts

- 5.38 Parish and town councils can raise money to help meet their spending requirements by issuing a 'precept' (mandatory demand) to the district council. The district council must account for such precepts when calculating its council tax requirement. Council Tax Requirement is the amount of money that councils need to raise from council tax to fund council spending once income from other sources (such as government grants) have been deducted.
- 5.39 The council is still awaiting confirmation from each parish and town council regarding their level of precept for 2020/21. These details will be included in the revenue budget and council tax setting report to be presented to Council on 9 March 2020.

Business Rates/Non-Domestic Rates (NDR) (**Appendix A1**, lines 19 and 20)

- 5.40 Under the NDR system, businesses pay councils based on the open market rental value of their business property as at 01 April 2015, as estimated by the government's Valuation Office Agency (VOA). The rate payable by small businesses in 2020/21 will be 49.9p per pound (49.9%) of their property's rateable value, and the rate payable by other businesses 1.3p per pound more than this (51.2p per pound, or 51.2%).
- 5.41 As mentioned in paragraph 5.7, though the government has allocated £3,677,736 of business rates to the council for 2020/21, the total amount of business rates retained by the council

in 2020/21 may exceed this amount, depending on how the council and other Nottinghamshire Business Rates Pool authorities perform throughout 2019/20 and 2020/21.

- 5.42 The council is budgeting to retain £7.724m of business rates for 2020/21 (**Appendix A1**, lines 19 and 20). This includes £0.666m from relevant renewable energy projects, and £0.915m of surplus business rates income forecasted for the end of 2019/20.
- 5.43 There are two main factors why the amount of business rates the council is budgeting to retain for 2020/21 is significantly more than the government's business rates allocation for the council. These are:
- a) an increase in the total rateable value of all business premises within the council; and
 - b) a reduction in the amount of business rates income set aside for bad debts and refunds.

Council Tax Requirement

- 5.44 As explained in paragraph 5.38, Council Tax Requirement is the amount of money that councils need to raise from council tax to fund council spending once income from other sources (such as government grants) have been deducted.
- 5.45 The council's 2020/21 net budget requirement is £13,504,380, as shown in the table in paragraph 3.1. This is partly offset by government grant income of £0.121m; projected business rates income of £7.724m and projected transfers to reserves of £1.360m. After including these sources of income, the net call on the Collection Fund before Parish Precepts are added is £7,017,700 (**Appendix A**, line 30).

Subjective Analysis

- 5.46 **Appendix A2** contains a breakdown of the council's General Fund revenue budget for 2020/21 by statutory categories used to categorise expenditure and income.

Risk Assessment and Sensitivity

- 5.47 As mentioned in paragraph 5.32, section 25 of the *Local Government Act 2003* requires the council's chief finance officer, currently the Director of Resources and Deputy Chief Executive, to report on the robustness of estimates made in the council's proposed budget. This section fulfils that requirement.
- 5.48 In considering the council's proposed budget for 2020/21 and the sensitivity of expenditure and income to changes, it should be noted that:
- a) a 1% increase in Council Tax is equivalent to £70,180 of net expenditure; and
 - b) a £1 increase in Council Tax is equivalent to £39,300 of net expenditure.
- 5.49 Various assumptions were required to be made when preparing the proposed 2020/21 budget. The two areas where it seems that variations between the proposed budget and

reality could be greatest are employee pay and income receivable. Further details on each of these are below.

2020/21 pay award

- 5.50 Employee costs form a significant proportion of all district council budgets. As mentioned in paragraph 5.13, the 2020/21 budgets have been prepared assuming a 2% uplift to the basic salaries of most posts, in line with the pay award for 2018/19 and 2019/20 for most council employees.
- 5.51 The National Joint Council (NJC) for Local Government Services' pay award for 2020/21 has not yet been finalised. The Joint Trade Union Side has rejected the National Employers for Local Government Services' proposal for a 2% increase in basic pay.
- 5.52 It is probable that the costs of the 2020/21 pay award will exceed the pay increases currently budgeted for. If the 2020/21 pay award agrees a more than 2% increase in basic pay, and if reductions in employee costs elsewhere cannot offset the increase in pay award costs, the additional costs unbudgeted for will need to be funded from council reserves. A 3% increase in basic pay for 2020/21 would result in around £132,000 needing to be funded from reserves.

Income

- 5.53 A significant part of the council's annual net budget is dependent on income from rents; sales, fees and charges; and other receipts. Officers have reviewed the income that services have achieved against the current and previous years' budgets, and have considered factors expected to affect future income levels, to ensure the 2020/21 income budgets for services have been set at levels considered achievable.
- 5.54 Significant underperformance against budgeted income would increase the council's annual net expenditure, and thus place unbudgeted demand on council reserves. A 1% reduction in council income from fees and charges would cost £52,960, or a council tax increase equivalent to £1.35 per property (0.75%).
- 5.55 Officers closely monitor income levels as part of the council's monthly budget monitoring processes, and the Senior Leadership Team also continue to regularly scrutinise income levels.
- 5.56 Officers plan to develop a more detailed understanding of the volumes of activity which underpin each of the council's main income sources. This will allow the council to more accurately model changes to expected activity levels, as well as increase assurance regarding the risks of such changes materialising.

Other significant potential risks

- 5.57 Though less likely, but other assumptions which could result in the council's actual expenditure and/or income varying significantly from its proposed budgets are below:

a)	Interest rates	The proposed 2020/21 budget includes amounts for both interest payable (Appendix A1 , line 14) and interest receivable (Appendix A1 ,
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		<p>line 15). This is because the council expects that it will both borrow money and lend money throughout the 2020/21 financial year.</p> <p>The budgeted amounts for 2020/21 have accounted for factors such as the amount of council funds expected to be available. The actual amounts of council interest payable and receivable for 2020/21 will likely differ from those budgeted.</p> <p>The impact of a 1% change in interest rate would be insignificant on the council's overall budget.</p>
b)	General Inflation	<p>As mentioned in paragraph 5.13, the proposed service budgets for 2020/21 include increases for inflation where appropriate.</p> <p>The most recent month for which inflation data was available at the time of writing is December 2019. There was a 2.2% increase in inflation (RPI) over the 12 months of the 2019 calendar year.</p> <p>Though inflation rate increases have reduced in recent months, from 2.9% for June 2019 to 2.2% for December 2019, there is no guarantee that this trend will continue.</p> <p>Though it is likely that actual inflation rates throughout 2020/21 will differ from the government's own forecasts for 2020/21 and the 3% the council has generally budgeted for, the small differences anticipated are expected to have insignificant impact on the council's budget.</p>
c)	National Living Wage (NLW)	<p>As referenced in paragraph 5.51, the council pays most of its employees in line with NJC terms and conditions.</p> <p>Council employees on the NJC's lowest pay point are paid £9.00 per hour in 2019/20, in line with the Living Wage Foundation's Real Living Wage for 2018/19 (November 2018 – October 2019). This is £0.79 more than the 2019/20 NLW of £8.21 per hour, and £0.28 more than the 2020/21 NLW of £8.72 per hour.</p> <p>Though the pay award for 2020/21 has not yet been finalised, it seems more likely that the 2020/21 pay of employees at the NJC's lowest pay point will increase to £9.30 per hour, in line with the Living Wage Foundation's current Real Living Wage, or thereabouts, than to £10.00 per hour as proposed by the Joint Trade Union Side.</p>
d)	Apprenticeship Scheme	<p>In addition to Apprenticeship Levy payments the council is required to make to the government (Appendix A1, line 7), the council employs apprentices, some of whom are paid for from its 'training' reserve (Appendix D). It is anticipated that £0.065m of the training reserve will be used in 2020/21 to pay for council apprentices.</p>
e)	Reserves	<p>As mentioned in paragraphs 5.32 and 5.33, the council has reviewed the adequacy of the financial reserves proposed in the 2020/21 budget, as statutorily required.</p>

6.0 Proposals

6.1 Officers are proposing to the Committee that it notes the Community Plan in **Appendix B** and Employee Plan in **Appendix C**; and recommends to Council at its meeting on 9 March 2020:

- d) the council's General Fund revenue budget for 2020/21; and
- e) the 2020/21 fees & charges in **Appendices E to Y**.

7.0 Equalities Implications

7.1 Business Managers consider the implications on equalities when assessing how best to deliver the services they are responsible for.

8.0 Financial Implications (FIN19-20/3590)

8.1 As this report is financial in nature, the financial implications of the proposed 2020/21 General Fund revenue budget have been covered within the body of this report.

9.0 Community Plan – Alignment to Objectives

9.1 Section 4.0 provides details how the council's proposed 2020/21 General Fund revenue budget aligns to the current Community Plan 2019-2023 (**Appendix B**).

9.2 The Employee Plan in **Appendix C** covers the activities of all council employees, and therefore supports the council to achieve all of the Community Plan 2019-2023 objectives.

9.3 The 2020/21 fees & charges referred to in the proposals of this report support the council to achieve specific objectives of the Community Plan 2019-2023, such as to *“generate more income, improve value for money and increase residents' satisfaction with the Council”*.

10.0 RECOMMENDATIONS That:

- a) the Committee notes the Community Plan in Appendix B and Employee Plan in Appendix C; and
- b) the Committee recommends to the Full Council at its meeting on 9 March 2020 that:
 - i. the following amounts be now calculated by the council for the 2020/21 financial year, in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011:
 - 1. **£48,168,720** being the aggregate of the amounts which the council estimates for items set out in Section 31A(2)(a) to (f) of the Act (the District Council's gross expenditure for 2020/21);
 - 2. **£34,664,330** being the aggregate of the amounts which the council estimates for the items set out in Section 31A(3)(a) to (d)

of the Act (the District Council's gross income for 2020/21); and

3. **£13,504,380** being the amount by which the aggregate at (b)(i) above exceeds the aggregate at (b)(ii) above, calculated by the council, in accordance with Section 31A(4) of the Act, as its Net Budget Requirement for the year;
- ii. the figures shown as i.1. and i.3. above to be increased only by the amount of Parish Precepts for 2020/21;
- iii. the budget amounts included in the report be the council's budget for 2020/21; and
- iv. the fees and charges shown in Appendices E to Y be implemented with effect from 1 April 2020.

Reason for Recommendations

To enable Policy & Finance Committee to make recommendations to Council of the amounts to be calculated in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended by the Localism Act 2011, for the purposes of setting Council Tax levels for the 2020/21 financial year.

Background Papers

Nil.

For further information please contact Nick Wilson (Business Manager – Financial Services) on extension 5317 or Mohammed Sarodia (Assistant Business Manager – Financial Services) on extension 5537.

Sanjiv Kohli
Director of Resources and Deputy Chief Executive