Subject: **Medium Term Financial Strategy 2020/21**

Report to: **Policy and Resources Committee 26 November 2019**

Report by: **Finance Director**

SUBJECT MATTER/RECOMMENDATIONS

This report presents an updated medium-term financial strategy for 2020/21. The strategy has been updated to support the Corporate Plan and will be used to inform the detailed budget for 2020/21.

Members are asked to consider and approve the following:

a) The updated Medium-Term Financial Strategy;

b) The current financial forecast for 2020/21;

c) The revised reserves statement as included at Appendix B to the financial strategy

d) That Great Yarmouth Borough Council takes part in the Norfolk Business Rates Pool for 2020/21.

1. INTRODUCTION/BACKGROUND

1.1 The attached document “Medium Term Financial Strategy 2020/21 to 2022/23” (MTFS) sets out how the external financial challenges and internal budget pressures will impact on the overall financial position of the Council.

1.2 The Strategy provides an updated position on the Council’s financial projections for the 2020/21, highlighting the budgetary pressures on the Council during this period. It takes account of inflation, service pressures, income streams, reserves and the capital programme along with the impact of the delay to the fair funding review and resetting of the business rates baseline. These have provided a benefit to the Council in the short term in that the funding for 2020/21 will be a roll forward of the current funding arrangements.

1.3 Whilst the roll over the funding is only a short term benefit there still remains a need to identify strategies for addressing future forecast budget gaps and these are detailed in section eight of the document focusing on key themes.

1.4 Revised funding projections have been made and are included within the MTFS. These have been informed by the previous financial years outturn position along with the in-year budget monitoring and updating for known and new savings and additional income that can be factored into the current and future financial forecasts as part of the 2020/21budget process.

1.5 The Financial Strategy is the first of a number of pieces of work which culminate in setting the annual budget and Council Tax for the forward financial year in February 2020.

2. FINANCIAL AND RISK IMPLICATIONS

2.1 The detail within the strategy document has highlighted the financial challenges that continue to face the Council in terms of forecast funding reductions.

2.2 The strategy provides an update to the funding forecasts from 2020/21 which will be revised over the coming months as the full detail of the budget for 2020/21 and forward projections are finalised to be considered by Members in February as part of setting the budget for the forthcoming financial year.

2.3 The Strategy outlines a number of the key themes and priorities of the business strategy that are currently ongoing that will assist in reducing the forecast budget gap.

2.4 The detailed work on the future budgets will be completed over the coming months which will provide an update to the positon as currently forecast and also be informed by the announcements on local government funding.

2.5 Whilst the Council does hold a number of earmarked reserves along with the general reserve (currently above the recommended level), this funding only provides short term one-off funding and does not provide a means for producing a robust sustainable position in the longer term.

2.6 In addition, the report is also seeking ratification of the continuation of Great Yarmouth being a member of the Norfolk Business Rates pool for 2020/21. The implications and risk of the pool arrangements are outlined within the report. The risks are essentially due to the uncertainty of the impact of the NHS business rates appeals. It is for circumstances such as these that the Council has been maintaining a business rates earmarked reserve which can be used to mitigate the impact to the Council of an outcome that is not in the favour of the Local Authority.

3. CONCLUSIONS

3.1 The projections are currently forecasting a deficit of just over £600,000 for 2020/21; work is ongoing on the detailed budget to present to members for approval in February 2020. The MTFS identifies the key themes and priorities for the Council in seeking to reduce the forecast budget gap.

4. BACKGROUND PAPERS

4.1 Current year budget monitoring reports;

4.2 2018/19 outturn report.

4.3 Spending review announcement and financial modelling.

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	**Comment**
Monitoring Officer Consultation:	
Section 151 Officer Consultation:	
Existing Council Policies:	
Financial Implications:	Detailed in attached strategy

Legal Implications (including human rights):	
Risk Implications:	Detailed in report and strategy
Equality Issues/EQIA assessment:	
Crime & Disorder:	
Every Child Matters:	

1. INTRODUCTION

1.1 The Medium Term Financial Strategy (MTFS) sets out the Council's budget strategy for the medium term and is refreshed annually in response to changing pressures and opportunities. The strategy provides important preparatory work for the budget setting informing members and stakeholders alike of the future funding gaps and outlines the Councils strategy to deliver a medium to long term sustainable position.

1.2 The MTFS supports the delivery of the Council's priorities by setting out the framework within which resources are available to the Council over the medium term and the financial challenges facing the Council in terms of future funding gaps.

1.3 The MTFS of an authority is a strategic document that supports the delivery of the Corporate Plan. Great Yarmouth Borough Council's sets out the Council's commitment to drive and facilitate in the following four strategic areas:

- A strong and growing economy
- Improved housing and strong communities
- High-quality and sustainable environment
- An efficient and effective council.

1.4 The plan expands on the above key priorities, highlighting the Councils ambition, and approach to delivery.

1.5 The MTFS provides a high-level assessment of available resources and outlines the medium term financial projections. It provides a refresh of the financial projections taking into account a number of local and national factors which inform the assumptions upon which the projections are based, including known spending pressures and commitments, forecast of future funding reductions and the economic outlook.

1.6 The MTFS outlines the demands on the capital programme of both ambition and resources, the impact on the revenue account (for both housing and non-housing) and on the level of reserves held by the Council.

1.7 Finally, the strategy addresses both the sustainability of the Councils financial position and examines the more significant risks inherent in the proposals.

1.8 The MTFS includes the following:

- Background and Context – providing an overview of the wider financial issues and current assumptions made in the strategy and financial projections;
- Resources – an overview of financial resources available to the Council;
- Financial Forecast – detailing the latest financial projections taking into account forecast changes to spending and funding plans as applicable;
- Reserves – this section provides an overview of reserves held by the Council;
- Capital – an overview of the current capital programme and resources;
- Financial and Business Strategy – outlines priorities that are currently in progress or due to commence in the short to medium term to reduce the forecast deficit;
- Risk and Sensitivity – this section outlines the more significant financial risks facing the Council along with scenarios of the impact of changes to some of the assumptions.

2. BACKGROUND AND CONTEXT

2.1 The Council approved the 2019/20 budget in February 2019. At the same time, the forward financial projections and funding gaps for the following two years were reported. These were based on then current service delivery spending and income plans taking into account inflationary increases where applicable along with agreed planned savings and additional targets and high level future funding assumptions for the years following the four year finance settlement which ends in 2019/20. At that time it was assumed that the outcome of the fair funding review and business rates retention would be implemented from April 2020.

2.2 The financial projections have been updated being informed by both local and national factors that are expected to have an impact on the overall financial position for the Council, moving forward and will inform the detailed work on the 2020/21 budget and future forecasts.

2.3 There continues to be a number of important issues facing the public sector along with the associated financial impact. This section of the report seeks to outline a number of these issues.

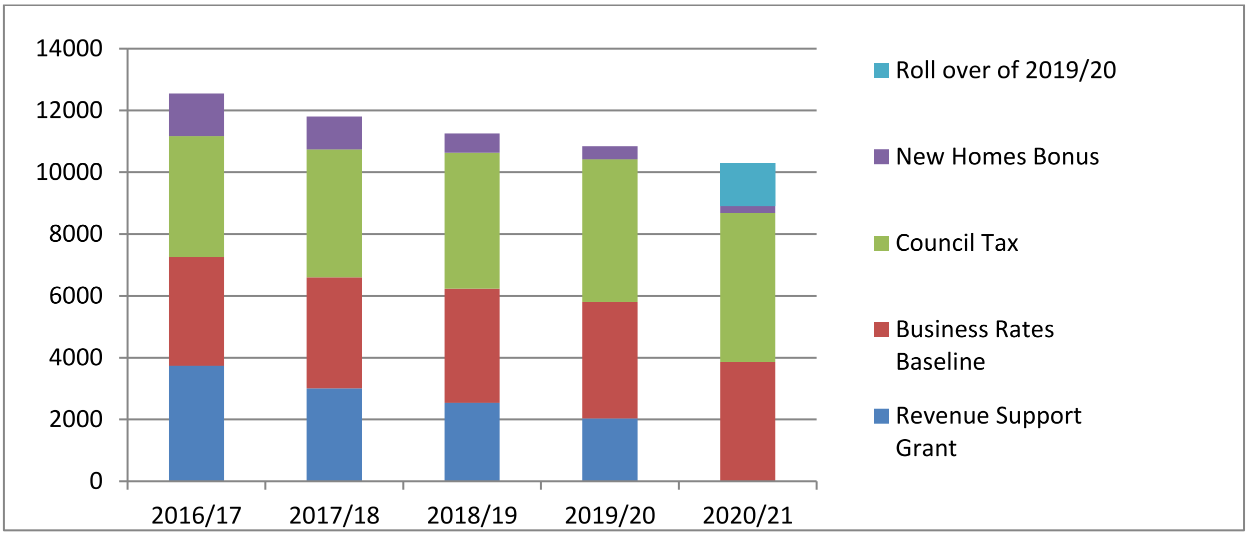
Funding

2.4 The Local Government Finance Settlement (LGFS) sets out the annual determination of funding to local government. The 2019/20 budget year reflected the final year of the four-year financial settlement for Local Authorities in England.

2.5 Some of the key messages from the settlement statement and the subsequent analysis were as follows:

- **New Homes Bonus** – The 0.4% threshold for growth was still used in the allocation of NHB for 2019/20, i.e. there was no increase in the threshold as was previously intimated. The baseline was introduced in 2017/18 at the same time as other reforms to the NHB system including the reduction to a four-year scheme.
- **Core Spending Power** - The figures announced indicated that Core Spending Power rose by an average of 2.8% in 2019/20, although the actual changes compared to 2018/19 differ between tiers of local government. GYBC received a reduction of 3.1% in core spending power for 2019/20 mainly due to no 'new' New Homes Bonus being receivable.
- **Business Rate Pilots** – A further 16 pilots for 2019/20 (one year only) were announced for piloting 75% rates retention (10 pilots for 100% rates retention had been agreed in 2018/19, these were for one year only also). For 2019/20 the Norfolk pilot application was one of those approved.
- **Council Tax –** The referendum principles for 2019/20 for shire districts were set at the greater of £5 or 3% for a band D. (For GYBC this equated to a maximum increase of £5 per annum equating to 3.2%).

2.6 Each of the funding elements are discussed in more detail in section 3, as an overview Chart 1 below illustrates the net funding (after fees and charges) over the period of the multi-year finance settlement. This highlights the potential funding reduction and uncertainty around this from 2020/21 onwards. At this time there is no certainty of the level of funding beyond 2020/21, whilst projections can be made, the actual level of funding in 2021/21 will be dependant upon the outcome of a number of significant national reviews, ie the fair funding review and the future of business rates retention.



Funding Changes and Review

2.7 **Spending Review** – In early September 2019 the Chancellor announced details of the Spending Review 2019 (SR19). Some of the key messages of the announcement are as follows and also covered the planned changes to business rates funding and the fair funding review:

- It was confirmed that business rates baseline funding would increase in line with inflation;
- The implementation of 75% rates retention and fair funding review would be delayed until April 2021 (these were previously planned to be implemented from April 2020);
- The Spending Round assumed a 2% core referendum principle although it did not confirm the £5 increase (as seen in previous years)[1];
- The spending review in 2019 will set out the allocations of funding for government departments and will inform funding from 2020/21.

2.8 **Fair Funding Review** – The future review will inform the future funding of Local Government from April 2021 and will set new baseline funding allocations for all local authorities from its implementation taking into account:

- Relative Need – to inform the assessment of need, including cost drivers;
- Relative Resources – this will include how income from council tax will be taken into account and whether other income sources are taken into account;
- Transitional Arrangements – it is expected that there will be some transition to the new system of funding to mitigate significant changes in funding for local authorities, the timeframe for the transitional arrangements is not known, although these will be removed overtime.

2.9 **Retention of Business Rates** – New baselines will be set for the new system from 21 and will be informed by the fair funding review. The change will see the move to 75% of business rates retained by local government compared to the current 50% rates retention system[2]. The new system will see the rolling in of funding streams into the new formula, including Revenue Support Grant, Rural Services Delivery Grant and Public Health Grant. Further details on the implications for Local Authority funding is not expected until later in 2020.

[1] Implications to GYBC if the referendum principles are 2% alone and not the greater of £5 or 2% would be reduction in income of approx. £51,500 per annum.
[2] Currently (2019/20) 50% except for those 75% pilot areas of which Norfolk was one.

3. RESOURCES

3.1 This section outlines the main sources of funding that the Council receives both externally and from fees and charges.

3.2 The delay in the implementation of the fair funding review and business rates reset means that the current system will remain the same for a further year. This will benefit the council in the short term, although the medium-term assumptions around funding will assume reductions, as further national announcements are made and confirmed the financial forecasts will be updated accordingly.

Revenue Support Grant (RSG)

3.3 As one of the largest receivers of RSG, it is assumed that this will be received in 2020/21. From 2021 onwards the RSG will be rolled into the wider funding for local government to be allocated through the business rates retention system.

Business Rates Retention

3.4 The following outlines the main elements of the current business rates retention scheme:

3.5 Business rates collected are shared between central and local government. The current splits are 50% local (40% Borough and 10% County) and 50% central government. These are the splits outside of the pilot system, for 2019/20 Norfolk is in a 75% rates retention pilot which means 75% is retained locally and 25% passed to central government.

3.6 The system includes a mechanism of tariffs and top ups to reflect local spending needs, and resources allocated from business rates, essentially districts pay a tariff and counties (i.e. NCC) receive a top-up.

3.7 The business rates baseline is increased annually by RPI (in line with the actual business rates payable) and the tariffs and top-ups are also increased by RPI annually. The baseline allocation forms part of annual budget finance settlement announcements.

3.8 Local Authorities can keep up to 50% of the growth in business rate income. They will however be required to pay a levy (to central government outside any business rates pool) to ensure there is not disproportionate growth within the overall system;

3.9 The system includes a ‘safety net’ element which provides protection to those authorities when the year-on-year income falls by more than 7.5%, i.e. they are protected beyond the 7.5% reduction.

3.10 Business rates’ pooling provides a mechanism for the growth from business rates, to be retained locally and used as agreed by the authorities within the pool. The Council was part of the Norfolk business rates pool in 2018/19 and this was then replaced by the pilot in 2019/20.

3.11 Mandatory business rate reliefs and those introduced by the government which reduce the amount of business rates collected locally are normally reimbursed via a section 31 grant. The future forecasts assume that these measures continue, and that Local Authorities continue to be recompensed accordingly as the current system.

3.12 Business rate information on reliefs and income received or expected is collected via the National Non Domestic Rate (NNDR) returns submitted in January (projection) and May (actual). The returns are reviewed as part of the annual audit process and inform the actual business rates retained. The business rates baseline funding and tariff is included in the annual finance settlement announcement and these increase by inflation each year. Table 1 below provides a summary of the local share, tariff and baseline funding level for 2016/17 to 2019/20.

Table 1 - Business Rates Retained	Four Year Settlement Period				
	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
Retained Business Rates	12,143	12,244	11,530	11,751	11,712
Less Tarriff	(8,657)	(8,729)	(7,943)	(8,057)	(7,935)
Baseline Funding	3,486	3,515	3,587	3,694	3,776
Movement £000		29	72	108	82
Movement %		0.8%	2.0%	3.0%	2.2%

3.13 The annual National Non-Domestic Rates Return (NNDR1 form) provides an estimate of what the Council will collect in business rate income for the following financial year. The variation between the estimate and the actual is then accounted for through the surplus/deficit on the (business rates) collection fund in the following year, in a similar way to the operation of the council tax collection fund account. The actual position will be influenced by fluctuations in business rate income received in the year, for example as a result of appeals and reductions in property rateable value, new business rate growth and changes in the level of eligible reliefs and business closures. Increases in business rate income compared to the baseline will be used to calculate the amount of saved levy paid into the Norfolk Business Rate Pool.

3.14 **Business Rates Pool**

3.15 As referred to above the current business rate retention system includes a mechanism whereby growth in business rates over a set level (the levy) can be retained locally as opposed to being paid to the government. GYBC has been part of the Norfolk pool since 2018/19. As part of the pooling arrangements the levy that is retained locally (contributed to by all council's in the county) is then allocated to projects for which bids can be made by all Norfolk Authorities (to the business rates pool fund).

3.16 There are risks associated with operating a business rates pool in that if a local authority in the pool has a reduction of business rates of over 7.5% (compared to their baseline), outside of a pool the local authority would be protected (beyond the 7.5%) by a safety net payment (from central government). Within a pool this protection by the government is not available and the governance set up for the pool would mean that the pool would need to 'step in' and therefore would reduce the pool funding available for allocating to projects across Norfolk.

3.17 Ahead of establishing the pool arrangements the forecast of rates income compared to the baseline and potential impact have been taken into account, for example when there has been significant appeals within the system for example the power station and in recent years the potential impact of the NHS appeals.

3.18 The timing of the outcome of the NHS trust appeal is not yet known, there was an initial court hearing in November for which no judgement has been made. Across Norfolk there is a potential impact on the pooling arrangements and depending on the timescales of a favourable outcome (to the NHS) this would have an impact on the rates retained in the fund. Equally it is not clear whether there would be any action by the Government in response to this, bearing in mind the national impact of the outcome in that it would have significant detrimental impacts to the funding of local government on a national scale.

3.19 Due to the timescales of the confirmation of pooling arrangements for 2020/21 the Norfolk leaders have approved in principle to continue to operate a pool for the 2020/21 financial year. Approval of the MTFS is seeking ratification from GYBC to continue to take part in the pool arrangements for 2020/21.

New Homes Bonus

3.20 The New Homes Bonus (NHB) has been included within the core funding for local government since 2011/12. The scheme was introduced to incentivise and reward councils and communities for building new homes in their areas. The grant is calculated by multiplying the national average council tax by the net additional homes growth (net of movements in long-term empty properties), in addition there is an additional supplement of £350 per affordable dwelling.

3.21 The system splits the grant between local authority tiers; 80% to the lower tier (GYBC) and 20% to the upper tier (NCC) with annual allocations of NHB Grant being announced as part of the finance settlement based on annual returns[3].

3.22 Since the introduction of the scheme, the grant has been reduced from being payable for six years to now payable for four years. In addition, since 2018/19 a 0.4 % threshold below which no bonus would be payable was introduced, for the last two years this has resulted in the council receiving no 'new' NHB allocation. The funding received via the NHB grant to date is illustrated in Appendix A.

Council Tax

3.23 Council Tax flexibilities have allowed annual increase of band D equivalent council tax levels within referendum limits in the region of £5 per annum. 2019/20 saw the third year of annual increases to the band D equivalent for the boroughs element of Council Tax of £5 to £161.48.

3.24 As part of the annual Local Government Finance Settlement, the government make announcements on referendums relating to Council Tax increases (Principles). These require that over a threshold an authority would be required to hold a referendum in order to increase Council Tax. For 2019/20 the amount of council tax increase deemed to be excessive if it exceeded either 3% of £5 increase. As a guide a 3% increase in GYBC's council tax would generate income of approximately £140,000.

3.25 The Council tax base is an assessment of the number of dwellings expressed in Band D equivalents; it allows for non-collection, discounts and new property growth and influences the level of council tax income for funding in the year. For 2019/20 the tax base was set at 28,560 (28,064 in 2018/19), current projections for 2020/21 are 29,048, an increase equivalent to 488 band D properties.

3.26 Table 2 below shows the current forecast of Council Tax income for the period 2018/19 to 2021/22. This currently assumes tax base growth each year and increases to Council Tax in line with the funding principles as included in the Local Government Finance Settlement.

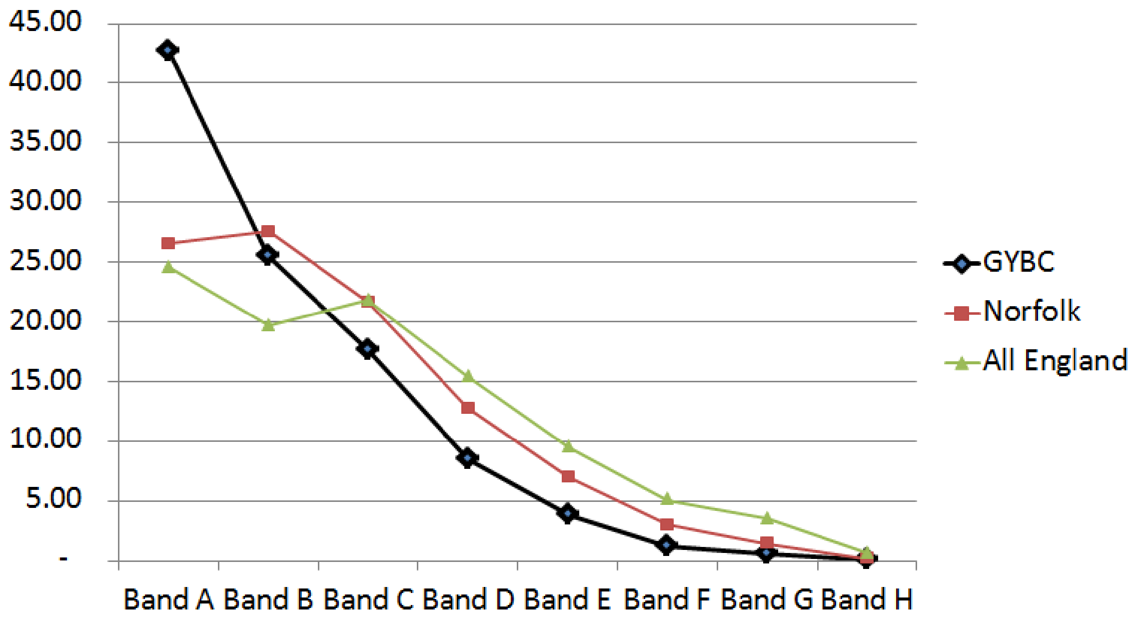
Table 2 – Council Tax Income

	2018/19 Budget £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000
Council Tax Income	4,391	4,612	4,836	5,069
Increase/(Decrease) in Yield	249	221	224	233
Note the Council Tax Income equates to the tax base multiplied by the Band D equivalent.				

3.27 The following chart gives a profile of the current number of properties in each of the council tax band within the borough compared to the rest of Norfolk and all English authorities; this illustrates the high proportion in the lower bands. Appendix C illustrates

[3] Council Tax Base Returns submitted to government annual covering twelve months October to September. The calculation of the bonus does not take into account planning permissions or any other elements of the planning processes.

the profile of all lower tier local authorities band D Council tax for 2019/20 including and excluding parish precepts.



Local Council Tax Support (LCTS)

3.28 Local Council Tax Support was introduced in April 2013 and replaced Council Tax Benefit as part of a national funding reduction programme and to encourage people to work. Billing Authorities have the discretion to set their own scheme, although at the outset the government did stipulate that the scheme would not change the support for low income pensioners, i.e. they would receive the same level of support as under the system of Council Tax Benefit and is still the case.

3.29 Funding for LCTS is within the overall Local Government Funding system as non-ring-fenced funding, within the revenue support grant and baseline funding level. The overall level of funding for LCTS is reduced each year in line with the funding reductions to Local Authorities.

3.30 The local scheme (for Great Yarmouth Borough Council) has remained the same since the introduction of LCTS in 2013/14. The local scheme means that those that were previously entitled to 100% council tax benefit would be required to pay 8.5%.

3.31 The funding for LCTS includes an element in relation to parishes; this funding has been passed to parish councils since the commencement of the scheme and has been reduced year on year to reflect the reductions in funding that the Council has received.

Empty Homes Premium

3.32 During 2018/29 the Ministry of Housing, Communities and Local Government announced further measures to help councils tackle empty homes through the proposal of powers to charge higher premiums on empty homes over a period of three years as outlined below. Changes to the premiums are considered as part of the Council Tax Discounts report to Policy and Resources committee in November 2019.

Table 3 Financial Year	Length of Time Property is empty for	Premium Value (of Council Tax)
2019/20	Greater than two years	100%
2020/21	Greater than two years and less than five years	100%
	Greater than five years	200%
2021/22	Greater than two years and less than five years	100%
	Greater than five years but less than 10 years	200%
	Greater than 10 years	300%

Resources Summary

3.33 The Council's net current revenue budget for 2019/20 (excluding Parish and Town Council Precepts) is £11.3 million and is summarised in table 5 below. Projections for the following two financial years have been added which show the carry forward of the 2019/20 settlement and the assumptions for 2021/22 based on the rolling in of funding with the business rates retention and an element of transitional funding, although these are very indicative forecasts at this stage as the fair funding review will inform future years funding.

Table 4 – Funding Sources			
	2019/20 Budget £000	2020/21 Forecast £000	2021/22 Forecast £000
Council Tax – Borough	4,612	4,836	5,067
Retained Business Rates	4,250	5,190	7,000
Revenue Support Grant	2,029	2,029	0
New Homes Bonus	426	230	20
Total	**11,316**	**12,285**	**12,087**

Fees, Charges and Other Income

3.34 The Council has a number of sources of income available from service fees, charges and property rentals and lease. Some charges for services are set by statute, for example some licence fees and planning fees, others are set locally to break even over a three year period and others set to fund the provision of wider Council services. The current fees and charges policy has been refreshed for approval as part of the 20120/21 budget process and set of proposed fees and charges will be considered by Policy and resources Committee in January 2020 ahead of the full budget report in February 2020.

3.35 A number of the more significant income budgets are subject to factors which the Council has limited control over, for example some demand led services including Car Parking, Crematorium fees, Planning and Building Control fees and Waste and Recycling credits which are influenced by both the level of recycling achieved as a Borough and the market for recycled materials. These areas are highlighted within the annual budget setting report and the risk of not achieving the budgeted figures is reflected in the assessment of the level of general reserve.

4. FINANCIAL FORECAST UPDATE

4.1 The Council approved the 2019/20 budget in February 2019, at the same time the forward financial projections for the following two years to 2021/22 were reported. The projections were based on the current expenditure and income plans at the time, forecasting a future deficit of £1.5m in 2020/21, increasing to £2.4 million in 2021/22. This forecast position was after allowing for projected savings and income from a number of proposals agreed as part of the 2019/20 budget which were dependent upon future changes to working and provision of services and the funding allocations as detailed in the 2019/20 Local Government Finance Settlement.

4.2 The updated forecasts have been informed by revised income projections for a number of the more significant income areas and reflecting the roll over of the 2019/20 finance settlement.

4.3 The Council continues to align its spending plans with the available resources at its disposal. Significant savings and additional income have been realised over a number of years and the continuation of these savings and income have been assumed within the MTFS.

4.4 The detailed budget for 2020/21 will be produced over the coming months; this will be presented for approval in February 2020 along with the revised forecasts updated to reflect the latest funding announcements and spending pressures.

4.5 The financial forecasts have been updated for known service variances that have been highlighted to date or where revised forecasts based on the 2018/19 outturn position are necessary. The following commentary provides further information as applicable:

- Service Income – The current year shortfall on a number of demand led services, namely car parking income and crematoria have been reflected in the profile and further work on this budget heading is currently underway.
- Employee Budgets – A number of posts within the establishment have been or have become vacant in the year. Where applicable, some have been replaced or opportunities taken to replace in a different way to align resources to the current demands of the service and to ensure the capacity exists to deliver the Corporate Plan. The forecasts assume an annual pay award of 2% for the period of the strategy, this is reviewed annually.
- Business Rates – The forecasts have been informed by the outturn position on the 2018/19 NNDR return and the current year monitoring position, updated in respect of appeals, growth and the collection fund deficit. Whilst at the time of producing the MTFS the 2018/19 statement of accounts remain in draft due to the resourcing of the external auditors, there is not anticipated to be a significant impact to the ongoing level of business rates, other than the forecasts inflationary increase. Future allocations under a greater retained share of business rates income will be reviewed once further guidance is made available.
- Council Tax/New Homes Bonus – The forecasts take account of the latest projections of tax base growth and discount changes, including those being presented for approval in December 2019[4]. The future financial forecast previously assumed annual tax base growth of 500 band D equivalents. The forecasts have been revised to allow for a small element of NHB allocation in 2020/21.
- Table 5 provides a summary of the revised position taking into account all the factors identified above, these are based on the current position and before any of the detailed budget work for 2020/21 has been completed.

[4] Tax base and discounts for 2020/21 to be reported to Policy and Resources Committee in November 2019 for approval by Council in December 2019.

Table 5 – Updated Financial Forecast	**2020/21 £000**
Forecast Gap (as previously reported February 2019)	1,508
Service Spending Pressures update:	114
Funding Updates (Settlement and Council Tax)	(982)
Revised Forecast Budget Gap	**640**

4.6 Detailed work has already commenced on identifying options to reduce the future funding deficits some of these areas are discussed in section 8 along with targets, which will help to reduce the future-funding gap.

5. HOUSING REVENUE ACCOUNT (HRA) – Overview

5.1 HRA – Overview

5.1.1 Since the introduction of self-financing in 2012, the 30-year HRA business plan has continued to be challenged by a number of changes. Right to buy discounts have increased, rent-setting policy has changed and other future new proposals affecting the HRA have been announced and are in the process of being consulted on.

5.1.2 In response to these changes, the strategy for the Council is to keep the HRA reserves levels sufficient in order to mitigate any loss of revenue. The Council continues to be prepared for further reductions in resources available to manage, maintain, improve and add to its housing stock and further managing the implications from the stock condition survey.

5.1.3 Community Housing continues to review of all of its revenue spending to look at where savings can be made. The Capital programme, which is funded partly by contributions from revenue, is monitored regularly during the year and is reviewed in detail to update the position of the 2019/20 budget.

5.1.4 In 2017/18 a full stock condition survey was completed across the Council's dwelling stock. Increased capital programmes were implemented following the survey's conclusion that increase investment was required and have been maintained year to date. As a result of increased investment into the stock, the stock condition has improved, and repairs and maintenance demand has greatly reduced.

5.1.5 Additional borrowing currently maintains the affordable housing programme to comply with the right to buy agreement. The requirement is to use retained receipts within three years of a dwelling sale, to support up to 30% of the scheme cost of replacement homes. A consultation from Central Government with Local Authorities was completed to consider introducing flexible options in the future to help spend Retained receipts. This consultation closed in October 2018 and no further guidance has been provided following submission.

5.1.6 The majority of fees and charges relating the Housing Revenue Account have been increased in line with the corporate formula adopted by the Council, RPI + 2%, to close the gap in terms of recovery of costs.

5.2 Rent setting policy changes - 1% Reduction over four years

5.2.1 The Welfare Reform and Work Act 2016 introduced a 1% reduction per year for four years to social housing rents starting in April 2016. This replaced the Government's rent policy, which commenced in April 2015 to limit rent increases to CPI + 1%. This in itself replaced the previous policy, which aimed to bring parity between social housing rents in the Council and Housing Association sector and had set a target rent for each property.

5.2.2 The current 2019/20 financial year is the last year to be subjected to the 1% rent reductions. Following this, the Government has released a Rent policy detailing that from 2020/21 onwards, only limit rent increases of CPI + 1% may be introduced.

5.3 Right to Buy Discounts and Retained Receipts

5.3.1 Right to buy discounts have increased since the introduction of Self Financing, the maximum discount increases each year based on the consumer price index (CPI). The business model has been amended to incorporate this change.

5.3.2 The HRA is still part of a retention agreement, where the HRA can retain receipts, to support up to 30% of the cost of replacement homes if incurred in a three year period. If retained receipts are not used, the Council is liable for repayment of the receipt plus interest, so it is important to monitor and project RTB sales and RTB receipts in order to plan for their appropriate use and mitigate any repayment liabilities.

5.3.3 Great Yarmouth Borough Council have set out a plan and ambition to use retained receipts to develop affordable council housing and to further increase the supply of affordable housing using a combination of four options:

- Grant contribution to Housing Association development
- Development of new build homes
- Purchasing empty homes on the open market
- Purchase of suitable properties on the open market.

5.4 HRA Debt Cap Summary

5.4.1 In 2018 it was announced that in order to help solve the 'housing crisis', the Government would scrap the borrowing cap limitations on how much councils can borrow against their HRA Assets. The budget stated that the HRA debt cap would be removed with immediate effect and the new determination came into force on 30 October 2018.

5.4.2 Great Yarmouth Borough Council's HRA has previously been subject to a borrowing cap limitation of £89 million. Following the removal of the borrowing cap, the Council is now able to borrow above its original borrowing limit but must remain within its own affordability.

5.4.3 The Council is now actively reviewing the best way to utilise the additional borrowing capacity within the HRA, to deliver further affordable homes within the Borough. The council plans to utilise revenue savings to finance additional borrowing within the HRA along with the use of accrued 1-4-1 receipts, which may have otherwise been repaid to government along with the relevant interest.

5.4.4 Overall, the aim is to increase the levels of new housing within the existing housing stock, and to increase net rent income received. Work is currently underway in terms of modelling the implications to the housing business plan as well as identifying potential sites for the delivery of additional housing. Increased borrowing for the HRA will need to be able to demonstrate affordability and informed decisions taken to understand the longer term impact to the HRA funding.

5.5 Future Plans

5.5.1 There are two key strands to the Councils HRA investment plans:

- Maintaining and improving the housing stock;
- New Affordable council housing, including new housing to replace sales under RTB in line with Government guidance.

5.5.2 Our plans are prepared over the medium term and are reviewed and updated annually. Future investment decisions will be based on local decision making and local knowledge of the condition of the stock and the components.

6. RESERVES

6.1 As part of the annual budget and council tax setting process the Chief Financial Officer must report on the adequacy of the reserves that the Authority holds, this is informed by the Policy Framework for Reserves which is reviewed and updated alongside approving the budget each year[5].

6.2 The Council holds a number of useable reserves both for revenue and capital purposes which fall within one of the following categories, each are discussed in the following sections:

- General Reserve
- Earmarked Reserves (General Fund and Housing Revenue Account)
- Capital Receipts Reserve
- Housing Revenue Account Reserve.

6.3 The General Reserve is held for two main purposes:

- to provide a working balance to help cushion the impact of uneven cash flows and avoid temporary borrowing
- a contingency to help cushion the impact of unexpected events or emergencies

6.4 As part of setting, the budget each year the adequacy of all reserves is assessed along with the optimum level of general reserve that an authority should hold. The optimum level of the general reserve takes into account a risk assessment of the budget and the context within which it has been prepared including the following factors:

- sensitivity to pay and price inflation;
- sensitivity to fluctuations in interest rates;
- the level of savings that have been factored into the budget and the risk they will not be delivered as anticipated, both level and timing;
- potential legal claims where earmarked funds have not been allocated;
- emergencies and other unknowns;
- impact of demand led pressures which impact on both income and expenditure;
- future funding fluctuations;
- level of earmarked reserves held;
- a level of general reserve that is within 5% to 10% of net expenditure.

6.5 A financial assessment is made of all the factors to arrive at a recommended level for the general reserve, which is currently £2.75 million.

6.6 The general reserve balance at 1 April 2019 was £3.0 million, after allowing for planned movements, the balance by 31 March 2020 is expected to be £2.9 million.

6.7 Earmarked Reserves provide a means of building up funds to meet known or predicted liabilities and are used to set aside sums for major schemes, such as capital developments or asset purchases, or to fund restructurings. Whilst earmarked in nature until the amounts are budgeted to be taken from the reserves, commitments have not yet been made from these reserves. Earmarked reserves can also be held for service projects and business units, which have been established from surpluses to cover potential losses in future years, or to finance capital expenditure. Earmarked reserves also provide a mechanism to carry forward underspends at the year-end for use in the following financial year where no budget exists.

6.8 For each earmarked reserve a number of principles should be established:

- the reasons for, or the purpose of the reserve

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- how and when the reserve can be used – short to long term
- procedures for the reserve's management and control.

6.9 The establishment and use of earmarked reserves is reviewed at the time of budget setting, throughout the year as part of the budget monitoring processes and also as part of the year-end reporting. Review of earmarked reserves throughout the year takes into account the continuing relevance and adequacy of the reserve and also the level of the general reserve.

6.10 An updated reserves statement is included at Appendix B. This reflects the latest position for the use of all reserves in the current and future financial years where known. There is still some uncertainty around the exact timing of the use of a number of the reserves, for which some are held as a contingency to mitigate a potential liability although the timing and likelihood of this is dependent upon future events.

6.11 The following provides a commentary on some of the more significant reserves that the Council currently holds and maintains:

6.11.1 Invest to Save – this earmarked reserve was established to fund one-off/upfront costs for projects that will deliver on-going savings. Examples include, officer restructures, where one-off redundancy or pension strain costs might be payable where a business case delivers an on-going revenue saving within two to five years, or for an investment in IT hardware, software or equipment or one-off costs which will deliver savings through more efficient ways of working (for example the programme of digital transformation projects). The forecast balance at 31 March 2020 is £1.46 million.

6.11.2 Collection Fund National Non-domestic Rates reserve – This was established following the introduction of business rates retention. Use of this reserve will be used to offset return of monies to the Government, offset results of appeals and to smooth any fluctuations in business rates income between financial years. The forecast balance at 31 March 2020 is £3.1 million.

6.11.3 Asset Management Reserve – This reserve was established in 2018/19 and was set up to provide funds that will support the provision of current and future assets, of the reserve £1.257m has been allocated to smooth the impact to the revenue account of the new leisure facility, the current forecast unallocated balance is £278k.

6.12 All reserves, general and earmarked, will be reviewed over the coming months as part of setting the detailed budgets for 2020/21, with a view that where commitments have not been identified and funds or reserve balances are no longer required, these will be re-allocated to specific reserves to address the other requirements as applicable.

6.13 The Council also holds a Capital Receipts Reserve, this includes the balance of receipts generated from asset disposals. Capital receipts are generated when an asset is disposed of and can only be used to fund expenditure of a capital nature, i.e. not for on-going revenue expenditure. The balance of capital receipts is used to fund the current approved capital programme.

6.14 The use of reserves provides only a short-term measure to reduce the funding gap and whilst it can be used to mitigate the impact in the short-term, to allow time for the implementation of financial strategy options or in response to in-year changes, this does not provide a sustainable solution in the medium to long term.

7. CAPITAL

7.1 The capital programme is updated regularly throughout the year as part of the budget monitoring report process. A copy of the current capital programme is included as an appendix to the 2019/20 period 6 budget monitoring report within the November 2019 Policy and Resources Agenda and has therefore not been reproduced within this document.

General Fund Capital Programme

7.2 The following tables provide a summary of the current revised capital programme for 2019/20 (adjusted for 2018/19 project budget carry forwards), together with current forecasts for 2020/21, and a breakdown of the relevant scheme financing.

Table 6 – General Fund Capital Programme

2019/20	Forecast Expenditure	Borrowing	Grants & Contributions	Revenue/ Earmarked Reserves	Capital Receipts
Service Area	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Executive	2,058	2,058	-	-	-
Director - Neighbourhood Management	201	176	25	-	
Head of Customer Services	296	296	-	-	-
Head of Inward Investment	6,293	5,987	306	-	-
Head of Housing	1,721	200	1,188	161	172
Head of IT, Communications & Marketing	610	610	-	0	-
Head of Property & Asset Management	1,887	1,850	-	37	-
Total	**13,066**	**11,177**	**1,519**	**198**	**172**

2020/21	Forecast Expenditure	Borrowing	Grants & Contributions	Revenue/ Earmarked Reserves	Capital Receipts
Service Area	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Executive	1,500	1,500	-	-	-
Head of Inward Investment	20,000	5,680	14,320	-	-
Head of Housing	1,740	490	-	779	472
Head of IT, Communications & Marketing	10	10	-		-
Head of Property & Asset Management	4,840	4,840	-	-	-
Total	**28,090**	**12,519**	**14,320**	**779**	**472**

7.3 The current capital programme is funded from the following sources of finance:

- Capital Receipts – generated from asset disposals (both new and existing within the capital receipts reserve);
- Grants and contributions received from external sources including third parties and government;
- Revenue – by means of making a revenue contribution to capital;

- Prudential Borrowing – by means of loans made to the council by PWLB and other sources;
- Internal Borrowing – by using of the council's cash balances as opposed to borrowing externally.

7.4 Prudential borrowing to fund capital expenditure can only be undertaken when an authority can demonstrate the need to borrow. The need to undertake prudential borrowing is demonstrated through its Capital Financing Requirement, which is driven by the balance sheet of the authority and takes into account reserves (including general and earmarked). Financing costs of the borrowing are charged to the revenue account and therefore any decision to undertake external borrowing would need to take account of the debt costs including interest and the Minimum Revenue Provision (MRP).

7.5 As an example, if a £5m capital project is approved the revenue impact from an MRP charge to the revenue account will be made in line with the current MRP Policy – probably over the useful life of the asset – which would amount to £200,000 per annum (assuming a 25 year life).

7.6 If a decision is to be taken to use revenue reserves or capital receipts to finance the expenditure, no MRP charge would be necessary, as the expenditure would be financed immediately by a revenue contribution to capital.

Housing Revenue Account Capital Programme

7.7 The following provides a summary of the 2019/20 and 2020/21 capital programmes for the HRA along with the financing of these programmes.

Table 7 – Summary of the Housing Revenue Capital Programme

	Budget Expenditure £'000	Borrowing £'000	Revenue £'000	Capital Receipts £'000
2019/20	12,718	2,139	9,108	1,471
2020/21	10,216	2,121	6,593	1,502

8. FINANCIAL AND BUSINESS STRATEGY AND KEY THEMES

8.1 The preceding sections set out the updated financial forecast for the period 2020/21 to 2022/23 and some of the context within which the forthcoming budget setting will be set. The future years forecasts are based on a number of assumptions of the outcome of the fair funding review and future financial settlement all which will be subject to updates once announcements are made.

8.2 Despite the lack of certainty around future funding levels and outcomes of the fair funding review, the Council’s strategy must continue to look for opportunities to maximise income through growth in homes and businesses and the associated return that these will deliver through council tax and business rates, along as the wider benefits of growth. It must continue to take advantage of new funding streams, including one-off funding where there is a direct benefit to the Borough for example through the future high street fund and towns fund, and also proactive opportunities to seek funding locally through the business rates pooled fund and Local Enterprise Partnerships which align wider objectives to the delivery of local growth. At the same time, it should also continue to ensure that it is operating in the most efficient way.

8.3 The following outlines in more detail the key themes of the financial and business strategy that are required to work towards reducing the forecast budget gap, along with indicative financial targets for each of the priorities as applicable. Each of the themes should not be seen in isolation and where applicable supporting other themes in the overall delivery:

8.4 ***Strategic Asset Management – To review all Council's asset holdings to ensure that income streams are being maximised and costs minimised***.

8.5 The continued focus of the work is to identify development opportunities, new investment or recognise assets which are under performing for potential disposal, with a view to adding value to strategic assets. The key aim is to identify the most efficient way to utilise the Council’s assets and maximise the return that the Council receives from them. Delivery of this theme is informed by the Asset Management Strategy. This theme will also cover opportunities to grow the asset base and demonstrate linkages with external funding opportunities and grants.

8.6 ***Economic and Housing Growth – To maximise income from housing and business rates through enabling growth and retaining existing baselines.***

8.7 With an expected greater reliance on income from business rates locally in the future it is important to enhance and protect funding from business rates. There needs to be opportunities to encourage new growth in the Borough, including the enterprise zones and other areas. This will also support new housing growth which will deliver one of the main sources of funding for services from the collection of Council Tax. With the removal of the HRA debt cap and the housing company, the Council already has mechanisms in place to support the priority to maximise housing growth. Identification of potential sites and further opportunities still need to be delivered.

8.8 Optimising the Council tax base continues to be the means by which Council Tax income can be maximised. This could be through growth in property numbers, increased collection and reductions in discounts and through proactive work to ensure that all eligible council tax properties are identified.

8.9 ***Property Investment and Commercialisation – To identify opportunities for investment in properties to achieve either an income stream or improved returns on investment.***

8.10 Opportunities could be indirect through treasury management property investments or direct delivery by the Council or through an appropriate vehicle. These could support, for example, regeneration within the Borough to deliver growth and linkages to the economic growth theme as detailed above. Any direct investment would be subject to a business case, taking into account all risks and the full revenue implications (including borrowing costs). Currently these opportunities are identified as part of the current asset management plan or proposals taken forward by the appropriate decision making process.

8.11 ***Technological Investment – Enhancement and development of IT to ensure efficient and effective delivery of services.***

8.12 Members approved the Digital Strategy in October 2019 which identifies the three strategic aims of Digital Services, Digital Communities and Digital Workforce. Opportunities under this theme could include development of the website and the systems used to improve access to services, flexible working and digital by design. The current capital programme includes approved funding for ICT investment, although there will be a requirement for further investment, these will be subject to business cases which will also identify future efficiencies.

8.13 ***Partnerships and Shared Services - Creating efficiencies through collaborative working with others.***

8.14 Identifying opportunities must continue at a local level with partners and other organisations, ensuring that realistic and deliverable benefits are achieved. In addition, a strengthened approaches to working with communities and partners in the voluntary sector to;

- Drive better outcomes for local residents;
- Reduce avoidable demand on council services;
- Secure investment to drive new partnerships with partners and communities to deliver corporate ambitions;
- Make better use of council assets and resources to offer greater social value to local communities and to develop a partnership approach with public sector partners to working with communities across the borough.

8.15 ***GYBC Operating Model – Ensuring that the model for delivery of services is the most efficient and effective and that this is challenged where necessary.***

8.16 There are various strands to considering what the right operating model is for the Council and this includes the Organisational Development work, which is ongoing. This provides an opportunity to continue to review service delivery and the strategic capacity of the organisation. This also ensures that the right people with the right skills are taking decisions in the right place, whilst at the same time empowering staff and Members to challenge and drive forward transformation initiatives, being clear on the benefits they will bring and being accountable for their delivery.

8.17 Specific work strands which will continue to drive efficiency, savings, support and other themes as detailed above, include the following:

a) **Digital Strategy** - To provide an on-line service for residents, businesses and visitors that is supported by a seamless transfer of data in the back office and ensuring that staff have the ability to work in the most effective way with the appropriate tools which automate processes and support joined-up working, and mobile solutions. Ensuring that investment in services are aligned to the digital strategy that has been adopted.

b) **Procurement and Contract Management** - To consider the current contracts that are in place and the arrangements for managing these contracts, whether this is through a joint venture or formal contract management, ensuring key governance principles are adopted including the establishment of clear specifications for service delivery under contract arrangement, pro-active budget management of the service and ensuring value for money is being challenged and achieved.

c) **Enforcement Strategy** – The enforcement board continue to provide a co-ordinated approach to issues such tackling homes and properties which blight areas and may contribute to anti-social behaviour.

8.18 At this stage of the financial planning process it is prudent to allocate indicative financial targets against some of the above themes where agreed plans and projects have commenced or are planned. These have been informed by the Management Team to develop savings and additional income proposals that can be presented for consideration as part of the 2020/21 budget report. These will include some proposals that are operational and improved efficiencies, as well as those that will be subject to Member consideration and approval.

8.19 As the projects for the above themes are progressed the associated savings/additional income will be quantified and factored into the budget and will be brought forward to members for approval as part of the setting of the 2020/21 budget.

8.20 **Savings and Additional Income**

8.21 As part of the budget work for 2020/21 officers have been asked to put forward savings and additional income proposals for consideration as part of the budgets work. These will presented for approval as part of the budget reports in January and February 2020. These will fall into classifications of the above themes and will cover the following:

a) Operational proposals – these proposals include savings and additional income identified from internal reviews of current service delivery and those that can be achieved from no changes to current policy, potential savings of £100k to £250k per annum;

b) Proposals that require consideration and approval by Policy and Resources Committee as part of the budget process, potential savings of £100k to £300k per annum;

c) Areas that are being recommended for further review in the longer term to achieve savings and efficiencies, i.e. beyond 2020/21, potential savings of £50k to £200k.

8.22 **Use of Reserves – Invest to Save**

8.23 Use of reserves to balance a budget provides only a short-term solution as the funds can only be used once. Reserves can however be used to smooth the impact of funding reductions and fluctuations in funding over the short to medium term and to allow for planning and implementing projects and work streams that will deliver a longer-term financial benefit through reduced costs or additional income.

8.24 Similarly, reserves can be used to fund one-off costs for projects that will deliver a longer-term benefit, for example the invest to save reserve. The use of the reserves in this way will be considered as part of the full business case for individual project proposals, taking into account the payback period of the project along with indirect financial implications.

8.25 **Updated Financial Forecast**

8.26 Based on the latest financial projections and assuming delivery of the current planned savings there is anticipated to be a shortfall in 2020/21 £640. Assuming further savings in line with the target savings and additional income detailed above, delivery of a balanced position for the 2020/21 financial year remains achievable. This is clearly predicated on the receipt of the finance settlement outcome currently assumed and the achievement of savings and additional income. A funding gap is still forecast for future years in the region of £1.5m to £1.9m, although this is indicative at the moment and will be subject to change following further announcements on the fair funding review and outcome of the rates retention review.

8.27 The updated position above is prior to the detailed work on the budget for 2020/21 being completed, which is currently in progress to be presented to Members in February. Work is continuing with services to identify further options to reduce the forecast gap in the short to medium term.

8.28 In terms of the longer term budget forecasts these will be informed by the outcome of the fair funding review during 2020/21.

9. SENSITIVITY ANALYSIS AND RISKS

9.1 The Council works within a number of legislative and funding constraints . The continuing downward pressure on external resources continues to constrain the level of service delivery that the Council is able to provide. The annual budget and financial planning process aims to ensure that the Council is prepared and able to respond to these pressures at an early stage. That said, there continues to be significant pressures on the Councils budget, both general fund and housing revenue account, and therefore decisions must be made which take account of the overall financial position of the authority.

9.2 There is a legal requirement to set a balanced budget annually, for which the process ensures that care is taken in preparing figures in an informed manner and proposing changes to service levels, which may require upfront investment. Alongside approval of the budget, the level of reserves and robustness of the estimates are factors that are considered in full ahead of approving the budget and the council tax for the coming year. Whilst reserves can be used to mitigate one-off funding gaps, the use of the reserves should not be seen as a longer-term sustainable option to delivering robust budget and financial management.

9.3 The forecast projections as detailed earlier in the document are dependent upon a number of key assumptions at a point in time, which are not directly within the control of the Council. The most significant of these are detailed below along with the sensitivities to the financial projections.

9.4 **Employee Costs** – As mentioned above the forecasts assume an annual pay award of 2%, the Council is part of a national pay agreement and as a guide for GYBC, 1% equates to approximately £90,000 annually. The base budgets allow for a turnover element from staffing costs, which equate to approximately 1.5% per annum.

9.5 **Business Rates Growth** – Within the Local Government Finance Settlement, the Business Rates Baseline funding is assumed to increase annually in line with inflation. Actual increases (or reductions) will result in additional or a reduced level of income retained locally. Some allowance for growth after allowing for appeals has been factored into the projections, as a guide a 1% movement each year would result in approximately £50,000 additional income per annum being retained.

9.6 **New Homes Growth/Increase in Tax Base –** The current budget and projections allow for no new NHB allocation for 2020/21. Increases in the tax base generate increases in the locally collected element of the council tax, this is also dependent upon the level of collection. There are risks associated with the NHB funding at a local and national level. Risks at a local level are the continued delivery of housing growth and also reductions in the number of long-term empty properties. The growth in new homes can be informed by the housing trajectory figures, however the fluctuations in the number of long-term empty properties can negatively (should the number increase) impact on the allocation of NHB. This area therefore that continues to be monitored closely with proactive work with homeowners and landlords to bring the properties back into use. In addition, future funding from NHB has not been confirmed and therefore from 2020/21 onwards there is not anticipated to be new further funding from NHB.

9.7 **Revenue Support Grant** – The overall reduction in RSG between financial years covered by the four-year settlement period is just over £1.7m. Whilst the current assumptions assume a roll over of the 2019/20 funding, the future resource allocation is not yet known and future funding gaps still remain a risk.

9.8 The extent to which the above factors will have an impact on the overall projections and forecast funding gap will vary. Some will have an ongoing impact, for example an increase to the tax base in 2020/21 will have an ongoing benefit in terms of additional Council tax income generated year on year, converse to this an increase in the employee inflation in one year will increase the base budget requirement moving forward cumulatively. Equally the assumptions around future council tax increases and changes to these will also have an impact to the overall position.

9.9 Fluctuations in the demand for services, say for example a fall in car parking income due to inclement weather over a holiday period could be relatively short term, assuming no changes to other factors, for example the closure of a pay and display car park and the overall reduction in provision. For the short-term fluctuations, these are mitigated through allowing elements within the general reserve.

9.10 The Council continues to face a number of risks in terms of future funding and delivery of services. A number of these risks have been referred to within the main body of the Strategy. The detail of the 2020/21 budget will be completed over the coming months in preparation of the Budget and Council Tax setting report which will be presented for approval in February 2020.

9.11 The main risks that the authority continue to face are outlined below:

9.12 **Future Funding and Business Rates –** Local Authority funding from central government continues to be under pressure with the continued shift from central government grant (from revenue support grant) to locally generated resources including retained business rates. The current work on the fair funding review and increased business rates retention will have an impact on the resources available from 2021/22 onwards.

9.13 The greater emphasis on retaining funds from business rates locally to fund the provision of services provides increased risks to funding. There are a number of inherent risks, which will continue to be borne locally including, the status of properties changing, for example business premises becoming empty and the impact of appeals and the resulting outcomes which can result in backdating of refunds. Whilst the process of accounting for and forecasting business rate income will make provisions for appeals, the timing of the outcome can be in future financial years and is dependent upon the outcome of the appeal by the Valuation Office Agency (VOA). The most significant at the moment is in relation to the NHS and timing of this and whether Government take any action if the outcome is not favourable to local government. The Council holds an earmarked reserve which can be used to mitigate any adverse impact to the Council in the short to medium term.

9.14 Equally, business growth and addition of new businesses to the baseline will have a positive impact on funding.

9.15 **Savings and Additional Income Opportunities**– The Council is continuing to deliver against a programme of savings and additional income from current and previous budget decisions. Delivery of the savings at the levels budgeted along with the identification of new opportunities for savings and additional income is vital to delivery of the overall budget and achieving a sustainable future financial position. The delivery of these savings is closely monitored by ELT and Members as part of the ongoing budget monitoring process.

9.16 **Service Demand and Income** - Income from a number of demand led services remains a financial risk that cannot be fully influenced by the Council. Whilst annual estimates are set under a robust methodology taking into account current performance, previous actuals and knowledge of current and future service delivery, income levels need to be closely monitored. For example for planning, car park income and fees and charges from crematorium services. Fluctuations in income can be mitigated by the use of reserves and this is a factor that is taken into account as part of the budget setting process when determining the recommended level of general reserve.

9.17 **Interest and MRP** - The revenue budget takes account of the planned borrowing and financing of the current and future capital programmes. Slippage of capital schemes will impact on the level of borrowing required along with the associated financing costs. In addition, as new schemes and projects are approved this will have an impact on the associated financing costs and will need to be considered as part of the options appraisal and business case. Equally the risk of future rate rises can have a unfavourable impact on the future projections, whilst in the short to medium term there is not expected to be a significant impact on planned capital programme expenditure following the increase to the PWLB rates, future rate rises could make planned capital programme spend unaffordable.

9.18 **Fair Funding Review and Spending Review 2019 –** Further consultations on the fair funding review will be undertaken during 2019, until the detail of this and the spending review are announced the Council continues to operate with a greater level of uncertainty in terms of future funding.

9.19 **HRA –** As flagged previously the removal of the debt cap for the HRA provides greater flexibility and opportunity for the HRA in terms of provisions of replacement and additional housing for the HRA as well as maintaining existing stock. Additional borrowing must still be able to demonstrate affordability and modelling and scenario planning will be undertaken to inform future decisions.

Glossary of Acronyms – Financial Strategy

LCTS	Local Council Tax Support
LTE	Long Term Empty
MRP	Minimum Revenue Provision
NHB	New Homes Bonus
RSG	Revenue Support Grant
SFA	Settlement Funding Assessment
VOA	Valuation Office Agency

Appendices

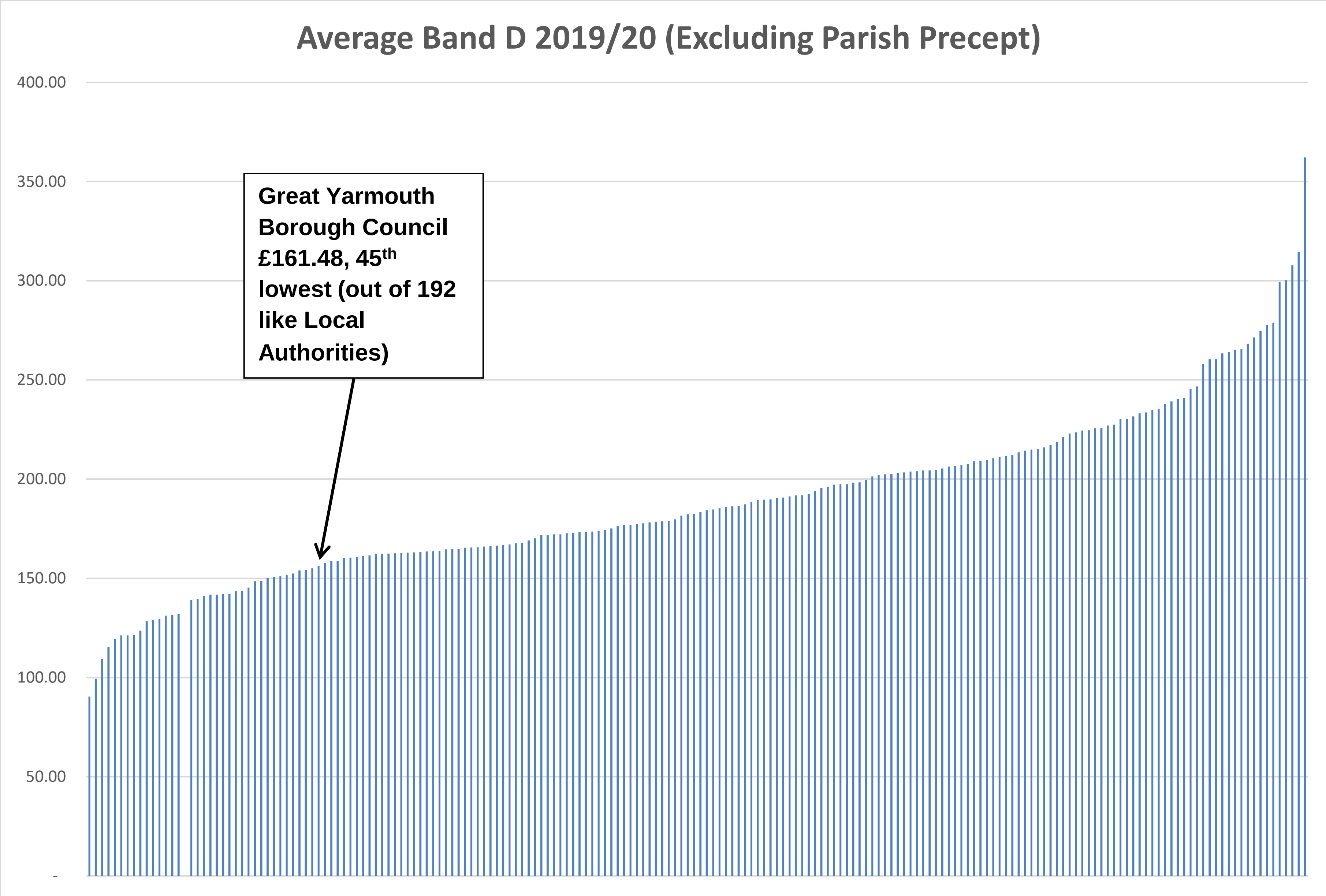
New Homes Bonus Allocations to Date

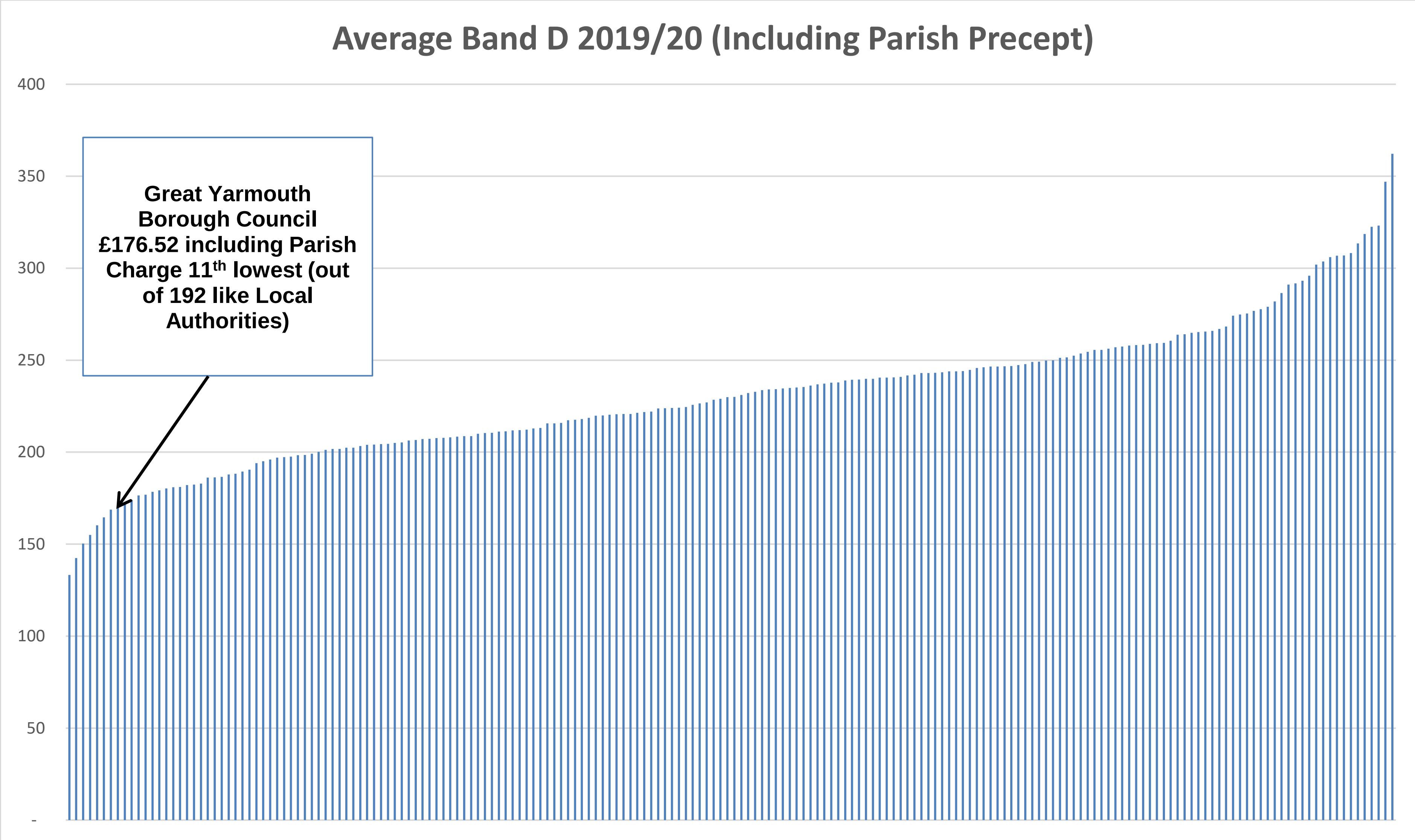
Allocation	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2011/12	274	274	274	274	274	274			
2012/13		234	234	234	234	234			
2013/14			321	321	321	321	321		
2014/15				119	119	119	119		
2015/16					208	208	208	208	
2016/17						220	220	220	220
2017/18							194	194	194
2018/19								5	5
2019/20									7
Total	**274**	**508**	**829**	**949**	**1,157**	**1,377**	**1,063**	**627**	**427**

General Fund Reserves Schedule - 2019/20	Summary and Purpose of Reserve	Closing Balance 31/03/19 £	Budgeted Movement 2019/20 £	Actual Movement (inc forecast) 2019/20 £	Updated Closing Balance 31/03/20 £	Budgeted Movement 2020/21 £	Updated Closing Balance 31/03/21 £	Budgeted Movement 2021/22 £	Updated Closing Balance 31/03/22 £	Budgeted Movement 2022/23 £	Updated Closing Balance 31/03/23 £
Planning Delivery Grant	The reserve is planned to be used to provide service improvements in Planning, and deliver the Local Development Framework.	62,360	0	0	62,360	0	62,360	0	62,360	0	62,360
Insurance Fund	The Council budgets for a level of excess being charged to the Service Accounts annually. Any under provision is met from the Insurance Fund, and any surplus is transferred to the fund.	215,655	0	45,195	260,850	0	260,850	0	260,850	0	260,850
Town Centre Initiative	Earmarked for spend in relation to the town centre project.	33,310	(33,310)	(33,310)	0	0	0	0	0	0	0
SHARP Funding	The Council will utilise this funding for capital expenditure incurred in the Wellesley Rd, Sandown Rd, Euston Rd & Paget Rd areas.	350,270	0	0	350,270	0	350,270	0	350,270	0	350,270
Restricted use grant	This reserves holds unspent grants received for specific purposes for which the spend has not yet been incurred.	940,610	(169,195)	(230,059)	710,551	(37,802)	672,749	(20,815)	651,934	(20,000)	631,934
Invest to Save	To be used to fund one-off costs associated with projects that will deliver future efficiencies and savings including costs associated with restructures.	1,589,249	(134,076)	(258,065)	1,331,184	0	1,331,184	0	1,331,184	0	1,331,184
Specific budget	This reserve is utilised as expenditure is incurred.	102,327	67,520	45,492	147,819	(1,370)	146,449	(1,770)	144,679	(9,560)	135,119
LEGI	As costs are incurred, these are offset by the reserve.	523,671	(400,000)	(400,000)	123,671	0	123,671	0	123,671	0	123,671
Repairs and Maintenance	This reserve is utilised as expenditure is incurred.	352,253	0	(19,000)	333,253	0	333,253	0	333,253	0	333,253
Second Homes Council Tax	This reserve is utilised as expenditure is incurred.	155,962	(155,962)	(155,962)	(0)	0	(0)	0	(0)	0	(0)
Waste Management	This reserve is utilised as expenditure is incurred in relation to the service.	25,170	0	(25,170)	(0)	0	(0)	0	(0)	0	(0)
Collection Fund (Business Rates)	Earmarked to mitigate the fluctuations in business rate income between years.	3,285,976	(180,000)	(180,000)	3,105,976	80,201	3,186,177	0	3,186,177	0	3,186,177

General Fund Reserves Schedule - 2019/20	Summary and Purpose of Reserve	Closing Balance 31/03/19 £	Budgeted Movement 2019/20 £	Actual Movement (inc forecast) 2019/20 £	Updated Closing Balance 31/03/20 £	Budgeted Movement 2020/21 £	Updated Closing Balance 31/03/21 £	Budgeted Movement 2021/22 £	Updated Closing Balance 31/03/22 £	Budgeted Movement 2022/23 £	Updated Closing Balance 31/03/23 £
Community Housing Fund	This represents grants previously received to assist with the delivery of Community Housing.	573,603	0	0	573,603	0	573,603	0	573,603	0	573,603
Enforcement	Earmarked for enforcement related works to address issues and bring properties back into use.	46,022	0	0	46,022	0	46,022	0	46,022	0	46,022
Special Project Reserve	Earmarked as per the 2017/18 budget report for project spend and also for matched funding as appropriate.	743,681	(323,529)	(249,917)	493,764	(6,455)	487,309	0	487,309	0	487,309
Treasury Management reserve	This reserve is held to mitigate year on year fluctuations of investment income received.	200,000	0	0	200,000	0	200,000	0	200,000	0	200,000
Asset Management reserve	This reserve is held to mitigate the impact of fluctuations between financial years from income received from Council assets and properties, in addition it includes re-allocation form other reserves to be used for investments in Council assets including current and future asset enhancements. *	1,900,000	0	(1,620,445)	279,555	0	279,555	0	279,555	0	279,555
Benefits/Revenues Reserve	Earmarking of grants and underspends to be used for the service and mitigation of subsidy impacts.	144,621	0	0	144,621	0	144,621	0	144,621	0	144,621
Homelessness	These Reserves are utilised as expenditure is incurred.	426,366	0	0	426,366	0	426,366	0	426,366	0	426,366
Coast Protection	Established as part of the 2019/20 budget process for match funding and mitigate one-off costs in relation to coast protection.	0	150,000	20,000	20,000	0	20,000	0	20,000	0	20,000
Empty Business Property Incentive Fund	Earmarking of funds to be used for incentivising bringing properties back into use. Policy to be developed.	0	100,000	100,000	100,000	0	100,000	0	100,000	0	100,000
Other Reserves	These Reserves are budget carry forwards to be used in future years	729,984	0	(669,006)	60,978	0	60,978	0	60,978	0	60,978
Total GF Earmarked Reserves		12,401,090	(1,078,552)	(3,630,247)	8,770,843	34,574	8,805,417	(22,585)	8,782,832	(29,560)	8,753,272
General Fund Reserve	Current recommended balance of £2.75 million (as at Feb 2019)	3,049,617	155,962	125,962	3,175,579	0	3,175,579	0	3,175,579	0	3,175,579
Total GF Reserves		15,450,707	(922,590)	(3,504,285)	11,946,422	34,574	11,980,996	(22,585)	11,958,411	(29,560)	11,928,851

Note: * Transfer oin 2019/20 reflects the current commitment for the new leisure facility.


Average Band D 2019/20 (Excluding Parish Precept)
400.00
350.00
300.00
250.00
200.00
150.00
100.00
50.00
-
Great Yarmouth Borough Council £161.48, 45th lowest (out of 192 like Local Authorities)


Average Band D 2019/20 (Including Parish Precept)
400
350
300
250
200
150
100
50
-
Great Yarmouth Borough Council £176.52 including Parish Charge 11th lowest (out of 192 like Local Authorities)