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HAVANT BOROUGH COUNCIL

Cabinet

3 February 2016

Draft Revenue & Capital Budget 2016-2017

Executive Head (Governance & Logistics)

FOR DECISION

Cabinet Lead: Cllr Mike Cheshire

Key Decision: Yes

1. Purpose of Report

1.1 To provide the Cabinet with the proposed revenue and capital budget, reserves and balances, Treasury and Prices for Services for 2016/17.

2. Recommendation

2.1 That Cabinet recommend to Council:

- The proposed Revenue & Capital budgets for 2016/17. The proposed revenue budget will maintain the Council tax Band D charge at the current rate of £192.78.
- The Treasury Management Strategy & Prudential Indicators, movements in specific reserves and the General Fund, and the Prices for Services

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3. Budget Summary 2016/17

3.1 The 2016/17 proposed budget position for next year is as follows:

	Forecast £'000
Draft revenue budget requirement	16,659
Other operating income & expenditure	(1,567)
Transfer of CIL to Balance Sheet	760
Proposed draw from Usable Reserves	(176)
Proposed draw from General Fund	(396)
Net Budget Requirement	15,280
Funding estimate	(15,280)
(Surplus) / Deficit	-

4. Budget Process for 2016/17

4.1 The approach to the 2016/17 budget process is a continuation of the process in place since 2014/15, commencing with the production of business plans during September, followed by a zero based costing to determine the cost of delivering those plans.

Draft Business Plans have been agreed and signed off by the relevant Service Managers, and are the subject of a separate report at this meeting. The draft budget figures presented represent the cost of delivering those plans.

4.2 The total net cost of cluster business plans, in Appendix A, has been estimated at £16,659,000. After wider, unavoidable corporate costs are added, and contributions to and from specific reserves are accounted for, the net budget requirement is £15,280,000. The resources available to fund the business plans are £15,280,000.

4.3 It should be noted that the budget is still draft at this stage, and is subject to change, particularly the Retained Business Rates calculation which will not be finalised until 31st January 2016. Any material changes will be reported at Council in February.

4.4 The following issues have impacted on the budget process for 2016/17:

- In the provisional settlement announced in December 2015, the provisional estimated reduction in General Government grants (Revenue support grant and New Homes Bonus) is an overall reduction of grant funding of £459,000.
- An overall reduction in retained business rates of £84,000. This is largely because 2015/16 benefited from the redistribution of a large surplus from 2014/15, whereas for 2015/16 a breakeven position is expected to be

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carried forward to 2016/17. In addition, successful appeals, particularly for doctors surgeries, has offset growth in the business rates in 2015/16.

- Budget growth arising from activities identified in the business plan. Appendix E summarises the major movements from 2015/16's budget.

5. Funding estimates for 2016/17

- 5.1 **Council Tax:** The budget proposals assume that there will be no increase in Council Tax in 2016/17. The increase in income receivable represents an increase in taxbase resulting from housing growth and a slight reduction in the number of Council Tax support claimants.
- 5.2 **Revenue Support Grant and New Homes Bonus:** The provisional settlement announced in December 2015 showed an overall combined reduction in Revenue Support Grant and New Homes Bonus of £459,000. The Government has recently announced that the support grant mechanism will be replaced by 100% retention of business rates. This will be subject to consultation during 2016/17.
- 5.3 The provisional settlement suggests that Revenue Support Grant will reduce by £786,000 in 2017/18, and £480,000 in 2018/19 before disappearing completely in 2019/20.
- 5.4 The New Homes Bonus scheme came into effect in April 2011. The provisional settlement suggests Havant will receive estimated grant of £1.823m under the current scheme. This will reduce to approximately £1.1m by 2019/20.
- 5.5 **Retained Business Rates:** Since 2013/14, the Council has been allowed to retain a proportion of Business Rates. The budget estimate, currently £3.315m, is based on the Council's final NDR1 return, submitted by 31st January. Until the return is submitted it is possible that the business rates estimate will change. Growth in 2015/16 has been largely offset by successful appeals for doctors surgeries.
- 5.6 In addition to the retained rates estimate for 2016/17, there will be a redistribution of a small surplus of £167,000 from 2015/16 as per the Q2 forecast report. The equivalent surplus in 2015/16's budget was approximately £500,000.

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6. Medium Term projections to 2019/20

- 6.1 The Council's Medium Term Financial Forecast has been updated using the results of the budget process as a revised base. The medium term projections provided below demonstrate the impact of continuing funding reductions if current expenditure remains at 2016/17 levels.

	2016/17	2017/18	2018/19	2019/20
Net Budget requirement	15,272	15,070	15,070	15,070
Revenue Support Grant	1,556	771	290	0
New Homes Bonus	1,823	1,833	1,152	1,105
Retained Business Rates	3,951	4,077	4,190	4,317
Collection Fund Surplus	340	0	0	0
Council Tax Income	7,602	7,678	7,755	7,832
Estimated Funding Available	15,272	14,359	13,387	13,254
Shortfall	0	711	1,625	1,625

7. Addressing the Long Term position

- 7.1 The Council continues to invest heavily in the short term to achieve the long term objectives of its financial strategy. There are four key workstreams under Service Futures. The workstreams are;
- People performing effectively, developing people's skills and behaviours
 - The Council is undergoing phase 2 of the Terms & Conditions review. The cost implications of this review are not yet known and therefore no assumptions have been made in the budget.
 - Delivering differently, increasing income and developing new markets
 - during 2015/16, Cabinet committed to joining the 5 Districts procurement exercise for certain services. The savings arising from the exercise are likely to be achieved from 2017/18.
 - The Council is looking to set up a joint venture for the provision of Refuse and Recycling and Streetcare & Grounds operations. No assumptions have been made in the budget regarding this project at this stage.
 - The Council is undergoing a review of its executive management. Currently no assumptions have been made in the budget regarding the outcome of this review.

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- Economy and Prosperity of the local community
- Managing Contracts strategically. Funding has been committed from reserves to ensure the success of key procurements in the short to medium term.

8. Capital Projections 2016/17 to 2018/19

8.1 The capital projections are shown in Appendix B.

8.2 Budget managers have been asked to complete outline capital appraisal forms for new projects identified. It is proposed that a Capital Appraisal panel will consider the outline business cases for each new proposal. Those projects that the Capital panel support will be subject to a detailed business case prior to consideration by Cabinet.

8.3 The projections also include projects likely to be brought forward from 2015/16's capital programme.

9. Use of Reserves 2016/17 to 2018/19

9.1 Appendix C shows the proposed use of reserves between 2016/17 and 2018/19.

9.2 The current Capital and Revenue budget proposals reduces the level of specific reserves available for future spend to £1.063m, with a further £630,000 providing for insurance risk.

9.3 The Council is receiving Community Infrastructure Levy (CIL) contributions into its Revenue budget, and this is assumed to continue at current rate. These are transferred to Capital Grants Unapplied pending release. Currently no draws on CIL are built into the budget.

10. Prices review 2016/17

10.1 The fee setting process has historically been undertaken late in the budget process, meaning that there has been no real link between prices and income budgeting.

10.2 Furthermore, the Council is looking to move to a more commercially focused prices setting methodology where possible. A detailed review of all fees has therefore been undertaken to ensure this objective is being met. The objectives of the review were to set:

- Commercial rates to maximise income
- Subsidised commercial rates in cases where customers suffer some from of evidenced income deprivation.
- Cost recovery where commercial charging is unsuitable, on the basis of full absorption.
- Special pricing where relevant, for example, car parking charges.

10.3 The review of prices has resulted in a number of revisions to charges, provided in appendix G.

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10.4 One area that has changed significantly is within environmental health. The prices charged have been reviewed to ensure full cost recovery and as a result, new charges have been introduced for certain pest treatments.

11. Treasury Management Strategy

11.1 The Treasury Management strategy has been updated for 2016/17. No fundamental changes have been made to the policy.

12. Next steps

12.1 Following discussion at Cabinet briefing, the budgets will be formally approved, with the Council Tax Resolution, at Council in February.

Appendices:

- **Appendix A – Summary budget position 2016/17**
- **Appendix B – Capital programme 2016/17 – 2018/19 and new capital bids**
- **Appendix C – Reserves projection 2016/17 to 2017/18**
- **Appendix D – Business Rates projections 2016/17**
- **Appendix E – Summary of growth items**
- **Appendix F – Treasury Management Policy 2016/17**
- **Appendix G – Prices for Services**
- **Appendix H – CFO Statement**

Agreed and signed off by:

Legal Services: December 2015

Executive Head of Governance & Logistics: December 2015

Relevant Executive Head: December 2015

Portfolio Holder: 4th Jan 2016

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