

NON EXEMPT

HAVANT BOROUGH COUNCIL

Cabinet

6 February 2019

REVENUE, CAPITAL BUDGET AND BUSINESS PLANS 2019/20 AND MEDIUME TERM FINANCIAL STRATEGY TO 2023/24

Lydia Morrison, Chief Financial Officer

RECOMMENDATION TO COUNCIL

Portfolio: Portfolio Holder for Finance & Deputy Leader Cllr Tim Pike

Head of Service: Lydia Morrison

Key Decision: No

1.0 Purpose of Report

- 1.1. This report is submitted to Cabinet with the proposed 2019/20 Revenue budget, Capital budget and Business Plan, Reserves and Balances, Treasury Management Strategy and Medium Term Financial Strategy (MTFS).

2.0 Recommendation

- 2.1. The Cabinet recommends that Council:
- a) Approves the proposed Revenue and Capital Budgets for 2019/20 including a Council Tax rate of £204.47 at Band D, representing a 2.99% increase on the current charge;
 - b) Approves the budget savings and growth proposals set out in Section 5 of the report.
 - c) Agrees the Capital Strategy, Treasury Management Strategy and Prudential Indicators.
 - d) Agrees the Corporate Strategy and Business Plans 2019-20.
 - e) Agrees the proposed fees and charges increases set out in Appendix I.

3.0 Executive Summary

3.1. The 2019/20 initial budget position for next year is as follows:

	Forecast £'000
Estimated Contribution (Surplus)/Deficit	13,909
Other Operating Income & Expenditure	853
Net Movement in Statutory and Usable Reserves	(1,091)
Net Expenditure	13,671
Council Tax, Business Rates & New Homes Bonus Income	(13,965)
(Surplus) / Deficit	(294)

3.2. It should be noted that the budget is still draft at this stage, and is subject to change. Any material change will be reported at Full Council in February.

4.0 Additional Budgetary Implications

4.1. None

5.0 Background and relationship to the Corporate Strategy and Directorate Business Plan/s

Budget Process and Budget Proposals

- 5.1. The Budget Process for 2019/20 used the 2018/19 base as a starting point and added 5% for pay increments and pay award. Supplies and services budgets were frozen and no increase was assumed for fees and charges, other than any statutory increases and a number of services within Environmental Services (see Appendix I).
- 5.2. Heads of Service and Managers were asked to review their budgets and identify any pressure commitments and realisable savings.
- 5.3. The Finance Portfolio Holder, Chief Finance Officer and Deputy Section 151 Officer reviewed the initial budget submissions in December followed by formal challenge sessions with services in January.
- 5.4. The outcome of these reviews has identified savings of £676K which led to an overall budget surplus of £294K, after allowing for other budget pressures (pay increases) and changes in Government funding.

- 5.5. In addition to the surplus, it is proposed that Council Tax be increased by 2.99% in 2019/20. This would generate a further £242K additional funding.
- 5.6. It is also proposed to reduce the publication of "Serving You" down to one a year. It is recognised that there is still a demand for the magazine, however, there is also an increase in digital media sources from which the residents can gain information about the Council. This change would generate a saving of £25K.
- 5.7. Overall, these proposals would generate a total budget surplus of £561K. This then provides the opportunity to invest in the following key budget proposals:
- Establishment of a new Regeneration Team (£400K)
 - Reinstatement of a Playparks maintenance budget (£70K)
 - Creation of a new Inward Investment Officer post (£50K)
 - Council Tax Support for Care Leavers (£41K)
- 5.8. The largest element of these proposals is clearly the establishment of the Regeneration Team. As Members know, the Council's Regeneration Strategy 2018-2036 was approved by Council in November 2018. Clearly, if the Council is to drive forward this new Strategy it must resource it accordingly. As the Council has not previously directly intervened in regeneration there is a requirement for different staffing, specialist resources and a realignment of existing resources to meet this new challenge. The regeneration programme priorities are; Civic Plaza redevelopment, Brockhampton West marketing, Hayling Island development and the wider borough promotion, particularly Havant town centre. Phase 2 projects include wider redevelopment opportunities in Havant town centre, Waterlooville town centre and Leigh Park centre.
- 5.9. The long-term nature of the regeneration programme will require new permanent staffing resource to complement a whole team matrix approach to the mobilisation of existing staff onto the regeneration projects. The staffing requirements are for a regeneration programme manager and three dedicated regeneration project officers to complement the existing head of service and support officer. Whilst these new roles will require job evaluation to assign detail costings, a market review indicates that the new staff will cost in the region of £290,000 p.a. including on-costs. Subject to successful recruitment this cost will begin early in 2019/20 and is a necessary up front cost to create the momentum needed to transform the Council's interventionalist role.
- 5.10. In addition to the staffing costs, budget provision is required for professional fees, including specialist property and legal advice (such as CPO) around £40,000; Marketing and Place branding around £65,000; plus other general office costs of £5,000

(accommodation/travel/IT etc). The total cost is estimated to be £400,000. A further detailed report will be produced for consideration through the Executive Board and if appropriate Cabinet providing detail on the full structure and budget proposal.

Corporate Strategy & Business Plans 2019-20

- 5.11. The Corporate Strategy has been reviewed with an amended version located at Appendix L. The reviewed Corporate Strategy provides an overview of the Mission, Values and Priorities of the Council. Specifically, the Corporate Strategy is focussed on the delivery of the regeneration aspirations of the Council (short, medium and long term), delivering for our customers and ensuring the Council is financially sustainable.
- 5.12. Heads of Service and Managers were asked to review and update Business Plans for 2019/20 based on requested budgets and priorities of the Council.
- 5.13. Our focus for 2019/20 which the business plans have been built around the proposed new Corporate Strategy.

Vibrant, connected and healthy communities: Plans are focussed on progression of our new Regeneration Strategy with the aim of progressing key priority projects which will have the greatest impact on the Borough. In particular in 2019/20 work will focus on our regeneration projects in Havant town centre, the Civic Plaza and Hayling Island. In addition, we hope to retain and attract major employers and inward investments resulting in new jobs being created in the borough and funding secured for our regeneration plans. Our new Local Plan will also be progressed during the year which will allow for future housing and infrastructure growth in the borough.

Services which meet the needs of our communities: We want to shape our services to suit the needs of our customers including the development of a Digital Strategy and Customer Access Strategy making it easier for our customers to access our services.

Being financially sustainable: Our service business plans have been built alongside the budget with the aim of services either increasing income or generating savings in order to deliver the priorities of the Council. This includes innovative ways of delivering services, developing of a new Pricing Strategy and robust contract management of our key contracts in particular our joint venture company, Norse.

Highly motivated and productive staff: Working with councillors to deliver the business plans and attract, retain and train staff to become a high performing and adaptable workforce.

- 5.14. Challenges faced in the building of business plans include the reduction in Government funding, the need to build more homes, rising demand for services, uncertainty around Brexit and extra pressure of higher tier councils which in turns puts pressure at Borough level. Our business plans have sought to address these challenges.
- 5.15. Outline service area business plan activities which capture the above priorities are included at Appendix J.

Medium Term Financial Projections to 2023/24

- 5.16. The Council's Medium Term Financial Strategy (MTFS) has been updated using the results of the budget process as a revised baseline. This is included at Appendix B.
- 5.17. The projections show that by 2023/24 the Council could be facing a budget deficit of £2.442M. This is mainly as a result of the reducing New Homes Bonus which is projected to be gone by 2023/24, and the forecast re-baseline of Business Rates.
- 5.18. Clearly this position is not sustainable for the Council and it must be addressed early. Therefore, the Chief Finance Officer will start engaging with Members and Officers early in the new financial year to develop options for 2020/21 onwards.

Capital Summary and Proposals Received

- 5.19. The current approved Capital position is shown at Appendix C and shows spend of £1.060M against the capital programme, and a forecast spend of £2.228M by 2018/19 year end.
- 5.20. A number of Capital bids have been received in addition to existing unapproved bids and these are attached at Appendix D for consideration. Detailed business cases will be brought to Cabinet for approval for the unapproved capital bids, following which they will be added to the approved programme.

Revenue Reserves Position

- 5.21. A summary of the reserves position is provided at Appendix E.
- 5.22. The reserves position includes the following assumptions:
- Impact from the MTFS and current year on the General Fund demonstrates that the General Fund would hold an estimated £8.9M at the end of the MTFS.
 - Includes the impact of approved capital programmes on reserves.

Treasury Strategy

- 5.23. The Treasury Strategy as adopted by Council on 31 January 2019 is included at Appendix G for reference.
- 5.24. Certain aspects of the Treasury policy, including interest rates and prudential indicators are draft pending the finalisation of the budget position and will be finalised prior to Council.

Capital Strategy

- 5.25. The Council is now also required to produce an annual Capital Strategy setting out amongst other things, the Council's corporate priorities, capital investment ambition, available resources, affordability, capacity to deliver and risk appetite. The Strategy is attached at Appendix H and will apply from 1st April 2019.

6.0 Options considered and reasons for the recommendation

- 6.1. The 2019-20 budget and business plan has been prepared on the following basis which has guided the recommendation:

Council Tax: The budget proposals assume that Council Tax will increase by 2.99% for 2019/20 representing £204.47 at Band D. This also includes a small increase to reflect growth in housing numbers year on year.

Revenue Support Grant and New Homes Bonus: Revenue Support Grant for Havant will cease in 2019/20; the New Homes Bonus is included within the budget and includes an additional £92k above the anticipated level. The updated MTFs projects the grant reducing year on year and ceasing after 2022/23. The New Homes Bonus Scheme is still under consultation and the key points being consulted on are outlined in the risks section below.

Retained Business Rates: Since 2013/14, the Council has been allowed to retain a proportion of Business Rates. The budget estimate for 2019/20 is based on the Council's final NDR1 return, to be submitted by 31st January. Risks surrounding business rates estimates are detailed below.

Fees and Charges: It is a Borough Council function to approve the budget framework and the council tax amount annually after other billing authorities have agreed their charges and in time for annual tax billing. The February Full Council meeting formally exercises this power. The Leader or the Cabinet is empowered to make changes to the Borough Council's fees and charges and to determine the Fees and Charges Schedule, provided the changes and the schedule are

within the budget framework set annually by the Council. The Full Council notes the Fees and Charges Schedule annually. The recommendation is to apply a freeze to fees and charges during 2019/20 for those that are not otherwise constrained by statute or to align with our agency agreements. The exception to this is Environmental Services where a number of inflationary increases have been applied. Details are provided in Appendix I.

Salary budgets: As previously mentioned, the 2019/20 budget assumes an overall increase of 5% for pay award, the living wage uplift, and those who are entitled to pay increments. Pension contributions have also been increased by 1% in line with the rates provided by Hampshire Pension Fund. The MTFs includes increase of 1% per annum for uplifts in pension contributions. Hampshire Pension Fund.

7.0 Resource Implications

- 7.1. The budgets and business plan reflect the aspirations of the organisation for 2019/20 and have been built on the basis of delivering the business plan requirements with the resources required to deliver those plans.

8.0 Legal Implications

- 8.1. It is a Borough Council function to approve the budget framework and the council tax amount annually. The February Full Council meeting formally exercises this power.

9.0 Risks

- 9.1. The 2019/20 Budget preparation has identified the following key corporate risks:

New Homes Bonus: In 2017/18, the government set its housing growth baseline, above which New Homes Bonus is applied, at 0.4%. This baseline has been maintained for 2019-20 but the Government has retained the option of making adjustments in future years in order to remain within the spending limits sets at the Spending Review in 2015. The technical consultation on the Government Finance Settlement has concluded and the results remain unchanged from the Provisional Settlement. The budget estimates reflect the current award communicated through the settlement information.

Business Rates: The Council experienced larger than forecast deficits on the business rates collection funds. This was largely due to a Government review of appeals provision calculation. A continuing high level of appeals would require an increase in provision, reducing the Council's retained income.

- 9.2. The 2019/20 Business Plan preparation has identified the following key corporate risks:

Brexit: The Council has identified a number of risk as a result of a potential no-deal Brexit. A no-deal or hard Brexit could have a negative impact on local government funding and result in a higher demand for services and a loss of EU funding could impact on future projects. Traffic congestion due to the potential disruption at ports and additional traffic needing to access Portsmouth International Port (2nd largest roll-on roll off port after Dover. There are also workforce risks in particular staff being impacted by traffic congestion. The Council has a Brexit team who meet weekly to assess the risks and mitigate as far as possible and our working closely with the relevant Hampshire authorities.

Commercial contracts: A significant standing risk to the council is the risk of our contractors failing to deliver all or part of a contract, leading to non-delivery of services to our residents. There remains a robust process for monitoring our contracts including ensuring that our business continuity plans remain up to date and this will continue during 2019-20.

Staffing: Shortage of employees or appropriately skilled employees or loss of key staff remains a significant risk to the delivery of the business plans. There remains regular and on-going investment in staff, for example through our on-going leadership development programme and availability of a corporate training programme. Going forward the council will strive to ensure that it offers staff an attractive benefits package in order to recruit and retain.

10.0 Consultation

- 10.1. The Budgets and Business Plans have been built in consultation with Directors, Heads of Service, budget holders and Portfolio Holders

11.0 Communication

- 11.1. Next step - following discussion at Cabinet, the budgets will be formally approved, with the Council Tax resolution at Council in February.
- 11.2. Subject to approval by Council, the Budgets and Business Plans will be published on the Council website.

12.0 Appendices:

Appendix A – 2019/20 Proposed Budget
Appendix B – MTFs projections
Appendix C – Capital Summary 2019/20
Appendix D – Capital Bids and current unapproved projects 2019/20

- Appendix E – Reserves position 2019/20
- Appendix F – CFO Statement
- Appendix G – Treasury Management Strategy
- Appendix H – Capital Strategy
- Appendix I – Schedule of current Fees and Charges
- Appendix J – Business Plans 2019/20
- Appendix K – Analysis of Business Rates Income and Expenditure
2019/20
- Appendix L – Corporate Strategy

Agreed and signed off by:

- Monitoring Officer: (date)
- S151 Officer: date
- Director: (date)
- Portfolio Holder: (date)

- Contact Officer:**
- Job Title:**
- Telephone:**
- E-Mail:**

