

NON-EXEMPT

HAVANT BOROUGH COUNCIL

Cabinet

8th February 2017

SUBJECT Revenue & Capital Budget 2017/18 to 2021/22

Report Of Head of Finance

FOR DECISION

Portfolio: Leader of the Council Key

Decision: Yes

1. Purpose of Report

- 1.1 To provide Cabinet with the proposed revenue and capital budget, reserves & Balances, Treasury and Prices for Services for 2017/18.

2. Recommendation

- 2.1 That Cabinet recommend to Council:
- The proposed Revenue & Capital Budgets for 2017/18, including a Council Tax rate of £192.78 at Band D, representing a 0% increase on the current charge and continuing the Council's freeze on its portion of the Council Tax since 2009/10.
 - The Treasury Management Strategy and Prudential indicators, and the Prices for Services

3. **Budget Summary 2017/18** 3.1 The 2017/18 summary budget position for next year is as follows:

	Forecast £'000
Estimated service costs for 2017/18	14,480
Other Operating Income & Expenditure	793
Net Investment income	(1,526)
Proposed draw from Usable Reserves	-
Statutory reserve movements	745
Net Budget Requirement	14,492
Council Tax, Business Rates & Grant Funding	(14,492)
(Surplus) / Deficit	-

4. **Budget Process for 2017/18**

- 4.1 The approach to the 2017/18 budget process has been focused on the creation of a detailed five year financial projection, using the results of the Accounting Period 7 monthly forecast. The budget process has aligned with the production of business plans during the Autumn to ensure that all business plan activities are costed within the budget.
- 4.2 Draft Business Plans have been agreed and signed off by the relevant Service Heads. The draft budget figures presented have been challenged by the Head of Finance and Directors and represent the cost of delivering those plans.
- 4.3 The total net cost of delivering business plans in 2017/18, in Appendix A, has been estimated at £14,480,000. After wider, unavoidable corporate costs are added, and contributions to and from statutory reserves are accounted for, the net budget requirement is £14,492,000. The resources available to fund the business plans are £14,492,000.
- 4.4 It should be noted that the budget is still draft at this stage, and is subject to change. Any material changes will be reported at Council in February.
- 4.5 The following issues have impacted on the budget process for 2017/18:
- In the provisional settlement announced in December 2016, the provisional reduction in New Homes Bonus was an overall increase in grant funding of £185,000.
 - The impact of the financial model of the 5 Councils outsourcing
 - Uncontrollable costs such as increases to the cost of pension provision
 - Building in more challenging income and cost reduction targets across services

5. **Funding estimates for 2017/18**

- 5.1 **Council Tax:** The budget proposals assume that there will be no increase in Council Tax over the period of the financial strategy. The impact of the freeze is partially offset by 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 2016 confirmed anticipated reduction in Revenue Support Grant in line with MTFs projections. and an increase in
- 5.3 The Government has announced that the support grant mechanism will be replaced by extending the retention of business rates within local government. This is subject to ongoing consultation and the medium term financial strategy will be updated when the results of the consultation are confirmed.
- 5.4 The New Homes Bonus scheme came into effect in April 2011. The provisional settlement suggests Havant will receive estimated grant of £2.01m in 2017/18. This represents an increase of £185,000 over expectation, and results from higher

than anticipated property growth. This is despite a change in the scheme design to ensure reward only for exceptional growth and not the natural year on year growth in properties.

5.5 **Retained Business Rates:** Since 2013/14, the Council has been allowed to retain a proportion of Business Rates. The budget estimate of £3.6m is based on the Council's final NDR1 return which will be submitted by 31st January.

5.6 Measures included in previous autumn statements designed to attract new business, and currently being funded by s31 grant, will continue for 2017/18 are assumed to continue and grant of £656,000 is currently anticipated.

6. Medium term projections to 2019/20

6.1 The Council's Medium Term Financial Strategy has been updated using the results of the budget process as a revised base. The medium term projections in Appendix A demonstrate the Council's ambitions for maintaining council tax at current levels and generating income.

7. Addressing the Long Term position

7.1 The MTFs is produced on the basis of a commercialisation strategy which includes an investment strategy amounting to £50m over the life of the MTFs.

7.2 The financial strategy is based on savings assumptions relating to the 5 Councils outsourcing project and Norse joint venture.

7.3 The Council has historically underspent its budget (£1.7m in 2015/16, and current forecast £0.4m anticipated in 2016/17). There is an assumption that the Council will underspend in 2017/18 built into the MTFs.

7.4 The combination of the above will ensure that the Council maintains a growing surplus over the period of the medium term strategy.

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 2016/17's capital programme.

9. Use of Reserves 2017/18 to 2021/22

9.1 Appendix C shows the proposed use of reserves between 2016/17 and 2021/22.

10. Treasury Management Strategy

10.1 The Treasury Management Strategy has been reviewed and will apply from 1st April 2017. The main change to the Treasury Strategy has been to update the borrowing limits to ensure the longer term ambitions of the Council's financial strategy can be met.

11. **Next steps**

11.1 Following discussion at Cabinet, the budgets will be formally approved, with the Council Tax resolution, at Council in February.

12 **Appendices:**

- **Appendix A – 5 Year Financial Strategy 2017/18 to 2020/21**
- **Appendix B – Capital programme 2017/18 – 2019/20 and new capital bids**
- **Appendix C – Reserves projection 2016/17 to 2020/21**
- **Appendix D – Business Rates projections 2017/18**
- **Appendix E – Treasury Management Policy 2017/18**
- **Appendix F – Prices for Services 2017/18**
- **Appendix G – CFO Statement**