

NON-EXEMPT

HAVANT BOROUGH COUNCIL

CABINET

7 February 2018

REVENUE & CAPITAL BUDGET 2018/19 TO 2022/23

Report of the Chief Finance Officer

FOR DECISION

Cabinet Lead for Finance, Councillor Tony Briggs

Key Decision: No

1. Purpose of Report

- 1.1 To provide Cabinet with the proposed Revenue and Capital Budget, Reserves & Balances, Treasury and Prices for Services for 2018/19

2. Recommendation

2.1 That Cabinet:

- Notes the current Fees and Charges schedule (Appendix G)
- Agrees to apply during 2018/19 an increase of up to 2.8% to those fees and charges that are not otherwise constrained by statute, to be determined by the Chief Finance Officer in consultation with the Leader.

2.2. That Cabinet recommends that Council:

- Approves the proposed Revenue & Capital Budgets for 2018/19, including a Council Tax rate of £198.54 at Band D, representing a 2.99% increase on the current charge.
- Note the Cabinet decision of Feb 17/18 to apply during 18/19 an increase of up to 2.8% to those fees and charges that are not otherwise constrained by statute, to be determined by the Chief Finance Officer in consultation with the Leader.
- Agrees the Treasury Management Strategy and Prudential indicators.

3. Budget Summary 2018/19

- 3.1 The 2018/19 summary budget position for next year is as follows:
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	Forecast £'000
Estimated service costs for 2018/19	13,225
Other Operating Income & Expenditure	853
General Fund Transfer	-
Statutory reserve movements	186
Net Budget Requirement	14,264
Council Tax, Business Rates & Grant Funding	(14,264)
(Surplus) / Deficit	-

4. **Budget Process for 2018/19**

The Budget Process for 2018/19 focused on building new budgets (Zero Based Budgeting) to ensure alignment of financial requirement to the Councils strategic, operational and financial priorities.

- 4.1 Service Managers have been asked to build their budgets up from a zero base, and to produce a clear business plan to justify the submitted budgets. Business plans will be approved under the cover of a separate report.
- 4.2 The Executive Board reviewed the initial budget submissions at the end of October and, in early November, undertook reviews of the position with each of their Service Heads.
- 4.3 Following the November review a budget challenge session was held in December where Cabinet met with all Directors and HoS with the Chief Executive and Chief Finance Officer to undertake a review of the current financial position and the initial budget forecast for 2018/19. Following this meeting Portfolio Holders were tasked to work with their Directors/HoS to consider and bring forward proposals for income generation and efficiency savings to be brought back for review by Cabinet, the Chief Executive and Chief Finance Officer in the New Year.
- 4.4 A challenge session was held on Monday 8th January and several initiatives were agreed. These are detailed in Appendix B and a risk review completed with the Portfolio Holders.
- 4.5 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.
- 4.6 The decision to revoke the Vinci contract has been reflected in the budget position and MTFS. However, changes to the Capita contract are still subject to commercial negotiation and have not yet been reflected.
- 4.7 There are a number of risks and uncertainties implicit in the draft numbers, which are detailed below:

5. **Funding estimates for 2018/19**

- 5.1 **Council Tax:** The budget proposals assume that there will be a 2.99% increase in
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Council Tax to £198.54 at Band D, with no further increases over the period of the financial strategy. The impact of the future years freeze is partially offset by an increase in tax base 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:** 2018/19 is the final year in which the Council will receive the Grant, this has been reflected within the MTFS projections.
- 5.3 **Retained Business Rates:** The Council has been allowed to retain a proportion of Business Rates since 2013/14. The budget estimate for 2018/19 will be based on the Council's final NNDR1 return, to be submitted by 31st January. Until the return is submitted it is certain that the business rate estimate will change. Risks surrounding business rates estimates are detailed below.
- 5.4 **New Homes Bonus scheme** came into effect in April 2011. The provisional settlement suggests Havant will receive estimated grant of £1.788m in 2018/19. This represents an increase of £145,000 over expectation, and results from higher than anticipated property growth.
- 5.5 **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 during 2018/19 an increase of up to 2.8%% to those fees and charges that are not otherwise constrained by statute. This has been included within the estimates.
- 5.6 **Salary budgets:** The 2018/19 budget assumes a 2% pay award, living wage uplift, and that those who are entitled to increments will receive them. An annual pay award of 1% year on year has been included within the MTFS. No change has been assumed for calculation of National Insurance pending a communication from government, and pension rates have been increased to 15.1% in line with the rates provided by Hampshire Pension Fund. An increase of 1% per annum over the life of the MTFS for pension contributions has been included.
- 5.7 Measures included in previous autumn statements designed to attract new business, and currently being funded by s31 grant, will continue for 2018/19 are assumed to continue.

6. **Budget risks**

- 6.1 **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 is currently under review. Further consultation is underway on further changes to the award. These changes include linking the payment to housing delivery tests or other measures of the quality of planning decision making, and excluding payments in respect of housing permissions granted on appeal. The government is also consulting on whether NHB funding should be directed to National Park Authorities to reflect planning decisions made by the Park authorities rather than the Councils.
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The budget estimates reflect the current award communicated through the provisional Settlement information, and will be confirmed by the end of January.

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

6.3 **Budget Challenge Outcomes:** As discussed earlier in the report a number of budget challenge sessions were undertaken leading up to the finalisation of the draft budget for 2018/19. The outcome of these sessions are listed in Appendix B. Portfolio Holders, Directors and Heads of Service have agreed a RAG rating for these outcomes. All challenge targets will be monitored throughout the year to ensure progress is made and the agreed income/efficiency targets are being achieved.

7. **Medium term projections to 2021/22**

7.1 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.

8. **Addressing the Long-Term position**

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

8.2 The Council has historically underspent its budget (£1.7m in 2015/16, and £1.2 in 2016/17).

8.3 2017/18 has seen a number of unforeseen financial pressures mostly relating to the ongoing commercial negotiation with Capita. These have led to a number of one off costs not anticipated when the budget for 2017/18 was agreed, currently the forecast is that there will be deficit at the end of the year of £606k, Directors and Heads of Service are working to mitigate the deficit.

9. **Capital Projections 2017/18 to 2018/19**

9.1 Budget managers have been asked to complete outline capital appraisal forms for new projects identified. It is proposed that the Executive Board will consider the outline business cases for each new proposal. Those projects that the Executive Board support will be subject to a detailed business case prior to consideration by Cabinet. The Capital projects awaiting approval by Executive Board and formal Business cases are included at D.

9.2 The current approved Capital Programme is shown in Appendix C. The current approved position shows a spend of £1.716m against the capital programme.

10. **Use of Reserves 2017/18 to 2022/23**

10.1 Appendix E shows the proposed use of reserves between 2018/23.

11. Treasury Management Strategy

11.1 The Treasury Management Strategy has been reviewed and will apply from 1st April 2018.

12. Next steps

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

13. Appendices:

- **Appendix A – 2018/19 Proposed Budget & 5 Year Financial Projections 2018/19 – 2022/23**
- **Appendix B – Budget Challenge Outcomes – January 2018**
- **Appendix C – Approved Capital Programme**
- **Appendix D – New Capital Bids**
- **Appendix E – Analysis of Reserve Balances 2018/19 – 2022/23**
- **Appendix F – Treasury Management Strategy 2018/19**
- **Appendix G – Fees and Charges 2017/18**
- **Appendix H – CFO Statement**
- **Appendix I - Analysis of Business Rates Income & Expenditure**

Agreed and signed off by:

Chief Finance Officer, 29 January 2018
Monitoring Officer, 29 January 2018
