

NON EXEMPT

HAVANT BOROUGH COUNCIL

CABINET

5 February 2020

REVENUE, CAPITAL BUDGET AND MEDIUM TERM FINANCIAL STRATEGY TO 2024/25

Lydia Morrison, Chief Financial Officer

RECOMMENDATION TO COUNCIL

**Portfolio: Portfolio Holder for Finance and Coastal Communities –
Cllr Leah Turner**

Director for Corporate Services: Lydia Morrison

Key Decision: No

Report No: HBC/001/2020

1.0 Purpose of Report

1.1. To provide Council with the proposed 2020/21 Revenue budget, Capital budget, Reserves and Balances, Capital Strategy, Treasury Management Strategy and Medium Term Financial Strategy (MTFS).

2.0 Recommendation

2.1. The Council:

- a) Approves the proposed Revenue and Capital Budgets for 2020/21 including a Council Tax rate of £209.48 at Band D, representing a £5 increase on the current charge;
- b) Agrees the Capital Strategy, Treasury Management Strategy and Prudential Indicators.
- c) Agrees the increase to fees and charges for 2020/21.

2.2. Executive Summary

2.3. The 2020/21 initial budget position for next year is as follows:

	Forecast £'000
Net Cost of Services	14,591
Council Tax, Business Rates & New Homes Bonus Income	(14,591)
(Surplus) / Deficit	-

3.0 **Additional Budgetary Implications**

3.1. None

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

Budget Process and Budget Proposals

- 4.1. During the budget process for 2020/21 services were challenged to find substantial savings. Comprehensive work was done on affirming the current establishment. Fees and charges were reviewed and increased above inflation where service managers felt this was appropriate. (see Appendix I).
- 4.2. Heads of Service and Managers were asked to review their budgets and identify any pressure commitments and realisable savings.
- 4.3. 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.
- 4.4. The outcome of these reviews has identified savings of £1,073K which led to a overall balanced budget, after allowing for other budget pressures (pay increases) and changes in Government funding.
- 4.5. In addition to the surplus, it is proposed that Council Tax be increased by £5 in 2020/21. This would generate a further £318K additional funding taking into account the increase in Council Tax Base.

Corporate Strategy & Business Plans 2020/21

- 4.6. The Corporate Strategy is being reviewed. The reviewed Corporate Strategy will provide 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.

Medium Term Financial Projections to 2024/25

- 4.7. 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.
- 4.8. The projections show that by 2024/25 the Council could be facing an annual budget deficit of £3.624M. This is as a result of the reducing New Homes Bonus which is projected to be gone by 2022/23, and the forecast re-baseline of Business Rates.
- 4.9. 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 2021/22 onwards.

Capital Summary and Proposals Received

- 4.10. The current approved Capital position is shown at Appendix C and shows spend of £0.570M against the capital programme, and a forecast spend of £6.710M by 2020/21 year end.
- 4.11. 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

- 4.12. A summary of the reserves position is provided at Appendix E.
- 4.13. The reserves position includes the following assumptions:
 - Revenue Reserves would total an estimated deficit of £2.072M at the end of the MTFS if the relevant savings that have been identified are not achieved.
 - Capital Reserves of £13.357M are forecast by the end of 2024/25. These are used to support the current approved capital programme and will inevitably change year on year as and when new capital schemes are approved.

Treasury Strategy

4.14. The Treasury Strategy is included at Appendix G for approval.

Capital Strategy

4.15. The 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 is attached at Appendix H.

5.0 Options considered and reasons for the recommendation

5.1. The 2020/21 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 £5 for 2020/21 representing £209.48 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: The New Homes Bonus is included within the budget and includes an additional £54K above the anticipated level. The updated MTFS projects the grant reducing year on year and ceasing after 2022/23.

Retained Business Rates: Since 2013/14, the Council has been allowed to retain a proportion of Business Rates. The budget estimate for 2020/21 is based on the Council's final NDR1 return. 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 approves the Fees and Charges Schedule annually. Details are provided in Appendix I.

Salary budgets: As previously mentioned, the 2020/21 budget assumes an overall increase of 4% for pay award, the living wage uplift, and those who are entitled to pay increments. Pension contributions have also been increased by 1.2% in line with the rates provided by Hampshire Pension Fund. The MTFS includes increase of 4% per annum for uplifts in salary costs.

6.0 Resource Implications

- 6.1. The budgets reflect the aspirations of the organisation for 2020/21 and have been built on the basis of delivering the Council services with the resources required to deliver those plans.

7.0 Legal Implications

- 7.1. 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.

8.0 Risks

- 8.1. The 2020/21 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 2020/21 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 following the 2017 Revaluation. A continuing high level of appeals would require an increase in provision, reducing the Council's retained income.

- 8.2. The 2020/21 Business Plan preparation has identified the following key corporate risks:

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 2020/21.

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.

9.0 Consultation

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

10.0 Communication

- 10.1. Subject to approval by Council, the Budgets and Business Plans will be published on the Council website.

11.0 Appendices:

Appendix A – 2019/20 Proposed Budget
Appendix B – MTFS projections
Appendix C – Capital Summary 2020/21
Appendix D – Capital Bids and current unapproved projects 2020/21
Appendix E – Reserves position 2020/21
Appendix F – CFO Statement
Appendix G – Treasury Management Strategy
Appendix H – Capital Strategy
Appendix I – Fees and Charges
Appendix J – Analysis of Business Rates Income and Expenditure 2020/21

Agreed and signed off by:

Monitoring Officer: 26/02/2020

S151 Officer: 26/02/2020

Director: 26/02/2020

Portfolio Holder: 26/02/2020

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