

SCRUTINY BOARD

REVENUE BUDGET AND MEDIUM TERM STRATEGY 2014/15 TO 2018/19

Report of the Chief Finance Officer

Portfolio Holder: Councillor Briggs

Key Decision: N/A

1.0 Purpose of Report

1.1 This report presents the Scrutiny Board with the proposed revenue budget required to deliver the Council's Corporate Strategy. It includes the capital programme, Treasury Management Strategy and Prices for Services for 2014/15. This Financial Planning report will be recommended to Cabinet on 5 February 2014 and Council on 19th February 2014, along with the Council Tax resolution.

2.0 Recommendation

2.1 That the Scrutiny Board recommend to Cabinet:

- The proposed revenue and capital budget for 2014/15, including a Council Tax rate of £192.78 at Band D (0% increase)
- The Treasury Management Strategy and Prudential Indicators
- Proposed Prices for Services for 2014/15

3.0 Corporate Strategy

3.1 The Council's current Corporate Strategy covers 2012-2017. The Strategy sets out the Council's vision and priorities under the key themes of:

Financial Sustainability
Public Service Excellence
Economic Growth

3.2 During 2013 we have developed a longer term Vision for 2020 using a technique called Future Basing. We placed ourselves in 2020 and described what success will look like so that we can plan beyond our current Corporate Strategy. A summary of the vision, based on the following four themes, is shown at Appendix G.

Environment
Economy
Society
Organisation

- 3.3 Now that we have a clear vision for the future we have started to incorporate the key milestones, actions and decisions required to deliver the vision into our business plans.
- 3.4 As part of this we will engage with the community and our partners in helping us to shape our future over the coming year.

4.0 Draft Revenue Budget 2014/15

- 4.1 The draft Revenue Budget 2014/15 by cluster is attached at Appendix A.
- 4.2 The approach to the 2014/15 budget process was discussed by the Executive Board in conjunction with the Finance Portfolio Holder during August 2013. Following these discussions, 2014/15 business plans were completed and costed by Service managers. The costed business plans form the basis of the budget presented for approval.
- 4.3 An initial draft position was presented to Cabinet Briefing in December 2013. Since that meeting, the budget has been refined to take account of revised estimates, for example, taking into account changes to retained business rates as a result of the Autumn Statement.
- 4.4 The total net budget requirement for 2014/15 is £14.491m. The resources available to fund the business plans, including the full New Homes Bonus award, are £15.033m. Resources over and above the budget requirement will be transferred to the General Fund..
- 4.5 It should be noted that the budget is still draft and the budget position may change slightly before the budget is finalised. Any material changes will be reported at Council on 19th February.

5.0 External Financing 2014/15

- 5.1 **Council Tax:** As part of the draft settlement, the Government proposed a further Council Tax Freeze Grant in 2014/15. The proposed grants were announced in January 2014, and will be rolled in to the settlement figures in 2015/16. A decision on the level at which Council Tax referenda applies is expected during January.
- 5.2 **Council Tax Support Scheme:** The Council introduced its Local Council Tax Support Scheme in 2013/14. The scheme has been enhanced for 2014/15, helping to support work incentives by increasing earned income disregards giving additional assistance to working families and single persons. The Council has seen a reduction in caseload in the first 6 months of 2013/14, which has meant that scheme costs have reduced and allows a more optimistic cost estimate to be incorporated for 2014/15.
- 5.3 **Revenue Support Grant:** The financial settlement was received in December 2013, and is reflected in the budget.
- 5.4 **Retained Business Rates:** Since 2013/14, the Council has been allowed to retain a proportion of Business Rates, as an incentive to encourage growth of the local business base. For 2014/15, the government have announced that the RPI growth on Non Domestic Rates bills, previously estimated at 3.2%, will be capped at 2%. This will reduce the retained income share. Government have stated that local authorities will be

compensated for this loss, however it is not yet clear how much compensation will be received. Conservative estimates for retained business rates are provided due to the difficulty in forecasting business rates. The current estimate of £3.239m will be revisited following completion of the Council's NDR1 form in late January.

- 5.5 **New Homes Bonus:** The Bonus scheme came into effect in April 2011. Confirmation has been received that Havant will receive £783,626 in 2014/15 for increasing housing subject to council tax within the period Oct 2012 to Oct 2013. The government has confirmed that it will not implement proposed top slicing of the New Homes Bonus.

6.0 Medium Term Projections to 2018/19

- 6.1 Following the zero basing exercise, the Council's Medium Term Financial Forecast has been updated using the results of the exercise as a revised base. The medium term projection for 2015/16 to 2018/19 is given below.

	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's
Net Cost of Services Brought Forward	14,491	14,777	15,140	15,446
Employee Costs	120	109	109	109
Contract Inflation	132	175	118	121
Reduction in Housing Benefit Admin Grant	79	79	79	79
Reversal of one off costs funded from reserves	-45			
Net Cost of Services	14,777	15,140	15,446	15,755
Funded by:-				
Retained Business Rates	-3,500	-3,717	-4,262	-4,481
Revenue Support Grant	-2,355	-1,937	-1,572	-1,377
New Homes Bonus	-924	-1,084	-1,120	-1,093
Council Tax Demand on Collection Fund	-7,363	-7,399	-7,436	-7,474
Transfer to / from (-) Earmarked Reserves	50	50	50	50
TOTAL FUNDING	-14,092	-14,087	-14,340	-14,375
Funding Surplus / (-) Deficit	-685	-1,053	-1,105	-1,380

- 6.2 The provisional Government settlement indicates a reduction of £1m across the period of the forecast. Whilst a balanced budget can be achieved for 2014/15, the forward projections show a deficit of £1.38m by 2018/19.

- 6.3 As part of the Business Planning process, consideration was given to alternative service delivery models. The Business Improvement Team are working on a Service Futures project to further develop some of the ideas put forward.
- 6.4 The forward projection assumes there is no provision within the revenue budget for borrowing other than the repayments for the Plaza and the current programme for vehicles and disabled facility grants. By 2015/16 it is projected the Council will need to fund its capital programme from revenue resources, asset realisations or change its borrowing policy such that assets other than those mentioned are funded through borrowing.
- 6.5 Transfers to earmarked reserves represent the Council's contribution to its Insurance Reserve. This reserve protects the Council against minor insurance claims, and the Council makes an annual contribution to ensure sufficient funds are available.

7.0 Capital Projections 2014/15 to 2016/17

- 7.1 A new approach to the capital programme has been put together for 2014/15. Budget managers have been asked to complete capital appraisal forms for new projects identified, which will allow the Executive Board (or, in future, a capital appraisal board) to consider projects alongside each other. In addition to this, the existing capital programme projects have been reviewed and, where appropriate, rolled forward.
- 7.2 The Capital appraisal forms assess the proposals against a number of criteria, for example, their contribution to business plan objectives, future savings to be achieved, environmental impact etc. The result of the assessment is a score that allows projects to be ranked.
- 7.3 The capital projections are shown in Appendix B. The tables in the appendix shows the status of existing projects in the programme, and the bids received from Service Managers for new projects or significant amendments to existing projects, ranked in order of the assessment score.
- 7.4 The final table shows the amount of capital financing available to support the capital programme.
- 7.5 Capital bids received include bids for
- Extending capital budget for Disabled Facilities Grants to 2016/17.
 - Upgrades to car park ticket machines
 - Projects to improve customer access to the Council.
 - Additional resource for the Finance System replacement
- 7.6 Capital proposals for a number of customer focused projects, including digital payments, customer relations management software and website upgrades, have also been put forward. These have not yet been fully costed, although an indicative cost has been provided.

- 7.7 Unapproved and new Capital bids are put to Cabinet for inclusion on the capital programme. Detailed reports on new and unapproved projects will be taken back to Cabinet before capital funding is released.
- 7.8 The Council is currently repaying a £4m loan from the Public Works Loans Board in respect of the Plaza. External borrowing has not yet been necessary for the vehicles or disabled facilities grants as the Council holds sufficient cash reserves to cover the spend in the short term. Further external loans will be necessary as these cash reserves are used.
- 8.0 Use of Reserves 2014/15 to 2016/17**
- 8.1 Appendix C shows the proposed use of reserves between 2014/15 and 2016/17. The draw on reserves relates mainly to Business Transformation projects already approved on the Capital Programme.
- 8.2 The General Fund forecast balance includes the surplus for 2013/14 estimated at Quarter 2, and a budgeted transfer of £542,000 in 2014/15. Balanced budgets are assumed from 2015/16
- 9.0 Prices Book 2014/15**
- 9.1 The Prices for services have been reviewed as part of the budget process. The proposed fees for 2014/15 are presented at appendix D.
- 10.0 Treasury Management Strategy 2014/15**
- 10.1 The Treasury Management Strategy, including Prudential Indicators for 2013/14 to 2018/19, is attached at Appendix E.
- 11.0 The Chief Financial Officer's Statement of Responsibilities**
- 11.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report about the robustness of estimates and the adequacy of reserves as part of the budget process.
- 11.2 A positive opinion is given on the robustness of the estimates and the adequacy of financial reserves for 2014/15. The opinion is set out in full in Appendix F: Statement on the Budget Proposals by the Chief Finance Officer
- 12.0 Implications**
- 12.1 Resources: The budget has significant implications for finance, staff and property as the reduction required will impact on all areas of the Council.
- 12.2 Legal: there is no specific legal implication at this stage.
- 12.3 Strategy: the budget is compiled to support all the Council's priorities.
- 12.4 Risks: the principal risk associated with the budget for next year is that the savings are not delivered as anticipated, but this is considered to be a small risk. In the absence of actions to eliminate the significant budget gap in the following years, there is a prospect of setting a budget that draws on reserves reducing them below a prudent level. Reductions for

future years should be made in a planned and considered manner to minimise their impact.

- 12.5 Communications: none at this stage
- 12.6 For the Community: there are significant implications for the community as budget reductions are necessary and these are likely to impact upon services.
- 12.7 No Integrated Impact Assessment (IIA) has been completed at this stage but this may be necessary for individual services following any significant budget changes.

Appendices:

Appendix A: 2014/15 Proposed Budget by Cluster

Appendix B: Capital Programme and Resources, including Growth Proposals

Appendix C: Schedule of Reserves

Appendix D: Prices for Services 2014/15

Appendix E: Treasury Management Strategy and Prudential Indicators

Appendix F: Statement on the Budget Proposals by the Chief Finance Officer

Appendix G: Vision 20:20 Summary

Agreed and signed off by:

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