

NON-EXEMPT

HAVANT BOROUGH COUNCIL

SCRUTINY BOARD

30 January 2015

DRAFT REVENUE AND CAPITAL BUDGETS 2015-2016
Executive Head (Governance & Logistics)

FOR DECISION

Portfolio: LEADER AND FINANCE - CLLR MICHAEL CHESHIRE

Key Decision: N/A

1. Purpose of Report

1.1 This report presents the Scrutiny Board with the proposed revenue budget, capital programme, Reserves and Balances, Treasury Management Strategy, and Prices for Services for 2014/15. This Financial Planning report will be presented to Council on 18th February 2015 for final approval, with the Council Tax Resolution.

2. Recommendation

2.1 That the Scrutiny Board recommends to Cabinet:

- The proposed revenue and capital budget for 2015/16, including a Council Tax rate of £192.78 at Band D (representing a 0% increase)
- The Treasury Management Strategy and Prudential Indicators
- Proposed Prices for Services for 2015/16

3. Draft revenue budget requirement 2015/16

- 3.1 The draft Revenue Budget 2015/16, analysed by cluster, is attached at Appendix A.
- 3.2 The approach to the 2015/16 budget process was a further development of the process used in 2014/15, whereby business plans were completed by Service managers and then fully costed. The costed business plans form the basis of the budget presented for approval.
- 3.3 The General Fund is used to smooth the budget over the economic cycle. Since 2013/14, contributions have been made to the General Fund in anticipation of the investment required in service transformation. For 2015/16, the budget requirement of £15.275m can be met from the resources available to fund the business plans, without the need to draw on the General Fund.
- 3.4 The budget is still draft at this stage, with Business Rates income projections to be finalised on 31st January. Any material changes will be reported to the Portfolio Holder and any adjustment included in the report to Council on 18th February.

4. Funding estimates for 2015/16

- 4.1 **Council Tax:** As part of the draft settlement, the Government set a referendum limit on Council Tax of 2%. A further Council Tax Freeze Grant in 2015/16 has also been proposed, equivalent to 1% of council tax.
- 4.2 **Council Tax Support Scheme:** The Council introduced its locally devised Council Tax Support Scheme in 2013/14. The Council has seen a continuing reduction in claimants, which increases the Council Tax base for 2015/16. In addition, a review of bad debt provision has been undertaken and this has resulted in a reduction in provision. This will increase the council tax surplus for allocation in 2015/16.
- 4.3 **Revenue Support Grant:** The provisional settlement was received in December. The settlement was in line with expectation and is reflected in the budget.
- 4.4 **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 2015/16, the government has continued to cap RPI growth on Non Domestic Rate bills at 2%, and extend various reliefs such as Small Business Rates Relief. This will reduce the retained income share, which will be compensated through Section 31 grants. The current estimate of £3.027m will be revisited following completion of the Council's NDR1 form by 31st January.

- 4.5 **New Homes Bonus:** The bonus scheme came into effect in April 2011. Confirmation has been received that Havant will receive a grant of £1.077m in 2015/16 for increasing housing subject to council tax within the period from October 2012 to October 2014.

5. Medium Term Projections to 2019/20

- 5.1 The Council's Medium Term Financial Forecast has been updated using the results of the exercise as a revised base. The projection assumes that there are no increases in costs in the medium term, that one-off project costs are completed in the financial years 2015/16 to 2017/18, and includes the latest assumptions on funding streams. The medium term projection for 2016/17 to 2019/20 is given below.

	2016/17	2017/18	2018/19	2019/20
	£000's	£000's	£000's	£000's
Net Cost of Services Brought Forward	15,599	15,004	14,775	14,775
Less				
Anticipated reduction in service costs	(595)	(229)		
Net Cost of Services	15,004	14,775	14,775	14,775
Less				
Target for Service Transformation	(588)	(888)	(1,360)	(1,509)
Budget requirement	14,416	13,887	13,415	13,266
Funded by:-				
Business Rates Retention	(3,178)	(3,337)	(3,504)	(3,679)
Revenue Support Grant	(1,726)	(1,187)	(791)	(420)
New Homes Bonus	(1,327)	(1,452)	(1,404)	(1,374)
Council Tax Demand on Collection Fund	(7,564)	(7,640)	(7,716)	(7,793)
Transfer to / from (-) Earmarked Reserves	(79)	-	-	-
Transfer to / from (-) General Fund	(542)	(271)	-	-
TOTAL FUNDING	(14,416)	(13,887)	(13,415)	(13,266)
Funding Surplus (-) / Deficit	-	-	-	-

- 5.2 The forward projections demonstrate that service transformation projects need to be delivering savings and additional income of between £1.0m to £1.5m by 2019/20 to deliver a long term balanced budget.

6.0 Capital Projections 2014/15 to 2016/17

- 6.1 The capital projections are shown in Appendix B. The tables in the appendix includes expected roll forward of existing projects in the programme, and the bids received from Service Managers for new projects or significant amendments to existing projects.
- 6.2 The Capital programme is financed through a mixture of internal borrowing (for Vehicle Replacements and Disabled Facilities grants) and through the use of specific reserves earmarked for investment projects.
- 6.3 Capital proposals for a number of customer focused projects, including software and website upgrades, have been put forward, and indicative costs have been provided.
- 6.4 Finalised business plans will be put to Cabinet before capital funding is released.

7. Use of Reserves 2015/16 to 2018/19

- 7.1 Appendix C shows the proposed use of reserves between 2015/16 and 2018/19. The draw on reserves relates mainly to the proposed capital programme
- 7.2 The General Fund forecast balance includes the surplus for 2014/15 estimated at Quarter 2 and any anticipated draw from the General Fund to smooth the effects of the economic cycle.

8. Fees & Charges 2015/16

- 8.1 The Fees and Charges have been reviewed as part of the budget process. The proposed fees for 2015/16 are presented at appendix D.

9. Treasury Management Strategy 2015/16

- 9.1 The Treasury Management Strategy, including prudential Indicators for 2014/15 to 2019/20, is attached at Appendix E.

10. The Chief Financial Officer's Statement of Responsibilities

- 10.1 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.
- 10.2 A positive opinion is given on the robustness of the estimates and the adequacy of financial reserves for 2015/16. The opinion is set out in full in Appendix G: Statement on the Budget Proposals by the Chief Finance Officer.

11 Appendices:

- **Appendix A – Summary budget position 2015/16**
- **Appendix B – Capital programme 2015/16 – 2017/18 and new capital bids**
- **Appendix C – Reserves projection 2015/16 to 2017/18**
- **Appendix D – Fees & Charges 2015/16**
- **Appendix E – Treasury Management Strategy**
- **Appendix F – CFO Statement on budget proposals**

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