

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 10 February 2014

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2014/15</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Finance Strategy
<b>Corporate Objective:</b>	A dynamic, prudent and progressive Council

#### **Purpose:**

This report seeks final confirmation of the recommendations to Full Council, on 21 February 2014, in respect of the revenue budget, capital programme and council tax for 2014/15.

#### **Executive summary:**

On 6 January 2014, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2014/15. This report updates the Council's budgets to reflect the decisions taken on 6 January 2014.

The capital programme for the years 2013/14 to 2017/18 will be £34,601,000.

The revenue budget for 2014/15 will be £9,510,600. With Central Government support and retained business rates estimated to be £3,708,796 and the option of accepting additional council tax freeze grant for 2014/15 equating to £56,430 this results in the total amount due from the council tax of £5,745,374.

Taking these changes into consideration, the council tax for 2014/15 will be £140.22 per Band D property and would mean that Fareham's element of the Council Tax will have remained unchanged for 6 years. This represents no increase from the council tax set for 2013/14, compares favourably to the current rate of inflation and complies with the Council's corporate objectives.

#### **Recommendation:**

That the following proposals be approved and recommended to the special meeting of the Council to be held on 21 February 2014:-

- (i) the capital programme and financing of £34,601,000;
- (ii) an overall revised revenue budget for 2013/14 of £9,823,300;
- (iii) a revenue budget for 2014/15 of £9,510,600; and
- (iv) a council tax for Fareham Borough Council for 2014/15 of £140.22 per band D property, which represents no increase when compared to the current year.

**Reason:**

To allow the Full Council to approve the Council Tax for 2014/15.

**Cost of proposals:**

Not applicable.

**Appendix A:** Revenue Budget Summary 2013/14 and 2014/15

**Background papers:**

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## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 10 February 2014

**Subject:** Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2014/15

**Briefing by:** Director of Finance and Resources

**Portfolio:** Policy and Resources

#### INTRODUCTION

1. On 6 January 2014 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
  - The capital programme for 2013/14 to 2017/18;
  - The revised revenue budget for 2013/14;
  - The revenue budget for 2014/15; and
  - The council tax for 2014/15.
2. The purpose of this report is to update the Council's spending plans to take account of the decisions taken by the Executive in relation to these various issues.

#### THE CAPITAL PROGRAMME 2013/14 TO 2017/18

3. The capital programme for the period 2013/14 to 2017/18 is £34,601,000 as shown in the following tables:

	<b>£000s</b>
Public Protection	379
Streetscene	500
Leisure and Community	5,898
Health and Housing	6,065
Planning and Environment	1,071
Policy and Resources	20,688
<b>TOTAL</b>	<b>34,601</b>

	<b>£000s</b>
2013/14	9,154
2014/15	16,306
2015/16	2,671
2016/17	1,361
2017/18	1,053
Unallocated	4,056
<b>TOTAL</b>	<b>34,601</b>

4. It is anticipated that the programme will be financed from the following sources:

	<b>£000s</b>
Capital Receipts	6,504
Capital Fund Account	4,918
Right to Buy receipts for Housing Enabling	4,655
External Contributions	3,669
Revenue Contribution to Capital schemes	473
Major Repairs and Renewals Reserve	302
Matched Funding reserve	248
<b>TOTAL</b>	<b>20,769</b>

5. In addition, the following resources are anticipated to be available between 2013/14 and 2017/18:

	<b>£000s</b>
External Contributions	5,689
Contribution to Capital Fund Account	3,484
Revenue Contribution to Capital schemes	3,871
Borrowing	2,965
New Homes Bonus	1,810
Government Grants	1,250
Capital Receipts	450
<b>TOTAL</b>	<b>19,519</b>

6. The programme and projected resources indicate that, as at 31 March 2018, there will be a surplus of capital resources of £5,687,000.
7. Importantly, the surplus assumes an estimate of future capital receipts as well as continued revenue contributions towards capital investment, totalling nearly £5.5m. In the event that these resources do not materialise, the surplus will be reduced.
8. It must also be borne in mind that the implications of some of the Council's priority actions and emerging capital spending pressures have not yet been included in the capital programme.
9. Spending pressures in this respect include the provision of a pool facility in the western wards, or refurbishment/replacement works to some Council assets (for example community centres and the Osborn Road multi-storey car park) that have yet to be added to the capital programme.

## **SPENDING RESERVE**

10. The spending reserve currently stands at £2,330,000 which is 5% of gross expenditure for 2013/14 which represents the minimum required balance as set out in the approved Medium Term Finance Strategy.
11. At the meeting on 6 January 2014 the Executive agreed to use £435,300 of this balance to support the General Fund budget for 2014/15 with a view to replenishing the fund from efficiencies made in early 2014/15.

## **REVISED BUDGET 2013/14**

12. In January, the Executive considered in detail the revised budget for 2013/14, which totalled £9,823,300 and is no change when compared to the base budget for the year.

## **SERVICE BUDGETS 2014/15**

13. The following paragraphs of this report indicate the changes to the service budgets resulting from the decisions of the Executive on 6 January 2014.

### **Planning Committee**

14. There were no changes to this committee which confirms the budget total as £793,400.

### **Licensing and Regulatory Affairs Committee**

15. No changes were made to this Committee's budget, confirming the total as £503,400.

### **Leisure and Community Portfolio**

16. No changes were made to the portfolio budget, which is now confirmed to be £1,754,000.

### **Health and Housing Portfolio**

17. No changes were made to this portfolio's budget, confirming the total as £1,210,300.

### **Strategic Planning and Environment Portfolio**

18. There were no changes made to the portfolio budget, which is now confirmed to be -£580,000.

### **Policy and Resources Portfolio**

19. There were no changes made to the portfolio budget, which will now be confirmed as £2,374,600.

### **Public Protection Portfolio**

20. There were no changes made to the portfolio budget, which is now confirmed to be £2,679,100.

### **Streetscene Portfolio**

21. There were no changes made to the portfolio budget, which is now confirmed to be £4,292,600.

### **OTHER BUDGETS 2014/15**

22. Since the January Executive further information has been released regarding Central Government Support. As a result of this less money will be needed from the spending reserve in order to achieve a balanced budget. The figure agreed at the January Executive was £435,300 and this will now be £312,000.

23. As a result of this change the Other Budgets total will be -£3,516,800.

### **THE OVERALL BUDGET POSITION FOR 2014/15**

24. Taking account of the various changes referred to in the preceding paragraphs, the overall total budget for 2014/15, detailed in Appendix A, is confirmed as £9,510,600. This total is £312,700 below the base budget for 2013/14 of £9,823,300.

### **GOVERNMENT SUPPORT**

25. The amount of government support that the Council expects to receive in 2014/15 is summarised in the following table:

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Core Funding	3,498,055	3,170,794
Individual grants now included in core funding (local council tax support and homelessness prevention)	442,903	327,654
Council Tax Freeze Grant (2011/12)	150,022	149,351
Council Tax Freeze Grant (2013/14)	61,460	60,997
<b>TOTAL</b>	<b>4,152,440</b>	<b>3,708,796</b>

26. This finance settlement core funding represents a cash reduction of 10.7% when compared to 2013/14.

27. With further cash reductions of approximately £0.5m predicted for 2015/16, it is important that the Council continues to identify and secure cash-releasing efficiencies each year in order to maintain the high level of service currently provided and continue to achieve its high corporate priority of council tax increases at or below the rate of inflation.

### **COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE**

28. The revised council tax base for 2013/14 is 40,244 Band D equivalent properties which is the same as the original estimate.

29. The council tax base for 2014/15 is 40,974 Band D equivalent properties.

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30. The net rate yield from National Non-Domestic Rates for 2013/14 (before Transitional arrangements) is £36,922,577.

### COUNCIL TAX FOR 2014/15

31. With a net budget for 2014/15 of £9,510,600 and government support of £3,765,226 (including the option of additional freeze grant for 2014/15 of £56,430), the Executive is able to recommend no council tax increase for 2014/15, as compared to the current rate of inflation of 2.7% (this is the published RPIX inflation rate for November 2013). This is shown in the following table:

	<b>Base Budget 2013/14</b>	<b>Base Budget 2014/15</b>	<b>Variation</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Total Budget</b>	<b>9,823,300</b>	<b>9,510,600</b>	-312,700
Less:			
Government Support	4,090,980	3,708,796	-382,184
Use of Collection Fund surplus	27,846	0	-27,846
Council Tax Freeze Grant	61,460	56,430	-5,030
<b>Total due from Council Tax Payers</b>	<b>5,643,014</b>	<b>5,745,374</b>	+102,360
Council Tax base	40,244	40,974	
Council Tax	£140.22	£140.22	
Cash Increase	+ £0.00	+ £0.00	
Percentage Increase	+ 0.00%	+ 0.00%	

### ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)

32. Section 25 of the Local Government Act 2003 states that when the Council sets a budget for the forthcoming financial year, the CFO must report to the authority on the robustness of the budgets and the adequacy of the financial reserves.
33. The CFO is able to confirm that the Council's co-ordinated finance strategy allows the availability of resources to finance both capital and revenue expenditure to be considered at the same time. It provides the necessary flexibility to allow resources to be allocated to both capital and revenue and this has enabled the delivery of balanced budgets for both capital and revenue.
34. The CFO can also confirm the robustness of the approved budgets and therefore major variations in expenditure and income are not anticipated. However a risk assessment has been carried out to highlight the impact of possible variations in the level of expenditure and income and by maintaining the spending reserve at a minimum of 5% of gross expenditure, resources should be in place to meet any variations that cannot be met from within the Council's overall budget.

## **RISK ASSESSMENT**

35. While all spending plans can be met from within existing resources, growing financial pressures increase the risk that spending plans exceed desirable levels.
36. Also, the budget reflects the implications of the changing economic situation. However, these changes will continue to affect the Council's finances. It is therefore very important to retain sufficient balances to cater for the unexpected in these uncertain times.
37. Where opportunities exist to increase income sources for the Council, and plans are well advanced, these have been incorporated into the budget.
38. Finally, the largest risk in the budget setting remains changes to Central Government Funding and reliance on government policy keeping damping measures in place.

## **CONCLUSION**

39. In making a recommendation to full Council on the council tax for 2014/15, the Executive has evaluated the Council's overall financial position in relation to existing commitments, the level of resources and the projected financial position in the future; not just the overall budget position for next year.

**Reference Papers:** None



## ACTUAL REVENUE BUDGET

	Budget 2013/14 £	Revised Budget 2013/14 £	Variation Base to Rev £	Budget 2014/15 £	Variation Base to base £
Committees					
Planning	669,000	707,400	38,400	793,400	124,400
Licensing and Regulatory Affairs	395,800	399,700	3,900	503,400	107,600
Executive - Portfolio Budgets					
- Leisure and Community	1,681,800	1,837,200	155,400	1,754,000	72,200
- Health and Housing	1,369,400	1,444,800	75,400	1,210,300	-159,100
- Strategic Planning and Environment	-234,100	-181,700	52,400	-580,000	-345,900
- Policy and Resources	2,113,000	2,621,900	508,900	2,374,600	261,600
- Public Protection	2,435,700	2,745,100	309,400	2,679,100	243,400
- Streetscene	4,281,600	4,292,600	11,000	4,292,600	11,000
<b>SERVICE BUDGETS</b>	<b>12,712,200</b>	<b>13,867,000</b>	<b>1,154,800</b>	<b>13,027,400</b>	<b>315,200</b>
Capital Charges	-1,763,400	-2,152,200	-388,800	-2,152,200	-388,800
Capital Financing Costs					
- Use of Housing Capital Receipts	-415,600	-495,400	-79,800	-230,000	185,600
- Direct Revenue Funding	1,301,000	1,351,800	50,800	1,301,000	0
- Direct Revenue Funding NHB	897,900	912,100	14,200	897,900	0
Interest on Balances	-874,500	-770,700	103,800	-676,900	197,600
Portchester Crematorium	-150,000	-150,000	0	-150,000	0
New Homes Bonus	-1,092,700	-1,106,900	-14,200	-1,480,000	-387,300
Contribution from Reserves	-791,600	-1,632,400	-840,800	-1,026,600	-235,000
<b>OTHER BUDGETS</b>	<b>-2,888,900</b>	<b>-4,043,700</b>	<b>-1,154,800</b>	<b>-3,516,800</b>	<b>-627,900</b>
<b>BUDGET TOTAL</b>	<b>9,823,300</b>	<b>9,823,300</b>		<b>9,510,600</b>	<b>-312,700</b>
<b>NET BUDGET</b>	<b>9,823,300</b>	<b>9,823,300</b>		<b>9,510,600</b>	<b>-312,700</b>

	Budget 2013/14 £	Budget 2014/15 £
<b>NET BUDGET</b>	<b>9,823,300</b>	<b>9,510,600</b>
<b>EXTERNAL SUPPORT</b>		
Non-Domestic Rates	1,558,458	1,717,625
Revenue Support Grant	2,532,522	1,991,171
Council Tax Freeze Grant	61,460	56,430
	<u><b>4,152,440</b></u>	<u><b>3,765,226</b></u>
 USE OF COLLECTION FUND BALANCE	 27,846	 0
<b>NET AMOUNT DUE FROM COUNCIL TAX PAYERS</b>	<b>5,643,014</b>	<b>5,745,374</b>
 <b>COUNCIL TAX BASE</b>	 <b>40,244</b>	 <b>40,974</b>
 <b>COUNCIL TAX PER BAND D PROPERTY (ROUNDED)</b>	 <b>£140.22</b>	 <b>£140.22</b>
 <b>CASH INCREASE</b>	 <b>£0.00</b>	 <b>£0.00</b>
 <b>PERCENTAGE INCREASE</b>	 <b>0.00%</b>	 <b>0.00%</b>