



Report to the Executive for Decision 11 February 2013

Portfolio:	Policy, Strategy and Finance
Subject:	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2013/14
Report of:	Director of Finance and Resources
Strategy/Policy:	Finance Strategy
Corporate Objective:	A dynamic, prudent and progressive Council

Purpose:

This report seeks final confirmation of the recommendations to Full Council, on 22 February 2013, in respect of the revenue budget, capital programme and council tax for 2013/14.

Executive summary:

On 7 January 2013, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2013/14. This report updates the Council's budgets to reflect the decisions taken on 7 January 2013.

There is one new capital scheme added to the capital programme for the years 2012/13 to 2016/17 which leaves a programme totalling to £22,903,000.

The revenue budget for 2013/14 will be £9,823,300. With Central Government support and retained business rates estimated to be £4,090,980 and the option of accepting additional council tax freeze grant for 2013/14 equating to £61,460 this brings the total funding to £4,152,440.

Taking these changes into consideration, the council tax for 2013/14 will be £140.22 per Band D property and would mean that Fareham's element of the Council Tax has remained unchanged for 5 years. This represents no increase from the council tax set for 2012/13, 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 22 February 2013:-

- (i) the capital programme and financing as amended in paragraphs 3-7 of £22,903,000;
- (ii) an overall revised revenue budget for 2012/13 of £10,458,500;
- (iii) a revenue budget for 2013/14 of £9,823,300; and

(iv) a council tax for Fareham Borough Council for 2013/14 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 2013/14

Cost of proposals:

Not Applicable.

Appendix A: Revenue Budget Summary 2012/13 and 2013/14

Background papers: None

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Executive Briefing Paper

Date: 11 February 2013

Subject: Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy, Strategy and Finance

INTRODUCTION

1. On 7 January 2013 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
 - The capital programme for 2012/13 to 2016/17;
 - The revised revenue budget for 2012/13;
 - The revenue budget for 2013/14; and
 - The council tax for 2013/14.
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 2012/13 TO 2016/17

3. At the meeting on 7 January 2013 the Executive approved a report detailing the Commercial Property Investment Acquisition Strategy and agreed an initial capital investment of £3million towards this strategy.
4. Taking this into account, the capital programme for the period 2012/13 to 2016/17 of £22,903,000 is as shown in the following tables:

	£000s
Public Protection	329
Streetscene	67
Leisure & Community	7,136
Housing	6,672
Planning & Environment	1,200
Policy, Strategy & Finance	7,499
TOTAL	22,903

	£000s
2012/13	5,939
2013/14	3,081
2014/15	3,240
2015/16	1,777
2016/17	1,611
Unallocated	7,255
TOTAL	22,903

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

	£000s
Capital Receipts	7,168
RTB receipts for housing schemes	5,090
Capital Fund Account	4,021
External Contributions	3,867
Major Repairs & Renewals Reserve	1,648
Matched Funding reserve	337
TOTAL	22,131

6. In addition, the following resources are anticipated to be available between 2012/13 and 2016/17:

	£000s
Revenue Contribution to Capital schemes	4,862
Contribution to Capital Fund	2,500
Government Grants	1,326
External Contributions	1,131
Capital Receipts	200
TOTAL	10,019

7. The programme and projected resources indicate that, as at 31 March 2017, there will be a surplus of capital resources of £9,247,000.
8. Importantly, the surplus assumes an estimate of future capital receipts as well as continued revenue contributions towards capital investment, totalling nearly £10m. In the event that these resources do not materialise, the surplus will be significantly reduced.
9. 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 quantified.
10. Spending pressures in this respect include repair and refurbishment or replacement works to Council assets (for example, community centres, car parks, sports pavilions and changing accommodation) that have yet to be added to the capital programme.

SPENDING RESERVE

11. The spending reserve currently stands at £2,390,000 which is 5% of gross expenditure for 2012/13 which represents the minimum required balance as set out in the approved Medium Term Finance Strategy.

REVISED BUDGET 2012/13

12. In January, the Executive considered in detail the revised budget for 2012/13, which totalled £10,458,500 and is no change when compared to the base budget for the year.

SERVICE BUDGETS 2013/14

13. The following paragraphs of this report indicate the changes to the service budgets resulting from the decisions of the Executive on 7 January 2013.

Planning Committee

14. There were no changes to this committee which confirms the budget total as £669,000.

Licensing and Regulatory Affairs Committee

15. No changes were made to this Committee's budget, confirming the total as £395,800.

Leisure & Community Portfolio

16. No changes were made to the portfolio budget, which is now confirmed to be £1,681,800.

Housing Portfolio

17. No changes were made to this Committee's budget, confirming the total as £1,369,400.

Strategic Planning and Environment Portfolio

18. There were no changes made to the portfolio budget, which is now confirmed to be -£234,100.

Policy, Strategy and Finance Portfolio

19. At the Executive meeting in January the agreed changes to the Council Tax Support Scheme which has resulted in reducing the hardship funding by £18,000. This means the hardship fund will now be £82,000.

20. As a result of this change the total budget for this portfolio will now be confirmed as £2,113,000.

Public Protection Portfolio

21. There were no changes made to the portfolio budget, which is now confirmed to be £2,435,700.

Streetscene Portfolio

22. There were no changes made to the portfolio budget, which is now confirmed to

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be £4,281,600.

OTHER BUDGETS 2013/14

23. Since the January Executive further information has been released regarding Central Government Support. As a result of this, more of the New Homes Bonus award in 2013/14 will be available to support investment in capital schemes and other projects.
24. As a result of this change the Other Budgets total will be -£2,888,900.

THE OVERALL BUDGET POSITION FOR 2013/14

25. Taking account of the various changes referred to in the preceding paragraphs, the overall total budget for 2013/14, detailed in Appendix A, is confirmed as £9,823,300. This total is £635,200 below the base budget for 2012/13 of £10,458,500.

GOVERNMENT SUPPORT

26. The amount of government support that the Council expects to receive in 2013/14 is summarised in the following table:

	2012-13	2013-14
	£	£
Core Funding	4,000,458	3,498,055
Individual grants now included in core funding (council tax support and homelessness prevention)	n/a	442,903
Council Tax Freeze Grant (2011/12)	150,022	150,022
TOTAL	4,150,480	4,090,980

27. This finance settlement core funding represents a cash reduction of 12.6% when compared to 2012/13.
28. The grant includes “damping” protection of £585,000, which is a mechanism used to smooth out large fluctuations in funding when the formula for distributing funding is changed. Without this damping protection, the grant for the Council would reduce by over £1m and this increases financial risk faced by the Council in future years as, historically, the damping mechanism is usually phased out over a period of time when the Governments model is amended year to year.
29. It is therefore imperative 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

30. The revised council tax base for 2012/13 is 43,465 Band D equivalent properties

which is the same as the original estimate.

31. The council tax base for 2013/14 is 40,244 Band D equivalent properties.
32. The reduction shown between the two financial years is due to the changes in Council Tax Support Scheme which is calculated in the Council Tax Base rather than being part of the service budgets (which was the case for Council Tax Benefit).
33. The net rate yield from National Non-Domestic Rates for 2013/14 (before Transitional arrangements) is £37,889,240.

COUNCIL TAX FOR 2013/14

34. With a net budget for 2013/14 of £9,823,300 and government support of £4,152,440 (including the option of additional freeze grant for 2013/14 of £61,460), the Executive is able to recommend no council tax increase for 2013/14, as compared to the current rate of inflation of 2.9% (this is the published RPIX inflation rate for November 2012). This is shown in the following table:

	Base Budget 2012/13	Base Budget 2013/14	Variation
	£	£	£
Total Budget	10,458,500	9,823,300	-635,200
Less:			
Government Support	4,150,480	4,090,980	-59,500
Use of Collection Fund surplus	60,991	27,846	-33,145
Council Tax Freeze Grant	152,367	61,460	-90,907
Total due from Council Tax Payers	6,094,662	5,643,014	-451,648
Council Tax base	43,465	40,244	
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)

35. 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.
36. 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.

37. 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

38. While all spending plans can be met from within existing resources, growing financial pressures increase the risk that spending plans exceed desirable levels.
39. 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.
40. Where opportunities exist to increase income sources for the Council, and plans are well advanced, these have been incorporated into the budget.
41. 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

42. In making a recommendation to full Council on the council tax for 2013/14, 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

APPENDIX A

Consolidated General Fund Revenue Budget 2012/13 (revised) and Proposed Budget 2013/14

	Budget 2012/13 £	Revised 2012/13 £	Variation £	Budget 2013/14 £	Variation £
Committees					
Planning Committee	713,700	730,400	16,700	669,000	-44,700
Licensing & Regulatory Affairs Committee	503,900	479,600	-24,300	395,800	-108,100
Executive - Portfolio Budgets					
- Leisure & Community	1,688,500	1,791,500	103,000	1,681,800	-6,700
- Housing	2,029,200	1,482,200	-547,000	1,369,400	-659,800
- Strategic Planning & Environment	-752,300	-326,300	426,000	-234,100	518,200
- Policy, Strategy & Finance	2,147,000	2,210,500	63,500	2,113,000	-34,000
- Public Protection	2,757,600	2,485,600	-272,000	2,435,700	-321,900
- Streetscene	4,470,000	4,400,000	-70,000	4,281,600	-188,400
SERVICE BUDGETS	13,557,600	13,253,500	-304,100	12,712,200	-845,400
Capital Charges	-1,935,500	-1,763,400	172,100	-1,763,400	172,100
Capital Financing Costs					
- Use of Housing Capital Receipts	-1,115,000	-558,300	556,700	-415,600	699,400
- Direct Revenue Funding	1,290,000	1,385,000	95,000	1,301,000	11,000
- Direct Revenue Funding NHB	658,000	658,000	0	897,300	239,900
Interest on Balances	-591,000	-874,500	-283,500	-874,500	-283,500
FRS17 Adjustment	0	0	0	0	0
Portchester Crematorium	-150,000	-150,000	0	-150,000	0
New Homes Bonus	-658,000	-658,000	0	-1,092,700	-434,700
Contribution to(+)/from(-) Reserves	-597,600	-833,800	-236,200	-791,600	-194,000
OTHER BUDGETS	-3,099,100	-2,795,000	304,100	-2,888,900	210,200
BUDGET TOTAL	10,458,500	10,458,500		9,823,300	-635,200
NET BUDGET	10,458,500	10,458,500		9,823,300	-635,200

COUNCIL TAX 2013/14

	Budget 2012/13 £	Budget 2013/14 £
NET BUDGET	10,458,500	9,823,300
EXTERNAL SUPPORT		
Non-Domestic Rates	4,071,554	1,558,458
Revenue Support Grant	78,926	2,532,522
Council Tax Freeze Grant	152,367	61,460
	<u>4,302,847</u>	<u>4,152,440</u>
USE OF COLLECTION FUND BALANCE	60,991	27,846
NET AMOUNT DUE FROM COUNCIL TAX PAYERS	6,094,662	5,643,014
COUNCIL TAX BASE	43,465	40,244
COUNCIL TAX PER BAND D PROPERTY (ROUNDED)	£140.22	£140.22
CASH INCREASE	£0.00	£0.00
PERCENTAGE INCREASE	0.00%	0.00%