

COUNCIL MEETING – 23RD FEBRUARY 2017**AGENDA ITEM NO. 6 (1)****REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX LEVEL**

A report from the meeting of Cabinet on the 7th February 2017.

1 INTRODUCTION

- 1.1 On the 20th September 2016, Cabinet endorsed report FIN1619, which included the Council's medium-term financial forecast and its approach to maintaining financial sustainability over the medium-term, and set out the Council's Medium-Term Financial Strategy, which was approved by Council on the 6th October 2016.
- 1.2 On the 7nd February 2017, Cabinet considered report FIN1708 and agreed recommendations on the budget and Council Tax requirement for 2017/18, subject to any amendments resulting from the finalisation of the Local Government Finance Settlement, or the operation of the collection fund, particularly in respect of the Business Rates Retention Scheme. Any changes associated with the delegation arrangements (which were agreed at Council on the 20th January 2014), or the final settlement figures, would be made by the Head of Financial Services, in consultation with the Leader of the Council and the portfolio holder for Corporate Services.
- 1.3 Final estimates for business rates were completed on the 31st January 2017 and the Settlement figures are due to be confirmed week commencing 20th February 2017.
- 1.4 Cabinet were provided with an update to the Business Rates figures on 7th February 2017. The final estimates had varied from those previously reported due to some changes to the estimates for growth during the year ahead and the amount of unoccupied property relief expected to be awarded. The change to business rates income also had a small knock-on effect on the amount of levy payable to central government.
- 1.5 These changes led to a movement of approximately £50,000 in the budget, to be offset by a transfer from the Stability and Resilience Reserve, leaving general fund balances close to the mid-point of the approved range. This change has been incorporated into the general fund summary at Appendix 1.

2 PRINCIPAL ISSUES CONTAINED WITHIN THE BUDGET

- 2.1 The Council's medium term financial forecast and budget proposals have been the subject of presentations to Members on 26th January 2017, and to,

business rate payers and voluntary sector organisations on 30th January 2017.

- 2.2 The budget proposals include an increase in Council Tax up to the maximum permissible level before triggering a local referendum in order to assist in mitigating the challenging financial position the Council faces over the medium-term. DCLG announced last year that it was relaxing the referenda thresholds for Shire Districts to allow for an increase in Council Tax up to the 2% referendum limit or up to £5.00, for a Band D property. Annual rises in Council Tax have been built into DCLG's total funding figures for local government within the finance settlement, meaning that Council's need to increase Council Tax levels just to retain the same level of funding, rather than being able to make choices about the level of local funding for local services.
- 2.3 The budget proposals reflect expected growth in local business rates with a promising outlook for the local economy. However, the mechanics of the scheme (and in particular, the provision for appeals) can cause major fluctuations in annual income, which continues to highlight the need for adequate reserves to mitigate the on-going risk.
- 2.4 The four-year settlement figures accepted by Council earlier in the year, confirmed the expected significant level of reduction in central government funding around Revenue Support Grant. However, the provisional allocations for New Homes Bonus (NHB) and the significant departure from the scheme as consulted upon, have led to sharper reductions than expected. This Council lobbied hard to government for reconsideration of the proposals.
- 2.5 To meet the challenges posed by these risks and ensure maintenance of a sustainable financial position, it is proposed to maintain general fund revenue balances around the mid-point of the agreed range, to transfer £400,000 from the Stability and Resilience Reserve, and to continue the use of the Service Improvement Fund and additional flexibilities for the use of capital receipts, to drive through key efficiency and sustainability projects. This leaves a savings requirement for the year of £550,000.
- 2.6 This level of savings is achievable through existing projects within the Council's 8-point plan for achieving financial sustainability.
- 2.7 The budget proposals continue to be centred around the principles set out in the 8-Point plan and the council's Financial Strategy. A clear focus will be required to deliver projects during 2017/18, not only to meet the net cost reductions required for the coming year, but to put the Council in a strong position to meet the more challenging requirements for 2018/19 and beyond.
- 2.8 The proposed programme of capital expenditure totals £13.6 million which contributes to the Council's priorities by concentrating resources in the following areas:

Projects with a clearly defined financial return to the Council or economic benefit to the Borough such as:

- Invest-to-Save schemes
- Income generation projects
- Town Centre regeneration

Projects that support the delivery and development of core services:

- Asset improvement
- ICT strategy

The programme also includes support for the provision of local housing through social housing grants and the Council's statutory duties in respect of Disabled Facilities Grants.

- 2.9 The capital programme does not include expenditure on projects falling within the 8-point plan that have yet to come forward for individual consideration and where feasibility studies or business cases are being developed. Proposals that support other strategic priorities such as the Aldershot Prospectus or Farnborough Civic Quarter, or for the additional provision of affordable housing in the Borough, will come forward once schemes are sufficiently developed and evaluated, thus allowing for detailed scrutiny, taking into account the prevailing financial conditions.

3 CORPORATE GOVERNANCE

- 3.1 The Head of Financial Services, as the Council's Section 151 Officer, has made a statement in compliance with Section 25 of the Local Government Act 2003 on the robustness of the estimates and the adequacy of the Council's reserves. This is attached at Appendix 5 of the budget booklet.

4 CONCLUSION

- 4.1 Despite the difficult financial position presented by the local government financial settlement, the Council has again been able to prepare a sound and balanced budget and maintain services.
- 4.2 The Council has a clear plan for reductions in its net revenue spending over the medium term, which will require continued and regular monitoring and has maintained reserves and balances to mitigate in the short-term against adverse fluctuations.
- 4.3 Considerable work will be undertaken during 2017/18 to ensure that net cost reductions are delivered during 2017/18, to meet the savings required both for the coming year and to achieve the full year effect of those reductions in 2017/18.

5 RECOMMENDATIONS

5.1 The Council is recommended to approve the following, as detailed in report FIN1708 and in the attached budget booklet:

- i) the General Fund Revenue Budget Summary set out in Appendix 1
- ii) the detailed General Fund Revenue Budget set out in Appendix 2
- iii) the additional items for inclusion in the budget, set out in Appendix 3
- iv) the Council Tax Requirement of £5,863,664 for this Council
- v) the Council Tax level for Rushmoor Borough Council's purposes of £192.73 for a Band D property in 2017/18
- vi) the Capital Programme, set out in Appendix 4
- vii) the Head of Financial Services' report under S.25 of the Local Government Act 2003 as set out in Appendix 5
- viii) the holding of reserves as previously detailed in report FIN1708.

D.E. CLIFFORD
LEADER OF THE COUNCIL