

**COUNCIL MEETING – 25TH FEBRUARY 2016****AGENDA ITEM NO. 6 (1)****REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX LEVEL**

A report from the meeting of Cabinet on the 2nd February 2016.

**1 INTRODUCTION**

- 1.1 On the 17th November 2015, Cabinet endorsed report FIN1518, 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 10th December 2015.
- 1.2 On the 2nd February 2016, Cabinet considered report FIN1603 and agreed recommendations on the budget and Council Tax requirement for 2016/17, 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 29th January 2016 and the Settlement figures were confirmed on the 8th February 2016.
- 1.4 Cabinet were provided with an update to the Business Rates figures on 2nd February 2016. A number of changes were reported including amendments to the provision for appeals against rateable value, which had been caused by two main issues - (i) the growing backlog of outstanding appeals with the Valuation Office Agency and (ii) a major change nationally to the methodology for valuation of purpose-built Doctors' surgeries. Other changes around the Business Rates Retention Scheme included a reduction in s31 grants, used to compensate Councils for relief prescribed by regulation, alongside an increase in the award of Part-Occupation relief.
- 1.5 These changes led to a movement of £800,000 in the budget which was agreed to be offset by a transfer from the Stability and Resilience Reserve.
- 1.6 Final Settlement figures were confirmed after the Cabinet meeting, with the only change in central government funding for Rushmoor being an additional £40,000 in transition grant to smooth the sharp reduction in Revenue Support Grant experienced in 2016/17 (a similar level grant will be awarded for 2017/18). This has enabled the 2016/17 savings requirement of £900,000

previously reported to Cabinet, to be reduced to £860,000. The updated general fund summary is attached in Appendix 1 of the budget booklet.

## **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 20th January 2016, and to senior citizens, business rate payers and voluntary sector organisations during January 2016.
- 2.2 These provisional figures assumed that the Council would increase its Council Tax up to the maximum permissible level before triggering a local referendum. Annual rises in Council Tax have been built into the Government's total funding figures for local government within the finance settlement. Subsequent to Cabinet, and in response to the settlement consultation, the Government announced 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. Given the timing of this change, the Cabinet recommendations to Council remain unchanged at 1.99% increase (£3.66 increase for the year for a Band D property). However, in future years Cabinet will be free to consider the option to increase by £5.00, in order to assist in mitigating the challenging financial position the Council faces over the medium term.
- 2.3 The budget proposals reflect expected growth in local business rates with a promising outlook for the local economy. As mentioned above, however, the mechanics of the scheme (and in particular, the provision for appeals) has reduced the overall estimate for rates income from earlier projections. This continues to highlight the volatility of this major income stream and the need for adequate reserves to mitigate the on-going risk.
- 2.4 During the year, detailed monitoring for the Council Tax Support Scheme has continued by officers working with the Welfare Reform Task and Finish Group.
- 2.5 Based on this detailed work, a number of changes to the Council Tax Support Scheme were approved by Council on 27th January 2016. These changes should have a positive effect on the Council's finances but due to the way the collection fund is accounted for, will not flow through to the budget during 2016/17 but will affect the surplus or deficit declared on the fund in 2017/18.
- 2.6 The four-year indicative settlement figures confirmed the expected significant level of reduction in central government funding around Revenue Support Grant and New Homes Bonus (NHB). While the NHB scheme remains unchanged for 2016/17, a consultation on the future of the scheme has been launched, with responses due to Government by early March 2016. This could lead to additional pressures for the Council over the medium term depending on the outcome of the consultation. In addition, both the Business Rates Revaluation and the future move towards 100% Business Rates retention, are cause for uncertainty over future funding.

- 2.7 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 £800,000 from the Stability and Resilience Reserve, and to continue the use of the Service Improvement Fund to drive through key efficiency and sustainability projects. This leaves a savings requirement for the year of £860,000.
- 2.8 The 8-Point Plan for achieving financial sustainability has undergone a refresh during the year and work is underway in key areas to deliver benefits in a timely manner. The Budget Strategy Working Group are reviewing the Council's workbook and it is intended that there will be an all Member event during September 2016 to review options to meet the financial challenges highlighted in the medium term financial forecast.
- 2.9 The budget proposals for 2016/17 include the implementation of savings of £860,000 while the medium-term forecast indicates that significant further savings will need to be achieved over the medium term. Therefore, the budget proposals continue to be centred around the principles set out in the 8-Point plan. A clear focus will be required to deliver projects during 2016/17, not only to meet the net cost reductions required for 2016/17, but to put the Council in a strong position to meet those savings required in 2017/18 and beyond.
- 2.10 The key principles within the 8-point plan are set out below:
- The Work Book - reviewing what we do against our priorities
  - Efficiency and Transformation - doing things smarter - by looking at how we do things to reduce costs
  - Income generation and investment opportunities – to include review of fees and charges, property investment and other income generating ideas
  - Better use of property and assets – reviewing how we make best use of existing assets
  - Reviewing our Financial Strategy, Investment Strategy and processes for budget preparation and monitoring
  - Reviewing our organisational structure – ensuring 'form follows function' so that the structure reflects the way we deliver our services
  - Better procurement – considering the future provision of major contracts including grounds maintenance, waste collection, recycling, street cleansing and leisure facilities as well as reviewing our procurement policy and practices
  - Considering taxation policies – including our approach to rent and rate relief, Council Tax support, discounts and exemptions and support to businesses.
- 2.11 The budget proposals also include a programme of capital expenditure, which totals £8.8 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 maintenance
- 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.

- 2.12 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 2016/17 to ensure that net cost reductions are delivered during 2016/17, to meet the savings required for 2016/17 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 FIN1603 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 £5,664,404 for this Council
- v) the Council Tax level for Rushmoor Borough Council's purposes of £187.73 for a Band D property in 2016/17
- 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 FIN1603.

**Cr. P J Moyle**  
**Leader of the Council**