

COUNCIL MEETING – 22ND FEBRUARY 2018**AGENDA ITEM NO. 6 (1)****REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX LEVEL
2018/19**

A report from the meeting of Cabinet held on the 6th February 2018.

1 INTRODUCTION

- 1.1 On the 17th October 2017, Cabinet endorsed report FIN1731, 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 7th December 2017.
- 1.2 On the 6th February 2018, Cabinet considered report FIN1808 and agreed recommendations on the budget and Council Tax requirement for 2018/19, 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 2018 and the Local Government Finance Settlement was approved in Parliament on the 7th February 2018.
- 1.4 There are no changes to the overall estimates for Business Rates, or to the Settlement figures, from those previously reported to Cabinet, other than minor movements between figures stated for income, tariffs and section 31 grants, largely resulting from some last minute adjustments by MHCLG to the tariffs and compensation mechanisms for various reliefs.
- 1.5 The estimated General Fund balance at the close of 2018/19 therefore remains as previously approved by Cabinet for recommendation to Council.

2 PRINCIPAL ISSUES CONTAINED WITHIN THE BUDGET

- 2.1 The Council's medium term financial forecast and budget proposals were the subject of a presentation to Members on 18th January 2018, alongside the draft Council priorities for the year ahead and the future direction and focus for the Council. Whilst the Medium Term Financial Forecast has been updated as part of the budget preparation, the broad assumptions contained within the

budget remain the same and are consistent with the agreed Financial Strategy.

- 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. MHCLG announced that it was relaxing the referenda thresholds for Shire Districts to allow for an increase in Council Tax up to a 3% referendum limit or £5.00, (whichever is higher) for a Band D property. Annual rises in Council Tax have been built into MHCLG'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 for 2016/17 – 2019/20, provide some level of certainty over funding for both 2018/19 and 2019/20 but 2020/21 will be subject to a new Spending Review, the introduction of a 75% Business Rates Retention Scheme and a review of relative funding needs between local authorities.
- 2.5 The Council has managed the reduction in funding from previously announced changes to the New Homes Bonus (NHB) and lobbied hard to government for reconsideration of the proposals to make further changes in 2018/19. Whilst lobbying was successful for 2018/19 there is no guarantee that the scheme will not change in the future, which further supports the need for reserves to mitigate this risk to on-going service provision.
- 2.6 To meet the challenges ahead and to ensure maintenance of a sustainable financial position, it is proposed to increase the general fund revenue balance to £1.7m by the close of 2018/19, 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 £1,550,000 without the need to draw down on the Stability and Resilience Reserve. This approach builds on the feedback from the Council's recent Local Government Association Peer Challenge.
- 2.7 This level of savings is achievable through a combination of projects, including organisational redesign, procurement, commercial property acquisition and other efficiency savings or income generation plans. The savings plan will be supported by the new improvement plan, coming forward in April 2018.

- 2.8 The proposed programme of capital expenditure totals £28.7 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 enhancement
- 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 Major invest-to-save projects within the programme include investment in commercial property of £15 million in both 2017/18 and 2018/19 and £17 million in 2019/20. These investments should provide significant returns to the Council as well as contributing to key strategic aims of regeneration and promoting local economic growth. Other similar projects include regeneration plans for Aldershot Town Centre and Farnborough Civic Quarter and the development of housing initiatives that will either make a return for the Council or will meet wider strategic priorities. Detailed business cases will be required for these key projects to progress.
- 2.10 Also included in the programme are some major recreational facilities, which are completely funded from external sources, and some provision for a rolling plan of updates to existing playground facilities. A playground strategy will be coming forward for consideration by Cabinet before any significant playground refurbishment takes place.
- 2.11 Implementation of the core programme in 2018/19 will require the use of £21.1 million of Council resources, largely through borrowing, together with £7.6 million use of grants and contributions including Better Care Fund and an element of developers' S.106 contributions.

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 6 of the budget booklet.

4 CONCLUSIONS

- 4.1 In spite of the difficult economic situation, the uncertainties about government funding and the pressures on services, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Rushmoor to address future challenges.
- 4.2 The budget adheres to all of the elements within the previously approved budget strategy. In particular, this includes the principle of maintaining the Council's general fund revenue balances within a range of £1million - £2 million and maintaining other usable reserves to mitigate risk and support improvement. The budget also takes account of feedback from the Peer Review in that it does not assume any use of balances to support on-going expenditure.
- 4.3 The budget allows for the implementation of essential additional revenue items and a substantial capital programme of approximately £28.7 million in 2018/19.
- 4.4 The budget proposals provide for the current Council Tax level to increase by £5.76 or 2.99% for a Band D property (from £192.73 per annum to £198.49) – an increase of 11p per week) in line with government assumptions within its settlement funding formula.
- 4.5 In order to achieve this, the budget proposals will require the implementation of budget savings of £1.55 million in 2018/19, together with further savings over the medium term, totalling approximately £3.785 million over the period to 2020/21. This will require reductions in the Council's service expenditure, and increased income generation, in accordance with the Medium-Term Financial Forecast and the Financial Strategy.
- 4.6 The level of savings for 2018/19 is achievable, based on past experience and current plans. It will be essential however, to maintain the pace of delivery for net reductions (cost savings and income generation) during the forthcoming period in order to achieve the savings required by 2020/21.
- 4.7 As part of this process, reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing, which will be monitored and reported to Members throughout 2018/19 and subsequent years.

5 RECOMMENDATIONS

- 5.1 The Council is recommended to approve the following, as detailed in report FIN1808 and in the budget booklet (attached separately):
 - 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 £6,147,509 for this Council
- v) the Council Tax level for Rushmoor Borough Council's purposes of £198.49 for a Band D property in 2018/19
- vi) the Capital Programme, set out in Appendix 4
- vii) the Strategy for the Flexible Use of Capital Receipts, set out in Appendix 5
- viii) the Head of Financial Services' report under S.25 of the Local Government Act 2003 as set out in Appendix 6
- ix) the holding of reserves and use of the Service Improvement Fund, as previously detailed in report FIN1808.

D E CLIFFORD
LEADER OF THE COUNCIL