

**INFORMATION IN RESPECT OF MOTION BY PORTFOLIO HOLDER
FOR FINANCE, ASSETS AND DEVELOPMENT**

REPORT TO COUNCIL 23rd FEBRUARY 2015

Meeting: Council
Date: 23rd February 2015
Subject: General Fund Revenue Estimates and Capital Programme
Report of: Simon Riley, Head of Financial & Commercial Services (s151 Officer)
Portfolio Holder: Councillor Phil King
Status: Decision
Relevant Ward(s): All

1. Purpose of Motion

- 1.1 To recommend a reduction in Harborough District Council Tax (General Element) by 5% for 2015/16.
- 1.2 To amend recommendation 2.1 as a result of the above. This also requires changes to **Appendix A, Appendix A(i) and Appendix D.**
- 1.3 To receive an additional assessment of the Chief Finance (section 151) Officer under Section 25 of the Local Government Finance Act, 2003.

2 Recommendations:

It is recommended that Council.

- 2.1 Approves the 2015/16 General Fund Revenue Account Net Expenditure Budget of £11,681,544 as set out in Appendix A, resulting in a decrease in the District Band D Council Tax excluding Special Expense Items of 5% for 2015/16.
- 2.2 Approves the General Fund Budget as set out in Appendix A.
- 2.3 Approves the Capital Programme as set out in Appendix E.

- 2.4 Approves a tolerance level for the Capital Programme as set out in paragraph 4.7.8.
- 2.5 Approves to the fees and charges as set out in Appendix F.
- 2.6 Approves a delegation to the S151 Officer in consultation with the Portfolio Holder for Finance Assets and Development to agree new fees and charges during the year and agree changes to fees and charges where required.
3. Summary of Reasons for Revised Recommendation
 - 3.1 The Council must statutorily set a balanced budget to charge its duties and responsibilities by the 11th March. This motion proposes a revision to the General Fund Revenue Account Net Expenditure from £11,924,194 to £11,681,544. If approved, this results in a 5% reduction in the District Band D Council Tax (excluding Special Expense Items) for 2015/16.
4. Key Facts
 - 4.1 The motion proposes a revision in the Budget Requirement arising from a proposal to reduce Council Tax (excluding Special Expense Items) by 5% from 2014/15 to 2015/16.
 - 4.2 The impact of the motion is that the Harborough District Council (General Element) will be minus 5% on the Council Tax Bill. For those areas which incur special expenses there is a separate line on the Council Tax Bill for changes in special expense items. If Members approve this motion, a revised Council Tax resolution will be tabled to replace Paper Number 17 on this agenda.
 - 4.3 The Council is required to set a balanced budget. The reduction in Council Tax yield arising from this motion would require either additional savings to be proposed for 2015/16 or an increase in the utilisation of reserves of £242,650. It is proposed for the 2015/16 budget that the cost of the 5% reduction in Council Tax is met through an additional drawdown on earmarked reserves from the General Reserve Fund of £242,650. The remainder of the budget proposals from the Executive, 9th February to Council remain unchanged.
 - 4.4 The change in budget requirement, council tax yield and utilisation of reserves impacts on **Appendix A, Appendix A(i) and Appendix D**. Revised copies of these appendices are attached.
 - 4.5 The amended recommendations results in minor changes to Paragraphs 4.5 and 4.6 of the original report. Updated paragraphs are attached at the end of this report in Annex A
 - 4.6 Members under Section 25 of the Local Government Act 2003 are required to consider the assessment of the S151 officer into the robustness of the estimates included within the budget and the adequacy of the reserves for

which the budget provides. An update to my advice contained within Paragraph 5 of Paper 16 issued on 13th February 2015 is detailed in Paragraph 5 below.

5 Report of the Chief Finance (Section 151) officer under Section 25 of the Local Government Finance Act, 2003 – Additional Comments

- 5.1 The key risks and mitigating actions detailed in paragraphs 5.1 and 5.2 and assessment of robustness of estimates (paragraph 5.3) remains unchanged from the main report.
- 5.2 I provide the following additional comment and updated paragraphs 5.4 and 5.5 in respect of the proposed motion.
- 5.3 Additional Comment from the S151 Officer arising from the motion.

The proposed reduction in Council Tax for 2015/16 reduces on a permanent basis the Council Tax amount on which any future Council Tax increases would be calculated and on which Council tax referendum levels would be calculated. The Council Tax Yield will reduce from £5,404,278 to £5,161,628 on a recurrent basis. At a time of overall reduction in public sector finances and the current legislation regarding Council Tax referendums the reduction in the locally generated Council Tax will impact on the Council on a recurrent basis resulting in a reduction in overall funding options available to the Council to balance the budget in future years. The criteria applied the Council tax referendum in 2015/16 was that a referendum would be required if Council Tax was to increase by 2% or over. By implication this will impact on future Council tax yields being calculated on a reduced baseline figure. Member's attention is drawn to the fact that in recent years there has been increases each year in the Council Taxbase arising from Housing Growth. This will partially mitigate for the real terms reduction in total Council Tax Yield over the next few years, but minimises opportunities to direct any increase in the taxbase to other Council priorities. The ongoing impact of the motion reducing Council Tax will depend on future year's Council tax proposals and whether there is a continuation of Council Tax freeze grant and whether the Council takes up the offer of the freeze grant.

The motion for a reduction in Council Tax increases the utilisation of the General Reserve Fund earmarked reserve on an recurrent basis from £141K supporting the 2014/15 budget to £243K supporting the 2015/16 budget. The Council maintains healthy levels of reserves. Given the Council's healthy level of reserves the additional utilisation of the reserves in 2015/16 (instead of further savings proposals) is acceptable. In the light of continuing austerity and reductions in Central Government funding it is recommended that in formulating the Medium Term Financial Strategy (following the next comprehensive spending review) that the Council seeks to remove the reliance on reserves to offset the impact of this motion on the overall finances of the Council on a recurrent basis as soon as possible.

5.4 Adequacy of Reserves

The recommendation on the prudent level of General Fund working balance has been based on the robustness of estimates information and a risk assessment of the budget.

There is far greater financial uncertainty and volatility moving forward as the funding framework for local government moves from Central Government funding (Revenue Support Grant) to increased reliance on locally generated growth receipts (Business Rates, New Homes Bonus etc.).

It is prudent to retain relatively high levels of reserves to manage the inherent risks arising from the uncertainty over the future levels of Government funding and continuity of local generated income streams. For this reason I recommend the retention of a General Fund Balance towards the higher end of our Reserve Policy, 11.7% (2014/15, 13.1%). The Council also retains a General Reserve Fund and Business Rate Retention Reserve that can be used for General purposes.

All earmarked reserves have been reviewed in detail to ensure that they are set at an appropriate level.

5.5 Assurance Statement of the Council's Section 151 Officer

The financial risks facing the Council over the next few years (and uncertainties arising from the new parliamentary term) are significant but looking ahead the proposed Budget Strategy, Organisational Change agendas and reduced reliance on reserves on a provides a flexible approach to managing those risks in the medium term and creates scope for further innovation and efficiency.

In relation to the 2015/16 revenue budget, the continued need for savings to respond to the Government's austerity agenda are challenging, but are nevertheless achievable given political and management will to implement the change. The budget utilises a mix of savings and efficiencies along the prudent use of locally generated growth funds to propose a balanced and sustainable budget for 2015/16 and moving forward. The track record of the Council in successfully delivering transformation and savings over the past couple of years provides additional assurance. The Council has a good record of managing and planning for other potential financial risks that arise from time to time which provides further assurance that it can proactively manage risks. The healthy reserves position also provides against any future risks.

The levels of reserves, balances and contingencies held are in my opinion adequate linked to the 2015/16 budget proposals. Clearly, there are risks in the achievement of some of the proposed savings and/or income generation proposals. Whilst it is not possible to guarantee that every single proposal will be achieved. I consider the overall package to be prudent, and I am assured of the robustness of the projected savings, and the extent of rigour in their calculation. The motion does not fundamentally my opinion in respect of the

adequacy of the levels of reserves, balances and contingencies held to deliver the 2015/16 budget.

The Capital Programme sets out a four year programme from 2015/16 to 2018/19 and details estimates of external funding and need for unsupported borrowing and capital receipts. The move to a four year capital programme allows for flexibility in funding decisions (and maximising funding opportunities) and commissioning of schemes between years. However, I draw to Member's attention that the prudential indicators arising from these spending plans are towards the top of what I consider affordable and sustainable under the Prudential Code in the medium term. Any revisions to the programme requiring an increase in the unsupported borrowing requirement should be subject to a separate review by the S151 Officer.

In my opinion, the estimates are sufficiently robust to allow the Council to set the revenue budget, capital programme and council tax for 2015/16. The budget strategy and overall level of reserves provides a sound basis for balancing the budget in future years. Members should seek to reduce reliance on ongoing use of reserves to support recurrent expenditure in the next Medium Term Financial Strategy to ensure sustainability of the Council's core budget.

Amendments to Report Issued 13th February 2015**4.5 Utilisation of Reserves**

- 4.5.1 The Council has a series of reserves that have been set aside to deliver Council priorities and to support Medium Term financial planning. In addition, the Council retains a General Fund Reserve which is retained at or above a level recommended by the S151 Officer which will be confirmed in the Annual Budget Report along with the assessment of risks of delivery of the budget proposals.
- 4.5.2 A review of the level of reserves has been undertaken (as required by the Local Government Act, 2003). Based on this there is scope for the use of reserves on a recurrent and non recurrent basis to support the delivery of Council priorities and delivery of a balanced budget in 2015/16. The Medium Term Financial Strategy (MTFS) for the period 2014/15 to 2016/17 originally assumed the removal of reliance on reserves to fund recurrent expenditure by the end of the current MTFS period. The increase in reserves arising from this motion does not necessarily mean this objective can not be met by the end of 2016/17.
- 4.5.3 The planned utilisation of reserves is shown below:

	Estimated Opening Balance 2015/16	2015/16 Planned Use of Reserves	Estimated Closing Balance 2015/16
	£000s	£000s	£000s
General Fund Balance	1,663	(299)	1,364
Earmarked Reserves (excluding General Reserve Fund)	3,696	(52)	3,644
General Reserve Fund	1,488	(242)	1,246
Capital Reserves	925	0	925
Total	7,772	(593)	7,179

Note: The Reserves assume that Business Rate Growth receipts of £1.008 million in 2014/15 and £1.245 million in 2015/16 will be transferred to the Business Rate Growth Reserve. Actual growth will be impacted upon by valuations, appeals etc.

- 4.5.4 The budget plans to utilise £250K of the VAT Shelter Reserve to support a further extension to the Superfast Leicestershire programme into the District's rural communities. Phase 2 of the programme involves significant investment from the LLEP Growth Fund, BDUK funding and County Council funding alongside commercial leveraged investment. Phase 2 of the programme also commits to a higher speed commitment than Phase 1 of the programme. The District Council will be asked to formally determine whether to make an

additional investment in Spring 2015. The budget sets aside monies if the Council was to determine Phase 2 of the Superfast Leicestershire Project demonstrates value for money.

- 4.5.5 The budget continues the utilisation of the New Homes Bonus Reserve for a further year to support delivery of corporate priorities and promote localism. In addition to the £250K that has been targeted for the past couple of years a further £50K is being targeted specifically around Improved Access to Services in rural communities. It is intended that the additional £50K is delivered in partnership with communities.
- 4.5.6 The budget assumes the utilisation of £299K of the General Fund Balance to support the budget in 2015/16. The 2015/16 budget only utilises £14K of General Fund Balance on a recurrent basis, with the remaining £285K funding one-off growth proposals.
- 4.5.7 The motion requires a further £242K drawdown from the earmarked General Reserve Fund on a recurrent basis.
- 4.5.8 The Reserve movements are detailed in **Appendix D**

4.6 2015/16 Revenue Budget

- 4.6.1 The proposed budget for consultation (based on this report) is attached at **Appendix A**. Following consultation with Scrutiny on 22nd January 2015 a further budget report will be considered by the Executive on the 9 February 2015 and by Full Council on the 23 February 2015, where the Council Tax resolution will be considered. The Council must set a balanced budget and Council Tax by 11 March 2015.
- 4.6.2 The Council estimated budget requirement in 2015/16 is £11.682 million. This is based on estimated expenditure of £33.010 million and income (including Government Grants) of £21.329 million. Expressed on a daily basis the Council spends £90,000 per day. The breakdown by portfolio is detailed in **Appendix A (i)**
- 4.6.3 The proposed budget consolidates previous year budget decisions as well as the budget assumptions and proposals detailed earlier in the report for the financial year 2015/16.

Alternative as a result of motion

APPENDIX A

	2014/15 Original Approved Budget	2014/15 Revised Budget	2015/16 Proposed Budget
	A	B	C
	£000's	£000's	£000's
Portfolio's			
Economic Prosperity	153,165	579,485	586,595
Corporate Services	3,869,427	3,932,167	4,070,304
Finance, Assets & Development Planning	2,300,321	2,327,121	2,258,242
Environment & Waste	2,994,805	3,001,305	3,359,882
Community Wellbeing	615,190	612,190	638,501
Community Safety & Regulatory	281,091	253,291	173,131
Contingency	165,000	158,100	267,101
Vat Shelter	0	(131,020)	0
Net Direct Cost of Services	10,378,999	10,732,639	11,353,756
Interest Payable	208,000	208,000	242,773
Provision for Repayment of External Debt	520,940	520,940	640,707
CT Support for Parishes	74,475	74,475	56,028
Transfer to Capital	0	0	(18,662)
Contributions to Earmarked Reserves (inc. General Reserve Fund)	0	1,138,616	1,244,592
Contributions from Earmarked Reserves (inc. General Reserve Fund)	(707,878)	(1,324,878)	(1,538,950)
Contributions to General Fund Balance	0	283,810	0
Contributions from General Fund Balance	0	(142,800)	(298,700)
Net Expenditure / Budget Requirement	10,474,536	11,490,802	11,681,544
Funding			
RSG	(1,849,601)	(1,849,601)	(1,367,419)
NNDR	(1,576,877)	(1,576,877)	(1,607,009)
New Homes Bonus	(1,638,635)	(1,638,635)	(2,182,157)
Business Rates Retention	0	(1,007,596)	(1,244,592)
Challenge New Burdens Grants	(16,402)	(16,402)	0
Council Tax Freeze Grant	(57,284)	(57,284)	(57,064)
Non-specific Grants	0	(8,670)	0
Collection Fund (Surplus) / Deficit	(34,174)	(34,174)	(61,675)
Council Tax	(5,301,563)	(5,301,563)	(5,161,628)
(Surplus) / Deficit for Year	0	0	0

Alternative as a result of motion

Appendix A (i)

	2015/16 Proposed Budget		
	£000's	£000's	£000's
	Expenditure	Income	Net
Portfolio's			
Economic Prosperity	1,207,095	(620,500)	586,595
Corporate Services	17,247,434	(13,177,130)	4,070,304
Finance, Assets & Development P	4,150,241	(1,891,999)	2,258,242
Environment & Waste	5,341,370	(1,981,488)	3,359,882
Community Wellbeing	720,090	(81,589)	638,501
Community Safety & Regulatory	1,892,961	(1,719,830)	173,131
Contingency	267,101		267,101
Vat Shelter		0	0
Net Direct Cost of Services	30,826,292	(19,472,536)	11,353,756
Interest Payable	242,773		242,773
Provision for Repayment of External Debt	640,707		640,707
CT Support for Parishes	56,028		56,028
Transfer to Capital		(18,662)	(18,662)
Contributions to Earmarked Reserves (inc. General Reserve Fund)	1,244,592		1,244,592
Contributions from Earmarked Reserves (inc. General Reserve Fund)		(1,538,950)	(1,538,950)
Contributions to General Fund Balance	0		0
Contributions from General Fund Balance		(298,700)	(298,700)
Net Expenditure / Budget Requirement	33,010,392	(21,328,848)	11,681,544
Funding			
RSG		(1,367,419)	(1,367,419)
NNDR		(1,607,009)	(1,607,009)
New Homes Bonus		(2,182,157)	(2,182,157)
Business Rates Retention		(1,244,592)	(1,244,592)
Challenge New Burdens Grants		0	0
Council Tax Freeze Grant		(57,064)	(57,064)
Non-specific Grants		0	0
Collection Fund (Surplus) / Deficit		(61,675)	(61,675)
Council Tax		(5,161,628)	(5,161,628)
(Surplus) / Deficit for Year	33,010,392	(33,010,392)	0

Alternative as a result of motion

Harborough District Council

Appendix D

Balances/Reserves	Balance at 31st March 2015 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31st March 2016 £'000
	Estimated			Estimated
General Fund Balance	1,663	(299)		1,364
Earmarked Reserves				
Elections Reserve	120	(72)		48
Asset Management Reserve	160			160
Local Development Framework	228			228
Organisational Capacity Reserve	170			170
Business Support Reserve	0			0
Harborough Innovation Centre	0			0
Special Expenses Reserve	0			0
Training and Development Reserve	46			46
Transformation Reserve	0			0
Developer Commuted Contributions	332	(45)		287
Asset Acquisition and Dev. Reserve	0			0
NHB Reserve Tranche 1	508	(248)		260
NHB Reserve Tranche 2	52	(52)		0
NHB Reserve Tranche 3	0			0
Broadband Reserve	0			0
Revenues & Benefits	56			56
VAT Shelter	346	(250)		96
Individual Electoral Registration	10			10
Publication of datasets project	7			7
Business Rate Growth Reserve	1,661	(630)	1,245	2,276
Total of Earmarked Reserves	3,696	(1,297)	1,245	3,644
General Reserve Fund	1,488	(242)		1,246
Total of Revenue Reserves	6,847	(1,838)	1,245	6,254
Capital Reserves				
Capital Receipts Reserve	898			898
Receipts in Advance Unapplied	27			27
Total of Capital Reserves	925	0	0	925
Grand Total (Revenue & Capital)	7,772	(1,838)	1,245	7,179

