

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
10 June 2014

Subject: FINANCIAL STRATEGY 2014/15 TO 2023/24 (REVISED)

All Wards
Portfolio Holder for Economic Development and Finance: Councillor Peter Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 The Financial Strategy 2014/15 to 2023/24 was originally approved by Council in December 2013. However, there have been a number of significant changes in terms of both projected expenditure and income streams that have resulted in a requirement to refresh the Strategy.
- 1.2 The key issues that have impacted upon the Financial Strategy resulting in this revision are summarised below:
 - Increased Business Rate income from the Council's pooling arrangements.
 - Additional grant funding from Central Government to compensate the Council for the national extension of the Small Business Rate Relief Scheme.
 - Anticipated savings resulting from the corporate restructure.
- 1.3 In addition to seeking approval for a revised Financial Strategy 2014/15 to 2023/24, the report also seeks approval to fund the costs associated from the corporate restructure from the One-Off Fund and the establishment of a £5,000,000 Economic Development Reserve. The detailed Financial Strategy in Annex 'A' of this report demonstrates the affordability of both of these recommendations.

2.0 BUSINESS RATE INCOME

- 2.1 In setting the Council's budget for 2014/15 the Council agreed to enter into a pooling arrangement for business rates with North Yorkshire County Council and all of the other District Councils in North Yorkshire, with the exception of Harrogate Borough Council and Selby District Council. The financial benefit to the Council of this relationship is approximately £150,000 per year.

3.0 CENTRAL GOVERNMENT FUNDING

- 3.1 In the Autumn Statement the Chancellor announced an extension of the Small Business Rate Relief Scheme which gives a discount of up to £1,000 per small business. At the time of setting the Financial Strategy it was envisaged that the Council would be required to fund this scheme at an estimated cost of £200,000. However, in the final grant settlement announced in February 2014 the Council will receive an ongoing grant to fully offset the cost of this scheme.

4.0 CORPORATE RESTRUCTURE:

- 4.1 The corporate restructure has exceeded the financial savings target set by the Leader by £11,000, with an ongoing annual saving of £511,000. The costs associated with this for both redundancy payments and pension contributions amount to £918,000. This equates to a payback period of 1.8 years and represents excellent value for money; Council policy in respect of payback period allows up to 5 years.
- 4.2 Council has already approved funding for the restructure of the Senior Management Team of £528,800. An additional £389,200 will be required to be allocated from the One-off Fund to fund the cost of the entire restructure. Presently it is envisaged that the full cost of the restructure can be paid for from an underspend against the revenue budget in 2013/14.

5.0 REVISED FINANCIAL STRATEGY:

- 5.1 The detailed Financial Strategy is presented in Annex 'A'. However, the overall impact of these changes is to increase the reserves of the Council over the 10 years of the Strategy by £5,262,921.
- 5.2 A key strategic priority for the Council is economic development and increasing business within the District. It is therefore proposed to use this additional resource to establish a £5,000,000 Economic Development Fund.

6.0 LINK TO CORPORATE PRIORITIES:

- 6.1 A robust Financial Strategy can assist with the Council's priorities of reducing costs and improving the productivity of services.

7.0 RISK ASSESMENT:

- 7.1 There are no risks associated with approving these recommendations.

8.0 RECOMMENDATIONS:

- 8.1 It is recommended that Cabinet recommend to Council approval of:-
- (1) the revised Financial Strategy 2014/15 to 2023/24;
 - (2) the funding of costs associated with the Corporate Restructure from the One-off Fund, with the allocation of an additional £389,200.
 - (3) the establishment of a £5,000,000 Economic Development Fund.

JUSTIN IVES

Background papers: Financial Strategy 2014/15 to 2023/24 Cabinet Report November 2013 - Item1.

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FINANCIAL STRATEGYASSUMPTIONS

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
<u>Inflation</u>										
Council Tax base	1.10	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Government support	-11.00	-10.00	-6.00	-5.00	-5.00	-5.00	0.00	0.00	0.00	0.00
Interest rates	0.25	0.50	0.75	1.50	1.50	2.00	2.00	2.00	2.00	2.00
Budget increase	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
<u>Council tax</u>										
Retained business rate increase above RPI	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Council tax increase	0.00	0.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Council Tax per household	89.48	89.48	91.72	94.01	96.36	98.77	101.24	103.77	106.36	109.02
Number of band D properties	34,021	34,225	34,430	34,637	34,845	35,054	35,264	35,476	35,689	35,903
Increase in Band D Properties	579	204	205	207	208	209	210	212	213	214
<u>Government Support</u>										
Retained Business Rates - Additional	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Retained Business Rates - S31 grant	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Retained Business Rates	1,859,240	1,910,557	1,955,900	1,995,100	2,042,383	2,075,700	2,117,200	2,159,500	2,202,700	2,202,700
New RSG	2,185,623	1,512,196	1,267,300	1,044,400	1,000,000	516,400	474,900	432,700	389,400	389,400
Council Tax	3,044,199	3,062,464	3,157,860	3,256,227	3,357,659	3,462,250	3,570,099	3,681,308	3,795,980	3,914,225
	7,589,062	6,985,217	6,881,060	6,795,727	7,900,042	6,554,350	6,662,199	6,773,508	6,888,080	7,006,325

REVENUE BUDGET and COUNCIL TAX

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
NET REVENUE BUDGET	7,237,347	7,344,080	7,567,682	7,606,874	7,647,046	7,838,222	8,034,178	8,235,032	8,440,908	8,651,931

FINANCED BY :

External support	4,544,863	3,922,753	3,723,200	3,539,500	4,542,383	3,092,100	3,092,100	3,092,200	3,092,100	3,092,100
Council tax	3,044,199	3,062,464	3,157,860	3,256,227	3,357,659	3,462,250	3,570,099	3,681,308	3,795,980	3,914,225
Contribution (to)/from Council Taxpayer Reserve	(351,716)	358,863	686,622	811,147	(252,996)	1,283,872	1,371,979	1,461,525	1,552,828	1,645,606
	7,237,347	7,344,080	7,567,682	7,606,874	7,647,046	7,838,222	8,034,178	8,235,032	8,440,908	8,651,931

STATEMENT of RESERVES

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Council Taxpayer										
Opening balance	7,717,794	4,182,844	5,231,532	6,247,184	5,216,428	7,160,372	7,656,863	7,043,579	6,319,226	6,477,011
Add : New homes bonus	1,063,116	1,307,861	1,556,093	1,490,593	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Add : Interest on balances	50,218	99,690	146,181	289,798	290,948	380,364	358,694	337,172	310,612	280,731
	8,831,128	5,590,395	6,933,806	8,027,575	6,907,376	8,940,736	9,415,557	8,780,751	8,029,838	8,157,742
Less: Transfers to support Council Tax	(351,716)	358,863	686,622	811,147	(252,996)	1,283,872	1,371,979	1,461,525	1,552,828	1,645,606
Less: Transfers to One Off Fund	0	0	0	0	0	0	0	0	0	0
Less: Transfers to R&M Fund	0	0	0	1,000,000	0	0	0	1,000,000	0	0

Less: Transfers to Computer Fund
 Less: Transfers to Grants Fund
 Less: Transfers to Economic Development Fund

0	0	0	1,000,000	0	0	1,000,000	0	0	0
5,000,000	0	0	0	0	0	0	0	0	0
4,182,844	5,231,532	6,247,184	5,216,428	7,160,372	7,656,863	7,043,579	6,319,226	6,477,011	6,512,136

Repairs and Renewals Fund
 Opening balance
 Add: Transfers from Taxpayers Reserve

3,790,596	3,279,246	2,733,287	2,200,455	2,647,476	2,107,073	1,510,980	946,844	1,346,425	757,396
0	0	0	1,000,000	0	0	0	1,000,000	0	0

Less: Repairs
 Less: Renewals - Housing and Planning
 Less: Renewals - Leisure
 Less: Renewals - Corporate

3,790,596	3,279,246	2,733,287	3,200,455	2,647,476	2,107,073	1,510,980	1,946,844	1,346,425	757,396
424,350	434,959	445,833	456,979	468,403	480,113	492,116	504,419	517,029	529,955
36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
0	24,000	0	24,000	0	44,000	0	24,000	0	0
51,000	51,000	51,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
3,279,246	2,733,287	2,200,455	2,647,476	2,107,073	1,510,980	946,844	1,346,425	757,396	155,441

Computer Fund
 Opening balance
 Add: Transfers from Council Taxpayers Reserve

1,698,000	1,223,000	923,000	623,000	1,323,000	1,023,000	723,000	1,423,000	1,223,000	1,023,000
0	0	0	1,000,000	0	0	1,000,000	0	0	0
1,698,000	1,223,000	923,000	1,623,000	1,323,000	1,023,000	1,723,000	1,423,000	1,223,000	1,023,000
475,000	300,000	300,000	300,000	300,000	300,000	300,000	200,000	200,000	200,000
1,223,000	923,000	623,000	1,323,000	1,023,000	723,000	1,423,000	1,223,000	1,023,000	823,000

Grants Fund
 Opening balance
 Add: Transfers from Council Taxpayers Reserve

520,508	420,508	320,508	220,508	120,508	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
520,508	420,508	320,508	220,508	120,508	0	0	0	0	0
100,000	100,000	100,000	100,000	120,508	0	0	0	0	0
420,508	320,508	220,508	120,508	0	0	0	0	0	0

Economic Development Fund
 Opening balance
 Add: Transfers
 Less :Payments

0	4,500,000	4,000,000	3,500,000	3,000,000	2,500,000	2,000,000	1,500,000	1,000,000	500,000
5,000,000	0	0	0	0	0	0	0	0	0
5,000,000	4,500,000	4,000,000	3,500,000	3,000,000	2,500,000	2,000,000	1,500,000	1,000,000	500,000
500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
4,500,000	4,000,000	3,500,000	3,000,000	2,500,000	2,000,000	1,500,000	1,000,000	500,000	0

One Off Fund
 Opening balance
 Add: Transfers
 Less : Payments in year

2,092,419	1,392,772	1,252,772	1,252,772	1,252,772	1,252,772	1,112,772	1,112,772	1,112,772	1,112,772
0	0	0	0	0	0	0	0	0	0
2,092,419	1,392,772	1,252,772	1,252,772	1,252,772	1,252,772	1,112,772	1,112,772	1,112,772	1,112,772
699,647	140,000	0	0	0	140,000	0	0	0	140,000
1,392,772	1,252,772	1,252,772	1,252,772	1,252,772	1,112,772	1,112,772	1,112,772	1,112,772	972,772

General Fund Working Balance

2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
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2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2022/24
3,492,804	3,330,804	3,085,804	3,390,804	3,644,804	3,544,804	3,444,804	3,394,804	3,294,804	2,894,804

Resources brought forward
PLUS : New Receipts
 Sale of land - Leaming Bar
 Sale of Assets
 Grants

658,000	355,000	355,000	354,000	0	0	0	0	0	0
100,000	250,000	150,000	0	0	0	0	0	0	0
100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
858,000	705,000	605,000	454,000	100,000	100,000	100,000	100,000	100,000	100,000

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2022/24
LESS : Capital Expenditure	1,020,000	950,000	300,000	200,000	200,000	200,000	150,000	200,000	500,000	150,000
Total resources available	3,330,804	3,085,804	3,390,804	3,644,804	3,544,804	3,444,804	3,394,804	3,294,804	2,894,804	2,844,804
Revenue reserves										
Council taxpayers	4,182,844	5,231,532	6,247,184	5,216,428	7,160,372	7,656,863	7,043,579	6,319,226	6,477,011	6,512,136
Repairs and Renewals Fund	3,279,246	2,733,287	2,200,455	2,647,476	2,107,073	1,510,960	946,844	1,346,425	757,396	155,441
Computer Fund	1,223,000	923,000	623,000	1,323,000	1,023,000	723,000	1,423,000	1,223,000	1,023,000	823,000
Grants Fund	420,508	320,508	220,508	120,508	0	0	0	0	0	0
One Off Fund	1,392,772	1,252,772	1,252,772	1,252,772	1,252,772	1,112,772	1,112,772	1,112,772	1,112,772	972,772
	14,998,370	14,461,099	14,043,919	13,560,184	14,043,217	13,003,595	12,026,195	11,001,424	9,870,179	8,463,349
Capital Receipts										
Resources available	3,330,804	3,085,804	3,390,804	3,644,804	3,544,804	3,444,804	3,394,804	3,294,804	2,894,804	2,844,804
	3,330,804	3,085,804	3,390,804	3,644,804	3,544,804	3,444,804	3,394,804	3,294,804	2,894,804	2,844,804
General Fund Working Balance										
	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Balances	20,329,174	19,546,903	19,434,723	19,204,988	19,588,021	18,448,399	17,420,989	16,296,228	14,764,983	13,308,153