

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
13 December 2011

Subject: FINANCIAL STRATEGY 2012-2022

**All Wards
Scrutiny Committees
Cabinet Member for Corporate Management: Councillor R Kirk**

1.0 PURPOSE AND BACKGROUND:

- 1.1 This report proposes a financial strategy for the next 10 years commencing in 2012/13.
- 1.2 A proposed strategy is contained in Annex 1 and commentary on the key points within the strategy in Annex 2.
- 1.3 The substantial reduction in Government Grants announced as part of the comprehensive spending review resulted in the Council facing a budget reduction of £2,150,000. Through a combination of shared service savings, efficiency measures, community asset transfers and spending reductions in some service areas this target has been reached.
- 1.4 As the budget is now balanced a financial strategy needs to be considered that takes into account investment of the Council's reserves over the long term yet retains sufficient flexibility to cope with further "shocks" which may occur as a result of the transfer of Council Tax benefits, the transfer of business rates or maybe further cuts to local government expenditure if the Government fails to hit its own savings target.
- 1.5 The strategy assumes an increase in Council Tax of 2.5% for 2012/13. It is appreciated that the Government are offering 1 years funding for Councils that effectively freeze their Council Tax. However, it is felt that this decision needs to be made as part of the budget setting process and the consequences considered at that time.
- 1.6 Overall the revised strategy suggests a sound financial position for the Council moving forward although further reductions in Government Grants could compromise that position.

2.0 DECISION SOUGHT:

- 2.1 Members are asked to agree the financial strategy at Annex 1.

3.0 RISK MANAGEMENT:

- 3.1 There are no significant risks in agreeing or not the recommendation. However, the long term financial planning has served the Council well over the last decade and to remove it would make long term planning less robust.

4.0 RECOMMENDATION:

- 4.1 It is recommended that the financial strategy in Annex 1 is approved.

PHILLIP MORTON

Background papers: None
Author ref: PM
Contact: Phillip Morton
Deputy Chief Executive
Direct Line No: 767022

ANNEX 1

FINANCIAL STRATEGYASSUMPTIONS

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<u>Inflation</u>										
Council Tax base	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Government support	-10.30	-0.90	-5.60	1.00	1.00	2.00	2.00	2.00	2.00	2.00
Interest rates	1.50	1.50	2.50	3.50	4.50	4.50	4.50	4.50	4.50	4.50
Budget increase	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<u>Income</u>										
Government grant	4,149,898	4,112,617	3,860,608	3,899,214	3,938,206	4,016,970	4,097,310	4,179,256	4,262,841	4,348,098
Council tax reduction grant	80,798	80,798	80,798	80,798	80,798	80,798	80,798	80,798	80,798	80,798
Council Tax	3,337,572	3,446,792	3,559,459	3,675,808	3,795,961	3,920,042	4,048,178	4,180,503	4,317,153	4,458,270
	7,568,268	7,640,207	7,500,865	7,575,022	7,734,168	7,937,012	8,145,488	8,359,759	8,579,994	8,806,368
<u>Council tax</u>										
Council tax increase	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Council Tax per household	91.72	94.01	96.36	98.77	101.24	103.77	106.37	109.03	111.75	114.55
Number of band D properties	36,390	36,663	36,938	37,215	37,494	37,775	38,059	38,344	38,632	38,921

REVENUE BUDGET and COUNCIL TAX

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operational budget	7,995,793	8,155,709	8,318,823	8,485,199	8,654,903	8,828,002	9,004,562	9,184,653	9,368,346	9,555,713
	7,995,793	8,155,709	8,318,823	8,485,199	8,654,903	8,828,002	9,004,562	9,184,653	9,368,346	9,555,713
Less :										
Savings needed to balance the budget	0	0	0	0	0	0	0	0	0	0
NET REVENUE BUDGET	7,995,793	8,155,709	8,318,823	8,485,199	8,654,903	8,828,002	9,004,562	9,184,653	9,368,346	9,555,713

FINANCED BY :

External support	4,230,696	4,193,415	3,941,406	3,899,214	3,938,206	4,016,970	4,097,310	4,179,256	4,262,841	4,348,088
Council tax	3,337,572	3,446,792	3,559,459	3,675,808	3,795,961	3,920,042	4,048,178	4,180,503	4,317,153	4,458,270
Contribution from Council Taxpayer Reserve	427,525	515,502	817,958	910,177	920,736	890,989	859,074	824,894	788,352	749,345
	7,995,793	8,155,709	8,318,823	8,485,199	8,654,903	8,828,002	9,004,562	9,184,653	9,368,346	9,555,713

CAPITAL PROGRAMME

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Resources brought forward	4,277,005	3,402,005	3,506,005	2,986,005	2,620,005	2,357,005	2,081,005	1,784,005	1,415,005	1,148,005
PLUS : New Receipts										
Broadacres receipts	50,000									
Sale of land	700,000	573,000	0	0	0	0	0	0	0	0
Sale of Assets	460,000	0	0	0	0	0	0	0	0	0
Section 106 agreements	0	0	0	0	0	0	0	0	0	0
Grants	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
	1,310,000	673,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
LESS : Capital Expenditure										
Places	0	0	0	0	0	0	0	0	0	0
Health	122,000	33,000	142,000	24,000	0	24,000	0	44,000	0	0
People and Sustainable communities	1,666,000	51,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Safety	36,000	36,000	36,000	36,000	36,000	36,000	36,000	86,000	36,000	36,000
Prosperity	210,000	205,000	195,000	195,000	195,000	177,000	180,000	170,000	150,000	150,000
Excellent Council	151,000	244,000	211,000	175,000	96,000	103,000	145,000	133,000	145,000	145,000
Roll forward's from 2010/11										
	2,185,000	569,000	620,000	466,000	363,000	376,000	397,000	469,000	367,000	367,000
Total resources available	3,402,005	3,506,005	2,986,005	2,620,005	2,357,005	2,081,005	1,784,005	1,415,005	1,148,005	881,005

BALANCES - SUMMARY

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<u>Revenue reserves</u>										
Council taxpayers	7,566,879	7,354,119	7,022,098	6,757,421	6,633,799	6,514,938	6,403,706	6,298,398	6,202,814	6,124,459
Capital Fund	4,832,774	4,832,774	4,832,774	4,832,774	4,832,774	4,832,774	4,832,774	4,832,774	4,832,774	4,832,774
Grants	282,506	159,186	35,866	35,866	35,866	35,866	35,866	35,866	35,866	35,866
Cyclical payments	831,612	791,612	748,412	608,312	497,312	459,312	401,012	266,012	226,012	186,012
New homes bonus	0	0	0	0	0	0	0	0	0	0
Service Improvement	1,453,081	1,353,081	1,253,081	1,153,081	1,063,081	973,081	883,081	793,081	703,081	613,081
	14,966,852	14,490,772	13,892,231	13,387,454	13,062,832	12,815,971	12,556,439	12,226,131	12,000,547	11,792,192
<u>Capital Receipts</u>										
Resources available	3,402,005	3,506,005	2,986,005	2,620,005	2,357,005	2,081,005	1,784,005	1,415,005	1,148,005	881,005
	3,402,005	3,506,005	2,986,005	2,620,005	2,357,005	2,081,005	1,784,005	1,415,005	1,148,005	881,005
<u>General Fund Working Balance</u>										
	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	20,368,857	19,996,777	18,878,236	18,007,459	17,419,837	16,896,976	16,340,444	15,841,136	15,148,552	14,673,197

FINANCIAL STRATEGY- KEY POINTS

ASSUMPTIONS

These are the assumptions underpinning the Financial Strategy. Included is an expectation that the Council will suffer further reductions in grant in 2013 – 2015. This is because within the finance settlement the Council received approximately £300,000 in additional grant to ensure the losses were not 'too severe'. This grant is part of an equalisation system and therefore it will be removed from future grant distribution.

OPERATIONAL BUDGET

The significant savings made by the Council has enabled a balanced budget to be set without the need for any future savings. However, the continued state of the national economy suggests that further savings may be required in the future.

STATEMENT OF RESERVES

The Council has a number of reserves which are allocated for specific purposes. All reserves currently have sufficient balances in particular the Council taxpayers reserve has enough funds to continue to support Council Tax into the future. However, a further significant reduction in Government Grant or a level of Council Tax below the 2.5% anticipated could change the picture significantly.

The Capital Fund has a balance of £4.833m and the intention is to add to this fund when opportunities arise. By taking this action now it will be possible to extend the debt free period the Council currently enjoys.

A new reserve has been created called the new homes bonus reserve. This will enable transparency in the amount of new homes bonus received each year and the amounts spent on community projects.

CAPITAL PROGRAMME

The Capital Programme has been revised to include only statutory and business critical schemes. The result is that the programme is fully funded from available and expected capital receipts.

BALANCES SUMMARY

The Council has healthy balances and it is expected these will remain at around £15m in 10 years time, leaving future Councils in a relatively strong financial position subject to the assumptions proving correct and in particular no further significant loss of Government Grant.