

**STATEMENT BY  
FINANCE PORTFOLIO HOLDER  
ON COUNCIL TAX ESTIMATES 2015/2016**

COUNCIL MEETING – 12 FEBRUARY 2015

**THE CURRENT YEAR FINANCIAL STATEMENT**

At the commencement of this financial year (2014/15) it was anticipated that the available reserves for general fund activities at 1 April 2015 would be £5.5million. This included a balance in the general fund of £2million to cushion against unexpected increases in costs and reductions in revenues (financial risks). As at the end of January (month 10), the total available reserves is now estimated to be £6.8million, an increase of £1.3million. This is in large part due to a number of favourable variances reported during the year (£1.2million) and is also in part due to the request to carry budgets forward into 2015/16 and delay the spending on projects (£137k). As a result the general fund balance has been at a level greater than the budgeted minimum, approved by Members at the time of setting the 2014/15 budget.

At the end of November, the revised estimate of net expenditure chargeable to the General Fund for the current year equals the original budget of £15.6million.

All the various funds and other earmarked reserves held in the General Fund are estimated to total £9.6million at 31 March 2015 and comprise of the general fund of £5million and other earmarked reserves of £4.6million. The detail of the earmarked reserves can be found in Table 6 of the budget report.

The total amount of available reserves has been increased in a planned way over recent years in order to cushion against the future funding uncertainties. The special reserve has continued to be maintained to help ensure there are sufficient funds available to help fund “invest to save” investment that might be required to achieve longer term efficiencies.

**CAPITAL ACCOUNTS**

The Council's Capital Financing Requirement (CFR) is estimated to be a negative £20million at 31 March 2015. This is a reduction of over £3million on the position at 31 March 2014 because set aside receipts have been used to fund the capital programme. The CFR denotes the Council's underlying need to borrow for capital purposes.

When the Council disposes of assets, the proceeds must be earmarked in the Useable Capital Receipts Reserve for spend on capital purposes only. At the 31 March 2015 the Council is estimated to have a balance of just over £4million in this reserve for capital purposes.

**GENERAL FUND ESTIMATES 2015/2016**

This financial year again reflects the principles of priority-led budgeting. This approach seeks to ensure that policy drives financial planning and gives members choices on their budget priorities.

The Corporate Business Planning process for 2015/16 began early in the year, due to the extent of the efficiencies required to balance the budget over the longer term and the uncertainty over the government funding arrangements. The financial strategy highlighted those key areas of strategic, statutory and inflationary spending where the Council has made a positive decision to meet both Government and customer expectations and indicated that to maintain a reasonable use of reserves the Council would need to find on-going efficiencies of around £1.7million over the period 2015/16 to 2019/20. The consultation process included discussion at members’ workshops and seeking the views of the business ratepayers. The budget proposal includes the results of the consultation exercises and is based on the Council’s priorities to include the following: -

- The Budget is based on financing activity that supports the Council’s priorities
- In-built contractual inflation based on the relevant indices e.g. RPI or RPIX
- Contractual Pay increase and 2.2% Pay Award
- For investment income an average rate of 1% on new long term deals and 0.4% on short term deals.
- Standstill budget for all other items i.e. no general inflation
- A 2% (November RPI) increase on discretionary fees and charges income
- Government support in 2015/16 totaling £6.7million, a reduction of 11% on the current year
- Efficiency proposals totaling £403k.
- Income generation proposals totaling £38k.
- Investment or growth in expenditure of £404k.

The following is a list of the key growth and pressures on the Council’s budgets with an indication of the effect on the Council Tax:

	<b>£’000</b>	<b>Increase in Council Tax</b>
Contract Inflation	232	2%
Contract Pay Inflation	187	2%
Downward trend in interest from investments	140	1%
Reduction in Housing Benefit and Council Tax Administration Grant	87	1%
Investment and growth in priorities	404	4%
<b>Total Growth</b>	<b>1,050</b>	<b>10%</b>

Without significant efficiency gains in the base budget and savings identified by officers I would be looking for the council taxpayer to fund that level of increase, 10%, which would have resulted in a referendum.

The five year financial strategy outlined the additional costs falling on the General Fund in future years as a result of inflation and growth and outlined a strategy to deal with these increases. This will be done by continuing to scrutinise all budgets and using the Corporate Board to investigate other means of reducing net expenditure. This year the

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Financial Strategy also made further explicit proposals to continue investigating opportunities to further:

- generate income from services and assets
- explore new income generation opportunities and
- perhaps use capital funds to acquire land and property for development and/or investment purposes with such land used for economic, commercial and business development, or other income generation purposes.

By planning for the medium to longer term, consideration can be given to projects which may require initial investment before delivering benefits. These include more work on the council's future office accommodation needs, alternate car-parking policies, work to deliver more of our services electronically where that is more cost effective, new income generation opportunities and the work on sharing services with other authorities.

A major issue to be taken into account in setting the budget for 2015/16 is, as always, the Local Government Finance Settlement. The provisional announcement made on 18 December 2014 resulted in a settlement funding assessment totalling £4.361million, considerably less than the amount of £5.162million received for 2014/15. The final settlement announcement on the 3 February confirmed this level of funding. New Homes Bonus is also now a key element of the Council's funding. In 2015/16 the Council will receive a total of £2.393million for the scheme. Together with the settlement funding assessment this means that in total the reduction in Government funding from 2014/15 to 2015/16 is £867k or 11.4%. Currently, we have no information on the scale of funding reductions for 2016/17 onwards and so our initial planning assumption is taken from previous Government announcements, recent commentaries and discussions from local government experts.

The estimates have been prepared in line with the Council's management structure and the proposed budget estimates are provided in your papers tonight. The general fund summary outlines the total budget for each Directorate that make up the proposed budget of £16.060million.

### **CAPITAL PROGRAMME**

Total capital expenditure requested by the Senior Management Team for 2015/16 amounts to £11.3million. Total capital expenditure requested for the period 2015/16 to 2018/19 amounts to £20.5million.

The Cabinet at their meeting on 27 January 2015 considered the requests of the Senior Management Team and resolved to recommend approval of the programme subject to adequate resources being available. The budget allocations for each capital scheme will be provided in the budget book together with the anticipated funding arrangements.

### **BUSINESS RATES**

As of the 1 April 2013, 50% of the collectible Business Rates is retained by Local Government with the remaining 50% paid to central government. We then pass 20% of the retained 50% to the County Council and then, as a tariff authority pay 83.75% to Central Government to reflect the fact that our income from Business rates is higher than our assessed need. This means that for every £1 collected in Business rates, NHDC keeps 6.5p. The Business Rate, or National Non-Domestic Rate (NNDR) multiplier, is set annually by the Government. These rates are the means by which local businesses contribute to the cost of providing local authority services. The multiplier had increased

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year on year by RPI but for 2015/16, Government has capped the increase again at 2% and has introduced a range of other measures designed to help small business.

A new rating list came into force on 1 April 2010. For the year 2015/2016, there are two multipliers, the standard non-domestic multiplier of 49.3p and the small business non-domestic multiplier of 48p. The smaller multiplier will apply to any property with a rateable value of less than £18k. Further details of the Business Rates scheme were provided in the report to the Council Tax Setting Committee on the 13 January 2015. Government has indicated that Local Authorities will receive a section 31 grant to compensate for the loss of income from the various measures announced to assist businesses.

For 2015/16 the Council has entered into a business rate pooling arrangement with Hertfordshire County Council and four other Districts and as a result will benefit from a lower levy on any growth above the baseline.

As in previous years, and in accordance with the Local Government Finance Act 1992, I arranged a consultation meeting with representatives of Industry and Commerce on 21 January 2015.

### **DISTRICT COUNCIL REQUIREMENTS 2015/2016**

The budget proposals were put together after taking into consideration the comments and recommendations from the various consultation meetings and reflecting on the priorities of the Council.

The overall estimates considered by the Cabinet at its meeting on 27 January 2015, indicate a net expenditure for the Council's own requirements of £16.060million. This is £424,000 more than the 2014/15 original projected net expenditure and reflects the growth and pressures mentioned earlier.

An assessment of the risks faced in the coming year has identified items where the financial impact is not wholly known and prudence would therefore indicate the need to set the General Fund balance substantially higher than the minimum. The full list of all the identified financial risks is attached to the budget report as an appendix.

Although the total assessment of risk is around £5.7million, the level of risk varies from high/medium to low. Taking a proportion of the risk into account would mean it would be prudent to increase balances by £873,000 above the minimum level. As required by the Local Government Act 2003, the Strategic Director of Finance, Policy & Governance, as Chief Finance Officer, must give an assurance on the robustness of the estimates and the adequacy of reserves allowed for in the budget. The Strategic Director advises that a General Fund minimum balance in the region of £1.673million for 2015/16 is necessary.

As mentioned previously, the proposed efficiencies total £441,000 in 2015/16 but it is important to remember at this stage that there remain significant funding uncertainties for the future and the Council is likely to need to find further efficiencies over the coming four years. The Council will continue to seek alternative means of working in order to bridge the budget gap.

Any major change to the way services are delivered is likely to require a lead-in time to fully implement and similarly any reduction in service is likely to need a phased approach. As such, it is clear that this Corporate Business Planning process must continue to establish the agenda for the next four years.

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As part of the Council's financial management strategy to manage budget movements over the five year period, it is proposed to increase general fund reserves in 2015/16 and maintain the special reserve in order to have funds available for any specific financial pressures such as pump priming for invest to save and initiatives for shared services, to cover any one-off redundancy costs of restructures, changing working practices, major contract renewals, unexpected contract variations and other financial pressures.

We should not forget that the Council has already taken action to reconfigure services through outsourcing, centralising and restructuring. Over £2million has been taken from the staff establishment since 2009/10. We have also made a significant amount of investment in the Council's assets to ensure we continue to provide good value for money in the delivery of our services. The purchase of the District Council Offices and the new facilities at Hitchin Swimming Centre being good examples.

Cabinet recommend that a 1.9% increase on the Council Tax (average band D of £208.01) be levied upon the Collection Fund for 2015/16, a precept of £9,853,746. In order to achieve this Cabinet is therefore recommending that a budget of £16.060million and a minimum General Fund balance at 31 March 2016 in the region of £1.673million be maintained.

This represents an increase of £3.88 (or 7 pence per week) to a Band D Council Tax payer. The 1.9% increase can be demonstrated as follows: -

### DISTRICT COUNCIL TAX AT BAND D

		Change from 2014/2015
	£	%
<b>NHDC Budget</b>	<u>339.04</u>	0
Add:-		
Contribution to reserves	<u>12.81</u>	-35
Less:-		
Government Grant & Business Rates	93.32	-17
<u>New Homes Bonus</u>	<u>50.52</u>	<u>+17</u>
<b>NHDC (All Areas)</b>	<u>208.01</u>	+1.9

The Council Tax requirement for the Council's own purposes (excluding Parish precepts) is £9,853,746. Parish Precepts, as listed in the addendum report tonight, total £966,052. Therefore, the total Council Tax requirement including Parish Precepts is £10,819,798.

The Hertfordshire Police and Crime Commissioner will give formal notification of their Precept requirement on Tuesday 17 February and Hertfordshire County Council will give formal notification of their Precept requirement on Wednesday 25 February 2015. This has forced us to delay our formal Council Tax Resolution until 26 February 2015.

Finally I would like to thank all the officers across the Council, for their hard work and commitment in producing the budget information under such continued difficult financial circumstances.

**As Presented by COUNCILLOR Terry Hone.**  
***Finance Portfolio Holder***