

REPORT OF THE
Cabinet
PART I

**54. REVENUE BUDGET AND PRECEPT 2014/15 AND CAPITAL PROGRAMME
2014/15 – 2016/17**

Introduction

1. The Cabinet considered the proposed Revenue Budget and Precept for 2014/15 and the Capital Programme for 2014/15 to 2016/17 at its meeting on 7 February 2014.
2. The main purpose of this report is to explain any changes that have been necessary since the reports were approved at Cabinet and to set out the formal recommendations for full Council in considering the budget, council tax and capital programme for 2014/15 and beyond.
3. At the time of publication of this report, not all details relating to the final local government settlement had been formally approved and therefore the delegated authority given to the Director of Corporate Resources in consultation with the Chief Executive and the Leader of the Council remains in force and may require amendments to the final figures to be made in advance of the County Council meeting. If required these changes will be issued as an addendum to this Part 1 report.

A. REVENUE BUDGET AND PRECEPT 2014/15

4. The revenue report that was presented to Cabinet on 7 February 2014 is attached as Annex A to this Part 1 report. The main changes that have been made to the figures presented at Cabinet are:
 - The one off addition of £200,000 met from the Corporate Policy Reserve for the Have Your Say budget in 2014/15, approved at the Cabinet meeting.
 - The removal of the proposal to reduce the level of Members devolved budgets from April 2015 (page 63 item 9 of Annex A) as approved at the Cabinet meeting.
 - Additional grant income that we will receive to compensate for the lost business rate income following the Government's cap on the annual increase. This has been added to contingencies for the time being and has been used to increase the contingency provision for 2014/15 for any increases in social care costs above the levels currently forecast. Longer term, this funding can be used to help fund the base budget adjustment for social care costs that will be required to Children's Services budget from 2015/16 as explained in the financial update report presented to Cabinet in December 2013.

- Changes to final Revenue Support Grant levels notified by the Government
 - Changes to Business Rate figures provided by District Councils that show a significant increase in the deficit expected for 2013/14 which is almost entirely offset by an increase in the expected level of Business Rates income for 2014/15.
 - A minor change to the council tax base figures provided by District Councils and a slight increase in the council tax collection fund surplus for 2013/14.
5. The first three items above have no net bottom line impact on the revenue budget for 2014/15. The other changes relating to Revenue Support Grant and figures provided by District Councils have the impact of reducing the required draw from balances by £194,000 for 2014/15.
6. No updates to figures have been made within the Cabinet report as set out at Annex A as a result of these changes, but where they impact on the detailed figures presented for approval, new summaries have been provided as part of this Part 1 report. This report also includes further appendices that are presented to County Council each year setting out the final information on Departmental budgets and the allocation of central support service charges.
7. Cabinet have recommended the following to the County Council.

RECOMMENDATIONS

That the County Council approve:

- (a) The Chief Financial Officer's report under Section 25 of the Local Government Act 2003 and that it be taken into account when the Council determines the budget and precept for 2014/15 (Appendix 12 of Annex A).
- (b) The Revised Budget for 2013/14 set out in Appendix 1 of Annex A and Annex 1 to this Part 1 report
- (c) The Revenue Budget for 2014/15 as set out in Appendix 8 to Annex A and Annexes 2 to 4 of this Part 1 report.
- (d) The provisional cash limits for 2015/16 set out in paragraph 11.6 of Annex A
- (e) The capital investment proposals set out in Appendix 13 of Annex A.
- (f) The total **budget requirement** for the general expenses of the County Council for the year beginning 1 April 2014, be £748,212,031.00.
- (g) The **council tax requirement** for the County Council for the year beginning 1 April 2014, be £497,037,888.21.
- (h) The County Council's band D council tax for the year beginning 1 April 2014 be £1,037.88 as in 2013/14

- (i) The County Council's council tax for the year beginning 1 April 2014 for properties in each tax band be :

	£
Band A	691.92
Band B	807.24
Band C	922.56
Band D	1,037.88
Band E	1,268.52
Band F	1,499.16
Band G	1,729.80
Band H	2,075.76

- (j) Precepts be issued totalling £497,037,888.21 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authorities area as determined by them and as set out below:

Basingstoke and Deane	60,797.30
East Hampshire	46,802.77
Eastleigh	41,934.45
Fareham	40,974.40
Gosport	24,794.10
Hart	37,544.47
Havant	38,002.43
New Forest	68,581.20
Rushmoor	29,540.17
Test Valley	44,164.00
Winchester	45,761.97

- (k) The treasury management and annual investment strategies, prudential and financial health indicators for 2014/15, in accordance with the recommendations in Appendix 14 to Annex A.

B. CAPITAL PROGRAMME 2014/15 TO 2016/17

The Capital Programme report presented to Cabinet on 7 February is attached at Annex B to this Part 1 report. There have been no changes to the report since Cabinet which recommended the following to County Council.

RECOMMENDATIONS

That the County Council approve:

- (a) The provision in the Children's Services capital programme for 2013/14 for new primary and nursery provision at Westgate School, Winchester be increased by £1.2 million, to be funded from within Children's Services capital programme for 2013/14
- (b) The provision in the Children's Services capital programme for 2013/14 for improvements at Stubbington Study Centre be increased by £0.475 million, to be funded from contributions from the Study Centre's own resources
- (c) Provision of £1.070 million be added to the capital programme for 2013/14 for Children's Services' IT programme, known as Transformation IT for Children in Hampshire (TITCH), to be funded by £0.570 million from the Cost of Change Reserve and £0.5 million from within Children's Services capital
- (d) Provision of £1.7 million be added to the Policy and Resources capital programme for 2013/14 for IT Services, to be funded by virement from IT Services' revenue budget
- (e) Provision of £1.032 million be added to the Policy and Resources capital programme for 2013/14 to upgrade the Hampshire Public Services Network (HPSN2), to be funded by prudential borrowing repayable from revenue savings
- (f) Provision of £1.994 million be added to the Policy and Resources capital programme for 2013/14 for a strategic purchase of farm land and further investment to bring the asset up to modern standards, to be funded from the Capital Reserve
- (g) Provision of £0.186 million be added to the Policy and Resources capital programme for 2013/14 for refurbishment of the shower facilities at Calshot Activities Centre, to be funded by virement from the revenue budget
- (h) The capital programme for 2014/15 and the provisional programmes for 2015/16 and 2016/17 as set out in Appendix 3 of Annex B be approved, subject to the conditions set out in section B.3 of the County Council's Financial Procedures on the responsibilities for managing the capital programme and, where appropriate, to the approval of the Executive Member for Policy and Resources to proposals by Executive Members to retain more than a 25% share of capital receipts
- (i) Expenditure on preliminary design and planning work for major transport schemes be permitted when they have achieved a place in the County Council's Local Transport Plan, subject to the cost being met within existing Government allocations

- (j) Authority be given to incur expenditure on land purchases as follows:
- (1) up to the sum specified in respect of sites still required for the schemes included in the capital programme for the period 2014/15 to 2016/17 provided that the relevant scheme has been the subject of a feasibility or design project appraisal approved by the relevant Executive Member
 - (2) up to the amount included in the programmes for 2014/15 to 2016/17 in respect of advance and advantageous land purchases.

Analysis of Revised Service Estimates 2013/14

Service	Cash Limited Expenditure £'000	Support Services and Repair and Maintenance of Buildings £'000	Capital Charges £'000	Other - including IAS19 and Soft Loan £'000	Total 2013/14 Budget £'000
Adult Services	323,344	19,868	2,856	4,372	350,440
Children's Services <i>- Business Units</i>	878,782	16,351	65,354	3,263 372	964,122
Environment <i>- Flood Protection</i> <i>- Net LATS income</i>	112,393	7,580	36,862	1,523 603 -	158,961
Policy and Resources <i>- Business Units</i> <i>- Coroners</i>	132,849	(43,799)	6,724	4,599 (244) 1,331	101,460
Non-distributed Costs				21,329	21,329
Pensions Interest and Return on Assets				18,150	18,150
Soft loan				(10)	(10)
Capital Financing Accounts			(44,660)		(44,660)
Net Service Expenditure	1,447,368	-	67,136	55,288	1,569,792

Revenue Budget 2014/15

	Original Budget 2013/14	Adjustment	Budget 2014/15
	£'000	£'000	£'000
<u>Departmental Expenditure</u>			
Adults	313,732	10,839	324,571
Children's - Schools	706,338	19,279	725,617
Children's - Non schools	160,916	1,449	162,365
Economy, Transport and Environment	109,946	(214)	109,732
Policy and Resources	132,841	(5,629)	127,212
Net Budget	1,423,773	25,724	1,449,497
Contributions to Cost of Change Reserves	0	17,219	17,219
TOTAL	1,423,773	42,943	1,466,716
<u>Capital Financing Costs</u>			
Committee Capital Charges	115,378	(3,582)	111,796
Capital Charge Reversal	(115,887)	3,582	(112,305)
Interest on Balances	(750)	(5,000)	(5,750)
Capital Financing Costs	68,395	1,467	69,862
	67,136	(3,533)	63,603
<u>Pension and IAS 19 Costs</u>			
Pensions - Interest / Return on Assets	18,150	0	18,150
Contribution from Pension Reserve	(27,321)	(15,538)	(42,859)
IAS 19 Departments	1,184	15,538	16,722
Non Distributed costs	21,329	0	21,329
Soft Loan	(10)	0	(10)
	13,332	0	13,332
<u>RCCO</u>			
Main Contribution	12,772	9,278	22,050
Funded by Dedicated Schools Grant	6,959	(275)	6,684
RCCO From Reserves	3,887	14,692	18,579
	23,618	23,695	47,313
<u>Other Revenue Costs</u>			
Contingency	30,254	(8,873)	21,381
Dedicated Schools Grant	(695,538)	3,926	(691,612)
Specific Grants	(92,249)	(28,685)	(120,934)
Council Tax Freeze Grant	(5,300)	0	(5,300)
Flood Protection Levy	572	34	606
Coroners Expenditure	1,320	11	1,331
Business Units (Net Trading Position)	553	(1,157)	(604)
	(760,388)	(34,744)	(795,132)
Net Revenue Budget	767,471	28,361	795,832

	Original Budget 2013/14	Adjustment	Budget 2014/15
	£'000	£'000	£'000
Net Revenue Budget (repeated)	767,471	28,361	795,832
 <u>Contributions from Earmarked Reserves</u>			
Use of Earmarked Reserves	(108)	(22,396)	(22,504)
Trading Units Transfer to / (from) Reserves	(444)	1,157	713
RCCO From Reserves	(4,037)	(14,692)	(18,729)
	(4,589)	(35,931)	(40,520)
Use of General Balances	(7,100)	0	(7,100)
BUDGET REQUIREMENT	755,782	(7,570)	748,212

Analysis of Service Estimates 2014/15

Service	Cash Limited Expenditure	Support Services and Repair and Maintenance of Buildings	Capital Charges	Other - Including IAS19 and Soft Loan	Total 2014/15 Budget
	£'000	£'000	£'000	£'000	£'000
Adult Services	332,134	20,077	2,856	4,889	359,956
Children's Services <i>- Business Units</i>	887,982	16,229	65,354	4,653 170	974,388
Environment <i>- Flood Protection</i> <i>- Net LATS income</i>	113,794	7,631	36,862	1,709 606 -	160,602
Policy and Resources <i>- Business Units</i> <i>- Coroners</i>	132,806	(43,937)	6,724	5,471 (774) 1,331	101,621
Non-distributed Costs				21,329	21,329
Pensions Interest and Return on Assets				18,150	18,150
Soft loan				(10)	(10)
Capital Financing Accounts			(48,193)		(48,193)
Net Service Expenditure	1,466,716	-	63,603	57,524	1,587,843

Service Summary of Budget Requirement 2014/15

	Net Expenditure	Capital Charges	Specific Grants	Net expenditure per budget leaflet
	£'000	£'000	£'000	£'000
Adult Services	359,956	(2,856)	(1,912)	355,188
Children's Services	974,388	(65,354)	(726,572)	182,462
Other Services				
Environment	2,284	-	-	2,284
Policy and Resources	101,621	(6,724)	(41,811)	53,086
	103,905	(6,724)	(41,811)	55,370
Highways, Transport and Planning	112,388	(31,022)	(694)	80,672
Waste Management	45,930	(5,840)	-	40,090
Capital Financing	(48,203)	111,796	(9,373)	54,220
Capital costs paid for from revenue	47,313	-	(6,684)	40,629
Future Inflation, Contingencies Reserves and Other Grants				
Contingency	21,381	-	-	21,381
Contribution to earmarked reserves	(40,520)	-	(6,376)	(46,896)
Contribution to general balance	(7,100)	-	-	(7,100)
Non-distributed costs	21,329	-	-	21,329
Non-Service related specific grants	-	-	(24,424)	(24,424)
Contribution from pension reserve net of interest and return on assets	(24,709)	-	-	(24,709)
	(29,619)	-	(30,800)	(60,419)
Specific Grant	(817,846)	-	817,846	-
Budget Requirement	748,212	-	-	748,212

ANNEXES A AND B TO ITEM 9 PART I REPORT

THE CABINET BUDGET REPORTS THAT FOLLOW AS ANNEXES A AND B TO THE PART I REPORT HAVE BEEN REPRINTED FOR THE COUNCIL MEETING ON 20 FEBRUARY 2014. NO AMENDMENTS HAVE BEEN MADE TO THESE REPORTS. AMENDMENTS RESULTING FROM THE CABINET MEETING ON 7 FEBRUARY 2014 HAVE BEEN INCLUDED IN THE PART I REPORT. THEREAFTER ANY FURTHER ADJUSTMENTS FOLLOWING THE DESPATCH OF THE COUNCIL PAPERS WILL BE DEALT WITH ON THE DAY OF THE COUNCIL MEETING.

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