

REPORT OF THE
Cabinet
PART I

192. REVENUE BUDGET AND PRECEPT 2016/17 AND CAPITAL PROGRAMME 2016/17 – 2018/19

Introduction

The Cabinet considered the proposed Revenue Budget and Precept for 2016/17 and the Capital Programme for 2016/17 to 2018/19 at its meeting on 5 February 2016.

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 the formal recommendations for full Council in considering the budget, council tax and capital programme for 2016/17 and beyond.

A. REVENUE BUDGET AND PRECEPT 2016/17

The revenue report that was presented to Cabinet on 5 February 2016 is attached as Annex A to this Part 1 report. The main changes that have been made to the figures presented at Cabinet are all technical and relate to notifications from Districts on final business rates and collection fund figures, together with the final local government finance settlement announced on 8 February.

Changes from Districts

Various changes to figures have been notified by District Councils, which have been reflected in an amended Summary Revenue Budget for 2016/17 presented at Annex 1 to this Part I report. Overall there is a net increase in income of £1.152 million which can be used to offset the draw from the Grant Equalisation Reserve.

Final Local Government Finance Settlement

The Secretary of State for Communities and Local Government announced the final local government finance settlement to the House of Commons on 8 February 2016.

It is important to highlight that the final settlement has made no change to the method of distributing central funding (locally retained business rates and Revenue Support Grant), compared to the provisional settlement, which from 2016/17 takes into account council tax. Therefore the recurring revenue position for 2016/17 to 2019/20 remains unchanged and in line with the Cabinet report attached to this paper.

The main changes at a national level between the provisional and final 2016/17 settlements are one-off in nature and are as follows:

- Additional funding in the form of one-off transitional grant, of £150 million in both 2016/17 and 2017/18 only for the councils most adversely affected by the change in revenue support grant.
- The removal of additional tariff / top-up adjustment (no negative RSG) in 2017/18 and 2018/19 only. The Government has made available £2.3 million in 17/18 and £22.8 million in 18/19 to remove this adjustment.
- An additional one-off allocation of £60.5 million has been added to the Rural Services Delivery Grant in 2016/17 and £30 million in 2017/18 only.

Hampshire County Council has therefore been allocated the following one-off transitional funding as a result of the final settlement announcement:

2016/17 = £9,351,438.57

2017/18 = £9,337,827.90

No transitional grant is made available in 2018/19 or 2019/20 and no rural services grant is made available to Hampshire in any year.

The top up will still be cut in 2019/20, unchanged from the provisional settlement. "No council having to make a contribution to others" refers to not having top up and tariff cuts, but only up to 2018/19. There are no changes to the planned top up and tariff cuts in 2019/20 from the provisional settlement.

The County Council always planned to meet the deficit in 2016/17 by drawing on the Grant Equalisation Reserve (GER) in line with the Medium Term Financial Strategy and therefore the one-off transitional funding technically reduces the draw from the GER by the amount of the transitional grant, £9.4 million.

Taking these two changes together effectively amends paragraph 11.7 & 11.8 of the attached Cabinet report reducing the draw from GER from £54.5 million to £44.0 million with the resultant balance remaining adjusted from £0.5 million to £11.0 million.

The recommendations from Cabinet to Full Council are not changed as a result of the final settlement, although final figures reflecting the technical adjustments have been made.

Cabinet have recommended the following to County Council:

RECOMMENDATIONS TO COUNCIL

Council is recommended to approve:

1. The Treasurer's report under Section 25 of the Local Government Act 2003 and take this into account when determining the budget and precept for 2016/17 (Appendix 7 to Annex A).
2. The Revised Budget for 2015/16 set out in Appendix 2 to Annex A.
3. The Revenue Budget for 2016/17 as set out in Annex 1 to this Part I report.

4. The one off capital related priorities totalling £12.5m and the recurring increase in the Policy and Resources feasibility budget of £430,000 (as set out in paragraphs 4.24 to 4.33 of Annex A).
5. That the total **budget requirement** for the general expenses of the County Council for the year beginning 1 April 2016, be £733,798,968.
6. That the **council tax requirement** for the County Council for the year beginning 1 April 2016, be £532,659,476.
7. That the County Council's band D council tax for the year beginning 1 April 2016 be £1,079.28, an increase of £41.40 or 3.99% of which 2.00% is specifically for adults' social care
8. The County Council's council tax for the year beginning 1 April 2016 for properties in each tax band be:

	£
Band A	719.52
Band B	839.44
Band C	959.36
Band D	1,079.28
Band E	1,319.12
Band F	1,558.96
Band G	1,798.80
Band H	2,158.56

9. That precepts be issued totalling £532,659,476 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	62,760.20
East Hampshire	48,627.61
Eastleigh	43,336.07
Fareham	42,005.70
Gosport	25,945.90
Hart	38,487.21
Havant	39,290.50
New Forest	69,632.30
Rushmoor	30,172.66
Test Valley	46,439.00
Winchester	46,835.09

10. The treasury management and annual investment strategies, prudential and financial health indicators for 2016/17, in accordance with the recommendations in Appendix 8 to Annex A.

B. CAPITAL PROGRAMME 2016/17 to 2018/19

The Capital Programme report that was presented to Cabinet on 5 February 2016 is attached as Annex B to this Part I report. There have been no changes to the report since Cabinet.

Cabinet have recommended the following to County Council:

RECOMMENDATIONS TO COUNCIL

Council is recommended to approve:

1. The capital programme for 2016/17 and the provisional programmes for 2017/18 and 2018/19 as set out in Appendix 3 of Annex B.
2. That the Director of Corporate Resources be allowed in consultation with the Executive Member for Policy and Resources to add Adults extra care schemes to the capital programme up to a limit of £35m to be funded by prudential borrowing, subject to a satisfactory business case being approved.

GENERAL FUND REVENUE ACCOUNT 2016/17

	Original Budget 2015/16	Adjustment	Budget 2016/17
	£'000	£'000	£'000
<u>Departmental Expenditure</u>			
Adults	304,370	20,619	324,989
Children's - Schools	748,625	10,832	759,457
Children's - Non schools	161,361	5,755	167,116
Economy, Transport and Environment	103,770	7,709	111,479
Policy and Resources	133,779	15,701	149,480
	1,451,905	60,616	1,512,521
<u>Capital Financing Costs</u>			
Committee Capital Charges	116,719	0	116,719
Capital Charge Reversal	(117,228)	106	(117,122)
Interest on Balances	(7,250)	(84)	(7,334)
Capital Financing Costs	68,896	(6,000)	62,896
	61,137	(5,978)	55,159
<u>Pension and IAS 19 Costs</u>			
Pensions - Int and Expected Ret on Assets	18,150	0	18,150
Contribution from Pension Reserve	(45,843)	0	(45,843)
IAS 19 Departments	19,706	0	19,706
Non Distributed costs	23,429	1,200	24,629
Soft Loan	(10)	0	(10)
	15,432	1,200	16,632
<u>RCCO</u>			
Main Contribution	22,559	(10,049)	12,510
Funded by Dedicated Schools Grant (DSG)	6,256	(6,256)	0
RCCO From Reserves	5,588	(3,594)	1,994
	34,403	(19,899)	14,504
<u>Other Revenue Costs</u>			
Contingency	33,209	7,268	40,477
Dedicated Schools Grant	(698,617)	(9,482)	(708,099)
Specific Grants	(151,392)	(7,800)	(159,192)
Council Tax Freeze Grant	(5,475)	5,475	0
Flood Protection Levy	603	0	603
Coroners Expenditure	1,331	36	1,367
Business Units (Net Trading Position)	(570)	0	(570)
	(820,911)	(4,503)	(825,414)
Net Revenue Budget	741,966	31,436	773,402

	Original Budget 2015/16	Adjustment	Budget 2016/17
	£'000	£'000	£'000
Net Revenue Budget (Repeated)	741,966	31,436	773,402
<u>Contributions to / (from) Earmarked Reserves</u>			
Transfer to / (from) Earmarked Reserves	7,158	(44,846)	(37,688)
Trading Units Transfer to / (from) Reserves	679	0	679
Business Strategy Opportunities	(1,500)		(1,500)
RCCO to / (from) Reserves	(5,738)	3,744	(1,994)
	599	(41,102)	(40,503)
Use of General Balances	900	0	900
BUDGET REQUIREMENT	743,465	(9,666)	733,799
Funded by:			
Business Rates and Grant	(227,169)	34,445	(192,724)
Business Rates Collection Fund Deficit / (Surplus)	(1,490)	2,716	1,226
CT Collection Fund Deficit / (Surplus)	(9,915)	273	(9,642)
COUNCIL TAX REQUIREMENT	504,891	27,768	532,659