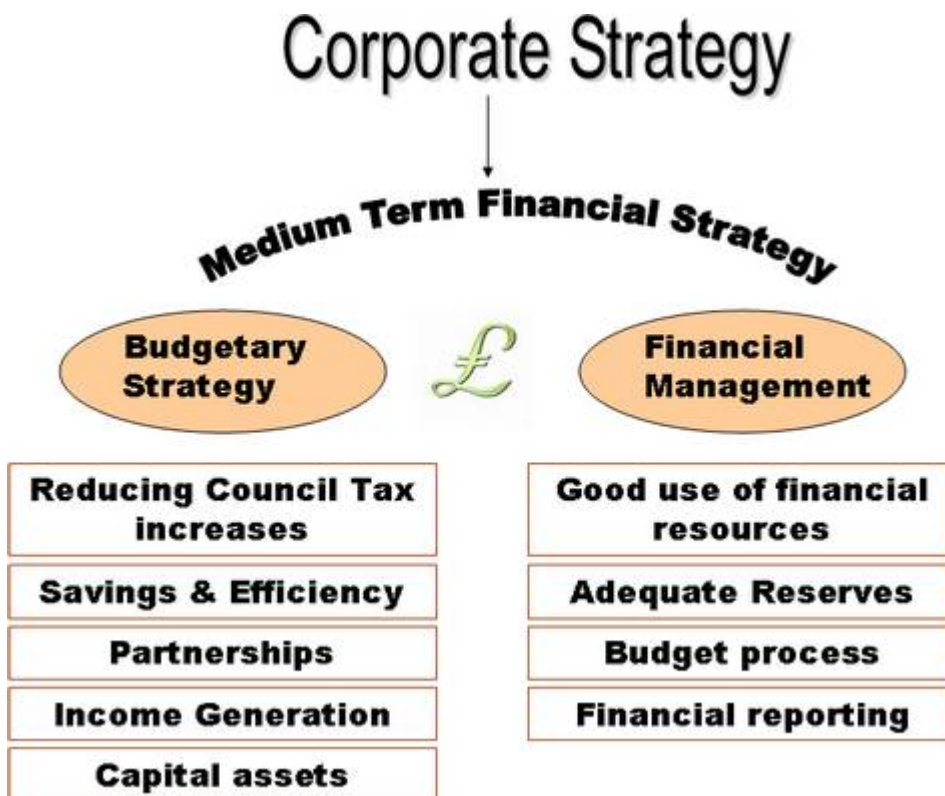


HAVANT BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY

2009 – 2012



October 2009

## CONTENTS

- Section 1**    **Where are we now?**
- Section 2**    **Financial strategy**
- Section 3**    **How will we achieve the strategy?**

### **SECTION 1**            **WHERE ARE WE NOW?**

#### **Introduction**

The Council's medium term financial strategy 2009 – 2012 updates the 2008 – 2011 strategy to take account of changing circumstances, including the current economic downturn which is expected to affect the Council for several years. It aims to secure a forward looking approach and long term sustainability in service provision. The financial strategy is driven by the Council's Corporate Strategy, which takes account of both local improvement priorities and national priorities. The Corporate Strategy therefore informs resource allocation, with changes to allocations determined in accordance with policies and priorities. The Council's vision is to make the Borough "cleaner, safer and more prosperous". The Corporate Strategy is linked with the Havant Borough Sustainable Community Strategy prepared by the Havant Community Partnership.

This updated strategy concentrates on principles that will provide a strong direction for the next three years, subject to annual review.

The strategy does not represent a committed budget but rather a framework within which decisions relating to future service provision can be made.

#### **Context**

**Havant Borough Council is not a prosperous Council in terms of either capital or revenue resources.** This is because:-

- (a) The Council has relatively few assets or other financial investments with revenue earning or sale potential e.g. land and property holdings.
- (b) The Borough has, in comparison with most neighbouring authorities:-
  - Higher proportions of low income and benefits-dependent households
  - An increasingly high percentage of retired households
  - Low skills levels
  - Higher unemployment than the Hampshire average
  - Low average earnings compared with national average

The Council has, for many years, been under pressure to achieve budget reductions in order to set an acceptable Borough Council Tax.

The Council has no long term external borrowing. However, the Council has some borrowing for capital purposes and will need to consider further borrowing, and its revenue implications, each year during the period of this strategy.

Government Grant meets 54% of the Council's net revenue budget but is set by government each year and does not vary with spending. As a result a relatively small change in budget of £82,300 will need to be supported by a 1% change in the Borough Council Tax.

The Borough Council Tax is 13.6% of the total Council Tax paid by residents of the Borough.

<b>KEY FACTS</b>	
<b>2009/2010 BOROUGH COUNCIL BUDGET</b>	<b>£18,053,500</b>
<b>2009/2010 BOROUGH CHARGE AT BAND D</b>	<b>£192.78</b> <b>(£3.71 per week)</b>
<b>2009/2010 CHARGE AT BAND D (AVERAGE FOR ALL ENGLAND DISTRICT COUNCILS)</b>	<b>£191.80</b>

The Council's revenue budget of **£18,054 million in 2009/2010** is calculated as follows:-

Gross expenditure (net of government subsidy towards Benefit payments)	£26.1 million
Service income (fees, prices, rents etc.)	-£ 6.9 million
Specific government grants <sup>1</sup>	-£ 1.1 million
	-----
	<b>£18.1 million</b>
	-----

### Forward Projections

Current projections indicate<sup>2</sup>:-

<b>3 YEAR PROJECTIONS</b>	2010/2011	2011/2012	2012/2013
<b>Council Tax increase %</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Projected budget (before reduction) £ 000's	18,772	19,622	20,372
Government grant assuming no increase or reduction	9,898	9,898	9,898
Council Tax income	8,227	8,227	8,227
Projected budget (after reduction) £ 000's	18,125	18,125	18,125
<b>Target level of new budget savings, efficiencies and income generation to be found £000's (Total: £2.247m.)</b>	<b>647</b>	<b>850</b>	<b>750</b>

<sup>1</sup> National Non-Domestic Rate Collection and Benefits Administration

<sup>2</sup> Detailed forward projection is in routine Budgetary Control reports.

For comparison the following are figures at different levels of Council Tax increase in 2010/2011:-

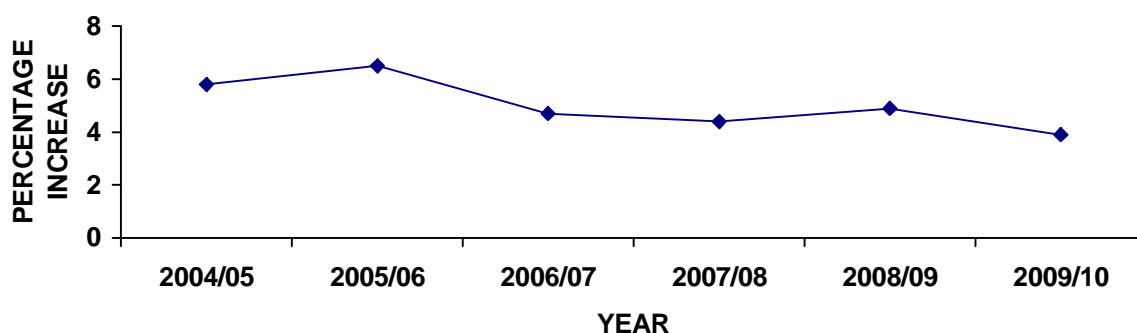
<b>3 YEAR PROJECTIONS</b>	2010/2011	2011/2012	2012/2013
<b>Council Tax increase %</b>	<b>3%</b>	<b>0%</b>	<b>0%</b>
Projected budget (before reduction) £ 000's	18,772	19,622	20,372
Government grant assuming no increase or reduction	9,898	9,898	9,898
Council Tax income	8,474	8,474	8,474
Projected budget (after reduction) £ 000's	18,372	18,372	18,372
<b>Target level of new budget savings, efficiencies and income generation to be found £ 000's (Total: £2 m.)</b>	<b>400</b>	<b>850</b>	<b>750</b>

<b>3 YEAR PROJECTIONS</b>	2010/2011	2011/2012	2012/2013
<b>Council Tax increase %</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>
Projected budget (before reduction) £ 000's	18,772	19,622	20,372
Government grant assuming no increase or reduction	9,898	9,898	9,898
Council Tax income	8,638	8,638	8,638
Projected budget (after reduction) £ 000's	18,536	18,536	18,536
<b>Target level of new budget savings, efficiencies and income generation to be found £000's (Total: £1.836m.)</b>	<b>236</b>	<b>850</b>	<b>750</b>

Government grant could reduce in cash terms in the three year period and some authorities are planning for up to a 30% reduction in government grant as the worst scenario. Every 1% reduction of government grant will mean a further £99,000 budget reduction to be found (therefore 30% is over £3 million reduction to be found in addition to the above reductions).

It should be noted therefore that, in the worst scenarios, currently being planned for in some authorities, a budget reduction over the three year period of up to £5 million could be required.

### BOROUGH COUNCIL TAX INCREASES

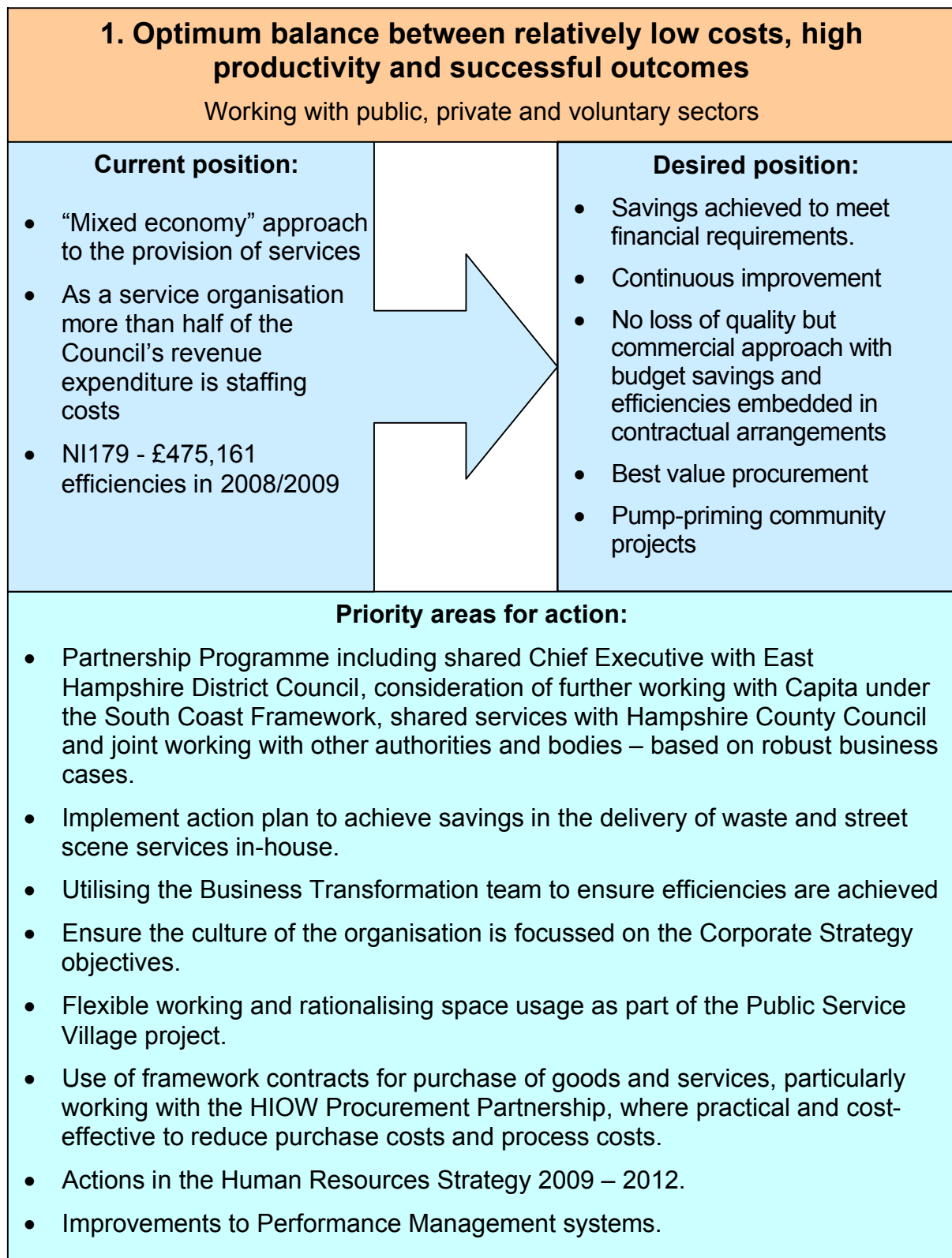


## **SECTION 2 - FINANCIAL STRATEGY**

### ***FINANCIAL STRATEGY 2009***

- 1 To achieve an optimum balance between relatively low costs, high productivity and successful outcomes through continuous improvement, a commercial approach and consideration of best value procurement options including working with public, private and voluntary organisations.**
- 2 To align with the Council's Corporate Strategy and respond to our customers by moving financial resources from lower corporate priorities to higher priorities.**
- 3 To generate additional capital and revenue income to support the objectives of the Corporate Strategy.**
- 4 To adequately maintain and where possible enhance the Borough's capital assets, guided through capital and asset management strategies.**
- 5 To meet the administration's aspiration for a nil Council Tax increase in the three year period**
- 6 To manage the Council's financial resources well**
- 7 To maintain adequate reserves**

## SECTION 3 – HOW WILL WE ACHIEVE THE STRATEGY?

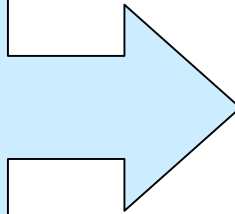


## 2. Move financial resources from lower corporate priorities to higher priorities

Achieve the objectives in the corporate strategy

### Current position:

- 1% of the budget, approximately a new £180,000, allocated to priorities each year
- Corporate priorities including both national and local priorities



### Desired position:

- That the Council is able to continue to allocate funds to higher priorities even in the economic downturn

### Priority areas for action:

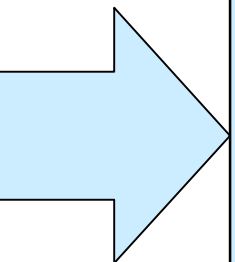
- Carry out the programme of reviews to seek smarter ways of delivering services and achieving financial savings.
- Review services provided by the Council to identify services which should not continue.

## 3. Income Generation

Increasing income from assets, external funding and pricing.

### Current position:

- More strategic 3 year approach to pricing has been introduced.
- One asset acquisition completed.
- External funding of about £2 million achieved each year in recent years
- Officer Income Generation Group



### Desired position:

- To reverse the reductions of income arising as a result of the economic downturn and achieve new sources of income
- Continuing to achieve external funding to take forward corporate priorities.
- Acquisition of assets for long term regeneration benefits.

### Priority areas for action:

- Continue the acquisition of assets where appropriate.
- Evaluate carefully the business case for each proposed bid for external funding, taking into account contribution to strategic aims, costs/benefits and risks.
- Continue to consider all potential new sources of income.
- Plan future income generation within the Public Service Village.

## 4. Maintaining and enhancing the Council's assets

Guided through the capital and asset management strategies

### Current position:

- Very limited ability to generate capital
- Access to government and external funding
- Limited borrowing as a source of own capital finance

### Desired position:

- Invest to Save schemes – i.e. financing costs met in full through income or reduced expenditure
- Capital expenditure required in the future to maintain assets identified more clearly
- Revenue costs of capital schemes fully evaluated without optimism bias
- Public Service Village project completed to budget and the detailed business case, ensuring allocation and costs and income to all parties.
- Periodic reviews to assets to determine if they still meet strategic objectives
- Seek opportunities for using the Council's intellectual assets

### Priority areas for action:

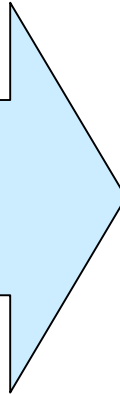
- Public Service Village project.
- Identifying capital expenditure required in the longer term to maintain assets.
- Identify opportunities to invest to save.
- Review of assets.

## 5. Reducing Council Tax increases

Aspire to a nil increase

### Current position:

- Strategy to constrain increase of the Council's net budget to a maximum of the retail prices index (except where there are unfunded new responsibilities)
- Council Tax increases limited by Government capping regime
- Government grant increases less than inflation
- New duties and responsibilities



### Desired position:

- Administration's aspiration is to work towards a zero increases in Council Tax in the future.
- The financial system for district councils is changed so that a 1% increase in expenditure results in a 1% increase in Council Tax.

### Priority areas for action:

- Plan to reduce ongoing expenditure by a minimum of £2.25 million over three years and decide programmes and targets to achieve this.
- Budgets to be drafted on the basis of no Council Tax increase.
- Representations to government on changes to the system of financing of local authorities/district councils.

## 6. Managing financial resources well

Guided through the capital and asset management strategies

### Current position:

- Assessed as level 2 (out of 4) in the new “harder test” Use of Resources Assessment
- Suppliers paid promptly within agreed terms.
- Stretching targets set for the efficient collection and administration of Council Tax, Non-Domestic Rates and other debts.
- Budget report contains risk and sensitivity analysis and review of the Treasury Management Strategy
- Risk based approach to investment and all the Council’s systems, controls and procedures
- Inclusive approach to corporate governance and Internal Audit Plan linked to Risk Register
- Forward looking budgetary control reports for Members and officers and considered at Quarterly Health Check.

### Desired position:

- Carry-forward budgets minimised and limited to less than 2% of the budget
- Balanced revenue budget prepared each year
- Prudential indicators set in the budget each year ensure that capital investment plans are affordable, prudent and sustainable
- Improving assessment under Use of Resources where considered cost effective
- Budget process is informed by high quality communication with the public, councillors and staff
- Statement of Accounts approved in accordance with statutory requirements
- Sustainability taken into account in budget and spending decisions

### Priority areas for action:

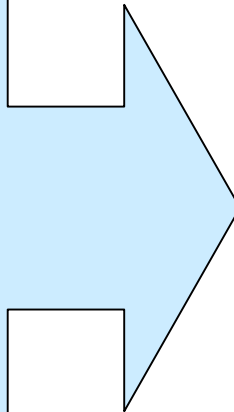
- No carry-forward budgets will be approved after 31 December.
- Improving Use of Resources score where considered cost effective

## 7. Maintain adequate reserves

To ensure the financial stability of the Council

### Current position:

- General Fund balance of 7% of the Council's net budget
- Maintain an insurance reserve to meet liabilities from uninsured claims
- Reserves for specific purposes e.g. Asset Acquisition, Housing and Planning Grant, LABGI.
- Developers contributions



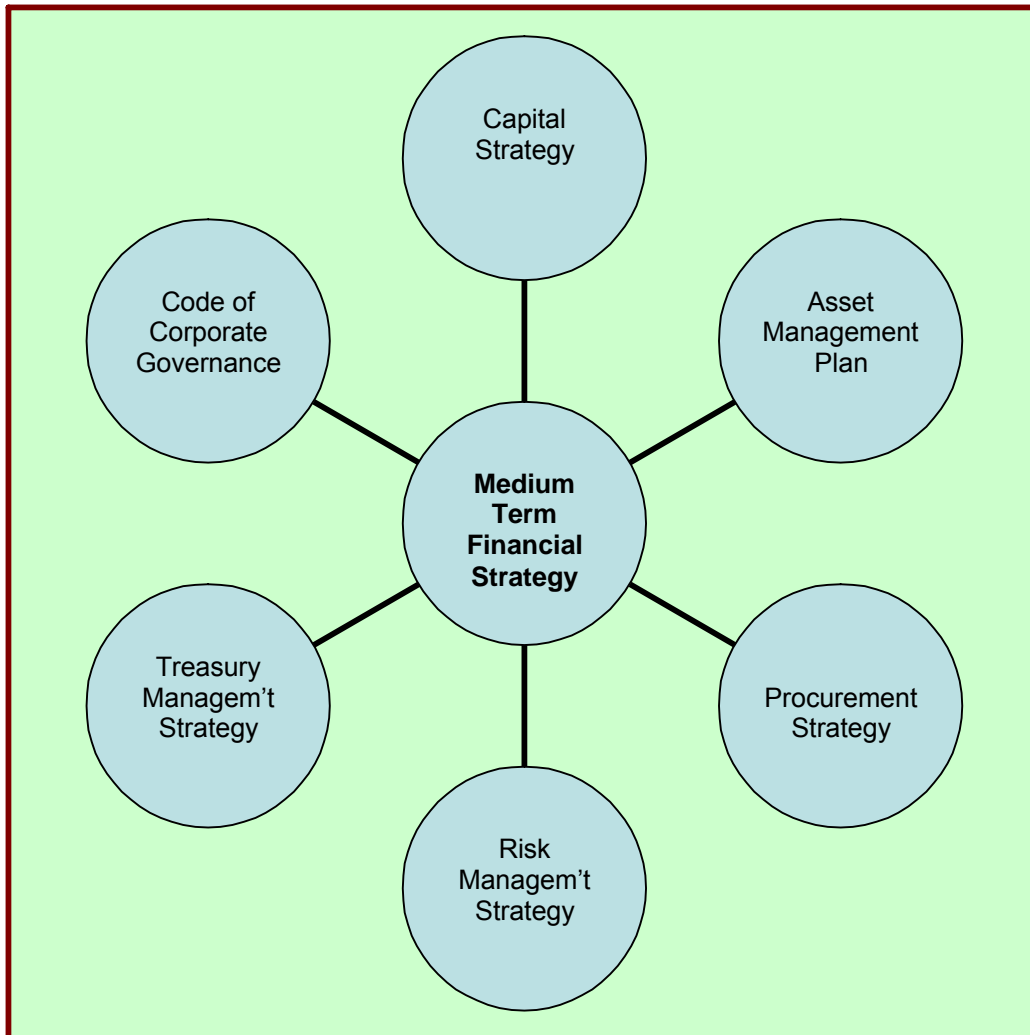
### Desired position:

- Continue to maintain a General Fund balance of approximately 7% of the Council's net budget, without the need to budget for increases of balances (i.e. any required increases should normally be met from out-turn savings unless the balances falls below 6%)
- Minimise the value of outstanding Developers Contributions
- Minimise the number of reserves for specific purposes using available funds for business plan priorities

### Priority areas for action:

- Maintenance of sound budgetary control and make decisions to ensure that the General Fund balance is maintained through the economic downturn.
- Transfer any out-turn savings to the Capital Reserve to enhance the funding available for the capital programme.
- Spend Developers Contributions for the purposes intended as soon as practicable.

## LINKS TO OTHER FINANCIAL STRATEGIES



## CURRENT FINANCIAL RISKS AND ISSUES

Factor	Comments
Government Grant	The Government's first 3 year settlement for the years 2008/2009, 2009/2010 and 2010/2011 gave some certainty as to funding. It would appear unlikely that there will now be a clear picture for the following three years since it is unclear how the government will proceed with a spending review. It is generally anticipated that there could be severe reductions in funding in the next three years and some authorities are planning for a 30% reduction over the three years (equivalent to £3 million for this Council).
Council Tax increases	It is not known what rules will apply after the next general election. The Conservative Party has said they will freeze Council Tax for two years. The effect of low or no increases on the Council can be long term so it deserves careful consideration.
Concessionary Travel	There is a national legal challenge to the level of reimbursement to bus companies. This is a significant risk. Also, from 2011/12 responsibility will transfer to Counties – the government could then seek to take more funding away that the scheme costs. The government has not yet issued any consultation paper on the financial effects of this change.
Economic Downturn	Main effect on the Council is loss of income. Possible further reduction compared to current year budget of perhaps £300,000 per annum. Also, increased demand for some services (eg. benefits)
Land Charges	Potential to lose £200,000 per annum income if people become able to access all the information through Freedom of Information
Public Service Village	Assumption that it will break even financially - need for a robust business case.
Value for Money reviews	Objectives and plans for Value for Money Reviews need clarification if they are to provide assistance in achieving savings targets.
Pay	Some authorities may pull out of national

Factor	Comments
	pay bargaining. Some authorities are exploring any other ways of reducing cost e.g. voluntary reduction of hours.
Pension employers contributions	Implications of actuarial review not yet known but likely to be some further increases. Effect on admitted bodies likely to be more severe.
Capital Programme	Very limited resources without borrowing and therefore incurring additional revenue costs.

Note: A detailed Risk Assessment will be included in the Budget Report each year.

### **Sensitivity factors:-**

1% variation of gross spending (excluding benefits)	£261,000
1% variation of net income	£80,000
1% variation of net spending	£181,000
1% reduction of government grant funding	£ 99,000
1% variation of investment rates	£140,000
1% variation of benefits subsidy rate	£315,000
1% variation of pay award	£140,000
10% variation of cost of Concessionary Travel scheme	£158,000
1 week delay in Council Tax and NNDR income	£ 24,000
1% increase/decrease of Council Tax	£ 82,300