

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 February 2017

|                             |  |
|-----------------------------|--|
| <b>Portfolio:</b>           | Policy and Resources   |
| <b>Subject:</b>             | <b>Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2017/18</b> |
| <b>Report of:</b>           | Director of Finance and Resources  |
| <b>Strategy/Policy:</b>     | Finance Strategy   |
| <b>Corporate Objective:</b> | A dynamic, prudent and progressive Council   |

#### **Purpose:**

This report seeks final confirmation of the recommendations to be made to Council, on 24 February 2017, in respect of the revenue budget, capital programme and council tax for 2017/18.

#### **Executive summary:**

On 9 January 2017, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2017/18. This report updates the Council's budgets to reflect the decisions taken on 9 January 2017.

The capital programme for the years 2016/17 to 2020/21 will be £63,686,000.

The revenue budget for 2017/18 will be £8,616,700. With Central Government support, transitional grant and retained business rates estimated to be £2,161,654 and use of the collection fund balance of £89,894, the total amount due from the council tax payers will be £6,365,152.

Taking these changes into consideration, the council tax for 2017/18 will be £150.22 per Band D property. This represents an increase from the council tax set for 2016/17 but would be within the referendum limit set by the Government.

#### **Recommendation/Recommended Option:**

That the Executive approve and recommend to the meeting of the Council to be held on 24 February 2017:

- (a) the capital programme and financing of £63,686,000;
- (b) an overall revised revenue budget for 2016/17 of £8,903,300;

- (c) a revenue budget for 2017/18 of £8,616,700; and
- (d) a council tax for Fareham Borough Council for 2017/18 of £150.22 per band D property, which represents a £5.00 increase when compared to the current year and is within referendum limits.

**Reason:**

To allow the Full Council to approve the Council Tax for 2017/18.

**Cost of proposals:**

Not applicable

**Appendices:**                    **Appendix A:** Overall total budget for 2017/18

**Background papers:**

**Reference papers:**

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

|                     |  |
|---------------------|--|
| <b>Date:</b>        | 06 February 2017   |
| <b>Subject:</b>     | <b>Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17</b> |
| <b>Briefing by:</b> | Director of Finance and Resources  |
| <b>Portfolio:</b>   | Policy and Resources   |

#### INTRODUCTION

1. On 9 January 2017 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
  - The capital programme for 2016/17 to 2020/21;
  - The revised revenue budget for 2016/17;
  - Fees and charges for 2017/18;
  - The revenue budget for 2017/18; and
  - The council tax for 2017/18.
2. The purpose of this report is to update the Council's spending plans to take account of the decisions taken by the Executive in relation to these various issues.

#### THE CAPITAL PROGRAMME 2016/17 TO 2020/21

3. The capital programme for the period 2016/17 to 2020/21 is £63,686,000 as shown in the following table. This is £2m lower than the figure reported at the January Executive due to a review of the Daedalus schemes.

|                          | <b>£000s</b>  |
|--------------------------|---------------|
| Public Protection        | 329           |
| Streetscene              | 1,078         |
| Leisure and Community    | 6,837         |
| Health and Housing       | 6,247         |
| Planning and Development | 518           |
| Policy and Resources     | 48,677        |
| <b>TOTAL</b>             | <b>63,686</b> |

4. It is anticipated that the programme will be financed from the following sources:

|   | <b>£000s</b>  |
|---|---------------|
| Capital Receipts                        | 6,298         |
| Government Grants                       | 4,800         |
| Revenue Contribution to Capital schemes | 4,759         |
| Capital Fund Account                    | 4,737         |
| External Contributions                  | 4,196         |
| Community Infrastructure Levy           | 807           |
| Borrowing                               | 38,089        |
| <b>TOTAL</b>                            | <b>63,686</b> |

5. The programme and projected resources indicate that, by 31 March 2021, there would be a surplus of capital resources of £2,078,000, which represents a contingency of 3.3% on the overall capital programme.
6. Importantly, the surplus assumes an estimate of future capital receipts as well as continued revenue contributions towards capital investment, totalling £10.2m. In the event that these resources do not materialise, the programme will become partly unfunded.

#### **SPENDING RESERVE**

7. The spending reserve exists to cover unforeseen changes in revenue expenditure. It currently stands at £2,413,000 which is 5% of gross expenditure for 2016/17 which meets the minimum required balance as set out in the approved Medium Term Finance Strategy.
8. At the meeting on 9 January 2017 the Executive agreed to use the £677,500 that was in excess of the minimum balance to support the capital programme.
9. There was also a commitment from the Executive to fund Daedalus and World War 1 commemorations from the general fund revenue reserve. The cost of these will be approximately £46,000 and will be incorporated into the budgets during 2017/18.

#### **REVISED BUDGET 2016/17**

10. In January, the Executive considered in detail the revised budget for 2016/17, which totalled £8,903,300 and is no change when compared to the base budget for the current year.

#### **SERVICE BUDGETS 2017/18**

11. The following table shows the service budgets resulting from the decisions of the Executive on 9 January 2017.

|  | <b>Base Budget<br/>2017/18</b> |
|--|--------------------------------|
| <b>Committees</b>                          | <b>£</b>                       |
| Planning Committee                         | 622,100                        |
| Licensing and Regulatory Affairs Committee | 481,000                        |
| <b>Executive - Portfolio Budgets</b>       |                                |
| - Leisure and Community                    | 2,543,800                      |
| - Health and Housing                       | 1,024,400                      |
| - Planning and Development                 | 121,600                        |
| - Policy and Resources                     | 123,900                        |
| - Public Protection                        | 2,226,100                      |
| - Streetscene                              | 4,657,800                      |
| <b>SERVICE BUDGETS</b>                     | <b>11,800,700</b>              |

### **OTHER BUDGETS 2017/18**

12. At the January Executive no changes were made to the Other Budgets total which will be -£3,184,000.

### **THE OVERALL BUDGET POSITION FOR 2017/18**

13. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2017/18, detailed in Appendix A, is confirmed as £8,616,700.
14. The total of £8,616,700 is made up of a gross expenditure
15. This total is £286,600 below the base budget for 2016/17 of £8,903,300.

### **THE AUTUMN STATEMENT AND GOVERNMENT SUPPORT**

16. In the 2015 Autumn Statement the Government announced funding plans for local authorities for the lifetime of this parliament which will see further reductions to funding of around 40% when compared to the support received in 2015/16.
17. Under the proposals, by 2018/19 Fareham's Revenue Support Grant would be zero leaving only support from business rates and council tax available to fund revenue services.
18. As part of the statement the Government proposed a four-year settlement agreement that local authorities were encouraged to accept in order to give some certainty to financial planning through to 2019/20. Fareham accepted the proposal by demonstrating to the Government that there were efficiency plans in place to close the gap caused by reduced funding. 97% of local authorities accepted the four-year settlement.
19. In the 2016 Autumn Statement the referendum limits for local authorities were set out and as expected, council tax increases that exceed 2% would trigger a referendum. However, the government has also allowed shire districts to raise their council tax by a maximum of £5 when compared to the previous level, before a referendum is triggered.

20. The amount of government support, including transitional grant, that the Council expects to receive in 2017/18 is £2,161,654 which is a reduction of £505,100 or 19% when compared to 2016/17. A report on how the funding gap is to be closed was approved by the Executive in October 2016.
21. With further cash reductions expected after 2019/20, it is important that the Council continues to identify and secure cash-releasing efficiencies each year in order to maintain the high level of service currently provided and continue to achieve its corporate priority to minimise council tax increases.

### COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

22. The revised council tax base for 2016/17 is 42,005.7 Band D equivalent properties which is the same as the original estimate.
23. The council tax base for 2017/18 is 42,371.6 Band D equivalent properties.
24. The net rates payable from National Non-Domestic Rates for 2017/18 (after Transitional arrangements and reliefs) is £42,981,678.

### COUNCIL TAX FOR 2017/18

25. With a net budget for 2017/18 of £8,616,700 and government support of £2,161,654 and the use of collection fund balances of £89,894, the Executive is able to recommend a council tax increase for 2017/18 of £5. This is shown in the following table:

|  | <b>Base Budget 2016/17</b> | <b>Base Budget 2017/18</b> | <b>Variation</b> |
|--|----------------------------|----------------------------|------------------|
|  | <b>£</b>                   | <b>£</b>                   | <b>£</b>         |
| <b>Total Budget</b>                      | <b>8,903,300</b>           | <b>8,616,700</b>           | <b>-286,600</b>  |
| Less:                                    |                            |                            |                  |
| Government Support                       | 2,592,859                  | 2,088,023                  | -504,836         |
| Use of Collection Fund surplus           | 136,473                    | 89,894                     | -46,584          |
| Transitional Grant                       | 73,895                     | 73,631                     | -264             |
| <b>Total due from Council Tax Payers</b> | <b>6,100,068</b>           | <b>6,365,152</b>           | <b>+265,084</b>  |
| Council Tax base                         | 42,005.7                   | 42,371.6                   |                  |
| Council Tax                              | £145.22                    | £150.22                    |                  |
| Cash Increase                            | + £5.00                    | + £5.00                    |                  |

26. The proposed council tax increase is within government referendum limits.
27. The overall income from taxpayers of £6,365,152 represents approximately 13% of the gross spend by the council for 2017/18 of £47.6million.

## **ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)**

28. Section 25 of the Local Government Act 2003 states that when the Council sets a budget for the forthcoming financial year, the CFO must report to the authority on the robustness of the budgets and the adequacy of the financial reserves.
29. The CFO is able to confirm that the Council's co-ordinated finance strategy allows the availability of resources to finance both capital and revenue expenditure to be considered at the same time. It provides the necessary flexibility to allow resources to be allocated to both capital and revenue and this has enabled the delivery of balanced budgets for both capital and revenue.
30. The CFO can also confirm the robustness of the approved budgets and therefore major variations in expenditure and income are not anticipated. However, a risk assessment has been carried out to highlight the impact of possible variations in the level of expenditure and income and by maintaining the spending reserve at a minimum of 5% of gross expenditure, resources should be in place to meet any variations that cannot be met from within the Council's overall budget.

## **RISK ASSESSMENT**

31. While all spending plans can be met from within existing resources, growing financial pressures increase the risk that spending plans exceed desirable levels.
32. Also, the budget reflects the implications of the changing funding position from central Government as well as other more local budget pressures. These changes will continue to affect the Council's finances and it remains an important part of the overall Medium Term Finance Strategy to retain sufficient balances to cater for the unexpected in these uncertain times.
33. The council should continue to explore opportunities to increase income sources for the Council as well as review efficiency plans in order that balanced budgets can be made in future years.

## **CONCLUSION**

34. In making a recommendation to full Council on the council tax for 2017/18, the Executive has evaluated the Council's overall financial position in relation to existing commitments, the level of resources and the projected financial position in the future; not just the overall budget position for next year.

### **Enquiries:**

For further information on this report please contact Neil Wood. (Ext 4506)

## ACTUAL REVENUE BUDGET

|                                  | <b>Budget<br/>2016/17<br/>£</b> | <b>Revised<br/>2016/17<br/>£</b> | <b>Variation<br/>Base to Rev<br/>£</b> | <b>Budget<br/>2017/18<br/>£</b> | <b>Variation<br/>Base to base<br/>£</b> |
|----------------------------------|---------------------------------|----------------------------------|--|---------------------------------|---|
| Committees                       |                                 |                                  |  |                                 |   |
| Planning                         | 672,900                         | 599,200                          | -73,700                                | 622,100                         | -50,800                                 |
| Licensing and Regulatory Affairs | 491,400                         | 521,800                          | 30,400                                 | 481,000                         | -10,400                                 |
| Executive - Portfolio Budgets    |                                 |                                  |  |                                 |   |
| - Leisure and Community          | 2,635,700                       | 2,782,200                        | 146,500                                | 2,543,800                       | -91,900                                 |
| - Health and Housing             | 1,196,900                       | 1,013,000                        | -183,900                               | 1,024,400                       | -172,500                                |
| - Planning and Development       | -595,700                        | 107,500                          | 703,200                                | 121,600                         | 717,300                                 |
| - Policy and Resources           | 1,353,000                       | 657,400                          | -695,600                               | 123,900                         | -1,229,100                              |
| - Public Protection              | 2,050,600                       | 2,113,700                        | 63,100                                 | 2,226,100                       | 175,500                                 |
| - Streetscene                    | 4,478,600                       | 4,593,500                        | 114,900                                | 4,657,800                       | 179,200                                 |
| <b>SERVICE BUDGETS</b>           | <b>12,283,400</b>               | <b>12,388,300</b>                | <b>104,900</b>                         | <b>11,800,700</b>               | <b>-482,700</b>                         |
| Capital Charges                  | -2,227,200                      | -2,232,900                       | -5,700                                 | -2,232,900                      | -5,700                                  |
| Capital Financing Costs          |                                 |                                  |  |                                 |   |
| - Use of Capital Receipts        | -230,000                        | -87,000                          | 143,000                                | -60,000                         | 170,000                                 |
| - Direct Revenue Funding         | 1,295,000                       | 1,295,000                        | 0                                      | 1,200,000                       | -95,000                                 |
| - Direct Revenue Funding NHB     | 897,900                         | 897,900                          | 0                                      | 0                               | -897,900                                |
| Minimum Revenue Position         | 0                               | 136,000                          | 136,000                                | 362,900                         | 362,900                                 |
| Interest on Balances             | -569,900                        | -569,900                         | 0                                      | -499,900                        | 70,000                                  |
| Portchester Crematorium          | -125,000                        | -130,000                         | -5,000                                 | -135,000                        | -10,000                                 |
| New Homes Bonus                  | -2,068,000                      | -2,068,000                       | 0                                      | -1,574,200                      | 493,800                                 |
| Contribution from Reserves       | -352,900                        | -726,100                         | -373,200                               | -244,900                        | 108,000                                 |
| <b>OTHER BUDGETS</b>             | <b>-3,380,100</b>               | <b>-3,485,000</b>                | <b>-104,900</b>                        | <b>-3,184,000</b>               | <b>196,100</b>                          |
| <b>BUDGET TOTAL</b>              | <b>8,903,300</b>                | <b>8,903,300</b>                 |  | <b>8,616,700</b>                | <b>-286,600</b>                         |
| <b>NET BUDGET</b>                | <b>8,903,300</b>                | <b>8,903,300</b>                 |  | <b>8,616,700</b>                | <b>-286,600</b>                         |



|  | <b>Budget<br/>2016/17<br/>£</b> | <b>Budget<br/>2017/18<br/>£</b> |
|--|---------------------------------|---------------------------------|
| <b>NET BUDGET</b>                                    | <b>8,903,300</b>                | <b>8,616,700</b>                |
| <b>EXTERNAL SUPPORT</b>                              |                                 |                                 |
| Non-Domestic Rates                                   | 1,765,033                       | 1,799,749                       |
| Revenue Support Grant                                | 827,826                         | 288,274                         |
| Transitional Grant                                   | 73,895                          | 73,631                          |
|  | <u><b>2,666,754</b></u>         | <u><b>2,161,654</b></u>         |
| USE OF COLLECTION FUND BALANCE                       | 136,478                         | 89,894                          |
| <b>NET AMOUNT DUE FROM COUNCIL TAX<br/>PAYERS</b>    | <b>6,100,068</b>                | <b>6,365,152</b>                |
| <b>COUNCIL TAX BASE</b>                              | <b>42,005.7</b>                 | <b>42,371.6</b>                 |
| <b>COUNCIL TAX PER BAND D PROPERTY<br/>(ROUNDED)</b> | <b>£145.22</b>                  | <b>£150.22</b>                  |
| <b>CASH INCREASE</b>                                 | <b>£5.00</b>                    | <b>£5.00</b>                    |
| <b>PERCENTAGE INCREASE</b>                           | <b>3.57%</b>                    | <b>3.44%</b>                    |