

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 08 January 2024

Portfolio:	Policy and Resources
Subject:	Finance Strategy, Revenue Budget & Council Tax 2024/25
Report of:	Assistant Chief Executive Officer
Corporate Priorities:	Responsive, Inclusive and Innovative Council

Purpose:

This report provides an update on the Council's 5-year financial forecasts and makes recommendations regarding the revised revenue budget for 2023/24 and base budget for 2024/25.

Executive summary:

This report gives the Executive the opportunity to consider the Council's 5-year financial forecasts as set out in the Medium-Term Finance Strategy (MTFS), revised service budgets for 2023/24 and proposed service budgets for 2024/25.

Revised General Fund Revenue Budget 2023/24

The revised general fund revenue budget for 2023/24 is now showing a contribution to reserves for the year of £39,000, compared to the original position which was forecasting the need to draw down £401,000 from reserves to help fund the budget spend. This is mainly due to the savings that have been made through the Opportunities Plan in the year and additional income being received from the shopping centre.

General Fund Revenue Budget 2024/25

The proposed general fund revenue budget for 2024/25 totals £16,095,700 for service budgets along with -£3,030,100 for other budgets giving an overall position of £13,065,600 which is an increase of £1,168,500 against the original budget for 2023/24. The figures include a draw down of £598,200 of general reserves to help fund the budget.

5-Year Financial Forecasts

The 5-year financial forecasts for 2023/24 to 2027/28 is predicting a funding shortfall by 2026/27. The Opportunities Plan work recommenced in 2023/24 due to last year's prediction of a funding gap in the coming years, which has served to delay the funding shortfall by a year. However, a budget gap of £1.9million is still being predicted by 2026/27 which cannot be fully funded from the general reserves. The proposed use of council reserves up to £100,000 is therefore still required to continue to develop and implement projects in the Opportunities Plan to help manage the Council's financial pressures and remain resilient.

Recommendation/Recommended Option:

It is recommended that the Executive:

Financial Forecasts (MTFS)

- (a) approves the Medium-Term Finance Strategy for the period 2023/24 to 2027/28, as set out at Appendix C to the report;
- (b) agrees to submit the updated Pay Policy, annexed to the Medium-Term Finance Strategy in Appendix C at Annex 2, to Full Council for approval;

Revenue Budgets

- (c) approves the revised 2023/24 general fund revenue budget, amounting to £12,376,100, as set out in Appendices A and B to the report; and
- (d) approves the base 2024/25 general fund revenue budget amounting to £13,065,600, as set out in Appendices A and B to the report;

Reason:

The proposed budgets and capital programme will continue to support delivery of the Council's services and corporate priorities whilst taking account of the continuing financial pressures.

The Medium-Term Finance Strategy forecasts a significant funding shortfall by 2026/27 which cannot be covered by the Council's general reserves, so supports the continued action being taken to identify opportunities to reduce costs or increase income.

Cost of proposals:

As detailed in the report.

Appendices: A: General Fund Revenue Budget Summary 2023/24 and 2024/25

B: Detailed Draft Revenue Budgets by Service Portfolio 2023/24 and 2024/25

C: Medium Term Finance Strategy 2023/24 to 2027/28

Background papers: None

Reference papers: Report to the Executive - December 2023 Finance Monitoring 2023-24

Report to the Executive – January 2023 Finance Strategy, Revenue Budget and Council Tax 2023-24

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	08 January 2024
Subject:	Finance Strategy, Revenue Budget & Council Tax 2024/25
Briefing by:	Assistant Chief Executive Officer
Portfolio:	Policy and Resources

INTRODUCTION

1. This report provides an update on the financial forecasts for the next 5 years and makes recommendations on how the projected funding gaps can be mitigated.
2. It also brings together the revenue spending plans for the Council's services for the rest of the current year and for next year.

MEDIUM TERM FINANCE STRATEGY

3. The Medium-Term Finance Strategy, attached to this report as **Appendix C**, sets out the broad principles on which the management of the Council's finances are based and provides background information regarding the level of resources, the revenue budget and capital programme.
4. The Council's main priorities are to produce sustainable spending plans, maintain adequate reserves and to continue to minimise increases in the net revenue budget, such that increases in Fareham's proportion of the council tax are not excessive. Consequently, strict budget guidelines must be maintained.
5. The document focuses on the various issues that will impact on the Council's financial position, now and in the future. In the light of these issues, the current financial position has been reviewed and gives the projected position in future years, up to 2027/28. This takes into account the sources of core funding likely to be available to the Council across the 5 years.
6. The Medium-Term Finance Strategy for last year predicted a funding gap of £2.4million by 2025/6. Action was therefore taken to develop a new Opportunities Plan of ways to increase income or reduce costs.
7. Based on existing spending plans and taking account of the known variations and revenue budget pressures in future years, the projected revenue budget for the life of this year's Strategy would indicate a funding gap of £1.9 million by 2026/27 even if Council Tax is increased by 2.99% each year.

8. This is a year later than was predicted last year as a result of the action that has already been taken. However, the problem has not yet been fully solved.
9. There are also a number of spending priorities, potential pressures and uncertainties, such as the Government's Waste Strategy for which no provision has been made in the projections which could cause a widening of the funding gap. Members are reminded that due to the gearing effect any increase in spending has a significant increase on the amount that has to be met from Council Taxpayers. For example, an increase in spending of 1%, increases the Council Tax by 6.3%.
10. The Medium-Term Finance Strategy also contains the annual **Pay Policy** update at Annex 2 to the strategy. The policy is reviewed every year to take into account changes that have happened during the year, such as changes to the senior management structure that occurred during 2023/24 and will also look forward to any known changes such as pay awards and triennial pension fund contribution changes. The policy needs to be approved by Full Council before 1 April each year.

GENERAL FUND REVENUE BUDGETS

Revenue Budget 2023/24

11. Members will recall that the Council needed to draw down £744,000 from general reserves in order to balance the budget spend in 2022/23.
12. The base net revenue budget set for 2023/24 set was £11,897,100, an increase of £1,109,100 on the previous year. This was part funded by a council tax increase of 2.99% (£5.24) which was the maximum allowable by the Government before a local referendum is needed. In setting the 2023/24 base budget it was anticipated that £401,000 would be drawn from reserves in order to balance the budget.
13. The revised budgets are indicating an improved position for the year. Although spending estimates have increased, as highlighted in the paragraphs below, the impact of the actions taken, also detailed below, has meant that the funding sources should now exceed the spend by £39,000 which will be a contribution back to the general reserves.

Pressures

14. The budget reflects known changes that have affected spending during the current financial year. which include those as a result of the current cost of living crisis.
15. The **pay award** for 2023/24 was agreed in November and resulted in an average increase across the council of 6.5% which was more than was budgeted although this was partially offset by a reduction in pension contributions which saw the amount paid by the council reduced from 19.3% to 18% of staff salaries.
16. The most significant pressure is the increase in **bed and breakfast expenses** due to changes in government policy that have resulted in an increase in numbers presenting as homeless and therefore increasing costs to over £2million. During the year the remainder of the homelessness reserve will be utilised to offset the increase in costs but this puts pressure on the budget in future years.
17. **Solent Airport** has seen increased costs during the current financial year due to a reduction in income and a requirement to employ additional staff due to safety requirements for operating an airport. This will result in a deficit for 2023/24 which is

against the trend of surpluses for the last 3 years which have totalled almost £500,000.

Savings

18. The impact of the pressures has been partially offset by income from the **shopping centre** that was purchased during the year to assist delivery of the Town Centre Regeneration Vision. This is projected to generate an income stream in the current year and future years.
19. The savings that have resulted from the work of the **Opportunities Plan** during 2023/24 have seen the plan bring in a reduction to budgets of almost £500,000 which has meant that the draw down from reserves is no longer required for the 2023/24 financial year.
20. Further information of how this is spread across portfolios is provided in Appendices A and B.

Revenue Budget 2024/25

21. The revenue budget for 2024/25 has been prepared as detailed in the Medium-Term Finance Strategy, as attached to Appendix C to this report. The proposed General Fund budget for 2024/25 totals £16,095,700 for service budgets along with other budgets of -£3,030,100 giving an overall position of £13,065,600 which is an increase of £1,168,500 against the original budget for 2023/24. This is detailed in Appendices A and B.
22. In preparing the 2024/25 budget there have been many changes as a result of the continuing cost of living crisis where the recovery has been slower than anticipated. Some areas have seen an increase in income, such as town centre **car parking** as more people return to the high streets, but the overall levels of income remain below pre-pandemic levels.
23. Some areas are seeing large increases in costs due to higher-than-average inflation figures. The main pressure area as detailed in paragraph 10 relates to **bed and breakfast expenses** which are anticipated to continue to see high numbers and cost going into the 2024/25 financial year. However, 2024/5 will be the first year that we do not have ear-marked reserves from Homelessness government grants to call on to help fund the costs.
24. The **pay award** for April 2024 has not yet been agreed but levels of awards are continually increasing due to the large increases in the level of the minimum wage that affects all pay and grading decisions. The budget provision built in at the moment is for a 3% increase in pay with pension contributions at the same level as 2023/4.
25. During 2024/25 **Fareham Live** will become operational which has an impact on the revenue budget due to one-off set up costs and also the beginning of the operator costs. This figure will reduce during future years as the venue becomes established and should also see Fareham receiving an element of the profit-sharing agreement.
26. The budget will also see a full year of operation for the **Fareham Shopping Centre**, that was purchased in October 2023, which will see a contribution to the budget of just under £1million of income although this will be partially offset by an increase in

borrowing costs.

27. The **Opportunities Plan** has seen savings of just under £400,000 being applied to the 2024/25 budget with more savings expected to come on stream during the financial year as projects progress. These will be taken into account during the revised budget setting process for 2024/25.
28. There are some elements of pressure that have not been built into the budget due to uncertainties around costs. These include the climate change action plan and the overall government Waste Strategy; locally Hampshire County Council will no longer be giving district councils income from the recycling facilities resulting in a loss of £250,000 to Fareham. The latter change has been built into the budget.
29. The budget takes into account the predicted level of **core funding** resources that will be available for the year and builds in provisions for expected increases and decreases in expenditure and income in the year. The announcements for the actual level of core funding are still awaited.
30. The budget also takes into account decisions made by the Executive during the year and the opportunities and pressures arising in the Council's key services.
31. With all of this taken into account there remains a need to draw down from reserves **£598,200** in 2024/5 in order to balance the budget, even if Council tax is increased by 2.99%. There are currently sufficient general reserves available to be used.

GENERAL FUND CAPITAL PROGRAMME

32. The detailed General Fund capital programme for the period 2023/24 to 2027/28 is part of the Capital Strategy and this report will also be presented to the Executive.

ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT

33. The subject matter of this report is not anticipated to have an impact on the Council's carbon footprint, nor is it expected to have a detrimental or beneficial impact to the wider environment.

RISK ASSESSMENT

34. In considering the budgets and forecasts, there are a number of risks and uncertainties as set out in Section 6.3 in the Medium-Term Finance Strategy.
35. The Executive has previously agreed that the balance on the spending reserve should equate to at least 7.5% of gross revenue expenditure to help protect the Council from extraordinary events. This level is in accordance with the guidance from the Chartered Institute of Public Finance and Accountancy (LAAP77), as to what is an appropriate level to retain.
36. Other general fund reserves will need to be used in order to balance the budget in 2024/25. However, this position will not be sustainable going forward as there are insufficient unallocated reserves available to fund the budget shortfalls from 2026/7. Actions will continue to be taken and increased monitoring will be introduced to reduce the impact on the overall level of reserves and protect the council's financial position. In particular it is proposed that funding continues to be used to support the work in the Opportunities Plan to find solutions to bridge the future funding gap.

37. The Government's expectation and associated funding levels indicate that they believe that Fareham will raise council tax by up to 2.99% next year with a spending review detailing future proposals commencing in 2026/27.

Enquiries:

For further information on this report please contact Neil Wood 01329 824506

APPENDIX A

GENERAL FUND REVENUE BUDGETS SUMMARY 2023/24 AND 2024/25

a) Revised Budget 2023/24

	Budget 2023/24 £	Revised 2023/24 £	Variation £
Committees			
Licensing and Regulatory Affairs Committee	540,400	495,700	-44,700
Planning Committee	694,300	580,400	-113,900
Executive - Portfolio Budgets			
- Leisure and Community	-38,600	-260,400	-221,800
- Housing	2,270,800	3,394,800	1,124,000
- Planning and Development	1,246,100	1,209,000	-37,100
- Policy and Resources	541,800	-220,100	-761,900
- Health and Public Protection	765,800	352,600	-413,200
- Streetscene	5,592,200	6,174,000	581,800
Accounting Adjustments not included above	4,101,900	3,492,800	-609,100
SERVICE BUDGETS	15,714,700	15,218,800	-495,900
Capital Charges	-4,320,000	-4,094,400	225,600
Direct Revenue Funding	1,125,000	1,125,000	0
Minimum Revenue Provision	1,490,900	1,545,700	54,800
Bad Debt Provision	0	0	0
Interest on Balances	-612,000	-430,200	181,800
Portchester Crematorium	-80,000	-80,000	0
New Homes Bonus	-17,900	-17,900	0
Contribution from Earmarked Reserves	-1,002,700	-929,700	73,000
Contribution to(+)/from(-) General Reserves	-400,900	+38,800	439,700
OTHER BUDGETS	-3,817,600	-2,842,700	974,900
NET BUDGET	11,897,100	12,376,100	479,000

b) Base Budget 2024/25

	Base Budget 2023/24 £	Base Budget 2024/25 £	Variation £
Committees			
Licensing and Regulatory Affairs Committee	540,400	699,100	158,700
Planning Committee	694,300	578,100	-116,200
Executive - Portfolio Budgets			
- Leisure and Community	-38,600	148,600	187,200
- Housing	2,270,800	3,435,900	1,165,100
- Planning and Development	1,246,100	1,221,200	-24,900
- Policy and Resources	541,800	-958,900	-1,500,700
- Health and Public Protection	765,800	373,500	-392,300
- Streetscene	5,592,200	6,706,800	1,114,600
Accounting Adjustments not included above	4,101,900	3,891,400	-210,500
SERVICE BUDGETS	15,714,700	16,095,700	381,000
Capital Charges	-4,320,000	-4,094,400	225,600
Direct Revenue Funding	1,125,000	1,125,000	0
Minimum Revenue Provision	1,490,900	1,756,700	265,800
Bad Debt Provision	0	0	0
Interest on Balances	-612,000	-468,400	143,600
Portchester Crematorium	-80,000	-100,000	-20,000
New Homes Bonus	-17,900	-98,200	-80,300
Contribution from Earmarked Reserves	-1,002,700	-552,600	450,100
Contribution to(+)/from(-) Reserves	-400,900	-598,200	-197,300
OTHER BUDGETS	-3,817,600	-3,030,100	787,500
NET BUDGET	11,897,100	13,065,600	1,168,500

APPENDIX B

DETAILED DRAFT REVENUE BUDGETS BY SERVICE 2023/24 AND 2024/25

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Committees			
Licensing and Regulatory Affairs Committee	540,400	495,700	699,100
Planning Committee	694,300	580,400	578,100
Executive - Portfolios			
Leisure and Community	-38,600	-260,400	148,600
Housing	2,270,800	3,394,800	3,435,900
Planning and Development	1,246,100	1,209,000	1,221,200
Policy and Resources	541,800	-220,100	-958,900
Health and Public Protection	765,800	352,600	373,500
Streetscene	5,592,200	6,174,000	6,706,800
Accounting Adjustments	4,101,900	3,492,800	3,891,400
NET EXPENDITURE	15,714,700	15,218,800	16,095,700

SUBJECTIVE ANALYSIS

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Employees	12,074,400	12,723,400	12,672,800
Premises-Related Expenditure	3,500,400	4,420,000	5,115,500
Transport-Related Expenditure	1,587,500	1,660,900	1,689,700
Supplies and Services	6,527,300	8,526,800	8,596,400
Third Party Payments	2,456,500	2,431,800	3,306,100
Transfer Payments	12,653,900	13,137,500	13,137,500
Support Services	3,657,100	3,848,500	3,952,400
Capital Charges	4,960,700	4,360,800	4,474,400
GROSS EXPENDITURE	47,417,800	51,109,700	52,944,800
Government Grants	-13,962,400	-14,667,200	-14,158,800
Other Grants & Reimbursements	-3,402,400	-3,622,500	-2,958,100
Sales, Fees and Charges	-8,309,000	-9,544,900	-10,310,800
Rents	-5,844,000	-7,786,000	-9,141,100
Recharges to other Accounts	-185,300	-270,300	-280,300
GROSS INCOME	-31,703,100	-35,890,900	-36,849,100
NET EXPENDITURE	15,714,700	15,218,800	16,095,700

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2024/25

LICENSING AND REGULATORY AFFAIRS COMMITTEE

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Hackney Carriage and Private Hire Vehicles	5,500	0	100
Licensing	9,400	3,500	4,300
Health and Safety	159,000	154,700	155,000
Election Services	366,500	337,500	539,700
	<hr/> 540,400	<hr/> 495,700	<hr/> 699,100

PLANNING COMMITTEE

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Planning Applications	243,700	104,900	152,500
Planning Advice	219,500	191,600	194,300
Planning Enforcement	131,400	124,200	127,300
Planning Appeals	99,700	159,700	104,000
	<hr/> 694,300	<hr/> 580,400	<hr/> 578,100

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2024/25

LEISURE AND COMMUNITY PORTFOLIO

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Community Grants	271,200	253,100	204,700
Community Development	282,700	164,900	174,400
Ferneham Hall	200,200	58,800	0
Leisure Centres	-964,100	-859,400	-1,010,100
Fareham Live	0	-12,400	640,700
Community Centres	171,400	134,600	138,900
Total Before Accounting Adjustments	-38,600	-260,400	148,600
Accounting Adjustments for Portfolio	1,952,700	2,060,100	2,173,700
	<u>1,914,100</u>	<u>1,799,700</u>	<u>2,322,300</u>

HOUSING PORTFOLIO

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Housing Grants and Home Improvements	38,100	2,800	2,800
Housing Options	33,600	45,100	45,200
Housing Benefit Payments	44,800	45,500	45,500
Housing Benefit Administration	483,100	436,300	465,100
Homelessness	725,600	1,887,200	1,893,400
Housing Advice	747,500	830,400	819,200
Housing Strategy	205,400	170,700	186,100
Local Land Charges	-7,300	-23,200	-21,400
Total Before Accounting Adjustments	2,270,800	3,394,800	3,435,900
Accounting Adjustments for Portfolio	46,500	45,500	45,500
	<u>2,317,300</u>	<u>3,440,300</u>	<u>3,481,400</u>

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2024/25

PLANNING AND DEVELOPMENT PORTFOLIO

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Flooding and Coastal Management	81,100	95,500	95,500
Transportation Liaison	32,600	33,500	33,500
Conservation & Listed Building Policy	70,200	65,800	67,900
Sustainability & Climate Change	9,100	43,900	46,800
Local Plan	1,053,100	970,300	977,500
Total Before Accounting Adjustments	1,246,100	1,209,000	1,221,200
Accounting Adjustments for Portfolio	88,300	88,300	88,300
	1,334,400	1,297,300	1,309,500

POLICY AND RESOURCES PORTFOLIO

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Democratic Representation and Management	1,345,600	1,179,100	1,212,600
Commercial Estates	-810,000	-1,232,000	-1,244,300
Investment Properties	-2,696,900	-2,375,800	-2,515,100
Solent Airport and Daedalus	-391,000	-368,100	-345,400
Fareham Shopping Centre	0	-539,500	-1,275,800
Public Relations, Comms and Consultation	663,700	675,600	691,900
Unapportionable Central Overheads	148,600	148,600	148,600
Corporate Management	751,100	922,500	925,700
Economic Development	152,300	153,600	135,500
Regeneration	321,900	149,000	170,200
Local Tax Collection	1,056,500	1,066,900	1,137,200
Total Before Accounting Adjustments	541,800	-220,100	-958,900
Accounting Adjustments for Portfolio	889,400	450,000	735,000
	1,431,200	229,900	-223,900

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2024/25

HEALTH & PUBLIC PROTECTION PORTFOLIO

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Pest Control	77,700	66,900	67,700
Food Safety	152,500	148,100	148,200
Air Quality and Pollution	193,300	177,800	187,900
Community Safety	269,900	203,400	204,500
Emergency Planning	61,300	61,300	61,900
Clean Borough Enforcement	256,800	302,900	320,500
Off-Street Parking	-332,000	-720,700	-724,600
Cemeteries and Closed Churchyards	-111,800	-68,300	-70,100
Building Control	198,100	181,200	177,500
Total Before Accounting Adjustments	765,800	352,600	373,500
Accounting Adjustments for Portfolio	138,900	93,400	93,400
	<u>904,700</u>	<u>446,000</u>	<u>466,900</u>

STREETSCENE PORTFOLIO

	Base Budget 2023/24 £	Revised Budget 2023/24 £	Base Budget 2024/25 £
Parks, Open Spaces and Grounds Maintenance	2,148,800	2,283,600	2,368,600
Countryside Rangers	189,400	208,900	213,400
Street Cleaning	1,070,100	1,103,100	1,122,700
Public Conveniences	262,400	289,100	297,000
Waste Collection	1,150,700	1,239,900	1,284,300
Trade Refuse	-154,500	-112,100	-62,400
Recycling	1,088,700	1,142,100	1,423,600
Green Waste	-660,800	-522,600	-496,100
Tree Management	431,600	466,400	479,700
Street Furniture	65,800	75,600	76,000
Total Before Accounting Adjustments	5,592,200	6,174,000	6,706,800
Accounting Adjustments for Portfolio	986,100	755,500	755,500
	<u>6,578,300</u>	<u>6,929,500</u>	<u>7,462,300</u>
OVERALL BUDGET TOTAL	<u>15,714,700</u>	<u>15,218,800</u>	<u>16,095,700</u>