

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 12 October 2015

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| Portfolio: | Policy and Resources |
| Subject: | Medium Term Finance Strategy |
| Report of: | Director of Finance and Resources |
| Strategy/Policy: | Finance Strategy |
| Corporate Objective: | A dynamic, prudent and progressive Council |

Purpose:

This report reviews the Council's finance strategy in the light of the Council's current financial position, the agreed objectives and priorities and the budgetary and other pressures that the Council will face in the current and future years.

Executive summary:

The strategy document, attached to this report as Appendix A, 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.

The document also 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 the projected position in future years, up to 2019/20, examined.

To summarise the overall capital position, the programme for services other than HRA housing, up to 2019/20, has been updated and now totals £36.4 million. Resources of £37.9 million are available now to finance the programme and between 2015/16 and 2019/20 resources of £18.1 million are anticipated from direct revenue funding, capital grants, capital receipts and borrowing.

However, the spending reductions likely to be required in 2016/17 onwards may well mean that the revenue contributions to capital have to be significantly reduced in future years.

At the same time, maintenance and improvement programmes for the Council's asset base indicate significant sums need to be spent over the next 10 years, which exceed the resources currently available. The Strategy therefore strengthens the need to identify new resources to provide for the works.

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 the strategy through to 2019/20 would indicate a significant increase in the amount payable by the council tax payers, if mitigating action was not taken.

The extent of the financial pressures to be faced as the Government tackles the budget deficit will inevitably mean reductions in the breadth of services that the Council is able to provide.

Much of the Strategy will be dependent outcomes of the future Resource Reviews but the Strategy explains the measures currently underway, and further steps that are planned during the strategy period, to ensure that council tax increases are maintained within acceptable limits and in accordance with the Council's corporate priorities.

Members are reminded that the inclusion of any growth items would lead to a more significant increase with extra revenue expenditure of, say, £60,000 increasing the council tax by a further 1%. The projections of expenditure and funding for 2016/17 and later years indicate that the budgetary pressures will continue.

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 does not exceed the prevailing inflation rate. Consequently, strict budget guidelines must be maintained.

The Scrutiny Board considered the various issues at its meeting on 23 September 2015 and the Board's views will be reported to the meeting.

Recommendation/Recommended Option:

That the Executive agrees:

- (a) the Council's finance strategy and the budget guidelines for 2016/17, as set out in the finance strategy document attached to this report; and
- (b) to submit the updated Pay Policy, annexed to the Medium Term Finance Strategy, to the Council for approval.

Reason:

It is appropriate that strict budget guidelines remain in force, spending levels are tightly controlled and no new spending plans – capital or revenue – are implemented until the necessary finance has been identified and secured.

Cost of proposals:

The cost of the proposed capital and revenue schemes are set out in the attached finance strategy document.

Appendices: A: Draft Finance Strategy – 2015/16 to 2019/20

Background papers: None