

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 8 February 2016

Portfolio:	Policy and Resources
Subject:	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17
Report of:	Director of Finance and Resources
Strategy/Policy:	Finance Strategy
Corporate Objective:	A dynamic, prudent and progressive Council

Purpose:

This report seeks final confirmation of the recommendations to Council, on 19 February 2016, in respect of the revenue budget, capital programme and council tax for 2016/17.

Executive summary:

On 11 January 2016, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2016/17. This report updates the Council's budgets to reflect the decisions taken on 11 January 2016.

The capital programme for the years 2015/16 to 2019/20 will be £36,959,000.

The revenue budget for 2016/17 will be £8,829,400. With Central Government support and retained business rates estimated to be £2,592,859 and use of collection fund balance of £136,473, the total amount due from the council tax payers will be £6,100,068.

Taking these changes into consideration, the council tax for 2016/17 will be £145.22 per Band D property. This represents an increase from the council tax set for 2015/16 and would be within the referendum limit set by the Government.

Recommendation/Recommended Option:

That the following proposals be approved by the Executive and recommended to the meeting of the Council to be held on 19 February 2016:

- (a) the capital programme and financing of £36,959,000;
- (b) an overall revised revenue budget for 2015/16 of £9,174,600;

- (c) a revenue budget for 2016/17 of £8,829,400; and
- (d) a council tax for Fareham Borough Council for 2016/17 of £145.22 per band D property, which represents a £5.00 increase when compared to the current year.

Reason:

To allow the Full Council to approve the Council Tax for 2016/17.

Cost of proposals:

Not applicable.

Appendices: **A: Revenue Budget and Council Tax Summary 2015/16 and 2016/17**

Background papers: None

Reference papers: None

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BOROUGH COUNCIL

Executive Briefing Paper

Date:	8 February 2016
Subject:	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17
Briefing by:	Director of Finance and Resources
Portfolio:	Policy and Resources

INTRODUCTION

1. On 11 January 2016 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
 - The capital programme for 2015/16 to 2019/20;
 - The revised revenue budget for 2015/16;
 - Fees and charges for 2016/17
 - The revenue budget for 2016/17; and
 - The council tax for 2016/17.
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 2015/16 TO 2019/20

3. The capital programme for the period 2015/16 to 2019/20 is £36,959,000 as shown in the following tables:

	£000s
Public Protection	479
Streetscene	916
Leisure and Community	11,243
Health and Housing	3,730
Planning and Development	1,058
Policy and Resources	19,533
TOTAL	36,959

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

	£000s
Capital Fund Account	8,017
Capital Receipts	9,096
Borrowing	7,340
Revenue Contribution to Capital schemes	4,902
Government Grants	4,160
Community Infrastructure Levy	2,852
External Contributions	1,840
TOTAL	38,207

5. The programme and projected resources indicate that, by 31 March 2020, there would be a surplus of capital resources of £1,248,000, 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 £7.3m. In the event that these resources do not materialise, the programme will become partly unfunded.
7. Spending pressures in this respect include refurbishment/replacement works to some Council assets (for example community centres and the Osborn Road multi-storey car park) that have yet to be added to the capital programme. Therefore, no further use of the forward-balance is proposed and further replenishment of capital resources will be sought, (e.g. through use of revenue underspends).

SPENDING RESERVE

8. The spending reserve currently stands at £2,256,000 which is 5% of gross expenditure for 2015/16 which represents the minimum required balance as set out in the approved Medium Term Finance Strategy.
9. At the meeting on 11 January 2016 the Executive agreed to use the £886,300 that was in excess of the minimum balance to support the both the revenue budget and capital programme.
10. There was also a commitment to fund foreshore repairs at Hill Head that are required as a result of severe weather over the Christmas period from the general fund revenue reserve. A report will come to the Executive once costs are known.

REVISED BUDGET 2015/16

11. In January, the Executive considered in detail the revised budget for 2015/16, which totalled £9,174,600 and is no change when compared to the base budget for the year.

SERVICE BUDGETS 2016/17

12. The following table shows the service budgets resulting from the decisions of the Executive on 11 January 2016.

13.

	Base Budget 2016/17
Committees	£
Planning Committee	672,900
Licensing and Regulatory Affairs Committee	491,400
Executive - Portfolio Budgets	
- Leisure and Community	2,635,700
- Health and Housing	1,196,900
- Planning and Development	-595,700
- Policy and Resources	1,353,000
- Public Protection	2,050,600
- Streetscene	4,478,600
SERVICE BUDGETS	12,283,400

OTHER BUDGETS 2016/17

14. Since the January Executive report was prepared further information has been released regarding Central Government Support. As a result of this change the Other Budgets total will be -£3,454,000.

THE OVERALL BUDGET POSITION FOR 2016/17

15. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2016/17, detailed in Appendix A, is confirmed as £8,829,400. This total is £345,200 below the base budget for 2015/16 of £9,174,600.

THE 2015 AUTUMN STATEMENT AND GOVERNMENT SUPPORT

16. In the 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. 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.

17. As part of the statement the Government proposed referendum limits for local authorities and as expected, council tax increases that exceed 2% would trigger a referendum. However, the government has also allowed the 50 authorities with the lowest council tax to raise their council tax by a maximum of £5 when compared to the previous level, before a referendum is triggered. This report has been prepared using a £5 increase in council tax for Fareham.

18. The amount of government support that the Council expects to receive in 2016/17 is £2,592,859 which is a reduction of £606,873 or 19% when compared

to 2015/16.

19. With further cash reductions through to 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.

CONSULTATION WITH RESIDENTS

20. During January members of the public have been asked to comment on the possible increase in the level of Fareham's part of the council tax.
21. The survey highlights the fact that council tax has been frozen since 2009, there has been and will continue to be reduced funding from Central Government and the option available to Fareham to increase council tax for a Band D property by £5 in 2016/17.
22. The results of the survey will be reported verbally at the Executive meeting.

COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

23. The revised council tax base for 2015/16 is 41,630.2 Band D equivalent properties which is the same as the original estimate.
24. The council tax base for 2016/17 is 42,005.7 Band D equivalent properties.
25. The net rates payable from National Non-Domestic Rates for 2016/17 (after Transitional arrangements and reliefs) is £43,706,286.

COUNCIL TAX FOR 2016/17

26. With a net budget for 2016/17 of £8,929,400 and government support of £2,592,859 and the use of collection fund balances of £136,473, the Executive is able to recommend a council tax increase for 2016/17 of £5. This is shown in the following table:

	Base Budget 2015/16	Base Budget 2016/17	Variation
	£	£	£
Total Budget	9,174,600	8,829,400	-345,200
Less:			
Government Support	3,199,732	2,592,859	-606,873
Use of Collection Fund surplus	75,786	136,473	+60,687
Council Tax Freeze Grant	61,695	0	-61,695
Total due from Council Tax Payers	5,837,387	6,100,068	+262,681
Council Tax base	41,630.2	42,005.7	
Council Tax	£140.22	£145.22	
Cash Increase	+ £0.00	+ £5.00	

27. Since April 2010 council tax freeze grant has been received from central Government which has been equivalent to a 9% increase in council tax, leaving Fareham's council tax some 14.5% below the inflation level had increases been taken every year.

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 2016/17, 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)

Revenue Budget and Council Tax Summary 2015/16 and 2016/17

	Budget 2015/16 £	Revised 2015/16 £	Variation Base to Rev £	Budget 2016/17 £	Variation Base to base £
Committees					
Planning Committee	753,000	688,700	-64,300	672,900	-80,100
Licensing and Regulatory Affairs Committee	490,200	561,700	71,500	491,400	1,200
Executive - Portfolio Budgets					
- Leisure and Community	2,112,600	2,809,300	696,700	2,635,700	523,100
- Health and Housing	1,215,000	1,298,200	83,200	1,196,900	-18,100
- Planning and Development	-1,001,900	-730,300	271,600	-595,700	406,200
- Policy and Resources	1,463,400	2,253,900	790,500	1,353,000	-110,400
- Public Protection	2,293,800	2,089,700	-204,100	2,050,600	-243,200
- Streetscene	4,447,000	4,440,800	-6,200	4,478,600	31,600
SERVICE BUDGETS	11,773,100	13,412,000	1,638,900	12,283,400	510,300
Capital Charges	-1,983,000	-2,227,200	-244,200	-2,227,200	-244,200
Capital Financing Costs					
- Use of Housing Capital Receipts	-230,000	-229,100	900	-230,000	0
- Direct Revenue Funding	1,301,000	1,301,000	0	1,295,000	-6,000
- Direct Revenue Funding NHB	897,900	897,900	0	897,900	0
Interest on Balances	-599,900	-699,900	-100,000	-569,900	30,000
Portchester Crematorium	-125,000	-125,000	0	-125,000	0
New Homes Bonus	-1,648,000	-1,653,800	-5,800	-2,068,000	-420,000
Contribution to(+)/from(-) Reserves	-211,500	-1,501,300	-1,289,800	-426,800	-215,300
OTHER BUDGETS	-2,598,500	-4,237,400	-1,638,900	-3,454,000	-855,500
NET BUDGET	9,174,600	9,174,600		8,829,400	-345,200

	Budget 2015/16 £	Budget 2016/17 £
NET BUDGET	9,174,600	8,829,400
EXTERNAL SUPPORT		
Non-Domestic Rates	1,750,446	1,765,033
Revenue Support Grant	1,449,286	827,826
Council Tax Freeze Grant	61,695	0
	<u>3,261,427</u>	<u>2,592,859</u>
USE OF COLLECTION FUND BALANCE	75,786	136,473
NET AMOUNT DUE FROM COUNCIL TAX PAYERS	5,837,387	6,100,068
COUNCIL TAX BASE	41,630.2	42,005.7
COUNCIL TAX PER BAND D PROPERTY (ROUNDED)	£140.22	£145.22
CASH INCREASE	£0.00	£5.00
PERCENTAGE INCREASE	0.00%	3.57%