

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 05 February 2018

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|------------------------------|--|
| Portfolio: | Finance and Resources |
| Subject: | Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2018/19 |
| Report of: | Director of Finance and Resources |
| Corporate Priorities: | A dynamic, prudent and progressive Council |

Purpose:

This report seeks final confirmation of the recommendations to be made to Council, on 23 February 2018, in respect of the revenue budget, capital programme and council tax for 2018/19.

Executive summary:

On 8 January 2018, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2018/19. This report updates the Council's budgets to reflect the decisions taken on 8 January 2018.

The capital programme for the years 2017/18 to 2021/22 will be £55,081,000.

The revenue budget for 2018/19 will be £8,440,500. With Central Government support, transitional grant and retained business rates estimated to be £1,852,843 and a deficit to be paid to the collection fund of £25,538, the total amount due from the council tax payers will be £6,613,195.

Taking these changes into consideration, the council tax for 2018/19 will be £155.22 per Band D property. This represents an increase from the council tax set for 2017/18 but would be within the referendum limit set by the Government.

Recommendation/Recommended Option:

It is recommended that the Executive approve and recommend to the meeting of the Council to be held on 23 February 2018:

- (a) the capital programme and financing of £55,081,000;
- (b) an overall revised revenue budget for 2017/18 of £8,616,700;
- (c) a revenue budget for 2018/19 of £8,440,500;
- (d) the surplus in the spending reserve remains in the reserve to cover the anticipated future funding shortfalls as set out in paragraphs 18-21; and
- (e) a council tax for Fareham Borough Council for 2018/19 of £155.22 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 Council to approve the Council Tax for 2018/19.

Cost of proposals:

Not applicable

Appendices: **Appendix A:** Overall Total Budget for 2018/19

Background papers: None

Reference papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

| | |
|---------------------|---|
| Date: | 05 February 2018 |
| Subject: | Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2018/19 |
| Briefing by: | Director of Finance and Resources |
| Portfolio: | Policy and Resources |

INTRODUCTION

1. On 8 January 2018 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
 - The capital programme for 2017/18 to 2021/22;
 - The revised revenue budget for 2017/18;
 - Fees and charges for 2018/19;
 - The revenue budget for 2018/19; and
 - The council tax for 2018/19.
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 2017/18 TO 2021/22

3. The capital programme for the period 2017/18 to 2021/22 as reported to 8 January 2018 Executive was £52,776,000. This has been increased by £2,305,000 to include amendments to some Daedalus schemes to reflect the tender prices as reported to the Executive in April 2017 and updated to reflect the current projected build costs. The capital programme is now £55,081,000 as shown in the following table.

| | £000s |
|------------------------------|---------------|
| Health and Public Protection | 329 |
| Streetscene | 924 |
| Leisure and Community | 1,958 |
| Housing | 6,055 |
| Planning and Development | 968 |
| Policy and Resources | 44,847 |
| TOTAL | 55,081 |

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

| | £000s |
|---|---------------|
| Capital Receipts | 2,842 |
| Government Grants | 4,407 |
| Revenue Contribution to Capital schemes | 4,690 |
| Capital Fund Account | 5,846 |
| External Contributions | 3,027 |
| Community Infrastructure Levy | 1,389 |
| Borrowing | 34,637 |
| TOTAL | 56,838 |

5. The programme and projected resources indicate that, by 31 March 2022, there could be a small surplus of capital resources of £1,757,000, 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 £7.2m. In the event that these resources do not materialise, the programme will become partly unfunded.

REVISED BUDGET 2017/18

7. In January, the Executive considered in detail the revised budget for 2017/18, which totalled £8,616,700 and is no change when compared to the base budget for the current year.

SERVICE BUDGETS 2018/19

8. The following table shows the service budgets resulting from the decisions of the Executive on 8 January 2018.

| | Base Budget 2018/19 £ |
|--|--------------------------------------|
| Committees | |
| Planning Committee | 565,100 |
| Licensing and Regulatory Affairs Committee | 501,500 |
| Executive - Portfolio Budgets | |
| - Leisure and Community | 2,378,000 |
| - Housing | 1,082,500 |
| - Planning and Development | 170,200 |
| - Policy and Resources | -908,800 |
| - Health and Public Protection | 2,207,600 |
| - Streetscene | 4,773,300 |
| SERVICE BUDGETS | 10,769,400 |

OTHER BUDGETS 2018/19

9. After the January Executive changes were made to the Other Budgets total which will be -£2,328,900.

THE OVERALL BUDGET POSITION FOR 2018/19

10. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2018/19, detailed in Appendix A, is confirmed as £8,440,500.
11. This total is £176,200 below the base budget for 2017/18 of £8,616,700.

THE AUTUMN STATEMENT AND GOVERNMENT SUPPORT

12. 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.
13. 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.
14. Under the proposals, in 2018/19 and 2019/20, Fareham's Revenue Support Grant will be zero leaving only support from business rates and council tax available to fund revenue services.
15. In the Local Government Finance Settlement 2017 the referendum limits for local authorities were set out and council tax increases that exceed 3% would trigger a referendum. This is an increase from 2% on the previous year. 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.
16. The amount of government support, including transitional grant, that the Council expects to receive in 2018/19 is £1,852,843 which is a reduction of £235,170 or 11% when compared to 2017/18. This is solely the amount of business rates we will be retaining.
17. The Finance Settlement 2017 also announced a Fair Funding Review that commenced in January 2018 with a view to implementing the new arrangements from the 2020/2021 financial year. With the outcome of this review unclear, 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.

SPENDING RESERVE

18. The spending reserve exists to cover unforeseen changes in revenue expenditure.
19. The current balance on the reserve stands at £4,140,000 which is £1,727,000 over the minimum required balance of 5% of Gross Expenditure as set out in the approved Medium Term Finance Strategy.
20. The Finance Strategy covers the period through to 2021/22 and is showing a projected shortfall of £1.3m in the final 3 years of the Medium Term Finance Strategy. It would be prudent and it is recommended that the surplus over the minimum 5% is left in the spending reserve in order that a balanced budget can be set for the next 4 years.
21. This position will be reviewed once the outcome of the Fair Funding Review is known for the 2020/21 financial year.

COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

22. The revised council tax base for 2017/18 is 42,371.6 Band D equivalent properties which is the same as the original estimate.
23. The council tax base for 2018/19 is 42,605.3 Band D equivalent properties.
24. The net rates payable from National Non-Domestic Rates for 2018/19 (after Transitional arrangements and reliefs) is £42,683,238.

COUNCIL TAX FOR 2018/19

25. With a net budget for 2018/19 of £8,440,500, government support of only £1,852,843 and the need to make a payment into collection fund balances of £25,538, the Executive recommends a council tax increase for 2018/19 of £5. This is shown in the following table:

| | Base Budget 2017/18 | Base Budget 2018/19 | Variation |
|--|----------------------------|----------------------------|------------------|
| | £ | £ | £ |
| Total Budget | 8,616,700 | 8,440,500 | -176,200 |
| Less: | | | |
| Government Support | 2,088,023 | 1,852,843 | -235,180 |
| Use of Collection Fund surplus | 89,984 | -25,538 | -115,522 |
| Transitional Grant | 73,631 | 0 | -73,631 |
| Total due from Council Tax Payers | 6,365,062 | 6,613,195 | +248,133 |
| Council Tax base | 42,371.6 | 42,605.3 | |

| | | | |
|----------------------|---------|---------|--|
| Council Tax (Band D) | £150.22 | £155.22 | |
| Cash Increase | + £5.00 | + £5.00 | |

26. The proposed council tax increase is within government referendum limits.
27. The overall income from taxpayers of £6,613,195 represents approximately 14% of the gross spend by the council for 2018/19 of £45.9million.

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 Council on the council tax for 2018/19, 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)

APPENDIX A

ACTUAL REVENUE BUDGET FOR COUNCIL TAX 2018/19

| | Budget 2017/18 £ | Revised 2017/18 £ | Variation Base to Rev £ | Budget 2018/19 £ | Variation Base to base £ |
|---|------------------------|-------------------------|----------------------------------|------------------------|-----------------------------------|
| Committees | | | | | |
| Planning Committee | 622,100 | 728,100 | 106,000 | 565,100 | -57,000 |
| Licensing and Regulatory Affairs Committee | 481,000 | 456,000 | -25,000 | 501,500 | 20,500 |
| Executive - Portfolio Budgets | | | | | |
| - Leisure and Community | 2,543,800 | 2,707,800 | 164,000 | 2,378,000 | -165,800 |
| - Housing | 1,024,400 | 848,300 | -176,100 | 1,082,500 | 58,100 |
| - Planning and Development | 121,600 | 420,700 | 299,100 | 170,200 | 48,600 |
| - Policy and Resources | 123,900 | -40,450 | -164,350 | -908,800 | -1,032,700 |
| - Health and Public Protection | 2,226,100 | 2,235,850 | 9,750 | 2,207,600 | -18,500 |
| - Streetscene | 4,657,800 | 4,670,200 | 12,400 | 4,773,300 | 115,500 |
| SERVICE BUDGETS | 11,800,700 | 12,026,500 | 225,800 | 10,769,400 | -1,031,300 |
| Capital Charges | -2,232,900 | -2,232,900 | 0 | -2,232,900 | 0 |
| Capital Financing Costs | | | | | |
| - Use of Housing Capital Receipts | -60,000 | -96,100 | -36,100 | -60,000 | 0 |
| - Direct Revenue Funding | 1,200,000 | 1,200,000 | 0 | 1,125,000 | -75,000 |
| Minimum Revenue Position | 362,900 | 415,300 | 52,400 | 680,900 | 318,000 |
| Interest on Balances | -499,900 | -474,900 | 25,000 | -459,900 | 40,000 |
| Portchester Crematorium | -135,000 | -145,000 | -10,000 | -150,000 | -15,000 |
| New Homes Bonus | -1,574,200 | -1,574,200 | 0 | -962,000 | 612,200 |
| Contribution to(+)/from(-) Reserves | -244,900 | -502,000 | -257,100 | -270,000 | -25,100 |
| OTHER BUDGETS | -3,184,000 | -3,409,800 | -225,800 | -2,328,900 | 855,100 |
| BUDGET TOTAL | 8,616,700 | 8,616,700 | | 8,440,500 | -176,200 |
| NET BUDGET | 8,616,700 | 8,616,700 | | 8,440,500 | -176,200 |

| | Budget 2017/18 £ | Budget 2018/19 £ |
|---|---------------------------------|---------------------------------|
| NET BUDGET | 8,616,700 | 8,440,500 |
| EXTERNAL SUPPORT | | |
| Non-Domestic Rates | 1,799,749 | 1,852,843 |
| Revenue Support Grant | 288,274 | 0 |
| Transitional Grant | 73,631 | 0 |
| | <u>2,161,654</u> | <u>1,852,843</u> |
| USE OF COLLECTION FUND BALANCE | 89,894 | -25,538 |
| NET AMOUNT DUE FROM COUNCIL TAX PAYERS | 6,365,152 | 6,613,195 |
| COUNCIL TAX BASE | 42,371.6 | 42,605.3 |
| COUNCIL TAX PER BAND D PROPERTY | £150.22 | £155.22 |
| CASH INCREASE | £5.00 | £5.00 |
| PERCENTAGE INCREASE | 3.44% | 3.33% |