

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 04 February 2019

Portfolio:	Policy and Resources
Subject:	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2019/20
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 22 February 2019, in respect of the revenue budget, capital programme and council tax for 2019/20.

Executive summary:

On 7 January 2019, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2019/20. This report updates the Council's budgets to reflect the decisions taken on 7 January 2019.

The capital programme for the years 2018/19 to 2022/23 will be £39,229,000.

The revenue budget for 2019/20 will be £8,666,400. With retained business rates estimated to be £1,897,692 and a deficit to be paid to the collection fund of £106,236, the total amount due from the council tax payers will be £6,874,944.

Taking these changes into consideration, the council tax for 2018/19 will be £160.22 per Band D property. This represents an increase from the council tax set for 2018/19 but would be within the referendum limit set by the Government.

Recommendation/Recommended Option:

It is recommended that the Executive approves and recommends to the meeting of the Council to be held on 22 February 2019:

- (a) the capital programme and financing of £39,973,000;
- (b) an overall revised revenue budget for 2018/19 of £8,440,500;
- (c) a revenue budget for 2019/20 of £8,666,400;
- (d) the remainder of the surplus in the spending reserve remains in the reserve to cover the anticipated future funding shortfalls as set out in paragraphs 16-19;
- (e) a council tax for Fareham Borough Council for 2019/20 of £160.22 per band D property, which represents a £5.00 increase when compared to the current year and is within referendum limits; and
- (f) an unchanged Council Tax Support scheme for 2019/20.

Reason:

To allow the Council to approve the Council Tax for 2019/20.

Cost of proposals:

Not applicable

Appendices: **A:** Overall Total Budget for 2019/20

Background papers: None

Reference papers: None

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BOROUGH COUNCIL

Executive Briefing Paper

Date:	04 February 2019
Subject:	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2019/20
Briefing by:	Director of Finance and Resources
Portfolio:	Policy and Resources

INTRODUCTION

1. On 7 January 2019 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
 - The capital programme for 2018/19 to 2022/23;
 - The revised revenue budget for 2018/19;
 - Fees and charges for 2019/20;
 - The revenue budget for 2019/20; and
 - The council tax for 2019/20.
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 2018/19 TO 2022/23

3. The capital programme for the period 2018/19 to 2022/23 as reported to the 7 January 2019 Executive meeting was £39,229,000. There has been an amendment to the programme to include the Daedalus Faraday Business Park scheme approved at the January Executive along with the removal of the Daedalus West Large Hangar and Office scheme. The updated programme is shown in the following table:

	£000s
Health and Public Protection	100
Streetscene	839
Leisure and Community	1,526
Housing	3,127
Planning and Development	63
Policy and Resources	34,318
TOTAL	39,973

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

	£000s
Capital Receipts	3,406
Government Grants	4,298
Revenue Contribution to Capital schemes	3,793
Capital Fund Account	4,888
External Contributions	536
Community Infrastructure Levy	1,145
Borrowing	21,907
TOTAL	39,973

5. The programme and projected resources indicate that, by 31 March 2023, there could be a small surplus of capital resources of £2,254,000, which represents a contingency of 5.6% 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 £7.8m. In the event that these resources do not materialise, the programme will become partly unfunded.

REVISED BUDGET 2018/19

7. In January, the Executive considered in detail the revised budget for 2018/19, which totalled £8,440,500 and is no change when compared to the base budget for the current year.

SERVICE BUDGETS 2019/20

8. The following table shows the service budgets resulting from the decisions of the Executive on 7 January 2019.

	Base Budget 2019/20 £
Committees	
Planning Committee	485,700
Licensing and Regulatory Affairs Committee	516,800
Executive - Portfolio Budgets	
- Leisure and Community	1,668,800
- Housing	1,381,300
- Planning and Development	-307,300
- Policy and Resources	-589,300
- Health and Public Protection	2,332,200
- Streetscene	5,814,000
SERVICE BUDGETS	11,302,200

OTHER BUDGETS 2019/20

9. After the January Executive one change was made to the Other Budgets total which will now be -£2,635,800.

THE OVERALL BUDGET POSITION FOR 2019/20

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 £8,666,400 which is £225,900 above the base budget for 2018/19.

THE AUTUMN STATEMENT AND GOVERNMENT SUPPORT

11. 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.
12. 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.
13. 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.
14. In the Local Government Finance Settlement 2018 the referendum limits for local authorities were set out and council tax increases that exceed 3% 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.
15. 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

16. The spending reserve exists to cover unforeseen changes in revenue expenditure.
17. The current balance on the reserve stands at £4,330,200 which is £1,924,800 over the minimum required balance of 5% of Gross Expenditure as set out in the

approved Medium Term Finance Strategy.

18. The Finance Strategy covers the period through to 2022/23 and is showing a projected shortfall of £0.5m in the final 3 years of the strategy. It would be prudent, and it is recommended, that the remaining 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.
19. 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

20. The council tax base for 2019/20 is 42,909.6 Band D equivalent properties.
21. The net rates payable from National Non-Domestic Rates for 2019/20 (after Transitional arrangements and reliefs) is £42,940,222.

COUNCIL TAX FOR 2019/20

22. With a net budget for 2019/20 of £8,666,400, government support of £1,897,692 and the need to make a payment into collection fund balances of £106,269, the Executive recommends a council tax increase for 2019/20 of £5. This is shown in the following table:

	Base Budget 2018/19	Base Budget 2019/20	Variation
	£	£	£
Total Budget	8,440,500	8,666,400	225,900
Less:			
Government Support	1,852,843	1,897,692	-44,849
Use of Collection Fund surplus	-25,538	-106,236	80,698
Total due from Council Tax Payers	6,613,195	6,874,944	+261,749
Council Tax base	42,605.3	42,909.6	
Council Tax (Band D)	£155.22	£160.22	
Cash Increase	+ £5.00	+ £5.00	

23. The proposed council tax increase is within government referendum limits.
24. The overall income from taxpayers of £6,874,944 represents approximately 15% of the gross spend by the council for 2019/20 of £47.1million.

ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)

25. 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.

26. 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.
27. 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.

COUNCIL TAX SUPPORT 2019/20

28. The national Council Tax Benefit scheme was abolished by Central Government on 31 March 2013. Under that scheme, claimants on low incomes could get up to 100% of their council tax paid and Central Government reimbursed local authorities for this expenditure via the Council Tax Benefit subsidy arrangements.
29. Since 1 April 2013, all billing authorities have been responsible for developing their own means-tested schemes, called Local Council Tax Support, to assist working-age people on low incomes pay their council tax. The Government has continued to prescribe in legislation the support to be provided to pensioner-age claimants.
30. Legislation requires that Local Council Tax Support schemes are considered by Full Council on an annual basis even if no major changes are to be made. In previous years and following public consultation, the Council has agreed and implemented a scheme based on the following principles:
 - Every working-age claimant should pay something towards their council tax
 - The amount of Council Tax Support to be capped to a Band C for those claimants living in larger properties
 - All non-dependents (such as adult sons or daughters living in the claimant's property) should pay something towards the household's council tax bill
 - Provide additional financial support to the most vulnerable claimants (such as those receiving a War Pension or who are severely disabled)
31. For 2019/20, it is proposed to retain these key principles and to administer an unchanged scheme.
32. There are currently 4,152 households in the borough receiving Council Tax Support. The caseload and expenditure for the current financial year can be seen below:

	Number of claimants	Cost of Council Tax Support
Pension-age caseload	2,103	£1,952,531.18
Working-age caseload (vulnerable group)	800	£795,831.19
Working-age caseload (employed)	423	£232,505.94
Working-age caseload (other*)	826	£618,787.79
Total	4,152	£3,599,656.10

*In receipt of an out-of-work benefit such as Job Seekers Allowance or Income Support

33. It is anticipated that an unchanged Council Tax Support scheme for 2019/20, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.
34. A public consultation ran from 5 November 2018 to 17 December 2018 and 142 respondents completed the questionnaire. 115 respondents (81%) thought the current Council Tax Support scheme was fair and 124 respondents (87%) agreed that claimants with severe disabilities or in receipt of war pensions should continue to receive additional financial support.

RISK ASSESSMENT

35. While all spending plans can be met from within existing resources, growing financial pressures increase the risk that spending plans exceed desirable levels.
36. 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.
37. The council will continue to explore opportunities to increase income sources for the Council as well as review other opportunity plans in order that balanced budgets can be made in future years.

CONCLUSION

38. In making a recommendation to Council on the council tax for 2019/20, 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 FOR COUNCIL TAX 2019/20

	Budget 2018/19 £	Revised 2018/19 £	Variation Base to Rev £	Budget 2019/20 £	Variation Base to base £
Committees					
Planning Committee	565,100	597,800	32,700	485,700	-79,400
Licensing and Regulatory Affairs Committee	501,500	522,500	21,000	516,800	15,300
Executive - Portfolio Budgets					
- Leisure and Community	1,526,300	1,858,800	332,500	1,668,800	142,500
- Housing	1,317,900	1,251,300	-66,600	1,381,300	63,400
- Planning and Development	-46,300	-149,500	-103,200	-307,300	-261,000
- Policy and Resources	-1,224,500	-877,300	347,200	-589,300	635,200
- Health and Public Protection	2,398,800	2,313,100	-85,700	2,332,200	-66,600
- Streetscene	5,730,600	5,656,200	-74,400	5,814,000	83,400
SERVICE BUDGETS	10,769,400	11,172,900	403,500	11,302,200	532,800
Capital Charges	-2,232,900	-2,390,300	-157,400	-2,390,300	-157,400
Capital Financing Costs					
- Use of Housing Capital Receipts	-60,000	-165,000	-105,000	0	60,000
- Direct Revenue Funding	1,125,000	1,125,000	0	1,125,000	0
Minimum Revenue Position	680,900	700,000	19,100	905,700	224,800
Interest on Balances	-459,900	-463,900	-4,000	-515,900	-56,000
Portchester Crematorium	-150,000	-150,000	0	-150,000	0
New Homes Bonus	-962,000	-962,000	0	-820,900	141,100
Contribution to(+)/from(-) Reserves	-270,000	-426,200	-156,200	-789,400	-519,400
OTHER BUDGETS	-2,328,900	-2,732,400	-403,500	-2,635,800	-306,900
BUDGET TOTAL	8,440,500	8,440,500		8,666,400	225,900
NET BUDGET	8,440,500	8,440,500		8,666,400	225,900

	Budget 2018/19 £	Budget 2019/20 £
NET BUDGET	8,440,500	8,666,400
EXTERNAL SUPPORT		
Non-Domestic Rates	1,852,843	1,897,692
Revenue Support Grant	0	0
	<u>1,852,843</u>	<u>1,897,692</u>
 USE OF COLLECTION FUND BALANCE	 -25,538	 -106,236
AMOUNT DUE FROM COUNCIL TAX PAYERS	6,613,195	6,874,944
COUNCIL TAX BASE	42,605.3	42,909.6
COUNCIL TAX PER BAND D PROPERTY (ROUNDED)	£155.22	£160.22
CASH INCREASE	£5.00	£5.00
PERCENTAGE INCREASE	3.33%	3.22%