

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 06 January 2020

Portfolio:	Policy and Resources
Subject:	Finance Strategy, Revenue Budget and Council Tax 2020/21
Report of:	The Deputy Chief Executive and Section 151 Officer
Corporate Priorities:	A dynamic, prudent and progressive Council

Purpose:

This report provides an update on the Council's 5-year financial forecasts and makes recommendations regarding the, revised revenue budget for 2019/20 and 2020/21.

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 2019/20 and proposed service budgets for 2020/21.

Revised General Fund Revenue Budget 2019/20

The revised general fund revenue budget for 2019/20 amounts to £12,709,300 for service budgets with other budgets totalling -£3,390,100 giving an overall position of £9,319,200 which shows an increase of £652,800 from the base budget for 2019/20.

General Fund Revenue Budget 2020/21

The proposed general fund budget for 2020/21 totals £11,582,500 for service budgets along with -£1,976,000 for other budgets giving an overall position of £9,606,500 which is an increase of £940,100 against the original budget for 2019/20.

5-Year Financial Forecasts

The 5-Year financial forecasts for 2019/20 to 2023/24 is predicting a funding shortfall by 2021/22. The Opportunities Plan approved last year is still predicted to address the shortfall and build in some capacity for future pressures and uncertainties.

Recommendation:

It is recommended that the Executive:

Financial Forecasts (MTFS)

- (a) approves the Medium-Term Finance Strategy for the period 2019/20 to 2023/24, as set out at Appendix C to the report;
- (b) agrees to submit the updated Pay Policy, annexed to the Medium-Term Finance Strategy at Annex C, to Council for approval;

Revenue Budgets

- (c) approves the revised 2019/20 general fund revenue budget, amounting to £9,319,200, as set out in Appendix A and B to the report; and
- (d) approves the base 2020/21 general fund revenue budget amounting to £9,606,500, as set out in Appendix 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 funding shortfall by 2021/22. An Opportunities Plan has been developed to address this and build in capacity for future pressures and uncertainties.

Cost of proposals:

As detailed in the report.

Appendices: A: General Fund Revenue Budget Summary 2019/20 and 2020/21
B: Detailed Draft Revenue Budgets by Service Portfolio 2019/20 and 2020/21
C: Medium Term Finance Strategy 2019/20 to 2023/24

Background papers: None

Reference papers:

Report to Executive 4 February 2019 - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2019-20

Report to the Executive 8 July 2019 – General Fund and Housing Revenue Outturn 2018-19

Report to the Executive 4 November 2019 – Finance Monitoring Report 2019-20

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	06 January 2020
Subject:	Finance Strategy, Revenue Budget and Council Tax 2020-21
Briefing by:	The Deputy Chief Executive and Section 151 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 does not exceed the prevailing inflation rate. 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 the projected position in future years, up to 2023/24, examined.
6. 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 2023/24 would indicate a funding gap of £489,000 by 2021/22, even if Council Tax is increased by £5 each year.
7. There are also a number of spending priorities, potential pressures and uncertainties 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 Tax

payers. For example, an increase in spending of 1%, increases the Council Tax by 7%.

OPPORTUNITIES PLAN

8. An Opportunities Plan, as summarised below, has therefore been developed which consists of a number of projects that have been identified to either reduce expenditure, increase income or safeguard the Council from future expenditure increases.
9. As part of the budget setting report for 2019/20 the Executive agreed the setting up of a Project Team at a cost of £600,000 over 2 years to be met from reserves. The table below shows the number of projects that the team and other officers have been working on and the latest projections of the potential savings that can be made.

Table 10 - Summary of Opportunities Plan				
Project Grouping	Number of Projects	Latest Projected Potential Savings (£)	Annual Savings Realised To Date (£)	Savings Built into Budgets as at 20/21 (£)
1. Service changes already in progress	17	320,700	276,400	227,900
2. Projects needing resources led by Project Team	8	1,051,300	6,000	0
3. Projects needing resources led by Head of Service	7	830,500	373,450	483,400
4. Projects achievable within current resources	6	391,200	82,687	0
5. Good Practice Projects	3	None expected	0	0
6. Projects to do as resources allow	16	Not costed	0	0
7. Other projects (additional to Plan)	12	29,500	9,500	0
Totals	69	£2,623,200	£748,037	£711,300

10. Savings to budgets from the Opportunities Plan totalling **£711,300** have already been built into the budget forecasts for 2018/19 to 2020/21.
11. To date 19 projects have been completed. The work will continue into 2020/21 with the team working with services to identify further opportunities to help provide savings or additional income to enable a balanced budget to be set in future years.

GENERAL FUND REVENUE BUDGETS

Revenue Budget 2019/20

12. The base net revenue budget set for 2019/20 set was £8,666,400, an increase of £225,900 on the previous year. This was part funded by a council tax increase of £5 which is the maximum allowable by the Government before a local referendum is needed.
13. Additional budget provision totalling £171,700 was carried forward for incomplete projects from 2018/19; this was fully financed from underspending in 2018/19.
14. The overall revised budget has increase from the base budget to £9,319,200. The budget reflects known changes that have occurred during the current financial year and as a result the service budgets have increased by £652,800.

15. Other budgets, such as investment income, contributions to capital, and movement in reserves, have been all changed, and the revised budget will increase to £9,319,200. Further information of how this is spread across portfolios is provided in Appendices A and B.

Revenue Budget 2020/21

16. The revenue budget for 2020/21 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 2020/21 totals £11,582,500 for service budgets along with -£1,976,000 for other budgets giving an overall position of £9,606,500 which is an increase of £940,100 against the original budget for 2019/20. This detailed in Appendices A and B.
17. 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.
18. 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.

GENERAL FUND CAPITAL PROGRAMME

19. The detailed General Fund capital programme for the period 2019/20 to 2023/24 is part of the Capital Strategy which is under a separate report on this agenda.

RISK ASSESSMENT

20. 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.
21. The Executive has previously agreed that the balance on the spending reserve should equate to at least 5% of gross revenue expenditure. A detailed assessment of need has been carried out, following guidance from the Chartered Institute of Public Finance and Accountancy (LAAP77), which indicates that this is an appropriate level to retain and should not be reduced. The budgets proposed will allow the Spending Reserve to be maintained at the required level.
22. Delivery of the Opportunities Plan aims to address the shortfalls forecast across the next 5 years plus build in some spare capacity for pressures not yet built in to the forecasts.
23. The Government's expectation and associated funding levels indicate that they believe that Fareham will continue to raise council tax by up to £5 next year with a spending review detailing future proposals commencing in 2021/22.
24. While the Council's capital resources are expected to exceed planned capital expenditure at the end of the programme period, future spending requirements could give rise to a very significant shortfall. It is therefore imperative that capital reserves are replenished whenever possible in order to meet the future spending needs.

Enquiries:

For further information on this report please contact Neil Wood. (Ext 4506)

APPENDIX A

GENERAL FUND REVENUE BUDGETS SUMMARY 2019/20 AND 2020/21

a) Revised Budget 2019/20

	Budget 2019/20 £	Revised 2019/20 £	Variation Base to Rev £
Committees			
Licensing and Regulatory Affairs Committee	516,800	517,300	500
Planning Committee	485,700	666,900	181,200
Executive - Portfolio Budgets			
- Leisure and Community	633,000	773,500	140,500
- Housing	1,379,200	1,310,000	-69,200
- Planning and Development	-333,400	1,695,900	2,029,300
- Policy and Resources	-667,000	-523,600	143,400
- Health and Public Protection	2,151,600	276,000	-1,875,600
- Streetscene	4,903,500	5,226,000	322,500
Accounting Adjustments not included above	2,232,800	2,767,300	534,500
SERVICE BUDGETS	11,302,200	12,709,300	1,407,100
Capital Charges	-2,390,300	-2,927,700	-537,400
Direct Revenue Funding	1,125,000	1,125,000	0
Minimum Revenue Provision	905,700	809,800	-95,900
Interest on Balances	-515,900	-557,800	-41,900
Portchester Crematorium	-150,000	-160,000	-10,000
New Homes Bonus	-820,900	-820,900	0
Contribution to(+)/from(-) Reserves	-789,400	-858,500	-69,100
OTHER BUDGETS	-2,635,800	-3,390,100	-754,300
NET BUDGET	8,666,400	9,319,200	652,800

b) Base Budget 2020/21

	Budget 2019/20 £	Budget 2020/21 £	Variation Base to base £
Committees			
Licensing and Regulatory Affairs Committee	516,800	520,500	3,700
Planning Committee	485,700	472,600	-13,100
Executive - Portfolio Budgets			
- Leisure and Community	633,000	453,800	-179,200
- Housing	1,379,200	1,468,500	89,300
- Planning and Development	-333,400	1,584,800	1,918,200
- Policy and Resources	-667,000	-1,008,000	-341,000
- Health and Public Protection	2,151,600	221,100	-1,930,500
- Streetscene	4,903,500	5,101,900	198,400
Accounting Adjustments not included above	2,232,800	2,767,300	534,500
SERVICE BUDGETS	11,302,200	11,582,500	280,300
Capital Charges	-2,390,300	-2,927,700	-537,400
Direct Revenue Funding	1,125,000	1,510,000	385,000
Minimum Revenue Provision	905,700	1,134,300	228,600
Interest on Balances	-515,900	-695,700	-179,800
Portchester Crematorium	-150,000	-165,000	-15,000
New Homes Bonus	-820,900	-459,900	361,000
Contribution to(+)/from(-) Reserves	-789,400	-372,000	417,400
OTHER BUDGETS	-2,635,800	-1,976,000	659,800
NET BUDGET	8,666,400	9,606,500	940,100

APPENDIX B

DETAILED DRAFT REVENUE BUDGETS BY SERVICE PORTFOLIO
2019/20 AND 2020/21

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Committees			
Licensing and Regulatory Affairs Committee	516,800	517,300	520,500
Planning Committee	485,700	666,900	472,600
Executive - Portfolio Budgets			
Leisure and Community	633,000	773,500	453,800
Housing	1,379,200	1,310,000	1,468,500
Planning and Development	-333,400	1,695,900	1,584,800
Policy and Resources	-667,000	-523,600	-1,008,000
Health and Public Protection	2,151,600	276,000	221,100
Streetscene	4,903,500	5,226,000	5,101,900
NET EXPENDITURE	9,069,400	9,942,000	8,815,200

SUBJECTIVE ANALYSIS

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Employees	10,365,700	10,805,400	10,262,700
Premises-Related Expenditure	2,533,800	2,799,100	3,145,000
Transport-Related Expenditure	1,161,200	1,294,600	1,499,800
Supplies and Services	6,195,700	6,744,900	4,990,600
Third Party Payments	1,446,400	1,454,500	1,469,500
Transfer Payments	17,687,100	16,151,900	16,169,400
Support Services	3,242,100	3,149,000	3,029,100
Capital Charges	2,732,800	3,517,300	3,517,300
GROSS EXPENDITURE	45,364,800	45,916,700	44,083,400
Government Grants	-18,180,000	-17,093,800	-16,600,100
Other Grants & Reimbursements	-2,021,300	-2,502,400	-2,245,000
Customer & Client Receipts	-7,741,100	-7,622,100	-7,005,800
Rents	-5,966,600	-5,826,000	-6,597,400
Recharges to other Accounts	-153,600	-163,100	-153,600
GROSS INCOME	-34,062,600	-33,207,400	-32,601,900
NET EXPENDITURE	11,302,200	12,709,300	11,481,500

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2020/21

LICENSING AND REGULATORY AFFAIRS COMMITTEE

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Hackney Carriage and Private Hire Vehicles	2,700	2,700	3,300
Licensing	-39,900	-39,900	-39,300
Health and Safety	146,700	146,800	147,900
Election Services	407,300	407,700	408,600
	<u>516,800</u>	<u>517,300</u>	<u>520,500</u>

PLANNING COMMITTEE

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Planning Applications	60,000	249,500	72,900
Planning Advice	243,300	235,700	215,400
Planning Enforcement	126,000	125,400	127,300
Planning Appeals	56,400	56,300	57,000
	<u>485,700</u>	<u>666,900</u>	<u>472,600</u>

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2020/21

LEISURE AND COMMUNITY PORTFOLIO

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Community Grants	323,200	392,400	292,400
Community Development	191,400	259,500	256,700
Ferneham Hall	444,400	433,300	215,600
Fareham Leisure Centre	527,500	469,800	472,500
Holly Hill Leisure Centre	-65,500	-74,900	-75,200
Community Centres	271,500	269,800	268,200
	<u>1,692,500</u>	<u>1,749,900</u>	<u>1,430,200</u>

HOUSING PORTFOLIO

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Housing Grants and Home Improvements	38,500	37,900	16,800
Housing Options	45,800	46,200	27,800
Housing Benefit Payments	-114,100	-121,100	-121,100
Housing Benefit Administration	464,100	396,800	470,000
Homelessness	420,700	343,600	435,400
Housing Advice	436,900	436,100	474,400
Housing Strategy	212,000	230,600	221,000
Local Land Charges	-122,600	-33,000	-28,700
	1,381,300	1,337,100	1,495,600

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2020/21

PLANNING AND DEVELOPMENT PORTFOLIO

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Parking Strategy	-1,950,800	0	0
Flooding and Coastal Management	113,300	171,500	171,500
Transport Liaison	36,500	36,500	36,400
Tree Management	142,000	312,800	317,100
Conservation & Listed Building Policy	30,300	30,200	29,400
Local Plan	1,321,400	1,233,200	1,118,700
	-307,300	1,784,200	1,673,100

POLICY AND RESOURCES PORTFOLIO

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Democratic Representation and Management	1,091,500	1,135,500	1,165,500
Commercial Estates	-371,500	-274,100	-497,400
Investment Properties	-3,339,600	-3,267,500	-3,815,200
Solent Airport and Daedalus	-634,200	-75,100	-47,700
Public Relations, Comms and Consultation	497,700	492,100	495,100

Unapportionable Central Overheads	175,600	175,600	175,600
Corporate Management	1,042,200	943,600	997,000
Economic Development	43,400	72,100	169,700
Local Tax Collection	881,900	876,700	951,900
	<u>-613,000</u>	<u>78,900</u>	<u>-405,500</u>

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2020/21

HEALTH & PUBLIC PROTECTION PORTFOLIO

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Pest Control	39,500	38,300	39,900
Dog Control	24,500	24,500	25,100
Food Safety	139,500	139,500	140,100
Air Quality and Pollution	202,400	198,800	203,000
Community Safety	329,500	355,000	348,300
Emergency Planning	56,700	56,700	57,700
Clean Borough Enforcement	88,900	88,900	101,200
On-Street Parking	-34,800	-37,100	0
Off-Street Parking	1,287,200	-709,600	-818,300
Building Control	198,800	198,200	201,300
	<u>2,332,200</u>	<u>353,200</u>	<u>298,300</u>

STREETSCENE PORTFOLIO

	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
Cemeteries & Crematorium	-15,900	-14,800	-7,500
Parks, Open Spaces and Grounds Maintenance	1,787,900	1,977,300	2,009,500
Sports Pavilions, Pitches, Greens and Courts	557,000	496,900	443,600
Countryside Rangers	187,600	167,300	173,300
Allotments	20,400	18,600	8,400
Street Cleaning	993,300	1,035,900	984,600
Public Conveniences	254,000	257,500	277,400
Waste Collection	987,500	1,022,100	972,700
Trade Refuse	-103,100	-68,100	-65,100
Recycling	689,700	825,200	781,300
Green Waste	349,900	420,400	416,400
Street Furniture	105,700	83,500	103,100

	<u>5,814,000</u>	<u>6,221,800</u>	<u>6,097,700</u>
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TOTAL

	<u>11,302,200</u>	<u>12,709,300</u>	<u>11,582,500</u>
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