

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 03 February 2020

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

Purpose:

This report seeks final confirmation of the recommendations to be made to Council, on 21 February 2020, in respect of the revenue budget, capital programme and council tax for 2020/21.

Executive summary:

On 6 January 2020, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2020/21. This report updates the Council's budgets to reflect the decisions taken on 6 January 2020.

The capital programme for the years 2019/20 to 2023/24 will be £64,246,000.

The revenue budget for 2020/21 will be £9,606,500. With retained business rates and grants estimated to be £2,456,665 and a deficit to be paid to the collection fund of £47,033, the total amount due from the council tax payers will be £7,196,868.

Taking these changes into consideration, the council tax for 2020/21 will be £165.22 per Band D property. This represents an increase from the council tax set for 2019/20 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 21 February 2020:

- (a) the capital programme and financing of £64,246,000;
- (b) an overall revised revenue budget for 2019/20 of £9,319,200;
- (c) a revenue budget for 2020/21 of £9,606,500;
- (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 17-20;
- (e) a council tax for Fareham Borough Council for 2020/21 of £165.22 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 2020/21.

Reason:

To allow the Council to approve the Council Tax for 2020/21.

Cost of proposals:

Not applicable

Appendices: A: Overall Total Budget for 2020/21

Background papers: None

Reference papers: None

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BOROUGH COUNCIL

Executive Briefing Paper

Date:	03 February 2020
Subject:	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2020/21
Briefing by:	Deputy Chief Executive Officer and Section 151 Officer
Portfolio:	Policy and Resources

INTRODUCTION

1. On 6 January 2020 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
 - The capital programme for 2019/20 to 2023/24;
 - The revised revenue budget for 2019/20;
 - Fees and charges for 2020/21;
 - The revenue budget for 2020/21; and
 - The council tax for 2020/21.
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 2019/20 TO 2023/24

3. The capital programme for the General Fund for the period 2019/20 to 2023/24 as reported to the 6 January 2020 Executive meeting was £63,396,400. In addition, two new schemes were approved at the January Executive for the following:
 - Secure Access to the Western Side of Solent Airport and further parking for the Children's Play Area - £250,000
 - Construction of Economic Hangars at Solent Airport - £600,000
4. The updated programme is shown in the following table:

	£000s
Streetscene	729
Leisure and Community	20,071
Housing	3,048
Planning and Development	580
Policy and Resources	39,818
TOTAL	64,246

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

	£000s
Capital Receipts	41
Grants and Contributions	17,898
Capital Reserves	4,512
Revenue	3,943
Borrowing	37,852
TOTAL	64,246

6. The programme and projected resources indicate that, by 31 March 2024, there could be a small surplus of capital resources of £6.6 million, which represents a contingency of 10.3% on the overall capital programme.
7. Importantly, the surplus assumes an estimate of future capital receipts as well as continued revenue contributions towards capital investment, totalling £18 million. In the event that these resources do not materialise, the programme will become partly unfunded.

REVISED BUDGET 2019/20

8. In January, the Executive considered in detail the revised budget for 2019/20, which totalled £9,319,200 which is an increase of £652,800 when compared to the base budget for the current year.

SERVICE BUDGETS 2020/21

9. The following table shows the service budgets resulting from the decisions of the Executive on 6 January 2020.

	Base Budget 2020/21 £
Committees	
Licensing and Regulatory Affairs Committee	520,500
Planning Committee	472,600
Executive - Portfolio Budgets	
- Leisure and Community	453,800
- Housing	1,468,500
- Planning and Development	1,584,800
- Policy and Resources	-1,002,000
- Health and Public Protection	221,100
- Streetscene	5,101,900
Accounting Adjustments in Service Portfolios	2,767,300

SERVICE BUDGETS

11,588,500

OTHER BUDGETS 2020/21

10. Following decisions made at the January Executive a minor change has been made to the Other Budgets total which will now be -£1,982,000.

THE OVERALL BUDGET POSITION FOR 2020/21

11. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2020/21, detailed in Appendix A, is confirmed as £9,606,500 which is £940,100 above the base budget for 2019/20; and 287,300 above the revised budget above.

THE AUTUMN STATEMENT AND GOVERNMENT SUPPORT

12. In the 2015 Autumn Statement the Government announced a four-year funding settlement in order to give some certainty to financial planning through to 2019/20.
13. Under the proposals, in 2018/19 and 2019/20, Fareham's Revenue Support Grant would be zero leaving only support from business rates and council tax available to fund revenue services.
14. The Finance Settlement 2017 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 General Election in December 2019 the review was delayed with a proposal to take effect from the 2021/22 financial year. Instead the provisional settlement announced on 20/12/19 was that Fareham's Revenue Support Grant would again be zero
15. In the Local Government Finance Settlement 2019 the referendum limits for local authorities were set out and council tax increases that exceed 2% 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.
16. 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

17. The spending reserve exists to cover unforeseen changes in revenue expenditure.
18. The current balance on the reserve stands at £5,526,100 which is £3,100,100 over the minimum required balance of 5% of Gross Expenditure as set out in the approved Medium Term Finance Strategy.

19. The Finance Strategy covers the period through to 2022/23 and is showing a projected shortfall of £1.5m 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.
20. This position will be reviewed once the outcome of the Fair Funding Review is known for the 2021/22 financial year.

COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

21. The council tax base for 2020/21 is 43,559.3 Band D equivalent properties.
22. The net rates payable from National Non-Domestic Rates for 2020/21 (after Transitional arrangements and reliefs) is £to follow.

COUNCIL TAX FOR 2020/21

23. With a net budget for 2020/21 of £9,606,500, government support of £2,456,665 and the need to make a payment into collection fund balances of £47,033, the Executive recommends a council tax increase for 2020/21 of £5. This is shown in the following table:

	Base Budget 2019/20	Base Budget 2019/20	Variation
	£	£	£
Total Budget	8,666,400	9,606,500	940,100
Less:			
Government Support	-1,897,692	-2,456,665	-558,973
Collection Fund deficit	106,236	47,033	-59,203
Total due from Council Tax Payers	6,874,944	7,196,868	+321,924
Council Tax base	42,909.6	43,559.3	
Council Tax (Band D)	£160.22	£165.22	
Cash Increase	+ £5.00	+ £5.00	

24. The proposed council tax increase is within government referendum limits.
25. The overall income from taxpayers of £7,196,868 represents approximately 15% of the gross spend by the council for 2020/21 of £46.8million.

ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)

26. 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.
27. 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.

28. 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 2020/21

29. All billing authorities are 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 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 2020/21, it is proposed to retain these key principles and to administer an unchanged scheme.
32. There are currently 3,940 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	1,977	£1,911,208
Working-age caseload (vulnerable group)	825	£853,182
Working-age caseload (employed)	332	£168,8103
Working-age caseload (other*)	806	£603,400
Total	3,940	£3,536,600

*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 2020/21, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.

RISK ASSESSMENT

34. While all spending plans can be met from within existing resources, growing financial pressures increase the risk that spending plans exceed desirable levels.
35. With the Fair Funding review being delayed until the 2021/22 financial year the future funding support for Fareham remains uncertain. Any changes as a result of the review and the Business Rate Reset are very likely 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.
36. 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

37. In making a recommendation to Council on the council tax for 2020/21, 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)

ACTUAL REVENUE BUDGET

	Budget 2019/20 £	Revised 2019/20 £	Budget 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	-1,002,000
- Health and Public Protection	2,151,600	276,000	221,100
- Streetscene	4,903,500	5,226,000	5,101,900
Accounting Adjustments in Service Portfolios	2,232,800	2,767,300	2,767,300
SERVICE BUDGETS	11,302,200	12,709,300	11,588,500
Capital Charges	-2,390,300	-2,927,700	-2,927,700
Direct Revenue Funding	1,125,000	1,125,000	1,510,000
Minimum Revenue Position	905,700	809,800	1,134,300
Interest on Balances	-515,900	-557,800	-695,700
Portchester Crematorium Contribution	-150,000	-160,000	-165,000
New Homes Bonus	-820,900	-820,900	-459,900
Contribution from Reserves	-789,400	-858,500	-378,000
OTHER BUDGETS	-2,635,800	-3,390,100	-1,982,000
BUDGET TOTAL	8,666,400	9,319,200	9,606,500
NET BUDGET	8,666,400	9,319,200	9,606,500

	Budget 2019/20 £	Revised 2019/20 £	Budget 2020/21 £
NET BUDGET	8,666,400	9,319,200	9,606,500
GOVERNMENT SUPPORT			
Non-Domestic Rates	-1,897,692	-2,550,492	-2,456,665
Revenue Support Grant	0	0	0
	<u>1,897,692</u>	<u>2,550,492</u>	<u>2,456,665</u>
 COLLECTION FUND BALANCE (+Deficit/- surplus)	 106,236	 106,236	 47,033
 AMOUNT DUE FROM COUNCIL TAX PAYERS	 6,874,944	 6,874,944	 7,196,868
 COUNCIL TAX BASE	 42,909.4		 43,559.3
 COUNCIL TAX PER BAND D PROPERTY	 £160.22		 £165.22
 CASH INCREASE	 £5.00		 £5.00
 PERCENTAGE INCREASE	 3.22%		 3.12%