

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 04 January 2021

Portfolio:	Policy and Resources
Subject:	Finance Strategy, Revenue Budget and Council Tax 2021/22
Report of:	Deputy Chief Executive 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 2020/21 and 2021/22.

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 2020/21 and proposed service budgets for 2021/22.

Revised General Fund Revenue Budget 2020/21

The revised general fund revenue budget for 2020/21 amounts to £15,905,100 for service budgets with other budgets totalling -£3,823,500 (including a use of general reserves of £690,200) and Government COVID funding of £2,993,300 giving an overall position of £9,606,500 which shows no increase from the base budget for 2020/21.

General Fund Revenue Budget 2021/22

The proposed general fund budget for 2021/22 totals £14,692,700 for service budgets along with -£3,823,500 for other budgets (including a use of general reserves of £1,902,500) and Government COVID funding of £751,000 giving an overall position of £10,118,200 which is an increase of £511,700 against the original budget for 2020/21.

5-Year Financial Forecasts

The 5-Year financial forecasts for 2020/21 to 2024/25 is predicting a funding shortfall by 2022/23. The Opportunities Plan approved last year is still predicted to address the shortfall and build in some capacity for future pressures and uncertainties.

Recommendation/Recommended Option:

It is recommended that the Executive:

Financial Forecasts (MTFS)

- (a) approves the Medium-Term Finance Strategy for the period 2020/21 to 2024/25, as set out at Appendix C to the report;

Revenue Budgets

- (b) approves the revised 2020/21 general fund revenue budget, amounting to £9,606,500, as set out in Appendix A and B to the report; and
- (c) approves the base 2021/22 general fund revenue budget amounting to £10,118,200, 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 2022/23. 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 2020/21 and 2021/22
B: Detailed Draft Revenue Budgets by Service Portfolio 2020/21 and 2021/22
C: Medium Ter Finance Strategy 2020/21 to 2024/25

Background papers: None

Reference papers:

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	04 January 2021
Subject:	Finance Strategy, Revenue Budget and Council Tax 2021/22
Briefing by:	Deputy Chief Executive 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 2024/25, 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 2024/25 would indicate a funding gap of £1.7 million 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.

Opportunities Plan Update Document					
Financial Summary of Plan					
Project group	Latest Projected Savings (£)	Actual Savings Realised (£)	Budget Adjust. 19/20 (£)	Budget Adjust. 20/21 (£)	Budget Adjust. 21/22 (£)
1. Service changes already in progress	300,700	300,700	300,700		
2. Projects needing resources led by Project Team	1,445,300	-653,035	93,500		£938,320
3. Projects needing resources to be led by HOS	652,000	376,662	-12,500	302,900	
4. Projects led by HOS achievable within current resources	391,200	20,000			
5. Good Practice Projects	None expected				
6. The 'B List' of projects to do as resources allow	Not Costed				
7. Other projects (additional to Plan)	£20,000	7,913			
8. Completed Projects	£120,700	£90,387		£5,000	
			381,700	£307,900	£938,320
Totals	2,929,900	142,627		£1,627,920	
Things outside of the Plan - savings		37,700			
Things outside of the Plan – costs	-400,000				

10. Savings to budgets from the Opportunities Plan totalling **£1,627,920** have already been built into the budget forecasts the years up to 2021/22.

GENERAL FUND REVENUE BUDGETS

Revenue Budget 2020/21

11. The base net revenue budget set for 2020/21 set was £9,606,500, an increase of £940,100 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.

12. Additional budget provision totalling £110,600 was carried forward for incomplete projects from 2019/20; this was fully financed from underspending in 2019/20.
13. The overall revised budget has increased from the base budget to £15,904,600. The budget reflects known changes that have occurred during the current financial year mainly as a result of the COVID-19 pandemic and has seen service budgets increase by £4,316,600. Other budgets, such as investment income, contributions to capital, and movement in reserves, have also changed, which changes bring this figure down to £3,683,000.
14. Some of this increase has been offset by Central Government funding of just over £2.9m, leaving a balance of £0.7m to be met from general fund reserves.
15. Further information of how this is spread across portfolios is provided in Appendices A and B.

Revenue Budget 2021/22

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 £14,692,700 for service budgets along with -£3,823,500 for other budgets along with £751,000 of additional government funding for the COVID19 pandemic giving an overall position of £10,118,200 which is an increase of £511,700 against the original budget for 2020/21. This detailed in Appendices A and B.
17. In preparing the 2021/22 budget there have been many changes as a result of the COVID19 Global Pandemic. The main areas that have been affected are detailed in the table below:

Service	Effect on 21/22 Budget
Leisure Centres – Loss of Income and revised management arrangements	£1.2m
Car Parking – Loss of Income	£0.6m
Town Centre and Market Quay – Loss of Rental Income	£0.4m
Impact on Homelessness Budgets	£0.1m
Increase in Bad Debt provision	£0.3m

18. 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.
19. 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

20. The detailed General Fund capital programme for the period 2020/21 to 2024/25 is part of the Capital Strategy which is under a separate report on this agenda.

RISK ASSESSMENT

21. 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.
22. 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.
23. Other General Fund reserves will need to be used in order to balance the budget in 2020/21 and in 2021/22 and this position will be monitored to reduce the impact on the overall level of reserves and protect the council's financial position.
24. 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 into the forecasts.
25. 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.
26. 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 2020/21 AND 2021/22

a) Revised Budget 2020/21

	Budget 2020/21 £	Revised 2020/21 £	Variation Base to Rev £
Committees			
Licensing and Regulatory Affairs Committee	520,500	432,600	-87,900
Planning Committee	472,600	599,000	126,400
Executive - Portfolio Budgets			
- Leisure and Community	453,800	1,665,400	1,211,600
- Housing	1,468,500	1,784,900	316,400
- Planning and Development	1,584,800	1,664,900	80,100
- Policy and Resources	-987,400	-177,500	809,900
- Health and Public Protection	221,100	1,249,400	1,028,300
- Streetscene	5,101,900	5,437,100	335,200
Accounting Adjustments not included above	2,752,700	3,249,300	496,600
SERVICE BUDGETS	11,588,500	15,905,100	4,316,600
Capital Charges	-2,927,700	-3,466,100	-538,400
Direct Revenue Funding	1,510,000	1,510,000	0
Minimum Revenue Provision	1,134,300	1,100,900	-33,400
Bad Debt Provision	0	519,900	519,900
Interest on Balances	-695,700	-559,700	136,000
Portchester Crematorium	-165,000	-165,000	0
New Homes Bonus	-459,900	-702,100	-242,200
Contribution from Reserves	-378,000	-853,000	-475,000
OTHER BUDGETS	-1,982,000	-2,615,100	-633,100
NET BUDGET before COVID Funding	9,606,500	13,290,000	3,683,500
Contribution from Reserves for COVID	0	-690,200	-690,200
Fees and Charges Reduction Funding	0	-1,329,000	-1,329,000
Government COVID Funding	0	-1,664,300	-1,664,300
	0	-3,683,500	-3,683,500
NET BUDGET	9,606,500	9,606,500	0

b) Base Budget 2021/22

	Budget 2020/21 £	Budget 2021/22 £	Variation Base to base £
Committees			
Licensing and Regulatory Affairs Committee	520,500	552,700	32,200
Planning Committee	472,600	482,000	9,400
Executive - Portfolio Budgets			
- Leisure and Community	453,800	1,641,400	1,187,600
- Housing	1,468,500	1,856,500	388,000
- Planning and Development	1,584,800	1,659,500	74,700
- Policy and Resources	-987,400	-705,100	282,300
- Health and Public Protection	221,100	557,100	336,000
- Streetscene	5,101,900	5,399,300	297,400
Accounting Adjustments not included above	2,752,700	3,249,300	496,600
SERVICE BUDGETS	11,588,500	14,692,700	3,104,200
Capital Charges	-2,927,700	-3,466,100	-538,400
Direct Revenue Funding	1,510,000	1,475,000	-35,000
Minimum Revenue Provision	1,134,300	1,315,300	181,000
Bad Debt Provision	0	300,000	300,000
Interest on Balances	-695,700	-695,700	0
Portchester Crematorium	-165,000	-165,000	0
New Homes Bonus	-459,900	-306,500	153,400
Contribution from Reserves	-378,000	-378,000	0
OTHER BUDGETS	-1,982,000	-1,921,000	61,000
NET BUDGET before COVID Funding	9,606,500	12,771,700	3,165,200
Contribution from Reserves for COVID	0	-1,902,500	-690,200
Fees and Charges Reduction Funding	0	-300,000	-300,000
Government COVID Funding	0	-451,000	-451,000
	0	-2,653,500	-2,653,500
NET BUDGET	9,606,500	10,118,200	511,700

APPENDIX B

DETAILED DRAFT REVENUE BUDGETS BY SERVICE PORTFOLIO
2020/21 AND 2021/22

	Base Estimate 2020/21 £	Revised Estimate 2020/21 £	Base Estimate 2021/22 £
Committees			
Licensing and Regulatory Affairs Committee	520,500	432,600	552,700
Planning Committee	472,600	599,000	482,000
Executive - Portfolio Budgets			
Leisure and Community	453,800	1,665,400	1,641,400
Housing	1,468,500	1,784,900	1,856,500
Planning and Development	1,584,800	1,664,900	1,659,500
Policy and Resources	-987,400	-177,500	-705,100
Health and Public Protection	221,100	1,249,400	557,100
Streetscene	5,101,900	5,437,100	5,399,300
Accounting Adjustments	2,752,700	3,249,300	3,249,300
NET EXPENDITURE	11,588,500	15,905,100	14,692,700

SUBJECTIVE ANALYSIS

	£	£	£
Employees	10,262,700	10,226,000	10,253,100
Premises-Related Expenditure	3,145,000	2,938,500	3,049,300
Transport-Related Expenditure	1,503,000	1,475,100	1,500,600
Supplies and Services	5,084,400	6,687,200	6,021,000
Third Party Payments	1,469,500	1,556,200	1,465,400
Transfer Payments	16,169,400	15,791,300	15,683,300
Support Services	3,029,100	3,277,100	3,308,800
Capital Charges	3,517,300	3,999,300	3,999,300
GROSS EXPENDITURE	44,180,400	45,950,700	45,280,800
Government Grants	-16,600,100	-16,789,800	-15,872,200
Other Grants & Reimbursements	-2,245,000	-1,660,500	-1,772,000
Customer & Client Receipts	-7,019,200	-5,396,000	-6,600,400
Rents	-6,574,000	-6,045,700	-6,189,900
Recharges to other Accounts	-153,600	-153,600	-153,600
GROSS INCOME	-32,591,900	-30,045,600	-30,588,100
NET EXPENDITURE	11,588,500	15,905,100	14,692,700

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2021/22

LICENSING AND REGULATORY AFFAIRS COMMITTEE

	Base Estimate 2020/21 £	Revised Estimate 2020/21 £	Base Estimate 2021/22 £
Hackney Carriage and Private Hire Vehicles	3,300	7,500	9,400
Licensing	-39,300	-31,600	-6,700
Health and Safety	147,900	140,600	144,200
Election Services	408,600	316,100	405,800
	<u>520,500</u>	<u>432,600</u>	<u>552,700</u>

PLANNING COMMITTEE

	Base Estimate 2020/21 £	Revised Estimate 2020/21 £	Base Estimate 2021/22 £
Planning Applications	72,900	108,200	55,400
Planning Advice	215,400	204,300	198,500
Planning Enforcement	127,300	140,700	130,800
Planning Appeals	57,000	145,800	97,300
	<u>472,600</u>	<u>599,000</u>	<u>482,000</u>

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2021/22

LEISURE AND COMMUNITY PORTFOLIO

	Base Estimate 2020/21 £	Revised Estimate 2020/21 £	Base Estimate 2021/22 £
Community Grants	292,400	341,500	280,300
Community Development	256,700	213,700	208,800
Ferneham Hall	110,700	117,700	120,800
Fareham Leisure Centre	-111,200	468,600	471,000
Holly Hill Leisure Centre	-247,500	368,000	401,200
Community Centres	152,700	155,900	159,300
Total Before Accounting Adjustments	453,800	1,665,400	1,641,400
Accounting Adjustments for Portfolio	976,400	1,419,100	1,419,100
	<u>1,430,200</u>	<u>3,084,500</u>	<u>3,060,500</u>

HOUSING PORTFOLIO

	Base Estimate 2020/21 £	Revised Estimate 2020/21 £	Base Estimate 2021/22 £
Housing Grants and Home Improvements	16,800	30,000	30,400
Housing Options	27,800	26,300	28,300
Housing Benefit Payments	-121,100	50,300	50,300
Housing Benefit Administration	470,000	429,800	496,400
Homelessness	435,400	551,900	566,300
Housing Advice	474,400	438,300	474,200
Housing Strategy	193,900	228,400	189,600
Local Land Charges	-28,700	29,900	21,000
Total Before Accounting Adjustments	1,468,500	1,784,900	1,856,500
Accounting Adjustments for Portfolio	27,100	29,100	29,100
	<u>1,495,600</u>	<u>1,814,000</u>	<u>1,885,600</u>

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2021/22

PLANNING AND DEVELOPMENT PORTFOLIO

	Base Estimate 2020/21 £	Revised Estimate 2020/21 £	Base Estimate 2021/22 £
Flooding and Coastal Management	83,200	86,100	86,600
Transport Liaison	36,400	36,600	36,400
Tree Management	317,100	345,300	319,400
Conservation & Listed Building Policy	29,400	28,600	34,500
Local Plan	1,118,700	1,168,300	1,182,600
Total Before Accounting Adjustments	1,584,800	1,664,900	1,659,500
Accounting Adjustments for Portfolio	88,300	88,300	88,300
	<u>1,673,100</u>	<u>1,753,200</u>	<u>1,747,800</u>

POLICY AND RESOURCES PORTFOLIO

	Base Estimate 2020/21 £	Revised Estimate 2020/21 £	Base Estimate 2021/22 £
Democratic Representation and Management	1,164,500	1,160,400	1,181,500
Commercial Estates	-498,000	-303,500	-553,900
Investment Properties	-3,815,200	-3,317,700	-3,438,700
Solent Airport and Daedalus	-628,000	-367,100	-482,900
Public Relations, Comms and Consultation	495,100	492,900	485,300
Unapportionable Central Overheads	175,600	175,600	175,600
Corporate Management	997,000	864,400	770,000
Economic Development	169,700	194,600	157,600
Local Tax Collection	951,900	922,900	1,000,400
Total Before Accounting Adjustments	-987,400	-177,500	-705,100
Accounting Adjustments for Portfolio	587,900	685,400	685,400
	<u>-399,500</u>	<u>507,900</u>	<u>-19,700</u>

ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2021/22

HEALTH & PUBLIC PROTECTION PORTFOLIO

	Base Estimate 2020/21 £	Revised Estimate 2020/21 £	Base Estimate 2021/22 £
Pest Control	39,900	45,400	43,300
Dog Control	25,100	24,600	25,300
Food Safety	140,100	132,300	136,100
Air Quality and Pollution	203,000	191,500	168,000
Community Safety	348,300	346,800	284,600
Emergency Planning	57,700	42,000	78,300
Clean Borough Enforcement	101,200	126,600	211,100
Off-Street Parking	-895,500	139,100	-589,000
Building Control	201,300	201,100	199,400
Total Before Accounting Adjustments	221,100	1,249,400	557,100
Accounting Adjustments for Portfolio	77,200	17,900	17,900
	<u>298,300</u>	<u>1,267,300</u>	<u>575,000</u>

STREETSCENE PORTFOLIO

	Base Estimate 2020/21 £	Revised Estimate 2020/21 £	Base Estimate 2021/22 £
Cemeteries & Crematorium	-12,800	-53,200	-54,300
Parks, Open Spaces and Grounds Maintenance	1,679,900	1,654,000	1,698,500
Sports Pavilions, Pitches, Greens and Courts	119,000	134,300	130,100
Countryside Rangers	171,200	173,100	174,200
Allotments	8,400	8,300	8,200
Street Cleaning	919,000	945,300	946,900
Public Conveniences	235,200	230,800	233,600
Waste Collection	886,500	949,200	927,600
Trade Refuse	-97,400	-7,300	-82,400
Recycling	696,100	915,800	929,400
Green Waste	395,100	423,600	424,300
Street Furniture	101,700	63,200	63,200
Total Before Accounting Adjustments	5,101,900	5,437,100	5,399,300
Accounting Adjustments for Portfolio	995,800	1,009,500	1,009,500
	<u>6,097,700</u>	<u>6,446,600</u>	<u>6,408,800</u>
OVERALL BUDGET TOTAL	<u>11,588,500</u>	<u>15,905,100</u>	<u>14,692,700</u>