

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 01 February 2021

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2021/22</b>
<b>Report of:</b>	Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	A dynamic, prudent and progressive Council

**Purpose:**

This report seeks final confirmation of the recommendations to be made to Council, on 26 February 2021, in respect of the revenue budget, capital programme and council tax for 2021/22.

**Executive summary:**

On 4 January 2021, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2021/22. This report updates the Council's budgets to reflect the decisions taken on 4 January 2021.

The capital programme for the years 2020/21 to 2024/25 will be £53,902,000.

The revenue budget for 2021/22 will be £10,271,900. With retained business rates and grants estimated to be £2,731,105 and a surplus from the collection fund of £84,393, the total amount due from the council tax payers will be £7,456,402.

Taking these changes into consideration, the council tax for 2021/22 will be £170.22 per Band D property. This represents an increase from the council tax set for 2020/21 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 26 February 2021:

- (a) the capital programme and financing of £53,902,000;
- (b) an overall revised revenue budget for 2020/21 of £9,606,500;
- (c) a revenue budget for 2021/22 of £10,271,900;

(d) a council tax for Fareham Borough Council for 2021/22 of £170.22 per band D property, which represents a £5.00 increase when compared to the current year and is within referendum limits; and

(e) an unchanged Council Tax Support scheme for 2021/22.

**Reason:**

To allow the Council to approve the Council Tax for 2021/22.

**Cost of proposals:**

Not applicable

**Appendices:**                    **A:** Overall Total Budget for 2021/22

**Background papers:**   None

**Reference papers:**        None

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## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	01 February 2021
<b>Subject:</b>	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2021/22
<b>Briefing by:</b>	Deputy Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. On 4 January 2021 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
  - The capital programme for 2020/21 to 2024/25;
  - The revised revenue budget for 2020/21;
  - Fees and charges for 2021/22;
  - The revenue budget for 2021/22; and
  - The council tax for 2021/22.
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 2020/21 TO 2024/25

3. The capital programme for the General Fund for the period 2020/21 to 2024/25 as reported to the 4 January 2021 Executive meeting was £53,902,100.
4. The updated programme is shown in the following table:

	<b>£000s</b>
Public Protection	40
Streetscene	468
Leisure and Community	19,340
Housing	2,732
Planning and Development	6,314
Policy and Resources	25,008
<b>TOTAL</b>	<b>53,902</b>

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

	<b>£000s</b>
Capital Receipts	187
Grants and Contributions	16,403
Capital Reserves	4,431
Revenue	3,731
Borrowing	29,150
<b>TOTAL</b>	<b>53,902</b>

6. The programme and projected resources indicate that, by 31 March 2025, there could be a small surplus of capital resources of £7.5 million, which represents a contingency of 13.9% 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 £16 million. In the event that these resources do not materialise, the programme will become partly unfunded.

#### **REVISED BUDGET 2020/21**

8. In January, the Executive considered in detail the revised budget for 2020/21, which totalled £9,606,500 which is the same when compared to the base budget for the current year. However, to achieve this figure there is a contribution from reserves (£690,200) and COVID grants (£2,993,300) from central government totalling almost £3.7million.

#### **SERVICE BUDGETS 2021/22**

9. The following table shows the service budgets resulting from the decisions of the Executive on 4 January 2021.

	<b>Base Budget 2021/22 £</b>
<b>Committees</b>	
Licensing and Regulatory Affairs Committee	552,700
Planning Committee	482,000
<b>Executive - Portfolio Budgets</b>	
- Leisure and Community	1,641,400
- Housing	1,856,500
- Planning and Development	1,659,500
- Policy and Resources	-705,100
- Health and Public Protection	557,100
- Streetscene	5,399,300
Accounting Adjustments in Service Portfolios	3,249,300
<b>SERVICE BUDGETS</b>	<b>14,692,700</b>

## **OTHER BUDGETS 2021/22**

10. Following decisions made at the January Executive and further information being available a minor change has been made to the Other Budgets total which will now be -£1,854,300.

## **THE OVERALL BUDGET POSITION FOR 2021/22**

11. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2021/22, detailed in Appendix A, is confirmed as £10,271,900 which is £665,400 above the base budget for 2020/21.
12. As with the revised budget there has been a need to call on reserves and there will be continued support from central government relating to the COVID-19 pandemic. The total of this support (£751,000) and use of reserves (£1,815,500) will be over £2.5 million in 2021/22.

## **THE LOCAL GOVERNMENT FINANCE SETTLEMENT AND GOVERNMENT SUPPORT**

13. The Local Government Finance Settlement was announced on 17 December 2020 and as well as the settlement included some details of how COVID-19 support would be available into 2021/22.
14. The basic level of COVID-19 support will continue after Fareham received over £1.6 million in 2020/21. It is anticipated that the council will receive a further £451,000 in 2021/22.
15. The Sales, Fees and Charges Support scheme will continue through into the first quarter of 2021/22 and will be based on the 2020/21 budget figures for income. In the first 2 rounds of this support Fareham has received over £1.2 million and a further £300,000 has been built into the base budget for 2021/22.
16. The statement also announced a Lower Tier Services Grant which is a new one-off grant to ensure a minimum amount of funding is provided. Fareham as a lower tier authority will receive a sum of just over £150,000 in 2021/22.
17. In the Local Government Finance Settlement 2020 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.
18. As this settlement was for one year only there remains the details of the Fair Funding Review which as a result of the COVID-19 pandemic has been delayed further until at least 2022/23. 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

19. The spending reserve exists to cover unforeseen changes in revenue expenditure.
20. The current balance on the reserve stands at £5,164,700 which is £2,738,700 over the minimum required balance of 5% of Gross Expenditure as set out in the approved Medium Term Finance Strategy.
21. It is important to note that due to the COVID-19 pandemic the revised budget for 2020/21 and base budget for 2021/22 will require almost all of the surplus to be used to offset the additional cost to the council of the pandemic.
22. As well as the requirement to use reserves to balance the budget for 2021/22, the Finance Strategy covers the period through to 2024/25 and is showing a projected shortfall of £1.7m in the final 3 years of the strategy.
23. There remains the unknown of the finance position after the outcome of the Fair Funding Review so any further use of reserves must be carefully considered.

## COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

24. The council tax base for 2021/22 is 43,804.5 Band D equivalent properties.
25. The net rates payable from National Non-Domestic Rates for 2021/22 (after Transitional arrangements and reliefs) is £43,985,447.

## COUNCIL TAX FOR 2021/22

26. With a net budget for 2021/22 of £12,838,400 a use of reserves and government COVID-19 funding the overall budget position is £10,271,900. With government grant of £153,700, use of business rates of £2,577,405 and with a contribution from the balance on the collection fund of £84,393 amount due from council tax payers will be £7,456,402. This is shown in the following table:

	<b>Base Budget 2020/21</b>	<b>Base Budget 2021/22</b>	<b>Variation</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Total Budget</b>	<b>9,606,500</b>	<b>10,271,900</b>	665,400
Less:			
Government Support	-2,456,665	-2,731,105	-274,440
Collection Fund deficit	47,033	-84,393	-131,426
<b>Total due from Council Tax Payers</b>	<b>7,196,868</b>	<b>7,456,402</b>	+259,534
Council Tax base	43,559.3	43,804.5	
Council Tax (Band D)	£165.22	£170.22	
Cash Increase	+ £5.00	+ £5.00	

27. The proposed council tax increase is within government referendum limits.
28. The overall income from taxpayers of £7,456,402 represents approximately 15% of the gross revenue budget for the council for 2021/22 of £48.4million.

### **ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)**

29. 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.
30. 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.
31. 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 2021/22**

32. 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.
33. 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.
34. 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)

35. For 2021/22, it is proposed to retain these key principles and to administer an unchanged scheme.
36. There are currently 4144 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	1859	£1,907,696.77
Working-age caseload (vulnerable group)	897	£951,045.92
Working-age caseload (employed)	346	£172,798.81
Working-age caseload (other*)	1042	£827,919.11
Total	4144	£3,859,460.61

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

37. It is anticipated that an unchanged Council Tax Support scheme for 2021/22, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.
38. A public consultation ran from 12 November 2020 to 10 December 2020 and 61 respondents completed the questionnaire. 51 respondents (84%) thought the current Council Tax Support scheme was fair and 56 respondents (92%) agreed that claimants with severe disabilities or in receipt of war pensions should continue to receive additional financial support.

## RISK ASSESSMENT

39. While all spending plans can be met from within existing resources including use of reserves, growing financial pressures increase the risk that spending plans exceed desirable levels.
40. With the Fair Funding review being delayed until the 2022/23 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.
41. 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**

42. In making a recommendation to Council on the council tax for 2021/22, the Executive has evaluated the Council's overall financial position in relation to existing commitments, the level of resources(including reserves) 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

	<b>Budget 2020/21 £</b>	<b>Revised 2020/21 £</b>	<b>Budget 2021/22 £</b>
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 in Service Portfolios	2,752,700	3,249,300	3,249,300
<b>SERVICE BUDGETS</b>	<b>11,588,500</b>	<b>15,905,100</b>	<b>14,692,700</b>
Capital Charges	-2,927,700	-3,466,100	-3,466,100
Direct Revenue Funding	1,510,000	1,510,000	1,475,000
Minimum Revenue Position	1,134,300	1,100,900	1,315,300
Bad Debt Provision	0	519,900	300,000
Interest on Balances	-695,700	-559,700	-695,700
Portchester Crematorium Contribution	-165,000	-165,000	-165,000
New Homes Bonus	-459,900	-702,100	-239,800
Contribution from Reserves	-378,000	-853,000	-378,000
<b>OTHER BUDGETS</b>	<b>-1,982,000</b>	<b>-2,615,100</b>	<b>-1,854,300</b>
<b>BUDGET TOTAL before COVID Funding</b>	<b>9,606,500</b>	<b>13,290,000</b>	<b>12,838,400</b>
Funding From Reserves	0	-690,200	-1,815,500
Funding From COVID Grants	0	-2,993,300	-751,000
<b>NET BUDGET</b>	<b>9,606,500</b>	<b>9,606,500</b>	<b>10,271,900</b>

	Budget 2020/21 £	Revised 2020/21 £	Budget 2021/22 £
<b>NET BUDGET</b>	<b>9,606,500</b>	<b>9,606,500</b>	<b>10,271,900</b>
<b>EXTERNAL SUPPORT</b>			
Lower Tier Services Grant	0	0	153,700
Non-Domestic Rates	2,456,665	2,456,665	2,577,405
Revenue Support Grant	0	0	0
	<u>2,456,665</u>	<u>2,456,665</u>	<u>2,731,105</u>
 COLLECTION FUND BALANCE	 47,033	 47,033	 -84,393
 <b>AMOUNT DUE FROM COUNCIL TAX PAYERS</b>	 <b>7,196,868</b>	 <b>7,196,868</b>	 <b>7,456,402</b>
 COUNCIL TAX BASE	 43,559.3		 43,804.5
 COUNCIL TAX PER BAND D PROPERTY	 £165.22		 £170.22
 CASH INCREASE	 £5.00		 £5.00
 PERCENTAGE INCREASE	 3.22%		 3.03%