

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 10 January 2022

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Strategy, Revenue Budget and Council Tax 2022/23</b>
<b>Report of:</b>	Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	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 2021/22 and 2022/23.

#### **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 2021/22 and proposed service budgets for 2022/23.

#### Revised General Fund Revenue Budget 2021/22

The revised general fund revenue budget for 2021/22 amounts to £14,135,100 for service budgets with other budgets totalling -£2,057,100 and COVID funding of £1,583,200 (including a use of general reserves of £690,200), giving an overall position of £10,494,800 which is an increase of £222,900 from the base budget for 2021/22.

#### General Fund Revenue Budget 2022/23

The proposed general fund budget for 2022/23 totals £13,467,400 for service budgets along with -£2,723,000 for other budgets (including a use of general reserves of £1,902,500) giving an overall position of £10,744,400 which is an increase of £472,500 against the original budget for 2021/22.

#### 5-Year Financial Forecasts

The 5-year financial forecasts for 2021/22 to 2025/26 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 2021/22 to 2025/26, 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 Full Council for approval;

**Revenue Budgets**

- (c) approves the revised 2021/22 general fund revenue budget, amounting to £10,494,800, as set out in Appendices A and B to the report; and
- (d) approves the base 2022/23 general fund revenue budget amounting to £10,744,400, as set out in Appendices 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 2021/22 and 2022/23

**B:** Detailed Draft Revenue Budgets by Service Portfolio 2021/22 and 2022/23

**C:** Medium Term Finance Strategy 2021/22 to 2025/26

**Background papers: None**

**Reference papers:**



# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	10 January 2022
<b>Subject:</b>	Finance Strategy, Revenue Budget and Council Tax 22/23
<b>Briefing by:</b>	Deputy Chief Executive Officer
<b>Portfolio:</b>	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 are not excessive. 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 2025/26, 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 2025/26 would indicate a funding gap of £2.2 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

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

## **GENERAL FUND REVENUE BUDGETS**

### **Revenue Budget 2021/22**

8. The base net revenue budget set for 2021/22 set was £10,271,900, an increase of £665,400 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.
9. The overall revised budget has increased from the base budget to £10,494,800. The budget reflects known changes that have continued to affect spending during the current financial year as a result of the ongoing COVID-19 pandemic.
10. Additional budget provision totalling £51,900 was carried forward for incomplete projects from 2020/21; this was fully financed from underspending in 2020/21.
11. Some of this increase has been offset by Central Government funding of just under £1.2m, leaving a balance of £0.4m to be met from general fund reserves.
12. Further information of how this is spread across portfolios is provided in Appendices A and B.

### **Revenue Budget 2022/23**

13. The revenue budget for 2022/23 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 2022/23 totals £13,467,400 for service budgets along with -£2,723,000 for other budgets giving an overall position of £10,744,400 which is an increase of £472,500 against the original budget for 2021/22. This is detailed in Appendices A and B.
14. In preparing the 2022/23 budget there have been many changes as a result of the continuing COVID19 Global Pandemic. While some areas continue to see a reduction in income such as town centre car parking there has been more positive news from the Leisure Centres where the majority of the emergency funding was not required and we have now entered into a new contract where an income contribution is paid to the council by the operator.
15. The budget will also see a full year of operation of the 2 new income streams from coastal parking and garden waste collection. In particular, the garden waste project has reported a much higher level of take up in the service and this is reflected in the budget.
16. The budget for Investment Properties sees a reduction as a result of a vacant period for a commercial property that will also see a requirement to pay business rates by the council during the void period where this is usually the responsibility of the tenant.
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 2021/22 to 2025/26 is part of the Capital Strategy and this report will be presented to the Executive at the February meeting.

### **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. Other General Fund reserves will need to be used in order to balance the budget in 2021/22 and in 2022/23 and this position will be monitored to reduce the impact on the overall level of reserves and protect the council's financial position.
23. 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.
24. 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 2022/23.

### **Enquiries:**

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

**APPENDIX A**

**GENERAL FUND REVENUE BUDGETS SUMMARY 2021/22 AND 2022/23**

**a) Revised Budget 2021/22**

	<b>Budget 2021/22 £</b>	<b>Revised 2021/22 £</b>	<b>Variation Base to Rev £</b>
Committees			
Licensing and Regulatory Affairs Committee	552,700	479,800	-72,900
Planning Committee	482,000	854,800	372,800
Executive - Portfolio Budgets			
- Leisure and Community	1,641,400	851,000	-790,400
- Housing	1,856,500	1,800,100	-56,400
- Planning and Development	1,659,500	1,588,900	-70,600
- Policy and Resources	-705,100	-1,007,900	-302,800
- Health and Public Protection	557,100	818,000	260,900
- Streetscene	5,399,300	5,603,200	203,900
Accounting Adjustments not included above	3,249,300	3,147,200	-102,100
<b>SERVICE BUDGETS</b>	<b>14,692,700</b>	<b>14,135,100</b>	<b>-557,600</b>
Capital Charges	-3,466,100	-3,385,900	80,200
Direct Revenue Funding	1,475,000	1,475,000	0
Minimum Revenue Provision	1,315,300	1,132,300	-183,000
Bad Debt Provision	300,000	300,000	0
Interest on Balances	-695,700	-695,700	0
Portchester Crematorium	-165,000	-170,000	-5,000
New Homes Bonus	-239,800	-239,800	0
Contribution from Reserves	-378,000	-473,000	-95,000
<b>OTHER BUDGETS</b>	<b>-1,854,300</b>	<b>-2,057,100</b>	<b>-202,800</b>
<b>NET BUDGET before COVID Funding</b>	<b>12,838,400</b>	<b>12,078,000</b>	<b>-760,400</b>
Contribution from Reserves for COVID	-1,815,500	-404,200	1,411,300
Fees and Charges Reduction Funding	-300,000	-300,000	0
Government COVID Funding	-451,000	-879,000	-428,000
	<b>-2,566,500</b>	<b>-1,583,200</b>	<b>983,300</b>
<b>NET BUDGET</b>	<b>10,271,900</b>	<b>10,494,800</b>	<b>222,900</b>

## b) Base Budget 2022/23

	Budget 2021/22 £	Budget 2022/23 £	Variation Base to base £
Committees			
Licensing and Regulatory Affairs Committee	552,700	574,400	21,700
Planning Committee	482,000	439,500	-42,500
Executive - Portfolio Budgets			
- Leisure and Community	1,641,400	-17,500	-1,658,900
- Housing	1,856,500	2,083,000	226,500
- Planning and Development	1,659,500	1,636,600	-22,900
- Policy and Resources	-705,100	44,400	749,500
- Health and Public Protection	557,100	662,400	105,300
- Streetscene	5,399,300	4,897,400	-501,900
Accounting Adjustments not included above	3,249,300	3,147,200	-102,100
<b>SERVICE BUDGETS</b>	<b>14,692,700</b>	<b>13,467,400</b>	<b>-1,225,300</b>
Capital Charges	-3,466,100	-3,385,900	80,200
Direct Revenue Funding	1,475,000	1,475,000	0
Minimum Revenue Provision	1,315,300	1,490,900	175,600
Bad Debt Provision	300,000	150,000	-150,000
Interest on Balances	-695,700	-534,700	161,000
Portchester Crematorium	-165,000	-170,000	-5,000
New Homes Bonus	-239,800	-90,900	148,900
Contribution to(+)/from(-) Reserves	-378,000	-1,657,400	-1,279,400
<b>OTHER BUDGETS</b>	<b>-1,854,300</b>	<b>-2,723,000</b>	<b>-868,700</b>
<b>NET BUDGET before COVID Funding</b>	<b>12,838,400</b>	<b>10,744,400</b>	<b>-2,094,000</b>
Contribution from Reserves for COVID	-1,815,500	0	1,815,500
Fees and Charges Reduction Funding	-300,000	0	300,000
Government COVID Funding	-451,000	0	451,000
	<b>-2,566,500</b>	<b>0</b>	<b>2,566,500</b>
<b>NET BUDGET</b>	<b>10,271,900</b>	<b>10,744,400</b>	<b>472,500</b>



**APPENDIX B**

**DETAILED DRAFT REVENUE BUDGETS BY SERVICE 2021/22 AND 2022/23**

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Committees			
Licensing and Regulatory Affairs Committee	552,700	479,800	574,400
Planning Committee	482,000	854,800	439,500
Executive - Portfolios			
Leisure and Community	1,641,400	851,000	-17,500
Housing	1,856,500	1,800,100	2,083,000
Planning and Development	1,659,500	1,588,900	1,636,600
Policy and Resources	-705,100	-1,007,900	44,400
Health and Public Protection	557,100	818,000	662,400
Streetscene	5,399,300	5,603,200	4,897,400
Accounting Adjustments	3,249,300	3,147,200	3,147,200
<b>NET EXPENDITURE</b>	<b>14,692,700</b>	<b>14,135,100</b>	<b>13,467,400</b>

**SUBJECTIVE ANALYSIS**

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Employees	10,253,100	10,537,100	10,874,500
Premises-Related Expenditure	3,049,300	2,975,900	3,145,800
Transport-Related Expenditure	1,500,600	1,608,300	1,621,500
Supplies and Services	6,021,000	7,340,800	5,495,000
Third Party Payments	1,465,400	1,350,700	1,503,600
Transfer Payments	15,683,300	13,941,900	13,941,900
Support Services	3,308,800	3,272,900	3,392,700
Capital Charges	3,999,300	3,847,200	3,647,200
<b>GROSS EXPENDITURE</b>	<b>45,280,800</b>	<b>44,874,800</b>	<b>43,622,200</b>
Government Grants	-15,872,200	-15,437,600	-14,174,400
Other Grants & Reimbursements	-1,772,000	-1,953,900	-2,329,200
Sales, Fees and Charges	-6,600,400	-6,844,400	-7,716,100
Rents	-6,189,900	-6,340,200	-5,771,500
Recharges to other Accounts	-153,600	-163,600	-163,600
<b>GROSS INCOME</b>	<b>-30,588,100</b>	<b>-30,739,700</b>	<b>-30,154,800</b>

<b>NET EXPENDITURE</b>	<b>14,692,700</b>	<b>14,135,100</b>	<b>13,467,400</b>
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**ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2022/23**

**LICENSING AND REGULATORY AFFAIRS COMMITTEE**

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Hackney Carriage and Private Hire Vehicles	9,400	-11,400	12,000
Licensing	-6,700	-10,100	3,700
Health and Safety	144,200	128,100	140,200
Election Services	405,800	373,200	418,500
	<b>552,700</b>	<b>479,800</b>	<b>574,400</b>

**PLANNING COMMITTEE**

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Planning Applications	55,400	109,600	17,300
Planning Advice	198,500	178,600	190,200
Planning Enforcement	130,800	129,400	137,100
Planning Appeals	97,300	437,200	94,900
	<b>482,000</b>	<b>854,800</b>	<b>439,500</b>

## ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2022/23

### LEISURE AND COMMUNITY PORTFOLIO

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Community Grants	280,300	321,900	280,900
Community Development	208,800	238,200	246,400
Ferneham Hall	120,800	124,200	125,700
Fareham Leisure Centre	471,000	53,000	-365,600
Holly Hill Leisure Centre	401,200	-51,300	-473,300
Community Centres	159,300	165,000	168,400
Total Before Accounting Adjustments	1,641,400	851,000	-17,500
Accounting Adjustments for Portfolio	1,419,100	1,554,600	1,554,600
	<u>3,060,500</u>	<u>2,405,600</u>	<u>1,537,100</u>

### HOUSING PORTFOLIO

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Housing Grants and Home Improvements	30,400	34,800	36,300
Housing Options	28,300	19,900	29,300
Housing Benefit Payments	50,300	66,700	66,700
Housing Benefit Administration	496,400	490,700	543,300
Homelessness	591,300	528,100	574,900
Housing Advice	474,200	472,200	628,500
Housing Strategy	164,600	191,200	197,900
Local Land Charges	21,000	-3,500	6,100
Total Before Accounting Adjustments	1,856,500	1,800,100	2,083,000
Accounting Adjustments for Portfolio	29,100	30,300	30,300
	<u>1,885,600</u>	<u>1,830,400</u>	<u>2,113,300</u>

## ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2022/23

### PLANNING AND DEVELOPMENT PORTFOLIO

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Flooding and Coastal Management	86,600	16,200	77,700
Transport Liaison	36,400	34,400	34,400
Tree Management	319,400	386,900	389,700
Conservation & Listed Building Policy	34,500	15,800	16,300
Local Plan	1,182,600	1,135,600	1,118,500
Total Before Accounting Adjustments	1,659,500	1,588,900	1,636,600
Accounting Adjustments for Portfolio	88,300	88,300	88,300
	1,747,800	1,677,200	1,724,900

### POLICY AND RESOURCES PORTFOLIO

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Democratic Representation and Management	1,181,500	1,197,100	1,261,200
Commercial Estates	-553,900	-856,600	-834,100
Investment Properties	-3,438,700	-3,250,200	-2,606,000
Solent Airport and Daedalus	-482,900	-486,500	-349,100
Public Relations, Comms and Consultation	485,300	497,700	507,700
Unapportionable Central Overheads	175,600	148,600	148,600
Corporate Management	770,000	654,400	824,300
Economic Development	157,600	185,800	152,300
Local Tax Collection	1,000,400	901,800	939,500
Total Before Accounting Adjustments	-705,100	-1,007,900	44,400
Accounting Adjustments for Portfolio	685,400	590,700	590,700
	-19,700	-417,200	635,100

## ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2022/23

### HEALTH & PUBLIC PROTECTION PORTFOLIO

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Pest Control	43,300	55,800	70,800
Dog Control	25,300	0	0
Food Safety	136,100	116,700	142,600
Air Quality and Pollution	168,000	150,300	179,600
Community Safety	284,600	295,400	247,100
Emergency Planning	78,300	58,400	60,100
Clean Borough Enforcement	211,100	180,100	231,600
Off-Street Parking	-589,000	-154,100	-435,100
Building Control	199,400	115,400	165,700
Total Before Accounting Adjustments	557,100	818,000	662,400
Accounting Adjustments for Portfolio	17,900	36,800	36,800
	<u>575,000</u>	<u>854,800</u>	<u>699,200</u>

### STREETSCENE PORTFOLIO

	<b>Base Budget 2021/22 £</b>	<b>Revised Budget 2021/22 £</b>	<b>Base Budget 2022/23 £</b>
Cemeteries & Crematorium	-54,300	-48,500	-46,700
Parks, Open Spaces & Grounds Maintenance	1,836,800	1,854,200	1,891,400
Countryside Rangers	174,200	172,200	176,500
Street Cleaning	946,900	953,400	973,400
Public Conveniences	233,600	234,400	236,000
Waste Collection	927,600	1,048,000	1,061,100
Trade Refuse	-82,400	-123,500	-115,000
Recycling	929,400	1,020,500	1,109,000
Green Waste	424,300	431,700	-449,100
Street Furniture	63,200	60,800	60,800
Total Before Accounting Adjustments	5,399,300	5,603,200	4,897,400
Accounting Adjustments for Portfolio	1,009,500	846,500	846,500
	<u>6,408,800</u>	<u>6,449,700</u>	<u>5,743,900</u>

OVERALL BUDGET TOTAL

14,692,700    14,135,100    13,467,400