

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

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| Portfolio: | Policy and Resources |
| Subject: | Finance Strategy, Capital Programme, Revenue Budget and Council Tax 22-23 |
| Report of: | Deputy Chief Executive Officer |
| Corporate Priorities: | A dynamic, prudent and progressive Council |

Purpose:

This report seeks final confirmation of the recommendations to be made to Council, on 25 February 2022, in respect of the revenue budget, capital programme and council tax for 2022/23.

Executive summary:

On 10 January 2022, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the revenue budgets and the council tax for 2022/23. This report updates the Council's budgets to reflect the decisions taken and other known changes since 10 January 2022.

The capital programme for the years 2021/22 to 2025/26 will be £44,990,900.

The revenue budget for 2022/23 will be £10,788,000. With retained business rates and grants estimated to be £3,117,262 and a payment to the collection fund of £39,398, the total amount due from the council tax payers will be £7,710,136.

Taking these changes into consideration, the council tax for 2022/23 will be £175.22 per Band D property. This represents an increase of £5 per year from the council tax set for 2021/22 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 25 February 2022:

- (a) the capital programme and financing of £44,990,900;
- (b) an overall revised revenue budget for 2021/22 of £10,494,800;
- (c) a revenue budget for 2022/23 of £10,788,000;

(d) a council tax for Fareham Borough Council for 2022/23 of £175.22 per band D property, which represents a £5.00 per year increase when compared to the current year and is within referendum limits; and

(e) an unchanged Council Tax Support scheme for 2022/23.

Reason:

To allow the Council to approve the Council Tax for 2022/23.

Cost of proposals:

Not applicable

Appendices: **A:** Overall Total Budget for 2022/23

Background papers: None

Reference papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

| | |
|---------------------|---|
| Date: | 07 February 2022 |
| Subject: | Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2022/23 |
| Briefing by: | Deputy Chief Executive Officer |
| Portfolio: | Policy and Resources |

INTRODUCTION

1. On 10 January 2022 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
 - The revised revenue budget for 2021/22;
 - Fees and charges for 2022/23;
 - The revenue budget for 2022/23; and
 - The council tax for 2022/23.
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 2021/22 TO 2025/26

3. The capital programme for the General Fund for the period 2021/22 to 2025/26 is being reported elsewhere on this agenda as part of the Capital Strategy Report and totals £44,990,900.
4. The updated programme is shown in the following table:

| | £000s |
|------------------------------|---------------|
| Health and Public Protection | 40 |
| Streetscene | 437 |
| Leisure and Community | 18,513 |
| Housing | 3,774 |
| Planning and Development | 684 |
| Policy and Resources | 21,543 |
| TOTAL | 44,991 |

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

| | £000s |
|--------------------------|---------------|
| Capital Receipts | 1,354 |
| Grants and Contributions | 16,951 |
| Capital Reserves | 4,435 |
| Revenue | 3,561 |
| Borrowing | 18,690 |
| TOTAL | 44,991 |

6. The programme and projected resources indicate that, by 31 March 2026, there could be a small surplus of capital resources of £6 million, which represents a contingency of 13% 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 2021/22

8. In January, the Executive considered in detail the revised budget for 2021/22, which totalled £10,494,800 which is £222,900 higher when compared to the base budget for the current year. However, to achieve this figure there is a contribution from reserves (£404,200) and COVID grants (£1,179,000) from central government totalling almost £1.6million.

SERVICE BUDGETS 2022/23

9. The following table shows the service budgets resulting from the decisions of the Executive on 10 January 2022.

| | Base Budget 2022/23 £ |
|--|--------------------------------------|
| Committees | |
| Licensing and Regulatory Affairs | 574,400 |
| Planning | 439,500 |
| Executive - Portfolio Budgets | |
| - Leisure and Community | -17,500 |
| - Housing | 2,083,000 |
| - Planning and Development | 1,636,600 |
| - Policy and Resources | 44,400 |
| - Health and Public Protection | 662,400 |
| - Streetscene | 4,897,400 |
| Accounting Adjustments in Service Portfolios | 3,147,200 |
| SERVICE BUDGETS | 13,467,400 |

OTHER BUDGETS 2022/23

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 -£2,679,400.

THE OVERALL BUDGET POSITION FOR 2022/23

11. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2022/23, detailed in Appendix A, is confirmed as £10,788,000 which is £516,100 above the base budget for 2021/22.
12. Although the situation with COVID-19 remains unclear going into the new financial year it is anticipated that there will be no further support from central government relating to the pandemic.

THE LOCAL GOVERNMENT FINANCE SETTLEMENT AND GOVERNMENT SUPPORT

13. The Local Government Finance Settlement was announced on 16 December 2021 and confirmed that it would again be a one year settlement for 2022/23.
14. The statement also announced the Lower Tier Services Grant (LTSG) which was new for 2021/22 would continue for another year into 2022/23 albeit without an increase to the grant. There would also be a one-off services grant that together with the LTSG will be worth around £219,500 to Fareham next financial year.
15. In the Local Government Finance Settlement 2021 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. 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 2023/24. 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 £5,987,800 which is £3,569,800 over the minimum required balance of 5% of Gross Expenditure as set out in the approved Medium Term Finance Strategy.
19. It is important to note that due to the COVID-19 pandemic the revised budget for 2021/22 (£404,000) and base budget for 2022/23 (£1,103,100) will require some of the surplus to be used to offset the additional cost to the council of the pandemic.

20. As well as the requirement to use reserves to balance the budget for 2022/23, the Finance Strategy covers the period through to 2025/26 and is showing a projected shortfall of £1.1m in the final 3 years of the strategy that could use a further proportion of the remainder of the surplus leaving a balance of £962,700.
21. 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

22. The council tax base for 2022/23 is 44,002.6 Band D equivalent properties.
23. The net rates payable from National Non-Domestic Rates for 2022/23 (after Transitional arrangements and reliefs) will not be available until 31 January 2022 as it comes from the business rate return that is not due to be finalised until that day. It will therefore be tabled at the meeting.

COUNCIL TAX FOR 2022/23

24. With a net budget for 2022/23 of £10,788,000 and government funding of £3,117,262 along with a contribution to the collection fund of £39,398 this will leave an amount due from council tax payers of £7,710,136. This is shown in the following table:

| | Base Budget 2021/22 | Base Budget 2022/23 | Variation |
|--|----------------------------|----------------------------|------------------|
| | £ | £ | £ |
| Total Budget | 10,271,900 | 10,788,000 | 516,100 |
| Less: | | | |
| Government Funding | -2,731,105 | -3,117,262 | -386,157 |
| Collection Fund deficit | -84,393 | 39,398 | 123,791 |
| Total due from Council Tax Payers | 7,456,402 | 7,710,136 | +253,734 |
| Council Tax base | 43,804.5 | 44,002.6 | |
| Council Tax (Band D) | £170.22 | £175.22 | |
| Cash Increase (per year) | + £5.00 | + £5.00 | |

25. The proposed council tax increase is within government referendum limits.
26. The proposed council tax of £175.22 is for Band D properties only and the Fareham element of the council tax for all bands is shown in the table below:

| | 2021/22 | 2022/23 | Increase |
|---------------|----------------|----------------|--------------|
| Band A | £113.48 | £116.81 | £3.33 |
| Band B | £132.39 | £136.28 | £3.89 |
| Band C | £151.31 | £155.75 | £4.44 |
| Band D | £170.22 | £175.22 | £5.00 |
| Band E | £208.05 | £214.16 | £6.11 |
| Band F | £245.87 | £253.10 | £7.23 |
| Band G | £283.70 | £292.03 | £8.33 |
| Band H | £340.44 | £350.44 | £10.00 |

27. The overall income from taxpayers of £7,710,136 represents approximately 16% of the gross revenue budget for the council for 2021/22 of £46.7million.

ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)

28. 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.
29. 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.
30. 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 2022/23

31. 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)

32. For 2022/23, it is proposed to retain these key principles and to administer an unchanged scheme.

33. There are currently 3,941 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 | 1801 | £1,929,008 |
| Working-age caseload (vulnerable group) | 974 | £1,085,104 |
| Working-age caseload (employed) | 209 | £109,072 |
| Working-age caseload (not employed) | 957 | £804,379 |
| Total | 3941 | £3,927,563 |

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

34. It is anticipated that an unchanged Council Tax Support scheme for 2022/23, 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

35. 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.

36. With the Fair Funding review being delayed until the 2023/24 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.

37. 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

38. In making a recommendation to Council on the council tax for 2022/23, 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)

APPENDIX A

ACTUAL REVENUE BUDGET

| | Budget 2021/22 £ | Revised 2021/22 £ | Budget 2022/23 £ |
|--|---------------------------------|----------------------------------|---------------------------------|
| Committees | | | |
| Licensing and Regulatory Affairs | 552,700 | 479,800 | 574,400 |
| Planning | 482,000 | 854,800 | 439,500 |
| Executive - Portfolio Budgets | | | |
| - 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 in Service Portfolios | 3,249,300 | 3,147,200 | 3,147,200 |
| SERVICE BUDGETS | 14,692,700 | 14,135,100 | 13,467,400 |
| Capital Charges | -3,466,100 | -3,385,900 | -3,385,900 |
| Direct Revenue Funding | 1,475,000 | 1,475,000 | 1,475,000 |
| Minimum Revenue Position | 1,315,300 | 1,132,300 | 1,490,900 |
| Bad Debt Provision | 300,000 | 300,000 | 150,000 |
| Interest on Balances | -695,700 | -695,700 | -678,800 |
| Portchester Crematorium Contribution | -165,000 | -170,000 | -170,000 |
| New Homes Bonus | -239,800 | -239,800 | -108,800 |
| Contribution from Reserves | -378,000 | -473,000 | -1,451,800 |
| OTHER BUDGETS | -1,854,300 | -2,057,100 | -2,679,400 |
| BUDGET TOTAL before COVID Funding | 12,838,400 | 12,078,000 | 10,788,000 |
| Funding From Reserves and COVID Grants | -2,566,500 | -1,583,200 | 0 |
| NET BUDGET | 10,271,900 | 10,494,800 | 10,788,000 |

| | Budget 2021/22 £ | Revised 2021/22 £ | Budget 2022/23 £ |
|---|---------------------------------|----------------------------------|---------------------------------|
| NET BUDGET | 10,271,900 | 10,494,800 | 10,788,000 |
| EXTERNAL SUPPORT | | | |
| Lower Tier Services Grant | 153,700 | 153,700 | 219,500 |
| Non-Domestic Rates | 2,577,405 | 2,800,305 | 2,897,762 |
| Revenue Support Grant | 0 | 0 | 0 |
| | <u>2,731,105</u> | <u>2,954,005</u> | <u>3,117,262</u> |
| COLLECTION FUND BALANCE | -84,393 | -84,393 | 39,398 |
| AMOUNT DUE FROM COUNCIL TAX PAYERS | 7,456,402 | 7,456,402 | 7,710,136 |
| COUNCIL TAX BASE | 43,804.5 | | 44,002.6 |
| COUNCIL TAX PER BAND D PROPERTY | £170.22 | | £175.22 |
| CASH INCREASE(per year) | £5.00 | | £5.00 |
| PERCENTAGE INCREASE | 3.22% | | 2.94% |