



Medium Term Finance Strategy 2022/23 to 2026/27

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1. OVERVIEW OF THE MEDIUM TERM FINANCIAL STRATEGY (MTFS)

1.1 PURPOSE

Fareham has a long history of prudent financial management which has been the subject of favourable comments from the Council's external auditors over many years.

The main focus of prudent financial management is the Council's Medium Term Finance Strategy, the overall objective of which is to structure and manage the Council's financial resources, revenue and capital, to ensure that they match and support the direction of the Council's objectives.

The Strategy must ensure that the requirement to set a balanced budget is fully met and that the Council is able to respond to year-on-year changes and short-term service delivery issues.

The Council has adopted as a corporate priority in the Corporate Strategy for 2017-2023 to "continue to work within a balanced and sustainable budget, recognising the reduction in Government funding". To meet these requirements the Medium Term Finance Strategy is supported by a strategic and long-term approach to corporate and service planning.

1.2 FUNDAMENTAL PRINCIPLES

There are a number of fundamental principles that are followed by the Council and which form the basis of the Medium Term Finance Strategy as they are key to the Council's approach to financial management. These are summarised in the table below.

Table 1 – The Fundamental Principles of FBC Financial Management

RESERVES

- **Major Repairs and Renewals (MRR) Fund:** A MRR fund will be maintained to cover emergency capital expenditure on Council Assets. The minimum balance will be **£1million**.
- **Spending Reserve:** A spending reserve will be maintained to cover unforeseen changes in revenue expenditure or income. The minimum balance will be **7.5% of gross expenditure**.
- The levels of these reserves to be maintained will be reviewed each year.
- These reserves should not be used to meet on-going, unsustainable levels of revenue expenditure but any surpluses on the reserves can be used for one-off projects.
- All decisions regarding the use of any significant reserve will take account of the effect on the revenue budget from a reduction in investment interest.

USE OF RESOURCES

- “Windfall” or one-off revenue resources will only be used to increase capital resources or to meet one-off revenue expenditure.
- Capital receipts from the sale of assets will be used to meet future corporate priorities rather than be retained for use on the service that has relinquished the asset.
- CIL receipts will be used to meet future community infrastructure projects in accordance with the priorities of the council.
- New Homes Bonus funding will be used to support day-to-day service delivery
- In determining the use of funds for capital investment, there should be a bias towards:
 - Investing in land & property that will generate a long term source of income;
 - Projects that support economic or employment growth;
 - Projects that support or secure further housing delivery.

CAPITAL EXPENDITURE

- All new potential capital schemes will only be considered if they make a clear contribution to the Council’s objectives and priority actions, or support the Council’s Asset Management Plan.
- The following factors need to be considered before a decision is made to include a new scheme in the capital programme:
 - On-going operational costs associated with the scheme;
 - Whole life costing implications of the scheme;
 - Cost of servicing the debt if the scheme is financed by borrowing;
 - Loss of investment interest if internal resources are used.
- Where new capital schemes are included in the capital programme there will be a need to ensure that the necessary resources are in place to meet the full capital costs and the on-going revenue costs.
- Efforts will be made to secure external (non-borrowing) sources of funding capital schemes. Internal capital resources will only be released to fund schemes once external sources of funding (such as developers’ contributions, lottery grants, etc.) have been explored and rejected.
- Capital schemes will normally be financed by use of capital reserves or external contributions. Borrowing will only be considered where there is a sound economic business case (e.g. for spend to save schemes) whereby borrowing costs are wholly offset by long term net revenue income or savings.
- New schemes will be subject to prioritisation as set out in the Council’s Capital Strategy.
- Resources allocated to particular capital projects but subsequently not required are returned to meet future corporate priorities rather than be retained for use by that service.

REVENUE EXPENDITURE

- Budget setting guidelines are maintained and approved by the Executive each year as part of this Strategy.

- New revenue spending plans will only be considered if they make a clear contribution to the Council's objectives and priority actions or to meet new statutory responsibilities and are affordable.
- All significant new revenue spending plans are considered together for inclusion at the time of Council Tax setting and are subject to a prioritisation process.
- No new revenue spending plans are included in the revenue budget without the necessary resources to meet the full capital costs and the on-going revenue costs being in place. This is particularly important because of the implications for the Council Tax of even modest increases in expenditure.

TRANSPARENCY AND OPENNESS

- It is Council policy to be transparent in the decision-making process and provision of information about the Council's activities is available through the website. To this end, budgetary plans and historical spending information (including payments to third party suppliers) is published on the Council's website.
- Under the Localism Act 2011 the Council is required to prepare and publish a pay policy statement which forms part of this Strategy.

PARTNERSHIP AND AGENCY WORKING

- The Council will seek to work with partners to achieve more for less and actively pursue the achievement of the Council's priorities.
- Any deficits arising from services provided on behalf of other agencies may be held on the Council's balance sheet but should be fully offset by an equivalent contribution to the spending reserve, to protect the Council's long-term finances.

2. REVENUE POSITION

2.1 CORE FUNDING RESOURCES

The Council's core funding comes from 4 main sources:

- Central Government Grants
- Business Rates
- New Homes Bonus
- Council Tax

These are largely governed by Central Government Policy. Areas being targeted include highways, education and social care. The Housing Revenue Borrowing Cap was also lifted and extra money was allocated to the Housing Infrastructure Fund.

Local Government Settlement

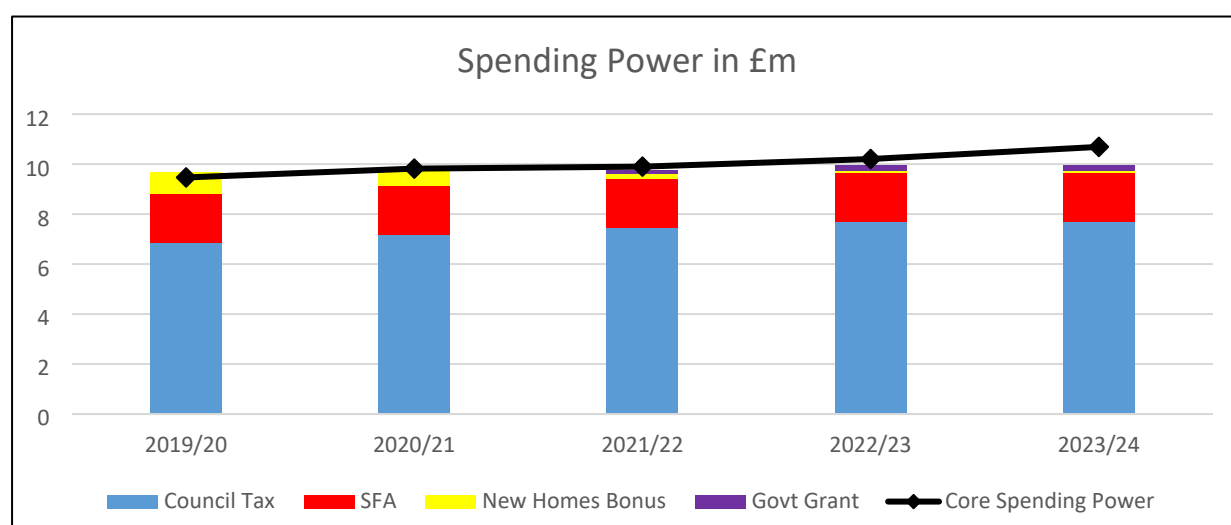
The Government is carrying out a [Fair Funding Review](#) for local government, which will inform the basis of distributing resources to councils. However, this review has been delayed for a number of years and is expected to now commence in time for the 2025/26 financial year.

The allocation of resources is determined by the Government's assessment of the funding needs of the Borough, as discussed below.

FBC Spending Power

Spending power is defined by central government as a gauge of how much money a council needs to provide its services. The spending power calculation takes into account a number of factors and the graph below shows how Fareham's spending power has changed over the last 5 years of the current settlement arrangement.

The graph also shows how significant the Government sees Council Tax as a funding source for the Council.



SFA (Settlement Funding Assessment)

The SFA consists of the Revenue Support Grant (RSG) and the local share of Business Rates. At a national level this is the total RSG and Estimated Business Rate Aggregate for the year.

In 2013/14 the Government introduced a [Baseline Funding Level \(BFL\)](#) for each council based on the previous 2 years net rates collections. This takes into consideration factors such as the level of deprivation, sparsity and density. This is then used to allocate the total SFA across each Council in the form of Revenue Support Grant (60%) and retained business rates (40%).

As of 2018/19, Fareham's SFA (perceived need) is below its baseline funding level which means the Council is perceived to receive too much money to run its services. This therefore affects how much Revenue Support Grant the Council will get and how much business rates it can retain. The latest population census data also indicates that the population in the Borough has not grown as much as other parts of the country. This is likely to result in the Council's share of the SFA falling from 2025/26.

Revenue Support Grant (RSG)

The Revenue Support Grant is the element of government funding that councils receive directly to provide their services. Since 2017/18 Fareham has not received any RSG from central government. Currently Fareham is in a position where its spending assessment is lower than its allocation in the funding formula meaning the Council should be paying money to the government (negative subsidy).

It is then anticipated that under the Fair Funding Review negative subsidy will be removed as part of the funding reset and to date there has been no requirement to pay the negative subsidy.

Other General Grants

The Lower Tier Service Grant (LTSG) is a different element of government funding that councils receive directly to provide their services. This commenced in 2021/22 to reflect changes to funding and to make sure no authority fell below minimum funding levels. Fareham received £154,000 in 2021/22 and will receive £88,000 in the 2022/23 financial year and £79,000 for the 2 years after that with a view that this funding will stop when the Fair Funding Review is implemented in 2025/26.

The Council is also expecting to receive additional small one-off Service Grants for another 2 years as part of the local government finance settlement "*in recognition of the vital services delivered at every level of local government*".

BUSINESS RATES

From April 2013, some business rates started to be retained locally by the billing authority. The amount depends on the difference between the council's assessed funding level (Baseline Funding Level) and the amount of rates that are collectable in the area (Business Rates Baseline).

Fareham currently collects around **£38.5 million** of business rates. Of this 50% (£19.2m) is paid to Central Government with 9% (£3.5m) and 1% (£0.4m) paid to the County Council and the Fire Authority respectively. The remaining 40% (£15.4m) is Fareham's initial share of the rates collected.

However, in order that authorities don't benefit from keeping too much of the rates collected there is then a series of tariffs and top-ups that are returned to the central pot for further redistribution, with a safety net threshold to prevent the tariff being too severe. Fareham is currently calculated as having one the lowest needs of the 325 authorities and so has to pay a tariff to reflect its Baseline Funding Level. Once the tariff is paid to the central pot, Fareham retains around **£1.9 million (5%)** of the rates collected. The council's income is increased by Section 31 Grants. These grants are received to make up for loss of income due to Government decisions over business rates such as rate reliefs for small businesses that would mean local authorities are worse off through no fault of their own. These grants are expected to be approximately **£0.7 million** for 2023/24.

NEW HOMES BONUS

The New Homes Bonus (NHB) was introduced in April 2011 with local authorities being rewarded for increased housing development in their area as it was seen that house building was not sufficient to meet demand. It is a non-ring-fenced grant.

In 2017 the scheme changed with a cap being introduced where the government would only pay for increased development above the cap of 0.4% of total dwellings. There was also a reduction in the term for payments being received, from 6 years down to 4 years (for payments from 2014/15 onwards) with a transition of 5 years for payments already in the system for financial years 2012/13 and 2013/14.

Fareham initially used this extra money to fund capital schemes in line with the policy that was introduced. In 2017/18 the whole of the NHB received in year (£1.5m) was used to support council revenue services and this has been done every year since.

This income will continue to drop over the course of the Strategy period if the scheme continues in the current format. The table below shows how NHB has been made up and changed since 2011.

Table 2 – New Homes Bonus Calculations to Date

Year of Payment		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
2011/12	Payments for Year 1	£226,565	£226,565	£226,565	£226,565	£226,565	£226,565							
2012/13	Payments for Year 2		£431,134	£431,134	£431,134	£431,134	£431,134							
2013/14	Payments for Year 3			£435,038	£435,038	£435,038	£435,038	£435,038						
2014/15	Payments for Year 4				£323,200	£323,200	£323,200	£323,200						
2015/16	Payments for Year 5					£232,066	£232,066	£232,066	£232,066					
2016/17	Payments for Year 6						£415,783	£415,783	£415,783	£415,783				
2017/18	Payments for Year 7							£168,090	£168,090	£168,090	£168,090			
2018/19	Payments for Year 8								£146,094	£146,094	£146,094	£146,094		
2019/20	Payments for Year 9									£90,892	£90,892	£90,892	£90,892	
2020/21	Payments for Year 10										£54,877			
2021/22	Payments for Year 11											£2,800		
2022/23	Payments for Year 12												£17,920	£17,920
		£226,565	£657,699	£1,092,737	£1,415,937	£1,648,002	£2,063,785	£1,574,177	£962,033	£820,860	£459,954	£239,786	£108,812	£17,920

The Council will benefit from a small surplus from the national pool which is being distributed to councils from 2023/24 as returned NHB.

COUNCIL TAX

Fareham has the 6th lowest Band D Council Tax for a district council, when parish precepts are taken into account, and is currently 30% below the national average. Recent changes in Government policy now allows Councils to increase Council Tax by 3% but there is now no monetary value alternative. This can penalise Fareham for having a low Council Tax as the maximum increase that can be approved each year, outside of a referendum, is £5.24. In comparison, the largest Band D for a district council stands at £384 which would see an increase of £11.53 in their Council Tax using the policy, resulting in the gap between the average authority and Fareham continuing to grow.

The Council Tax for Fareham forms around 75% of its spending power showing that there is a significant reliance on it to fund the net spend. Fareham's Council Tax has risen by £5 per year for the last 7 years and it is proposed to increase by 3% for 2023/24. The Council Tax for a Band D property currently stands at £175.22 which was approved by the Full Council in February 2022. Of the gross expenditure budget of **£46,738,100** (net budget £10,788,000) for council services in 2022/23, £7,710,136 (**16.5%**) was budgeted to be met by Council Tax payers.

This Medium Term Finance Strategy assumes that there will be an increase of **316(2024/25), 548(2025/26) and 486(2026/27)** Band D equivalent properties which will generate some additional Council Tax even if no increase in the rate is approved each year. These figures reflect the increase in housing projections in the Council's Local Plan.

FAIR FUNDING REVIEW (FFR)

During the early part of 2019/20 a Fair Funding Review (FFR) commenced to look at how the funding for councils is distributed, as the current system is considered to be outdated and unfair. However, due to a December 2019 general election, the subsequent COVID-19 Global Pandemic and now the cost of living crisis, the results of this review have been delayed and will now impact on the funding from 2025/26 onwards.

As well as the FFR coming in for 2025/26 there will also be a "reset" of the business rates system. This will allow tariffs and top-ups to be recalculated in order that new settlement figures can be issued to authorities in the provisional settlement in the latter part of the strategy.

How Fareham BC will fair under the FFR is still unclear but the assumption being used is that this will not result in any significant increases in core funding.

AFFECT ON THE MEDIUM TERM FINANCE STRATEGY



Currently due to the delay in the Fair Funding Review future funding levels remain uncertain, however, we are predicting a limited income from new homes bonus by in all years of the strategy. Generally, we are not expecting any increases in core funding, outside of Council Tax.

2.2 OTHER FUNDING SOURCES

Specific Government Grants

These amounts received from Central Government relate to specific services and will be paid to match expenditure on projects. Grants expected in the 2022/23 and 2023/24 financial years include; benefits, housing advice, disabled facilities grants, homelessness and Council Tax administration.

Financial Investments

This element of income comes from investments of surplus cash and through the Council's cash management opportunities. Interest rates had been below 1% since March 2009 but 8 rises in 2022 have seen the rate currently standing at 3.50% which has meant that returns on investments have been increasing but the amount the council has to invest has reduced due to increased capital spending in recent years.

Security of capital has remained the Council's main investment objective so the Council has sought to spread its risks, using highly rated commercial institutions or Government bodies and investing for short periods. Consequently, however, the rates of return are limited.

The Council has therefore further diversified into longer-term secure and higher yielding asset classes, moving part of the portfolio from bank and building society deposits into externally managed strategic pooled diversified income funds and money market funds.

These funds are in line with the Council's investment strategy and offer potentially enhanced investment returns whilst diversifying opportunities and risks.

We are therefore predicting an increase in income from investments in 2022/23 but there will be reduced income from financial investments in the next few years due to capital spend.

Property Investments

In 2013 the Executive agreed a Corporate Property Investment Acquisition Strategy where the council would purchase commercial sites to bring in rental income that was at a higher rate than from financial investments. Since 2013 £39 million has been invested in various properties in and outside of the borough and this currently brings in over **£2.8 million** per annum in rent which is at a far greater return than investing in the money markets.

However, income from property investments is sensitive to any downturns in the economy, and this risk is spread by using a spread of property types in the investments. There will also be a period of reduced income as leases mature and there is a change of tenant.

Partnership Contributions

Any surplus from Portchester Crematorium Joint Committee (PCJC) is distributed among the four councils who constitute the joint committee. It is anticipated that over the period of the Strategy this amount will reduce from the current level of £170,000 per annum to £80,000 in 2024/25 and then there will be no contribution for the rest of the strategy period. Any amount received from PCJC is a non-ring fenced contribution and is used to keep the overall Council Tax at an acceptable level.

Fees and Charges Income

The Council reviews the fees and charges for its services annually and the proposed fees and charges for each Committee and Executive portfolio are reviewed by the Executive and Licensing and Regulatory Committee and approved by Full Council.

The approach taken to reviewing fees and charges for 2023/24 is as follows:

- **New Fees and Charges** – There are no significant new charges proposed.
- **Statutory Fees** - Some fees and charges are set by statute and therefore are not under the Council's control.
- **Discretionary Charges where no increase is proposed** - There are some charges where there are no increases proposed, that are at the discretion of the Council.
 - In particular, Car parking has been budgeted for in line with the Fareham Town Centre Parking Strategy and the proposed charges have not been increased for 2023/224 The charges have been at the current level since they were set in October 2010.
- **Discretionary Charges increasing** – Some discretionary charges are proposed at a level to achieve an increase in income that is deemed to be realistic, and also to cover the inflationary costs being experienced to provide the service.
 - In most cases, an increase of around **10%** is proposed.
 - Specific charges which have been reviewed and alternative increases proposed are:
 - Car parking charges for coastal parking
 - Garden Waste Collection service
 - Taxi Licences
 - Market Pitches
 - Trade Waste

2.3 GENERAL CHANGES IN EXPENDITURE

Service Budgets Added or Deleted

There have been no new service budgets included in this Strategy.

Pay Awards

The Pay Policy for 2022/23 was approved by the Executive in January 2022. The Pay Policy Statement for 2023/24 is attached at [Annex 2](#).

The rising cost of employment in future years reflects the cost of an assumed pay awards of 3% from 1 April 2023 and 2% per year for the remainder of the strategy period and other pay movements such as meeting the requirements of the National Living Wage.

Pension Provisions

During 2022, the triennial pension fund valuations will be taking place. The last valuation was in 2019 and concluded that the fixed contributions needed to close the past years' service gap were reduced to zero and the 2022 valuation has confirmed that this amount will not be required going forward. For Fareham the future service funding will reduce from 19.3% of pay to 18.9%. The 2022 review has shown that the funding gap of almost 1% in the 2019 valuation has changed to a surplus in the 2022 valuation.

The reduction in the fixed contribution has been use in the last 3 years to increase the revenue contribution to the capital fund but from 2023/24 onwards the amount of £350,000 per annum has been removed from the additional contribution towards capital expenditure.

Depreciation / Capital Charges

Many services provided by the council will attract depreciation and capital charges that reflect the use of the assets over the period of their useful life. The depreciation charge is set against the service but an entry is made to adjust the charge so there is no overall impact on the Council Taxpayers.

2.4 SERVICE PRESSURES AND OPPORTUNITIES

Cost of Living Crisis and the COVID-19 Pandemic

The current cost of living crisis has presented the council with a significant financial pressure. Inflation rates have been above 10% for the first time in 30 years and this had led to increases to spending in most areas of the council.

There have been significant inflationary pressures on staff pay, fuel and energy price increases as well as commodity price increases. As a result of this we are seeing increased demand from our customers especially in areas such as homelessness

The COVID-19 pandemic has had a significant effect of the Council's Finances during 2020/21 and 2021/22 financial years and will continue to have an impact on some services during the remainder of the strategy period. Some areas have not seen their levels return to pre-pandemic levels such as town centre parking whereas some businesses are reviewing rent levels or leaving the units completely.

There will be a need to continue to monitor services affected by these events going forward.

Key Services

There are a number of services where the costs and/or income directly correlate with service activity, some of which would have a notable impact on the Council's overall financial position if a significant variation in activity arose. These are classified as "major" or "demand led" services and account for almost £21 million of gross expenditure and £15 million of gross income.

Special arrangements are in place to track financial performance of these services and the other major services, and to take action where there is a significant deviation from plans.

In particular increased costs and reduced income are expected for the Waste and Recycling services.

Other

Other noticeable pressures that have been allowed for in the MTFS are:

- **Increase in External Fees** – We have been informed to expect an increase in external audit fees of 150% when the next contract starts for the 2023/24 audit. We are also expecting a similar hike in fees for the external audit of the housing subsidy claim.
- **Increase in Insurance Premiums** - We have been informed to expect an increase in the cost of insurance cover of around 15% for both Property and Public & Employers Liability.
- **Cleaning costs** – The Councils cleaning contract is due to be retendered during the Strategy period and soft market testing is indicating that there will be noticeable increase in the cost.

3. CORPORATE PRIORITIES

3.1 Corporate Strategy 2017-2023

The latest Corporate Strategy was adopted by the Council in December 2017 and is updated each December. It currently contains 6 priorities linked to 31 project areas, as summarised in the table 3 below.

Table 3 – Priorities and Projects in the Corporate Strategy

Priority 1	Providing Housing Choices	NEW GARDEN VILLAGE AT WELBORNE
		LOCAL PLAN
		AFFORDABLE HOUSING STRATEGY
Priority 2	Protect and Enhance the Environment	DAEDALUS FIELDS & VERGES
		ABBEY MEADOWS
		COLDEAST WOODLAND
		COASTAL DEFENCE
		RECYCLING & WASTE REDUCTION
		REDUCTION OF SINGLE USE PLASTIC
		CLIMATE CHANGE
Priority 3	Strong, Safe, Inclusive and Healthy Communities	WELBORNE COMMUNITY
		HOLLY HILL CEMETERY
		COMMUNITY SAFETY
		AIR QUALITY
Priority 4	Maintain and Extend Prosperity	TOWN CENTRE
		DAEDALUS INNOVATION CENTRE
		PORTCHESTER DISTRICT CENTRE
		DAEDALUS SWORDFISH BUSINESS PARK
		STUBBINGTON BYPASS
		A LEVEL COURSES
Priority 5	Leisure Opportunities for Health and Fun	WESTBURY MANOR MUSEUM
		FAREHAM LIVE
		COLDEAST SPORTS & PLAY
		STUBBINGTON ALLOTMENT
		CAMS ALDER RECREATION GROUND
Priority 6	A dynamic, prudent and progressive Council	BALANCED BUDGET
		SYSTEMS THINKING
		CIVIC OFFICE TENANTS
		COUNCIL OWNED LAND & BUILDINGS
		PROPERTY INVESTMENTS
		PARTNERSHIPS & JOINT WORKING
		OPPORTUNITIES PLAN

A full review is currently being carried out to produce the next strategy for 2023-2029 which will be launched in 2023.

The financial resources needed to deliver the projects in the strategy are contained within the General Fund Revenue and Capital budgets, and the Housing Revenue Account Revenue and Capital budgets. We are currently developing a costing and financing plan to make the finances earmarked to deliver the Strategy more visible.

3.2 Solent Airport and Daedalus

Solent Airport and development of the Daedalus site is another key project to achieving priorities in the Corporate Strategy.

Since the purchase of Daedalus from the Homes and Community Agency and the adoption of the Council's Vision for Daedalus in 2015, the site has become the largest employment development site in the area, with a focus towards aviation, aerospace, marine and advanced engineering businesses.

It is a strategic asset for the Council, and as such will require significant capital investment over time. It also has the potential to generate revenue for the Council, create job opportunities for the borough and the aspiration is for the airport operations to be financially self-sustaining.

There will be a requirement to make use of revenue support and capital receipts from the business parks to deliver investment across the whole site.

The significance of Daedalus is such that it warrants its own financial operating framework and strategy that was presented to the Executive in March 2022. Members have financial updates comparing figures against the strategy position at regular meetings of the Daedalus Scrutiny Panel. The Scrutiny Panel will also consider all activities and developments at the site.

3.3 Climate Change

The Council has a Climate Change Action Plan that confirms the Council's commitment to become carbon neutral throughout all Council buildings and services by 2030.

In light of this and the significance impact that Climate Change will have on the Council and in the borough a Climate Change Scrutiny Panel was set up in May 2021 to inform Members of the progress towards the carbon neutral target.

Part of the plan highlights the Council's leadership role that will encourage broader changes across the borough working with both businesses and residents.

The Council has funded a small programme of carbon reduction measures in community centres and will continue to fund programmes where appropriate and where they demonstrate commitments to carbon reduction.

There may be additional costs arising at a corporate and service level as the priority work is delivered and we will continue to monitor these as part of the MTFS.

4. CAPITAL POSITION

4.1 CAPITAL STRATEGY

The Capital Strategy is now a separate document to the Medium Term Finance Strategy and demonstrates how the Council's capital programme supports its corporate priorities and sets the framework for developing the capital investment programme to deliver these priorities.

The Council agrees a rolling five-year programme each year consistent with the Medium Term Finance Strategy and the resources available along with any impact on the revenue budgets.

The capital programme for the duration of the Strategy has been amended to take into account carry forwards from 2021/22 and now totals **£44.9 million** of General Fund expenditure.

4.2 CAPITAL RESOURCES

Resources of **£50.9 million** are estimated to be available over the life of the capital programme and therefore there should be a surplus of resources of approximately **£6.0 million** in 2025/26. The surplus acts as a contingency for unexpected price rises or other increases during the life of the various capital projects.

Capital Financing Costs

The proposed budget for 2023/24 provides for a revenue contribution to capital of **£1.125 million**, which provides for ICT replacement, vehicle purchases, CCTV renewals and car park improvements, as well as other capital investment in the Council's assets.

4.3 MINIMUM REVENUE PROVISION

Where the Council finances capital expenditure from borrowing (debt), it must put aside resources to repay the borrowing in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP).

Borrowing costs (MRP and interest charges) for schemes funded by debt will be covered by revenue generating assets.

The budget provision reflects the capital costs relating to commercial property purchases, construction works at Daedalus, and work undertaken at the two Leisure Centres in the borough.

5. PROPOSED BUDGET 2023/24

5.1 THE BUDGET SETTING PRINCIPLES

In addition to the fundamental principles on which the Council's Medium Term Finance Strategy is based, the Council adopts for each financial year a set of budget setting principles that form the framework for budget preparation.

It is proposed therefore that the following budget guidelines be adopted:

- The revenue resources available to the Council will determine the spending plans for the year, taking account of any measures to reduce the net cost in the year.
- No provision for the effects of inflation to be provided in revenue budgets except where the price increases are measurable and unavoidable, or the Council is legally obliged to accept.
- Fees and charges to be increased to cover any increase in costs and to achieve a realistic increase in income wherever possible. Every effort should be made to identify new sources of income to help fund the provision of council services. The proposed charges should be considered alongside those for similar services in neighbouring authorities and, where appropriate, the charges levied by private sector providers.
- The use of general reserves will be considered in the short-term where reserves are in excess of our minimum policy. They will only be used as a bridging approach whilst we identify plans to produce a longer-term solution.
- Use of other reserves will be reviewed in order to identify funds available to draw down on to reduce the impact on council taxpayers.
- New revenue commitments and capital schemes will only be considered for inclusion in the budget where the expenditure is essential to protect the Council's assets or meet the Council's corporate priorities.
- Full weight to be given to the Council's overall position and future Council Tax levels when services are reviewed and revenue budgets, capital programmes and fees and charges are considered.

5.2 BASE BUDGET 2023/24

The proposed base budget for 2023/24 has been built up using the principles and assumptions laid out in this Medium Term Finance Strategy. A summary of the budget, compared to the base budget 2023/23 is summarised in the table below. The base budget requirement is estimated to be **£11,897,100** for 2023/24, with a revised net budget for 2022/23 estimated to be £10,987,300.

Table 4 – Proposed Revenue Budget for 2023/24	Budget 2022/23 £	Budget 2023/24 £	Variation Base to base £
Licensing and Regulatory Affairs Committee	574,400	540,400	-34,000
Planning Committee	439,500	694,300	254,800
Executive - Portfolio Budgets			
- Leisure and Community	-17,500	-41,200	-23,700
- Housing	2,083,000	2,270,800	187,800
- Planning and Development	1,636,600	1,999,600	363,000
- Policy and Resources	44,400	222,500	178,100
- Health and Public Protection	662,400	877,600	215,200
- Streetscene	4,897,400	5,048,800	151,400
Accounting Adjustments(depreciation) not included above	3,147,200	4,101,900	954,700
SERVICE BUDGETS	13,467,400	15,714,700	2,247,300
Capital Charges	-3,385,900	-4,320,000	-934,100
Direct Revenue Funding	1,475,000	1,125,000	-350,000
Minimum Revenue Provision	1,490,900	1,490,900	0
Bad Debt Provision	150,000	0	-150,000
Interest on Balances	-678,800	-612,000	66,800
Portchester Crematorium	-170,000	-80,000	90,000
New Homes Bonus	-108,800	-17,900	90,900
Contribution to(+)/from (-) Reserves	-1,451,800	-1,403,600	48,200
OTHER BUDGETS	-2,679,400	-3,817,600	-1,138,200
NET BUDGET	10,788,000	11,897,100	1,109,100

5.3 CONTRIBUTIONS TO AND FROM RESERVES

These represent:

- a) one-off items in the budget that are funded from reserve accounts that the Council holds;
- b) decisions made to increase the value of specific ear-marked reserves; or
- c) areas where there are excess funds and a transfer is made into reserves.

Use of Earmarked Reserves

The table below lists the use of earmarked reserves that will be used to finance planned expenditure in the strategy.

Table 5 – Use of Ear-Marked Reserves

		'000s
Use of Receipts in Advance		
S106 Titchfield Country Park – Tree Planting	Annually for 5 years	-25
S106 Daedalus Open Space – Ranger Post		-20
S106 Grounds maintenance – Area 8 Posts		-59
Welborne Delivery Funding – Strategic Sites Posts / General Expenses		-168
Abbey Meadows Contributions		-39
Use of Earmarked Reserves		
Homelessness Fund	1 year funding only	-174
Portchester Town Centre Improvements		-73
New Forest Mitigation Contributions		-131
UKSPF staff allowances		-15
Total Due from Earmarked Reserves		-704

The cost of these activities will be included in service budgets, and accounting regulations require the funding of the activities to be shown separately from the service cost.

Use of General Reserves

The table below lists the use of general reserves that will be used for specific purposes in the strategy.

Table 6 – Use of General Reserves

	'000s
Draw down for specific purposes	
Transfer of £1.2m to the spending reserve to give additional protection from the increased volatility of income and expenditure (from 5% to 7.5% gross expenditure)	0
General Reserves set aside for Ash Die Back costs until 2026/27	-50
General Reserves set aside for Civic Quarter Regeneration	-249
Total Due from General Reserves	-299
Total Due from Reserves	-1,003

In addition, as [discussed above](#), a non-service specific revenue budget for 2023/24, provides for a revenue contribution to capital (**RCCO**) of **£1.125 million**.

The value of the **Spending Reserve** as at 31/03/22 was predicted to be over the £3,505,400 which is the threshold of 7.5% of gross expenditure for 2022/23 (£46.7 million). Proposals on the use of the additional surplus arising will be developed for consideration in February, alongside the consolidated draft budget for 2023/24.

5.4 COUNCIL TAX 2023/24

The net revenue budget proposed for 2023/24 incorporates a council tax increase of 3% which is in line with government proposals. The table below shows the funding from the collection fund which is made up from business rates, non-specific government grants and council tax payers.

Table 7 – Projected Funding of the 2023/24 Net Revenue Budget

	£'000
Net Budget Requirement	£12,298
Retained Business Rates	-£3,592
Central Government Grants & NHB	-340
Council Tax at current level	-£7,710
Additional Council Tax for new properties	-£20
Additional Council Tax with 3% increase	-£235
Collection Fund Surplus	£0
Total Available from the Collection Fund	-£11,897
Projected Shortfall to be met from Reserves	£401

5.5 BALANCING THE BUDGET 2023/24

The net revenue budget proposed for 2023/24 of £12,297,100 can mostly be funded from the collection fund as summarised above but this does leave a shortfall of £401,000 that needs to be met from general reserves. Using this funding as well as the higher-than-normal increases in fees and charges will ensure that the council has a balanced budget. The use of reserves will bring the net budget requirement down to £11,897,100 meaning it will match the available resources.

6. FIVE YEAR FORECAST

6.1 OVERALL REVENUE POSITION

Table 8 – Financial Projections 2022/23 to 2025/26

	2022/23 Revised	2023/24	2024/25	2025/26	2026/27
	000s	000s	000s	000s	000s
SERVICE EXPENDITURE					
Gross Expenditure on Services					
Base Budget	£43,622	£43,622	£45,482	£45,807	£46,132
Changes for Pay and Pensions	£500	£925	£325	£325	£325
Changes for Spend Pressures and Opportunities	£1,428	£1,612	£1,048	£943	£907
Changes for Cost of Living/COVID Spend Pressures	£365	£365	£465	£565	£665
Revised Budget	£45,915	£46,524	£47,320	£47,640	£48,029
Gross Income for Services					
Base Budget	-£27,481	-£27,481	-£26,945	-£26,945	-£26,945
Changes for Income Pressures and Opportunities	-£233	-£757	-£769	-£765	-£745
Revised Budget	-£27,714	-£28,238	-£27,714	-£27,710	-£27,690
Net Cost of Services	£18,201	£18,286	£19,606	£19,930	£20,339
NON SERVICE SPECIFIC BUDGETS					
Contribution to capital spend - RCCO	£1,475	£1,125	£1,125	£1,125	£1,125
Provision to repay borrowing (MRP)	£1,498	£1,537	£1,619	£1,707	£1,753
Increase In Bad Debt Provision	£150	£0	£0	£0	£0
Accounting Adjustments	-£4,321	-£4,321	-£4,321	-£4,321	-£4,321
Total Non Service Budgets	-£1,198	-£1,659	-£1,577	-£1,489	-£1,443
NET BUDGET REQUIREMENT	£17,003	£16,627	£18,029	£18,441	£18,896
SOURCES OF FUNDING					
Core Funding					
General Government Grants	-£221	-£341	-£221	£0	£0
New Homes Bonus & Returned NHB	-£109	-£73	-£90	-£99	-£99
Retained Business Rates	-£3,056	-£3,592	-£3,782	-£3,190	-£3,312
Total Core Funding	-£3,386	-£4,006	-£4,093	-£3,289	-£3,411

Other Funding Sources					
Income from Financial Investments	-£828	-£612	-£612	-£612	-£612
Income from Property Investments	-£2,674	-£2,674	-£3,210	-£3,210	-£3,210
Contributions from Partnerships	-£170	-£170	£0	£0	£0
Total Other Funding	-£3,672	-£3,456	-£3,822	-£3,822	-£3,822

Use of Reserves					
Use of Ear marked reserves for specific use	-£1,050	-£748	-£341	-£316	-£320
Use of general reserves	-£1,185	-£50	-£50	-£50	-£14

COUNCIL TAX REQUIREMENT					
	£7,710	£8,367	£9,723	£10,964	£11,328

Council Tax					
Projection of Retained Council Tax at current level	£7,710	£7,710	£7,730	£7,786	£7,882
Additional Council Tax for new properties	£0	£20	£55	£96	£85
Council Tax available at no increase	£7,710	£7,730	£7,786	£7,882	£7,967

Projected shortfall with no increase					
	£0	-£636	-£1,937	-£3,082	-£3,361

Council Tax available with 3% increase per year					
	£7,710	£7,965	£8,262	£8,615	£8,968

Projected shortfall with 3% increase per year					
	£0	-£401	-£1,460	-£2,349	-£2,360

The Five-Year Forecast indicates that there continues to be a number of spending pressures facing the Council over the coming years as core funding sources are expected to fall whilst unavoidable costs increase. Although the Council has been successful in making significant savings for a number of years now, the projections indicate that further reductions will be necessary to produce a balanced budget for the period from 2023/24 onwards.

The highest funding gap now showing across the 5 years is **£2.405 million, even with the proposed increases in council tax**. There are also a number of pressures, risks and uncertainties, including delivery of some of the Corporate Priorities, for which no provision has been made in the budgets.

6.2 SENSITIVITY ANALYSIS



It should be noted that the way that the financial information is shown in the Five Year Forecast table above differs from the Net Budget figures used for the budget setting tables. This is because the sources of funding have been moved together to make their impact clearer. In the budget figures some of these appear in the Service income and Other budget income lines.

The Council has been committed to minimising increases in the overall net budget and Council Tax increases. This has proven successful in restricting the proportion of gross expenditure on general fund services that has to be met by Council Taxpayers,

currently **16%**.

Because the proportion is so low, the Fareham element of the Council Tax (around 10%) is very sensitive to even minor increases in expenditure. An increase in gross expenditure of 1% (approximately £1½m) would result in an increase in the amount to be met by Council Taxpayers of 6.5%. The following table highlights the gearing effect that additional expenditure has on the Council Tax.

Table 9 – Gearing Effect of Additional Spend on Council Tax

	£M	% Increase
Current Spending	46.7	
Significance of an extra £500,000 in spending		+1.0%
Council Tax Payers	7.7	
Significance of spending an extra £500,000		+6.5%

For each pressure, an assessment has been made about the possible variation above and below the "most likely" position. This allows the sensitivity of the projected totals to change. As more information becomes available about the individual pressures, the projections can be updated and made more certain.

6.3 RISKS AND UNCERTAINTIES

The budget projections indicate the susceptibility of the Council's revenue budget to changes in the level of expenditure and income caused by factors outside the control of the Council. It is clear that even a small variation in funding, expenditure or income would have a significant impact on the Council's revenue budget position.



This is why one of the fundamental principles contained in the MTFs is to now maintain a minimum spending reserve equivalent to 7.5% of gross revenue expenditure.

In considering the budget forecasts, there are also a number of other issues that need to be borne in mind, as set out below:

- The full impact of the Fair Funding Review on the Council's core funding sources is not known.
- The funding needs of the Council's corporate priorities, or additional costs arising from climate change actions, have not been fully costed and built into the budgets.
- There is a level of uncertainty surrounding the current economic climate with even more uncertainty as to the length of time the economy will take to recover after the COVID19 Pandemic and the cost of living crisis.
- Demand for Council services remains volatile in some services, and this may be heightened due to economic challenges.
- There has been no provision included for any outcomes for local pay reviews or job evaluation requests.

- 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 shortfall. It is therefore imperative that capital reserves are replenished whenever possible in order to meet the future spending needs.
- Hampshire County Council is also having funding pressures, and some of the decision they may need to take may impact on Fareham Borough Council's finances.

There are also significant pressures that have not yet been built into the forecasts. These include:

- **Land Charges Income** – As part of the Queen's speech in June 2014 it was announced that the land charges function would be centralised and run by the Land Registry in order to support the delivery of digital services. The timetable for this is not clear but would result in a loss of income for the Council of approximately **£100,000**. It is likely that the service would move over in 2024/25 at the earliest but some work would still need to be done in-house.
- **Universal Credit** – The long-term ambition for the government is for the housing benefits system to be replaced by Universal Credit administered centrally. This was introduced in Fareham in November 2018 and will be implemented gradually over time. The migration of benefit claimants to Universal Credit will have a financial impact to the Council particularly in relation to the service team and overhead costs.
- **Waste Collection** – The government's environmental bill will see wholesale changes to the waste collection services that the council currently provides. These will include changes to recycling collections and will include regular food waste collections. The way these changes will be funded has not yet been announced.
- **Population Increases** – The recent Census has shown that the population of the borough has not grown to the same levels as other parts of the country, and this could affect funding that is population based in the short to medium term. However, there are a number of significant planning applications in the borough which could lead to a significant increase in the population (up to 12%) and households (up to 13%). No provision has currently been built into the budgets for the impact this will have on the services the Council provides (e.g. council tax administration)

Conversely any housing growth in the borough above 500 new properties a year will bring in additional income through Council Tax.

6.4 THE OPPORTUNITIES PLAN

The Council aims to develop its efficiency plans well in advance of need to ensure that they are sufficiently reliable before being included in budgets, and to allow the full consequences of such changes to be considered and consulted upon where appropriate. Work has been undertaken since 2018 to identify opportunities to close the predicted funding gap, and this has been kept under review.

Some projects in the plan are still in progress and the projections from others as below have been built into the projections:

- Increased garden waste income
- Increased coastal parking income
- Changes to Building Control Operating Partnership model

The fixed funding for the Opportunities plan work came to an end in 2022/23, but given the predicted funding gap in the coming years, it is evident that a further use of council reserves will be required to continue this important work to identify further opportunities to manage the Council's financial pressures and remain resilient.

7. CONCLUSION

The Council has a long history of prudent financial management, and of achieving efficiency savings while providing a wide range of excellent services.

The projections set out in this report give a broad indication of the anticipated level of expenditure, based on the latest information available about the Government's funding intentions. This is predicting a funding gap by 2023/24 even if Council Tax is increased by 3% each year. There are also a number of budget pressures and uncertainties, both revenue and capital, which do not currently feature in the forecasts.

The position from 2023/24 onwards will also become clearer when future government spending plans are released.

In the meantime, there will be a continued need to focus on the need to identify where capacity can be created through the delivery of more efficient services to meet demand, while protecting, as far as possible, services to the public, and delivering the priorities set for the Borough.

ANNEX 1

BUDGET RESPONSIBILITIES

Responsibility for budgets rests formally with the Full Council but there are arrangements in place as part of the Constitution that delegates certain responsibilities to the Executive, the committees and to officers.

The timetable for the financial planning and budget process is:

Stage	Detail	
1	Consultation with residents and business representatives (incl. Chambers of Commerce, Federation of Small Businesses, the Institute of Directors, Business South and Solent Local Enterprise Partnership)	Continual
2	Member approval of corporate objectives and priority action plan	November
3	Member review of Medium Term Finance Strategy Member consideration of revised revenue budget for current year, base budget for next year, the capital programme and fees and charges.	January
4	Member consideration of new capital schemes and revenue growth items Member review of Capital Strategy (new) Member confirmation of capital programme Member confirmation of overall revenue budget for next year Member setting of the Council Tax	February
5	Outturn position for the General Fund and Housing Revenue Account revenue and capital budgets for the <u>previous year</u> . Member approval of carry forward of any revenue and capital expenditure programmes into current year. Member approval of financing arrangements for any capital programme overspends.	July
6	Six monthly monitoring against current year budgets	November

Full Council

The Full Council has the general responsibility for setting the Council's policy and budget framework. The Full Council must ensure the following:

- Corporate strategies are approved in accordance with the projected resources of the Council;
- Approved revenue budgets, capital programmes and Council Tax levels are in accordance with the Council's Medium Term Finance Strategy;
- Supplementary estimates are only approved after consideration of the Council's overall financial position.

The Executive

The Executive has general responsibility for making decisions on Council services within the policy and budget framework. The Executive must ensure the following:

- Detailed estimates of expenditure and income for all services and committees, and the proposed Council Tax levels are prepared within the context of the council's Medium Term Finance Strategy for approval by Full Council;
- Expenditure is only incurred if it forms part of the approved service revenue budget or capital programme;
- Any decision to reallocate revenue or capital budgets from one service to another does not exceed the virement rules;
- The overall revenue budget and capital programme are not exceeded.

The Committees

The Committees have general responsibility for carrying out non-Executive functions within the powers delegated to them by Full Council. The Committees must ensure the following:

- Detailed fees and charges along with estimates of expenditure and income for committee services are submitted to the Executive for approval by Full Council;
- The committee revenue budgets are not exceeded.

Employees

All budgets are allocated to a named manager who has the authority to spend the approved budget. Financial regulations also form part of the Constitution, and these set out the scheme for the authorisation of expenditure.

Expenditure can only be incurred within the revenue and capital budgets approved by the Council.

Officers can delegate their power to incur expenditure but only within the limits of their own delegated powers.

The limits given to any individual employee are in accordance with the schedule of limits set out in the financial regulations. All employee powers to incur expenditure should be officially documented and authorised in a form approved by the Statutory Chief Finance Officer.

The Council's financial regulations are available to all employees on the corporate filing system giving detailed guidance on:

- The responsibilities of employees
- Financial reporting
- Revenue and capital budgets
- Budgetary control and virements.

FAREHAM BOROUGH COUNCIL PAY POLICY STATEMENT

FINANCIAL YEAR 2023 - 24

1. Purpose

This Pay Policy Statement ("Pay Statement") is provided in accordance with the Localism Act 2011("Localism Act") and this will be updated in each subsequent financial year.

This Pay Statement sets out Fareham Borough Council's pay policies relating to its workforce for the financial year 2022-23, including the remuneration of its Chief Officers, lowest paid employees and the relationship between its Chief Officers and that of its employees who are not Chief Officers.

2. Definitions

For the purpose of this Pay Statement the following definitions apply:

Pay	includes base salary, charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements and termination payments.
Chief Officers	<p>refers to the following roles within the Council:</p> <p>Statutory Chief Officers:</p> <ul style="list-style-type: none"> • Chief Executive Officer, as Head of Paid Service • Director of Support Services, as Monitoring Officer • Deputy Chief Executive Officer, as Section 151 Officer <p>Non Statutory Chief Officers:</p> <ul style="list-style-type: none"> • Director of Planning and Regulation • Director of Leisure and Community
Deputy Chief Officers	Heads of Service who report directly to/or accountable to a statutory or non-statutory Chief Officer in respect of all or most of their duties.
Lowest paid employees	refers to those employees employed within Grade1 of the Council's mainstream pay structure. This definition has been adopted because Grade1 is the lowest grade on the Council's mainstream pay structure.
Employee who is not a Chief Officer	refers to all employees who are not covered under the "Chief Officer" group above. This includes the "lowest paid employees". i.e. employees on Grade1.

3. Pay Framework and Remuneration Levels

3.1 General approach

The pay structure and pay scales have been designed to enable the Council to recruit and retain suitably qualified employees at all levels who are dedicated to fulfilling its corporate objectives and delivering services to the public whilst operating within an acceptable financial framework.

With a diverse workforce the Council recognises that its Pay Policy needs to retain sufficient flexibility to cope with a variety of circumstances that may arise that might necessitate the use of market supplements or other such mechanisms for individual categories of posts where appropriate. The decision to apply a market premium or similar mechanism will be approved by the Director of Support Services and endorsed by the Chief Executive Officer.

The Chief Executive Officer, as Head of Paid Service, has delegated power to update the pay policy in line with establishment changes.

3.2 Responsibility for decisions on pay structures

The outcome of reviews into the local pay and grading structures covering all jobs are submitted to a meeting of Full Council for approval.

The Council's locally determined pay structures are based on the outcome of a job evaluated process and were implemented for the Chief Officers, Heads of Service and all other employees in April 2008. This followed a national requirement for all Local Authorities to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer to comply with employment legislation.

The pay structure for the Chief Executive Officer was established in 2008 having regard to the need to be fully competitive in the market and to be confident of attracting and retaining the highest calibre of employee to reflect the high level of organisational and corporate performance which the Council requires its Chief Executive Officer to deliver. Relevant labour market and comparative remuneration data was considered. This was reviewed in 2013.

3.3 Pay scales and grading framework

The **mainstream pay structure** for all employees below the level of Heads of Service was determined through a local process based on the outcome of a job evaluation scheme. The pay structure from 1 April 2023 consists of a pay spine of 44 points, comprising 11 grades containing 5 spinal column points with the exception of grade 1. Grade 1 is the lowest grade and 11 the highest. Each employee will be on one of the 11 grades based on their job evaluated role.

The **Chief Executive's** pay grade reflects the same principles as for all of the Council's pay structures consisting of 5 spinal column points.

The pay structure for **Chief Officers and Heads of Service** was determined through a local process that took into account market alignment with District Councils in Hampshire and the outcome of a job evaluated process. It followed the same principles as applied for the mainstream pay structure and consists of one pay grade for Chief Officers and three pay grades for Heads of Service with all grades containing 5 points (with 4 additional point relating to responsibility for statutory posts).

The National Minimum Wage applies to those under 25 but Fareham's pay scales are not aged biased.

Details of the Council's pay structures are published on the Council's website and a copy as at 1st April 2022 is appended to this Statement (at [Annex A](#)).

3.4 Pay Awards and National Pay Awards

Pay awards are considered annually for all employees. The outcome of national consultations by the Local Government Employers in negotiation with the Trade Unions in relation to the settlement of the annual pay award is normally applied. The pay award for April 2022 was settled in October 2022 with a cash sum of £1,925 applied to each scale point. This resulted in a pay award of between 3.45% and 10.50% on the mainstream grades. The pay award with effect from April 2023 is currently under negotiation between the employers and the Unions.

If there is an occasion where the Council believes that the National Pay Settlement would distort the local pay structures alternative proposals will be developed, discussed with the trade unions and brought to Elected Members for formal approval.

4. Remuneration – level and element

4.1 Salaries of Chief Officers and Deputy Chief Officers

“Chief Officers” are identified at 2 above and constitute the Council's Corporate Management Team. They are all paid within the Council's pay structures as follows:

- a) Chief Executive Officer, as Head of Paid Service will be paid a salary within the grade range £121,465 to £140,282.
- b) Statutory and Non-Statutory Chief Officers will be paid a salary within the grade range £86,746 to £99,346 (£102,879 to £114,253 for statutory posts).

“Deputy Chief Officers” who are Heads of Service are all paid within the Council's pay structures and will be paid a salary within grade ranges £58,099 to £86,745.

Typically Chief Officers and Heads of Service have received the same percentage pay award as for all other employees.

Details of Chief Officer and Heads of Service remuneration have been published since 2010 on the Council's website.

4.2 “Lowest paid employees”

Each lowest paid employee will be paid a salary within the pay scales for Grade 1 mindful of the need to meet the National Living Wage requirements.

A very detailed review of pay and grading was undertaken on this topic along with other parts of the grading structure and the review and recommendations were reported to Full Council in December 2014.

4.3 Bonuses and Performance related pay

There is no provision for bonus payments or performance related pay awards to any level of employee.

There is, however, an honorarium provision which may be awarded where an employee performs duties outside the scope of their post over an extended period or where the additional duties and responsibilities involved are exceptionally onerous. All such payments are subject to approval by a Chief Officer (Member of Chief Executive's Management Team).

4.4 Other pay elements – Statutory Officers

The pay structure for Chief Officers does not take account of the clearly defined additional responsibilities in respect of the Section 151 and Monitoring Officer roles. Officers undertaking these roles receive payment equivalent to two spinal column points based on the incremental pay progression from the penultimate to maximum point of the pay grade for Chief Officers.

Provision for the recognition of the role of acting Head of Paid Service exists within the Chief Officers pay structure for up to two spinal column points on the same payment principle as for the Section 151 and Monitoring Officers.

These pay arrangements allow for flexibility in the allocation of the additional roles to Chief Officers and for the responsibilities to be rotated.

4.5 Charges, fees or allowances

Allowances or other payments, for example shift working, standby, etc. may be made to employees, below the level of Chief Officer, in connection with their role or the pattern of hours they work in accordance with National or Local collective agreements.

Expenses: The Council recognises that some employees incur necessary expenditure in carrying out their responsibilities, for example travel costs. Reimbursement for reasonable expenses incurred on Council business are paid in accordance with the Council's collective agreement and subsequent amendments to it.

Elections: The Chief Executive Officer has been appointed as the Council's Returning Officer for elections and he has appointed the Deputy Chief Executive Officer, Director of Leisure and Community and Head of Democratic Services as his Deputy Returning Officers. For performing elections duties, the Returning Officer and Deputies receive a fee payable according to a scale of costs, charges and expenses set by the

Hampshire and Isle of Wight Election Fees Working Party and allowed under the Local Government Act 1972.

Professional Subscriptions: The Chief Executive Officer and Chief Officers are entitled to receive payment for one subscription to a relevant professional body.

4.6 Benefits in kind

Benefits in kind are benefits which employees receive from their employer during their employment which are not included as part of their salary. Fareham has a technology scheme and car leasing scheme that employees have a choice to sign up for in lieu of salary. These benefits are reportable to HMRC and taxed accordingly.

4.7 Pension

All employees as a result of their employment are eligible to join the Local Government Pension Scheme (LGPS).

4.8 Severance payments

The Council already publishes its policy on discretionary payments on early termination of employment and flexible retirement as well as publishing its policy on increasing an employee's total pension. These policies are applied in support of efficient organisational change and transformation linked to the need for efficiencies and expenditure reduction.

Details of the Council's policies are published on the Council's website.

Redundancy payments are calculated using the statutory weekly pay calculator which gives the following entitlements:

0.5 week's pay for each full year worked when you are under 22

1.0 week's pay for each full year worked when you are between 22 and 41

1.5 week's pay for each full year worked when you are 41 or older

The council will apply weekly pay to the number of entitled weeks and has a local multiplier of 2.2 which is applied to the overall calculation.

No employee who has left the Council in receipt of a redundancy or severance package will be re-employed by the Council, in any capacity, unless there are exceptional business circumstances in which case approval is required from the Chief Executive Officer.

4.9 New starters joining the Council

Employees new to the Council will normally be appointed to the first point of the salary scale for their grade. Where the candidate's current employment package would make the first point of the salary scale unattractive (and this can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a different starting salary point within the grade may be considered by the recruiting manager in consultation with HR Services.

The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary scale within the grade.

5. Relationship between remuneration of "Chief Officers" and "employees who are not Chief Officers".

This relates to the ratio of the Council's highest paid employee (falling within the definition of "Chief Officers") and the median earnings across the whole workforce as a pay multiple. By definition, the Council's highest paid employee is the Chief Executive Officer. The median average pay has been calculated on all taxable earnings for the financial year 2022-23, including base salary, allowances, etc.

Highest paid employee	£140,282
Median earnings for remainder of workforce	£27,344
Ratio	5.13

ANNEX A (to the Pay Policy Statement)**Fareham Borough Council - Pay Scales as at 01/04/2022**

Chief Executive Grades & Salary			Directors Grades & Salary	
Spinal Column Point	Annual Salary		Spinal Column Point	Annual Salary
1	£121,465		1	£86,746
2	£126,170		2	£89,469
3	£130,874		3	£92,645
4	£135,579		4	£95,934
5	£140,282		5	£99,346

Senior Management Grades & Salary scales								
Grade	Spinal Column Point	Annual Salary	Grade	Spinal Column Point	Annual Salary	Grade	Spinal Column Point	Annual Salary
	1	£76,626		1	£66,704		1	£58,099
	2	£79,241		2	£69,053		2	£60,137
1	3	£81,946	2	3	£71,488	3	3	£62,248
	4	£84,340		4	£74,011		4	£64,437
	5	£86,745		5	£76,626		5	£66,704

Local Pay Scales					
GRADE	SPINAL COLUMN POINT	ANNUAL SALARY (APRIL 2022)	GRADE	SPINAL COLUMN POINT	ANNUAL SALARY (APRIL 2022)
1	3	£20,258			
	4	£20,441			
	5	£20,812			
2	5	£20,812	7	26	£35,245
	6	£21,189		27	£36,247
	7	£21,575		28	£37,283
	8	£21,968		29	£38,347
	9	£22,369		30	£39,433
3	9	£22,369	8	30	£39,433
	10	£22,777		31	£40,562
	11	£23,194		32	£41,714
	12	£23,620		33	£42,912
	13	£24,054		34	£44,039
4	13	£24,054	9	34	£44,039
	14	£24,948		35	£45,202
	15	£25,878		36	£46,384
	16	£26,845		37	£47,609
	17	£27,344		38	£48,733
5	18	£28,371	10	38	£48,733
	19	£28,900		39	£49,921
	20	£29,768		40	£51,123
	21	£30,678		41	£52,347
	22	£31,536		42	£52,970
6	22	£31,536	11	42	£52,970
	23	£32,427		43	£54,126
	24	£33,341		44	£55,297
	25	£34,285		45	£56,496
	26	£35,245		46	£57,728