

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 09 January 2023

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Strategy, Revenue Budget &amp; Council Tax 2023/24</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 2022/23 and 2023/24.

#### **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 2022/23 and proposed service budgets for 2023/24.

#### Revised General Fund Revenue Budget 2022/23

The revised general fund revenue budget for 2022/23 amounts to £15,660,700 for service budgets and with other budgets totalling -£4,673,400 (including a use of general reserves of £1,259,500), giving an overall position of £10,987,300 which is an increase of £199,300 from the base budget for 2022/23.

#### General Fund Revenue Budget 2023/24

The proposed general fund budget for 2023/24 totals £15,714,700 for service budgets along with -£3,817,600 for other budgets (including a use of general reserves of £420,900) giving an overall position of £11,897,100 which is an increase of £1,109,100 against the original budget for 2022/23.

#### 5-Year Financial Forecasts

The 5-year financial forecasts for 2022/23 to 2026/27 is predicting a funding shortfall by 2025/26. 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.

**Recommendation/Recommended Option:**

It is recommended that the Executive:

**Financial Forecasts (MTFS)**

- (a) approves the Medium-Term Finance Strategy for the period 2022/23 to 2026/27, as set out at Appendix C to the report;
- (b) agrees to submit the updated Pay Policy, annexed to the Medium-Term Finance Strategy in Appendix C at Annex 2, to Full Council for approval;

**Revenue Budgets**

- (c) approves the revised 2022/23 general fund revenue budget, amounting to £10,987,300, as set out in Appendix A and B to the report; and
- (d) approves the base 2023/24 general fund revenue budget amounting to £11,897,100, as set out in Appendix A and B to the report;

**Reason:**

The proposed budgets and capital programme will continue to support delivery of the Council's services and corporate priorities whilst taking account of the continuing financial pressures.

The Medium-Term Finance Strategy forecasts a funding shortfall by 2024/25. A further Opportunities Plan needs to be 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 2022/23 and 2023/24  
**B:** Detailed Draft Revenue Budgets by Service Portfolio 2022/23 and 2023/24  
**C:** Medium Term Finance Strategy 2022/23 to 2026/27

**Background papers:** **None**

**Reference papers:** Report to the Executive - November 2022 Finance Monitoring 2022-23

Report to the Executive – January 2022 Finance Strategy, Revenue Budget and Council Tax 2022-23

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## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	09 January 2023
<b>Subject:</b>	Finance Strategy, Revenue Budget and Council Tax 2023/24
<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 2026/27, 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 2026/27 would indicate a funding gap of £2.4 million even if Council Tax is increased by 3% 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 6.5%.

## **GENERAL FUND REVENUE BUDGETS**

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

8. The base net revenue budget set for 2022/23 set was £10,788,000, an increase of £516,100 on the previous year. This was part funded by a council tax increase of £5 which is the maximum allowable by the Government before a local referendum is needed.
9. The overall revised budget has increased from the base budget to £10,987,300. The budget reflects known changes that have affected spending during the current financial year as a result of the current cost of living crisis and includes an increase to the projected funding from reserves.
10. Additional budget provision totalling £53,200 was carried forward for incomplete projects from 2021/22; this was fully financed from underspending in 2021/22.
11. Further information of how this is spread across portfolios is provided in Appendices A and B.

### **Revenue Budget 2023/24**

12. The revenue budget for 2023/24 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 £15,714,700 for service budgets along with - £3,817,600 for other budgets giving an overall position of £11,897,100 which is an increase of £1,109,100 against the original budget for 2022/23. This is detailed in Appendices A and B.
13. In preparing the 2023/24 budget there have been many changes as a result of the continuing cost of living crisis and some impact from the COVID pandemic. Some areas continue to see a reduction in income such as town centre car parking which remains below pre-pandemic levels.
14. Some areas are seeing large increases in costs due to higher-than-average inflation figures. These include costs of fuel and energy prices as well as increases to pay for employees and contractors.
15. The budget will also see a full year of operation of the 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. There are proposals to increase the charges for these two services from April 2023 elsewhere on this agenda.
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. It is likely that this property will be let during the next financial year.
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 2022/23 to 2026/27 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. Instead given the increased level of cost and income volatility there currently it is considered prudent to now increase this as an additional safeguard. The budgets proposed, therefore, will allow the Spending Reserve to be increased to 7.5% of gross revenue expenditure.
22. Other General Fund reserves will need to be used in order to balance the budget in 2022/23 and in 2023/24. However this position will not be sustainable going forward and it will be monitored to reduce the impact on the overall level of reserves and protect the council's financial position. It is also proposed that funding is continued to be used for a further 2 years to support a new Opportunities Plan of work to find solutions to bridge the future funding gap.
23. The Government's expectation and associated funding levels indicate that they believe that Fareham will raise council tax by up to 3% next year with a spending review detailing future proposals commencing in 2025/26.

## **Enquiries:**

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

## APPENDIX A

### GENERAL FUND REVENUE BUDGETS SUMMARY 2022/23 AND 2023/24

#### a) Revised Budget 2022/23

	Budget 2022/23 £	Revised 2022/23 £	Variation Base to Rev £
Committees			
Licensing and Regulatory Affairs Committee	574,400	639,200	64,800
Planning Committee	439,500	729,400	289,900
Executive - Portfolio Budgets			
- Leisure and Community	-17,500	43,600	61,100
- Housing	2,083,000	2,370,900	287,900
- Planning and Development	1,636,600	1,853,500	216,900
- Policy and Resources	44,400	286,000	241,600
- Health and Public Protection	662,400	907,900	245,500
- Streetscene	4,897,400	4,728,300	-169,100
Accounting Adjustments(depreciation) not included above	3,147,200	4,101,900	954,700
<b>SERVICE BUDGETS</b>	<b>13,467,400</b>	<b>15,660,700</b>	<b>2,193,300</b>
Capital Charges	-3,385,900	-4,320,000	-934,100
Direct Revenue Funding	1,475,000	1,475,000	0
Minimum Revenue Provision	1,490,900	1,497,900	7,000
Bad Debt Provision	150,000	150,000	0
Interest on Balances	-678,800	-828,000	-149,200
Portchester Crematorium	-170,000	-170,000	0
New Homes Bonus	-108,800	-108,800	0
Contribution from Reserves	-1,451,800	-2,369,500	-917,700
<b>OTHER BUDGETS</b>	<b>-2,679,400</b>	<b>-4,673,400</b>	<b>-1,994,000</b>
<b>NET BUDGET</b>	<b>10,788,000</b>	<b>10,987,300</b>	<b>199,300</b>

## b) Base Budget 2023/24

	Budget 2022/23 £	Budget 2023/24 £	Variation Base to base £
Committees			
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
<b>SERVICE BUDGETS</b>	<b>13,467,400</b>	<b>15,714,700</b>	<b>2,247,300</b>
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
<b>OTHER BUDGETS</b>	<b>-2,679,400</b>	<b>-3,817,600</b>	<b>-1,138,200</b>
<b>NET BUDGET</b>	<b>10,788,000</b>	<b>11,897,100</b>	<b>1,109,100</b>

## APPENDIX B

### DETAILED DRAFT REVENUE BUDGETS BY SERVICE 2022/23 AND 2023/24

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Committees			
Licensing and Regulatory Affairs Committee	574,400	639,200	540,400
Planning Committee	439,500	729,400	694,300
Executive - Portfolios			
Leisure and Community	-17,500	43,600	-41,200
Housing	2,083,000	2,370,900	2,270,800
Planning and Development	1,636,600	1,853,500	1,999,600
Policy and Resources	44,400	286,000	222,500
Health and Public Protection	662,400	907,900	877,600
Streetscene	4,897,400	4,728,300	5,048,800
Accounting Adjustments(depreciation)	3,147,200	4,101,900	4,101,900
<b>NET EXPENDITURE</b>	<b>13,467,400</b>	<b>15,660,700</b>	<b>15,714,700</b>

### SUBJECTIVE ANALYSIS

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Employees	10,874,500	11,567,900	12,076,600
Premises-Related Expenditure	3,145,800	3,426,900	3,319,600
Transport-Related Expenditure	1,621,500	1,971,600	2,009,100
Supplies and Services	5,495,000	7,693,200	7,118,600
Third Party Payments	1,503,600	1,687,800	1,793,700
Transfer Payments	13,941,900	12,653,900	12,653,900
Support Services	3,392,700	3,599,400	3,664,800
Capital Charges	3,647,200	5,751,900	4,960,700
<b>GROSS EXPENDITURE</b>	<b>43,622,200</b>	<b>48,352,600</b>	<b>47,597,000</b>
Government Grants	-14,174,400	-14,261,800	-13,964,400
Other Grants & Reimbursements	-2,329,200	-4,071,900	-3,297,400
Sales, Fees and Charges	-7,716,100	-8,369,500	-8,591,200
Rents	-5,771,500	-5,813,200	-5,844,000
Recharges to other Accounts	-163,600	-175,500	-185,300
<b>GROSS INCOME</b>	<b>-30,154,800</b>	<b>-32,691,900</b>	<b>-31,882,300</b>
<b>NET EXPENDITURE</b>	<b>13,467,400</b>	<b>15,660,700</b>	<b>15,714,700</b>

## **ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2023/24**

### **LICENSING AND REGULATORY AFFAIRS COMMITTEE**

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Hackney Carriage and Private Hire Vehicles	12,000	900	5,500
Licensing	3,700	4,900	9,400
Health and Safety	140,200	151,900	159,000
Election Services	418,500	481,500	366,500
	<b>574,400</b>	<b>639,200</b>	<b>540,400</b>

### **PLANNING COMMITTEE**

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Planning Applications	17,300	235,800	243,700
Planning Advice	190,200	212,900	219,500
Planning Enforcement	137,100	126,000	131,400
Planning Appeals	94,900	154,700	99,700
	<b>439,500</b>	<b>729,400</b>	<b>694,300</b>

## **ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2023/24**

### **LEISURE AND COMMUNITY PORTFOLIO**

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Community Grants	280,900	300,900	271,200
Community Development	246,400	267,500	282,700
Ferneham Hall	125,700	208,000	200,200
Fareham Leisure Centre	-838,900	-891,200	-964,100
Community Centres	168,400	158,400	168,800
Total Before Accounting Adjustments	-17,500	43,600	-41,200
Accounting Adjustments(depreciation) for Portfolio	1,554,600	1,952,700	1,952,700
	1,537,100	1,996,300	1,911,500

### **HOUSING PORTFOLIO**

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Housing Grants and Home Improvements	36,300	37,900	38,100
Housing Options	29,300	30,400	33,600
Housing Benefit Payments	66,700	44,800	44,800
Housing Benefit Administration	543,300	463,200	483,100
Homelessness	574,900	902,100	725,600
Housing Advice	628,500	712,300	747,500
Housing Strategy	197,900	198,700	205,400
Local Land Charges	6,100	-18,500	-7,300
Total Before Accounting Adjustments	2,083,000	2,370,900	2,270,800
Accounting Adjustments(depreciation) for Portfolio	30,300	46,500	46,500
	2,113,300	2,417,400	2,317,300

## **ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2023/24**

### **PLANNING AND DEVELOPMENT PORTFOLIO**

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Flooding and Coastal Management	77,700	116,000	81,100
Transportation Liaison	34,400	35,900	32,600
Tree Management	389,700	402,000	431,600
Conservation & Listed Building Policy	16,300	66,900	70,200
Sustainability & Climate Change	16,200	18,000	9,100
Local Plan	1,102,300	1,214,700	1,375,000
Total Before Accounting Adjustments	1,636,600	1,853,500	1,999,600
Accounting Adjustments(depreciation) for Portfolio	88,300	88,300	88,300
	1,724,900	1,941,800	2,087,900

### **POLICY AND RESOURCES PORTFOLIO**

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Democratic Representation and Management	1,261,200	1,312,600	1,345,600
Commercial Estates	-834,100	-789,000	-810,000
Investment Properties	-2,606,000	-2,494,900	-2,696,900
Solent Airport and Daedalus	-349,100	-460,800	-391,000
Public Relations, Comms and Consultation	507,700	635,600	663,700
Unapportionable Central Overheads	148,600	148,600	148,600
Corporate Management	824,300	739,500	753,700
Economic Development	152,300	175,500	152,300
Local Tax Collection	939,500	1,018,900	1,056,500
Total Before Accounting Adjustments	44,400	286,000	222,500
Accounting Adjustments(depreciation) for Portfolio	590,700	889,400	889,400
	635,100	1,175,400	1,111,900

## **ESTIMATE OF EXPENDITURE AND INCOME FOR THE COUNCIL TAX 2023/24**

### **HEALTH & PUBLIC PROTECTION PORTFOLIO**

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Pest Control	70,800	71,500	77,700
Food Safety	142,600	145,000	152,500
Air Quality and Pollution	179,600	183,800	193,300
Community Safety	247,100	250,100	269,900
Emergency Planning	60,100	60,700	61,300
Clean Borough Enforcement	231,600	246,000	258,400
Off-Street Parking	-435,100	-246,800	-333,600
Building Control	165,700	197,600	198,100
Total Before Accounting Adjustments	662,400	907,900	877,600
Accounting Adjustments(depreciation) for Portfolio	36,800	133,300	133,300
	699,200	1,041,200	1,010,900

### **STREETSCENE PORTFOLIO**

	<b>Base Budget 2022/23 £</b>	<b>Revised Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>
Cemeteries & Crematorium	-46,700	-104,500	-111,800
Parks, Open Spaces and Grounds Maintenance	1,891,400	1,954,600	2,148,800
Countryside Rangers	176,500	184,900	189,400
Street Cleaning	973,400	1,045,000	1,070,100
Public Conveniences	236,000	230,600	262,400
Waste Collection	1,061,100	1,114,100	1,150,700
Trade Refuse	-115,000	-154,400	-154,500
Recycling	1,109,000	992,000	1,088,700
Green Waste	-449,100	-599,800	-660,800
Street Furniture	60,800	65,800	65,800
Total Before Accounting Adjustments	4,897,400	4,728,300	5,048,800
Accounting Adjustments(depreciation) for Portfolio	846,500	991,700	991,700
	5,743,900	5,720,000	6,040,500
OVERALL BUDGET TOTAL	13,467,400	15,660,700	15,714,700