

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 06 February 2023

Portfolio:	Policy and Resources
Subject:	Finance Strategy, Capital Programme, Revenue Budget & Council Tax 2023/24
Report of:	Deputy Chief Executive Officer and Section 151 Officer
Corporate Priorities:	A dynamic, prudent and progressive Council

Purpose:

This report seeks final confirmation of the recommendations to be made to Council, on 24 February 2023, in respect of the revenue budget, capital programme and council tax for 2023/24.

Executive summary:

On 9 January 2023, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the revenue budgets and the council tax for 2023/24. This report updates the Council's budgets to reflect the decisions taken and other known changes since 9 January 2023.

The capital programme for the years 2022/23 to 2026/27 will be £37,768,800.

The revenue budget for 2023/24 will be £11,897,100. With retained business rates and grants estimated to be £3,931,745 and no payment from the collection fund, the total amount due from the council taxpayers will be £7,965,355.

Taking these changes into consideration, the council tax for 2023/24 will be £180.46 per Band D property. This represents an increase of £5.24 per year from the council tax set for 2022/23 and is within the 2.99% referendum threshold 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 24th February 2023:

- (a) the capital programme and financing of £37,768,800;
- (b) an overall revised revenue budget for 2022/23 of £10,987,300;

- (c) a revenue budget for 2023/24 of £11,897,100;
- (d) a council tax for Fareham Borough Council for 2023/24 of £180.46 per band D property, which represents a £5.24 per year increase when compared to the current year and is within referendum limits;
- (e) an unchanged Council Tax Support scheme for 2023/24; and
- (f) that the Council continues to disregard the whole of any incomes prescribed in the Housing Benefit (War Pensions Disregards) Regulations 2007 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

Reason:

To allow the Council to approve the Council Tax for 2023/24.

Cost of proposals:

Not applicable

Appendices: **A:** Overall Total Budget for 2023/24

Background papers: None

Reference papers: None

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BOROUGH COUNCIL

Executive Briefing Paper

Date:	06 February 2023
Subject:	Finance Strategy, Capital Programme, Revenue Budget & Council Tax 2023/24
Briefing by:	Deputy Chief Executive Officer and Section 151 Officer
Portfolio:	Policy and Resources

INTRODUCTION

1. On 9 January 2023 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
 - The revised revenue budget for 2022/23;
 - Fees and charges for 2023/24;
 - The revenue budget for 2023/24; and
 - The council tax for 2023/24.
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 2022/23 TO 2026/27

3. The capital programme for the General Fund for the period 2022/23 to 2026/27 is being reported elsewhere on this agenda as part of the Capital Strategy Report and totals £37,768,800.
4. The updated programme is shown in the following table:

	£000s
Health and Public Protection	9
Streetscene	376
Leisure and Community	17,772
Housing	3,962
Planning and Development	446
Policy and Resources	15,204
TOTAL	37,769

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

	£000s
Capital Receipts	5,705
Grants and Contributions	21,660
Capital Reserves	4,367
Revenue	3,325
Borrowing	2,712
TOTAL	37,769

6. The programme and projected resources indicate that, by 31 March 2026, there could be a small surplus of capital resources of £4.8 million, which represents a contingency of 13% on the overall capital programme.
7. Importantly, the surplus assumes an estimate of future capital receipts and grants as well as continued revenue contributions towards capital investment, totalling £18 million. In the event that these resources do not materialise, the programme will become partly unfunded.

REVISED BUDGET 2022/23

8. In January, the Executive considered in detail the revised budget for 2022/23, which totalled £10,987,300 and is £199,300 higher when compared to the base budget for the current year. However, to achieve this figure there is a contribution from general fund reserves of £1,239,500.

SERVICE BUDGETS 2023/24

9. The following table shows the service budgets resulting from the decisions of the Executive on 9 January 2023 where the Cemeteries service has moved from the Streetscene Portfolio to the Health and Public Protection Portfolio.

	Base Budget 2023/24 £
Committees	
Licensing and Regulatory Affairs	540,400
Planning	694,300
Executive - Portfolio Budgets	
- Leisure and Community	-41,200
- Housing	2,270,800
- Planning and Development	1,999,600
- Policy and Resources	222,500
- Health and Public Protection	765,800
- Streetscene	5,160,600
Depreciation Adjustments in Service Portfolios	4,101,900
SERVICE BUDGETS	15,714,700

OTHER BUDGETS 2023/24

10. As there were no changes made at the January Executive the “Other Budgets” total will be -£3,817,600.

THE OVERALL BUDGET POSITION FOR 2023/24

11. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2023/24, detailed in Appendix A, is confirmed as £11,897,100 which is £1,109,100 above the base budget for 2022/23. However, to achieve this figure there is a contribution from general fund reserves of £400,900.
12. Although the situation with the cost of living crisis remains unclear going into the new financial year it is anticipated that there will be no further support from central government to councils relating to this crisis.

THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2023/24 AND GOVERNMENT SUPPORT

13. The Local Government Finance Settlement was announced on 19 December 2022 and confirmed that it would again be a one-year settlement for 2023/24 with some indications about funding for 2024/25.
14. The statement also announced there would be a 3% Funding Guarantee for Local Authorities. This grant along with the Services Grant is worth £340,000 to Fareham.
15. In the Local Government Finance Settlement 2023/24 the referendum limits for local authorities were set out and council tax increases that exceed 2.99% would trigger a referendum. However, the government has also allowed shire districts to raise their council tax by the higher of 2.99% or 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 has been delayed further until at least 2025/26. 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 £6,876,300 which is £3,111,300 over the minimum required balance of 7.5% 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 and subsequent cost of living crisis the revised budget for 2022/23 (£1,239,500) and base budget for 2023/24 (£400,900) will require some of the surplus to be used to offset the

additional cost to the council of the crisis.

20. As well as the requirement to use reserves to balance the budget for 2023/24, the Medium Term Finance Strategy covers the period through to 2026/27 and is showing a projected shortfall of £1.4m in 2024/25 and a further shortfall of £2.3m in the final 2 years of the strategy. This would mean by 2025/26 there will be no further general reserves available to balance the budgets through to 2026/27 and beyond.
21. There also remains the unknown financial implications of the outcome of the Fair Funding Review which is due in 2025/26 so any further use of all reserves must be carefully considered.

COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

22. The council tax base for 2023/24 is 44,139.40 Band D equivalent properties.
23. The net rates payable from National Non-Domestic Rates for 2023/24 (after Transitional arrangements and reliefs) is £41,475,055.

COUNCIL TAX FOR 2023/24

24. With a net budget for 2023/24 of £11,897,100 and government funding of £3,931,745 along with a zero contribution from the collection fund, this will leave an amount due from council tax payers of £7,965,355. This is shown in the following table:

	Base Budget 2022/23	Base Budget 2023/24	Variation
	£	£	£
Total Budget	10,788,000	11,897,100	1,109,100
Less:			
Government Funding and Retained Business Rates	-3,117,262	-3,931,745	-814,483
Collection Fund deficit	39,398	0	-39,398
Total due from Council Tax Payers	7,710,136	7,965,355	+255,219
Council Tax base	44,002.6	44,139.4	
Council Tax (Band D)	£175.22	£180.46	
Cash Increase (per year)	+ £5.00	+ £5.24	
Percentage Increase (per year)	+2.94%	+2.99%	

25. The proposed council tax increase is within government referendum limits.
26. The proposed council tax of £180.46 is for Band D properties only and the Fareham element of the council tax for all bands is shown in the table below:

	2022/23	2023/24	Increase	Number of Dwellings
Band A	£116.81	£120.31	£3.50	3,615
Band B	£136.28	£140.36	£4.08	7,278
Band C	£155.75	£160.41	£4.66	15,563
Band D	£175.22	£180.46	£5.24	10,733
Band E	£214.16	£220.56	£6.40	8,047
Band F	£253.10	£260.66	£7.56	3,616
Band G	£292.03	£300.77	£8.74	1,496
Band H	£350.44	£360.92	£10.48	124

27. The overall income from taxpayers of £7,965,355 represents approximately 16% of the gross revenue budget for the council for 2023/24 of £50.2million.

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 2023/24

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 2023/24, it is proposed to retain these key principles and to administer an unchanged scheme.

33. There are currently 3,744 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	1,762	£1,932,501
Working-age caseload (vulnerable group)	1,067	£1,225,653
Working-age caseload (employed)	149	£64,251
Working-age caseload (not employed)	766	£649,186
Total	3,744	£3,871,591

*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 2023/24, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.

DISREGARDING OF PRESCRIBED WAR DISABLEMENT PENSIONS OR WAR WIDOW'S PENSIONS IN THE CALCULATION OF HOUSING BENEFIT AND COUNCIL TAX SUPPORT

35. In The Housing Benefit Regulations 2006 prescribe a standard weekly disregard of £10 from the incomes prescribed in the Housing Benefit (War Pensions Disregards) Regulations 2007. However, any residual balance from these incomes is included in the aggregated assessment of means in an applicant's entitlement, thereby affecting their total award.

36. The Social Security Administration Act 1992 (SSAA) entitles Local Authorities to locally design adjustments to the scheme to satisfy the needs of their community but with a percentage of the cost for such a scheme falling on the authorities' own finances.

37. The Council has operated a local scheme that disregards 100% of this income

since the introduction of the SSAA and has copied this scheme design to its Local Council Tax Support Scheme upon its introduction in 2013. This ensures financial support for low-income households who are in receipt of a disablement or widow's/widower's pension payable as a consequence of service as members of the armed forces.

38. Subsidy arrangements mean that where a local amendment to the scheme is in operation, the local authority will only be compensated with 75% of any expenditure incurred up to a maximum of 0.2% of the total subsidy claimed in the relevant year.
39. In 2021-22, the full cost to the Council was £1,777 as £5,331 of the total expenditure of £7,108 was met through subsidy.
40. In exercising the function of administering the Housing Benefit scheme, local authorities are subject to external reporting on the efficacy of their processes and procedures. The Housing Benefit Assurance Process (HBAP) specifies the requirement for the appointment of reporting accountants; theirs and the local authorities' responsibilities; and the potential consequences arising from the HBAP report.
41. Ernst & Young were appointed as the Council's reporting accountant in August 2022 and produced their first HBAP report on our Benefit Service in January 2023 in respect of our performance for the 2021-22 subsidy year.
42. The need to have a resolution in respect of a local scheme available was identified in this report as a matter for attention. Prior to this, the Benefits Service had relied upon the resolution made at the original lying down of legislation and had not reviewed or renewed the scheme formally in some considerable time.
43. However, the financial impact of the scheme is routinely taken into account when preparing financial estimates for the Benefits Service, as it is built into the Housing Benefit subsidy regime. It therefore forms part of the financial planning for the service and formulating the scheme now will not make any additional financial demand on the Council.
44. The latest estimate was produced in August 2022 and indicates that from a total spend of £7,680, £5,760 will be subsidised, with the total cost to the Council being £1,920.

RISK ASSESSMENT

45. 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.
46. With the Fair Funding review being delayed until the 2025/26 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.
47. 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

48. In making a recommendation to Council on the council tax for 2023/24, the Executive has evaluated the Council's overall financial position in relation to existing commitments, the level of resources(including reserves) and the projected financial position in the future; not just the overall budget position for next year.

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

ACTUAL REVENUE BUDGET

	Budget 2022/23 £	Revised 2022/23 £	Budget 2023/24 £
Committees			
Licensing and Regulatory Affairs	574,400	639,200	540,400
Planning	439,500	729,400	694,300
Executive - Portfolio Budgets			
- 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	615,700	803,400	765,800
- Streetscene	4,944,100	4,832,800	5,160,600
Accounting Adjustments in Service Portfolios	3,147,200	4,101,900	4,101,900
SERVICE BUDGETS	13,467,400	15,660,700	15,714,700
Capital Charges	-3,385,900	-4,320,000	-4,320,000
Direct Revenue Funding	1,475,000	1,475,000	1,125,000
Minimum Revenue Position	1,490,900	1,497,900	1,490,900
Bad Debt Provision	150,000	150,000	0
Interest on Balances	-678,800	-828,000	-612,000
Portchester Crematorium Contribution	-170,000	-170,000	-80,000
New Homes Bonus	-108,800	-108,800	-17,900
Contribution from Reserves	-1,451,800	-2,369,500	-1,403,600
OTHER BUDGETS	-2,679,400	-4,673,400	-3,817,600
NET BUDGET	10,788,000	10,987,300	11,897,100

	Budget 2022/23 £	Revised 2022/23 £	Budget 2023/24 £
NET BUDGET	10,788,000	10,987,300	11,897,100
EXTERNAL SUPPORT			
Services Grants	219,500	221,800	340,000
Business Rates	2,897,762	3,094,762	3,591,745
	<u>3,117,262</u>	<u>3,316,562</u>	<u>3,931,745</u>
COLLECTION FUND BALANCE	39,398	39,398	0
AMOUNT DUE FROM COUNCIL TAX PAYERS	7,710,136	7,710,136	7,965,355
COUNCIL TAX BASE	44,002.6		44,139.4
COUNCIL TAX PER BAND D PROPERTY	£175.22		£180.46
CASH INCREASE	£5.00		£5.24
PERCENTAGE INCREASE	3.22%		2.99%