

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 18 September 2023

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Opportunities Plan Development Update</b>
<b>Report of:</b>	Assistant Chief Executive Officer
<b>Corporate Priorities:</b>	A Dynamic, Prudent and Progressive Council

#### **Purpose:**

To provide an update on the development of the Council's Opportunities Plan and confirm the projects to be undertaken during 2023/24, whilst seeking approval for a revenue budget, funded from general fund reserves where necessary, to support implementation of the plan.

#### **Executive summary:**

The Council has a long history of prudent financial management and of responding to fiscal challenges whilst continuing to provide a wide range of customer focused services.

The latest Medium Term Financial Strategy (MTFS) was presented at the 9 January 2023 Executive meeting. This predicted a funding shortfall of around £401,000 in 2023/24 rising to £2,400,000 by 2026/27.

The Executive report identified the need for a further Opportunities Plan to address the budget shortfalls and build in capacity for future pressures and uncertainties, with the aim of ensuring continued service provision across the Council.

A holistic cross Council approach that balances the use of the levers available to us has been used in developing a proposed Opportunities Plan for 2023/24. This process has involved project ideas from staff at all levels alongside feedback from Members.

This report presents the proposed Opportunities Plan for 2023/24. The projects contained in the Plan have the estimated potential to positively impact on the Council's budget by £556,024 in 2023/24, increasing to £950,743 in 2024/25.

To support the delivery of some projects a revenue budget of £100,000 is proposed, which will be funded from general fund reserves where necessary.

Members will have continued oversight of the progress of the plan through updates to the Policy and Resources Scrutiny Panel every 6-months, as well as annual updates to the remaining Scrutiny and Committee meetings.

**Recommendation/Recommended Option:**

It is recommended that the Executive approves:

- (a) the draft Opportunities Plan for 2023/24, as set out in Appendix A to this report;
- (b) a revenue budget of £100,000 to be allocated from general fund reserves to support the delivery of the plan; and
- (c) the proposed governance arrangements for the plan.

**Reason:**

To ensure that the Council remains financially sustainable, has a balanced budget for 2023/24 and can continue to provide services across the organisation.

**Cost of proposals:**

The projects contained in the Plan have the estimated potential to positively impact on the Council's budget by £556,024 in 2023/24, increasing to £950,743 in 2024/25. To support the delivery of some projects a revenue budget of £100,000 is proposed, which will be funded through general fund reserves where necessary.

**Appendices:**                    **A: Draft Opportunities Plan for 2023/24**

**Background papers:**   **Opportunities Plan Evidence \* partially exempt**

**Reference papers:**        **7 January 2019 Executive Report: Financial Forecasts and Budgets**

**9 January 2023 Executive Report: Finance Strategy, Revenue Budget & Council Tax 2023/24**

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## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	18 September 2023
<b>Subject:</b>	Opportunities Plan Development Update
<b>Briefing by:</b>	Assistant Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. This report presents an update on the development of the Council's Opportunities Plan and confirms the projects to be undertaken during 2023/24. It also seeks approval for a dedicated revenue budget to support the delivery of the proposed plan, where necessary funded from general fund reserves.

#### Background

2. The Council has a long history of prudent financial management and of responding to fiscal challenges whilst continuing to provide a wide range of customer focused services. This has been achieved by taking a strategic, organisational wide approach to tackling predicted financial pressures.
3. The Council's original Opportunities Plan was approved at the 7 January 2019 Executive meeting, in response to a predicted funding shortfall by 2020/21. The Plan contained a range of projects designed to generate additional revenue, reduce costs, work in more efficient ways, as well as respond to service pressures and opportunities.
4. The Plan ran until the end of 2022/23 and contained a number of successful projects. For example, our Garden Waste Subscription Service generated £1.6m in additional income during its first year, helping to fund the delivery of Streetscene services across the Borough.
5. Charging in our coastal car parks began in August 2021. In its first year, the scheme generated around £440,000 in additional revenue. This contributed to the continued management of our 44 car parks and funded a more responsive approach to environmental enforcement, which is an important priority for many residents.
6. These projects and the many smaller schemes implemented as part of the original Opportunities Plan helped ensure the Council continued to provide a range of high performing customer-focused services.
7. Whilst the original Opportunities Plan was a success, wider societal and economic conditions have placed further pressure on the Council's finances. For example, some

service areas such as town centre car parking continue to see a reduction in income.

8. We have also experienced large increases in our costs due to high inflation figures, including rising fuel and energy prices, as well as increases to pay for employees and contractors. The cost-of-living crises has also impacted on many of our residents increasing demand for services such as benefits and housing.

### **Medium Term Financial Strategy**

9. The latest Medium Term Financial Strategy (MTFS) was presented at the 9 January 2023 Executive meeting, preceded by an All-Member Briefing. The MTFS contained a 5-year financial forecast based on the best estimates available at the time. This predicted a funding shortfall of around £401,000 in 2023/24 rising to £1,500,000 in 2025/26.
10. All of the Council's useable reserves would need to be used alongside an annual 3% increase in Council Tax to balance the budget in 2023/24 and 2025/26. The shortfall was predicted to grow to around £2,300,000 in 2025/26 and £2,400,000 in 2026/7, but with no available reserves left to balance the budget. This would pose an unacceptable risk to service provision.
11. The Executive report identified the need for a new Opportunities Plan to address the budget shortfalls and build in capacity for future pressures and uncertainties. The next part of the report outlines the Council's approach to developing this plan.

### **Opportunities Plan Approach**

12. In order to close the funding gap, an holistic cross-Council approach is required which balances the use of the levers available to us:
  - *Increase charges to service users:* The majority of our fees and charges are reviewed annually by the Executive, but there may be opportunities for further reviews that can balance income generation to cover the cost of provision whilst still providing value to our customers.
  - *Introducing new charges for discretionary services:* There are a number of discretionary services that the Council is not legally required to provide that are currently offered to residents and businesses free of charge.
  - *Introduce new chargeable services:* The Council has a wide range of skill sets which could be marketed. Any proposal would have to consider the resources available and the potential impact on current service provision.
  - *More efficient ways of working:* We have a good track record in designing services that meet our customers' demands in efficient ways. However, there may be opportunities to find new ways to work even more efficiently.
  - *Change the level of service we provide:* There may be opportunities to reduce the level of service we provide, particularly if we are providing more than we are contracted or required to do.
  - *Lobbying government:* Some of our services carry statutory charges that we have no control over. We could lobby Government to ensure that statutory charges adequately cover costs, particularly for those fees that have not been updated for a long period of time e.g. alcohol licenses.

- *Treasury Management*: Review our approach to ensure that we continue to manage our borrowing and investments in the most prudent way.
  - *Council Tax increases*: The budget calculations in the Medium Term Financial Strategy are based on the assumption that Fareham's element of Council Tax is increased by 3% each year.
13. There is potential for an annual increase greater than 3% but this would require a public referendum. This would be a costly exercise and not guaranteed to return a favourable result. As of January 2023, only one referendum on a higher than threshold increase to Council Tax had ever taken place in England. In 2015/16, 70% of voters opposed the 15.8% increase proposed by the Bedfordshire Police and Crime Commissioner.
  14. When considering the use of any of the levers above, the potential impact on our customers, service provision and the wider Council will need to be taken into account.
  15. In addition to opportunities we can influence, there is potential for additional income to be generated from 'Business as Usual' developments that are outside of our direct control. For example, the Government's recent consultation on increasing planning application fees by 25-35% will have a positive impact on revenue when implemented in April 2024.

### **Developing the Opportunities Plan**

16. A briefing note outlining the approach to developing the Council's new Opportunities Plan was shared with Members and Managers in February 2023. Following this, members of the Finance and Opportunities Teams met with Directors, then Heads of Service and other Service leads to generate and record ideas for potential projects. Staff were also regularly encouraged via the Chief Executive Officer's 'Our News' bulletin to put forward their ideas, with a number of quality proposals coming forward.

### **Developing the plan**

17. Since February, work to develop a cross-Council plan that balances the use of the levers identified above has focused on the following key areas:
18. *Ongoing workstreams*: A significant number of projects were either carried over from the previous Opportunities Plan such as Garden Waste subscriptions or had already started e.g. charging monitoring fees for Section 106 obligations.
19. *Procurement Review*: This is a regular and ongoing piece of work where supplier contracts up for renewal are assessed to ensure they still meet service's needs, whether we need to continue with the contract, explore alternative methods of provision e.g. in-house, and to test the market to ensure that we are getting good value for money.
20. *Establishment Review*: This is an ongoing piece of work that is part of our normal working practices to ensure that our establishment i.e. the number of staff we have matches service requirements across the Council.
21. *County Council and Discretionary Services Review*: Understanding our obligations as part of agreements with Hampshire County Council alongside our level of discretionary service provision have helped inform the service reviews below.
22. *Service reviews*: Every service in the Council was asked to provide opportunities for

income generation, cost savings and ideas for working in more efficient ways. These were also influenced more broadly by Member and staff ideas.

23. The above pieces of work fed into the development of a long list of potential projects. In addition to the above a *Capital/Treasury Funding Review* will take place shortly. This piece of work will consider opportunities to restructure debt and investments, and capital funding arrangements, to identify possible opportunities to reduce the associated revenue costs.

### **Member involvement**

24. Alongside staff, Members have had an important role in developing the proposed Opportunities Plan. Executive Members helped shape early proposals that were then presented to relevant Scrutiny Panels and Committees for comment, questions and ideas during June and July. As a result of the feedback, some projects were removed from the proposed Plan.
25. A number of Members were particularly keen to explore the long-term futures of both the Civic Offices and the Depot. Asset Management Plans are in place for both buildings for the next 5 and 3 years respectively. The feasibility of remaining in situ versus alternative provision beyond these timeframes involves significant investigations. They will be completed ahead of the expiry of the Asset Management Plans. However, due to the timescales involved, they are not included in the draft Opportunities Plan for 2023/24.
26. More generally, there was a recognition among all Members of the need to find savings and/or additional income to ensure continued service provision. However, they were keen that we should try to balance the potential for additional income or cost reductions against continuing to offer high quality and good value services to our customers. This approach is reflected in the draft plan for 2023/24.

### **The Opportunities Plan 2023/24**

27. All service areas have contributed projects to the proposed Opportunities Plan 2023/24, which can be found in Appendix A. To aid future monitoring the projects are presented according to the Executive/Scrutiny Panel and Committee areas services sit within. Whilst the scale of opportunities associated with each portfolio or committee varies, they each make an important contribution to ensuring we cover the growing costs of service provision.
28. The Plan is a living document and will evolve. For example, new projects may be added, or brought forward depending on resources and priorities. Estimates of savings for each project have been provided where possible and will be regularly updated. The following provides an overview of the main categories in the plan.
29. *3 projects carried over from the previous Opportunities Plan:* These include projects such as Garden Waste renewals for Year 2 and the extension of the coastal car parks to include Wicor.
30. *38 projects that have already been approved or started:* These include projects that are already underway, such as reducing the turnaround time for void properties and the Fareham Live Wave of Thanks. Some of these projects have now been completed, including the Solent Airport Revenue Strategy and the introduction of S.106 monitoring fees.

31. *21 new projects that will be undertaken during 2023/24 but could deliver savings in 2024/25 or beyond:* These are projects that have either not yet started or require significant work to progress and would therefore deliver positive outcomes in 2024/25 or later.
32. Some projects may result in income or savings beyond next year and are marked accordingly in Appendix A. A good example of this is the detailed Hook Tip Solar Farm business case. If the project is deemed viable it would take a number of years before becoming operational and generating income.
33. *91 'Year 2' projects have been identified which could be undertaken from 2024/25 onwards:* These include a range of feasibility studies for future projects, as well as reviewing our approach to the Local Plan review in line with prospective updated Government guidance. Appendix A includes 23 Year 2 projects which have already been planned. Depending on the resources available some of these projects may be brought forward to 2023/24.
34. *11 Business as Usual projects:* There are a number of revenue streams that will likely increase as a result of external factors. For example, works on the first phase of Welborne housebuilding and the Village Centre will result in significant one-off planning fees being paid to the Council.
35. A number of projects will require additional support to deliver results with the Opportunities Team providing help where resources and skills allow. A number of projects, such as the Hook Tip Solar Business Case and the Council Tax Support Banding Review, will require external expert support. Therefore a revenue budget of £100,000 is proposed, which will be funded from general fund reserves where necessary.

### **Financial Considerations**

36. The January 2023 MTFS identified a budget gap of £401,000 in 2023/24 and £1,500,000 in 2025/26. The budget modelling has recently been updated to reflect developments such as the proposed pay award for staff which is set and agreed nationally. This has resulted in a revised budget gap of £416,000 in 2023/24 and £1,568,000 in 2024/25.
37. Where possible, the financial impact for each project in the Opportunities Plan has been estimated and included in Appendix A. These projections consider the additional savings or income they could generate against any costs they would incur.
38. Finance Business Partners have worked closely with their services to refine their estimates and will continue to do so as the projects progress. However, there are a number of proposed projects where the projections are still being developed and have been marked as TBC in Appendix A.
39. Some projects in the plan, e.g. the collection of future S106 contributions, will primarily contribute to ring-fenced projects and not our general revenue budget gap and are therefore excluded from the financial estimates below. Other non-cashable benefits such as officer time savings are also excluded.
40. Table 1 below presents the Plan's current overall annual revenue income and savings projections for this financial year and next. Figures have been adjusted for part year income in 2023/24 where appropriate.

41. Some current projects are not expected to deliver savings until 2024/25 or later. Not all projects listed in Appendix A have been costed, and some projects deliver an efficiency or best practice outcome rather than financial.
42. The table does not take into account the establishment review, sale of land or the potential revenue generated by the acquisition of town centre assets as part of the Council's comprehensive programme of town centre regeneration.

<b>Table 1: 2023/24 Opportunities Plan Income and Savings Projections</b>				
	<b>23/24</b>		<b>24/25</b>	
<b>Project type</b>	<b>Revenue income/ savings</b>	<b>One-off income/ savings</b>	<b>Revenue income/ savings</b>	<b>One-off income/ savings</b>
Previous Opportunities Plan	£65,607	-	£75,011	-
Already approved or started projects	£364,491	£125,926	£468,541	£15,000
2023/24 projects with outcomes in 2024/25 or later	-	-	£257,211	£135,000
<b>Sub-total</b>	<b>£429,978</b>	<b>£125,926</b>	<b>£800,763</b>	<b>£150,000</b>
<b>Total Opportunities Plan income and savings</b>	<b>£556,024</b>		<b>£950,743</b>	
<b>Latest Budget Gap estimate</b>	<b>£-416,000</b>		<b>£-1,568,000</b>	
<b>Outcome</b>	<b>£140,024</b>		<b>£-617,257</b>	

43. Table 1 shows the Opportunities Plan is currently projected to deliver additional income or savings of £556,024 in 2023/24 increasing to £950,743 in 2024/25. This would result in a budget surplus of £140,024 in 2023/24, meaning that our limited General Fund reserves would not be depleted but potentially added to. The ongoing revenue savings and increased income generation would also significantly reduce the projected funding gap in 2026/7 from an estimated £1,568,000 to £617,257.
44. Alongside the Opportunities Plan projects included in Table 1, Business As Usual activity continues to generate improved income opportunities. These include ongoing rent and service charge reviews, as well as one off and annualised fee increases across services.
45. The start of work on site at Welborne will impact on Planning and Building Control in particular, with £175,000 in planning fees and £32,000 in building control fees expected in 2023/24. Nationally, an increase in planning application fees will be implemented in April 2024.
46. Overall, the Business As Usual activity when combined with the other potential income



and savings opportunities not yet accounted for in Table 1. e.g. land sales, will ensure that the Council continues to be financially secure.

47. However, there remain uncertainties. In particular, the long-term impact of persistently high inflation and interest rates, which may result in further cost pressures for the Council whilst driving up demand for services such as housing and benefits. With this in mind, the Plan will need to be updated regularly and have suitably robust governance.

### **Proposed Monitoring and Governance**

48. In order to ensure sufficient oversight of the progress of the proposed plan, a new Opportunities Plan Officer Board would be set up involving the Senior Leadership Team (SLT), the Head of Finance and Audit and the Policy, Research and Engagement Manager.
49. The board would receive quarterly updates on the progress of each project and their financial projections. Further ad-hoc meetings would take place at significant decision points for larger projects or if there are concerns regarding the progress of a project.
50. Members would have a vital role to play in overseeing and scrutinising the delivery of the plan. It is proposed that an update report be presented to the Policy and Resources Scrutiny Panel twice a year. The other Scrutiny Panels and Committees would receive annual updates on the progress of the projects within their meetings' responsibility.

### **Next Steps**

51. If the 2023/24 Opportunities Plan is approved the first-year projects not already started will commence during the remainder of the financial year. The financial projections in the Plan will inform the next review of the Medium Term Financial Strategy (MTFS) to be reported to the 8 January Executive.

### **Conclusion**

52. The projects included in the proposed Opportunities Plan for 2023/24 will ensure that the Council continues to be financially secure, covering our service costs and supporting the continued provision of a wide range of high-quality services.

### **Enquiries:**

For further information on this report please contact Roy Brown extension 01329 824489