

FAREHAM

BOROUGH COUNCIL



Medium Term Finance Strategy

2023/24 to 2027/28

CONTENTS

| | Page No. |
|--|----------|
| 1.OVERVIEW OF THE MEDIUM-TERM FINANCIAL STRATEGY (MTFS) | |
| 1.1 PURPOSE | 4 |
| 1.2 FUNDAMENTAL SPENDING PRINCIPLES | 4-6 |
| 2. REVENUE POSITION | |
| 2.1 CORE FUNDING RESOURCES | |
| Local Government Settlement and Fair Funding Review (FFR) | 7 |
| FBC Spending Power | 7 |
| SFA (Settlement Funding Assessment) | 7 |
| Revenue Support Grant | 8 |
| Other General Grants | 8 |
| Business Rates | 9 |
| Council Tax | 9 |
| 2.2 OTHER FUNDING SOURCES | |
| Specific Government Grants | 10 |
| Financial Investments | 10 |
| Property Investments | 10 |
| Partnership Contributions | 11 |
| Fees and Charges Income | 11 |
| 2.3 GENERAL CHANGES IN EXPENDITURE | |
| Service Budgets Added or Deleted | 12 |
| Pay Awards | 12 |
| Pension Provisions | 12 |
| Depreciation / Capital Charges | 12 |
| 2.4 SERVICE PRESSURES | |
| Cost of Living Crisis | 12 |
| Key Services | 13 |
| 3. COPORATE PRIORITIES | |
| 3.1 CORPORATE STRATEGY 2023- 2029 | 14 |
| 3.2 FAREHAM LIVE | 15 |
| 3.3 FAREHAM TOWN CENTRE | 15 |
| 3.4 SOLENT AIRPORT and DAEDALUS | 15 |
| 3.5 CLIMATE CHANGE | 16 |

| | Page No. |
|--|----------|
| 4. CAPITAL POSITION | |
| 4.1 CAPITAL STRATEGY | 17 |
| 4.2 CAPITAL RESOURCES | 17 |
| 4.3 MINIMUM REVENUE PROVISION | 17 |
| 5. PROPOSED BUDGET 2024/25 | |
| 5.1 THE BUDGET SETTING PRINCIPLES | 18 |
| 5.2 BASE BUDGET 2024/25 | 19 |
| 5.3 CONTRIBUTIONS TO RESERVES | 20 |
| 5.4 COUNCIL TAX 2024/25 | 21 |
| 6. FIVE YEAR FORECASTS | |
| 6.1 OVERALL REVENUE POSITION | 22 |
| 6.2 SENSITIVITY ANALYSIS | 23 |
| 6.3 RISKS AND UNCERTAINTIES | 24 |
| 6.4 THE OPPORTUNITIES PLAN | 25 |
| 7. CONCLUSIONS | |
| Annex 1 – Budget Responsibilities | |
| Annex 2 – Pay Policy Statement | |

1. OVERVIEW OF THE MEDIUM-TERM FINANCE 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 reiterated in the Corporate Strategy 2023-2029 that it will "take pride in its careful financial planning". The Medium-Term Finance Strategy is regularly monitored and updated to achieve this aim.

1.2 FUNDAMENTAL SPENDING 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

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. This is particularly important because of the implications for the Council Tax of even modest increases in expenditure (£80k increase in spend is a 1% increase in council tax).
- No new revenue spending plans are included in the revenue budget without the necessary resources to meet the full impact on the wider revenue costs being in place.

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 to ensure the necessary resources are in place:
 - On-going revenue 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.
- 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. 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.

RESERVES

- **Spending Reserve:** A spending reserve will be maintained to cover unplanned changes in revenue expenditure or income. The minimum balance will be **7.5% of gross expenditure**.
- **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**.
- 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 FUNDING AND RECEIPTS

- General Central Government funding will be used to support day-to-day service delivery
- "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 CIL community infrastructure projects in accordance with the priorities of the council.
- 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.

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 which actively pursue the achievement of the Council's priorities and achieve more for less.
- The Council will only undertake agency work where the service actively aids the achievement of the Council's priorities and the business case indicates a financial benefit to the Council.
- 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 3 main sources:

- Central Government Grants
- Business Rates
- Council Tax

Local Government Settlement & 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 number of issues the results of this review have been delayed and will now impact on the funding from 2026/27 onwards.

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.

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 table below shows how Fareham's spending power has changed over the last 5 years of the current settlement arrangement and how important they see council tax is as a funding source.

Table to show spending power and how much is funded by council tax.

| Year | Core Spending Power £'000s | Council Tax £'000s | % funded by Council Tax |
|---------|-------------------------------|-----------------------|----------------------------|
| 2023/24 | 10,800 | 7,965 | 73.75 |
| 2022/23 | 10,300 | 7,710 | 74.85 |
| 2021/22 | 10,000 | 7,456 | 74.56 |
| 2020/21 | 10,000 | 7,171 | 71.71 |
| 2019/20 | 9,700 | 6,875 | 70.88 |

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.

As the local share of business rates had been fixed to provide a strong incentive for local authorities to promote growth, any changes to the Settlement Funding Assessment can only be applied to the element of funding that is provided through Revenue Support Grant.

As of 2023/24, Fareham's SFA (perceived need) is above its baseline funding level which means the Council is not receiving enough money to run its services. This means that Revenue Support Grant is required to bring the Council's funding to the required level.

However, the latest population census data 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. Fareham didn't receive any RSG from central government for a number of years but is currently in a position where its SFA is higher than the BFL. Therefore, the Council will receive RSG of £100,000 in 2023/24 and £107,000 in 2024/25.

Other General Grants

The Services Grant is another element of government funding that councils receive "*in recognition of the vital services delivered at every level of local government*". This commenced in 2022/23 to reflect changes to funding and to make sure no authority fell below minimum funding levels. Fareham received £133,000 in 2022/23 and will receive £78,000 in the 2023/24 financial year and £65,000 for the 2 years after that.

The Council will also receive a grant for the 3% Funding guarantee which was announced as part of the 2023 settlement announcement. The council will receive £260,000 in 2023/24, £274,000 in 2024/25 and £202,000 in 2025/26.

New Homes Bonus has been received since 2011/12 but the rules surrounding how much grant is received has meant that Fareham has seen changes from when grant received peaked at £2m to the amount for 2023/24 being £18,000.

It is anticipated that these 3 funding streams will stop when the Fair Funding Review is implemented in 2026/27.

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 **£38.1 million** of business rates. Of this 50% (£18.5m) is paid to Central Government with 9% (£3.3m) and 1% (£0.4m) paid to the County Council and the Fire Authority respectively. The remaining 40% (£15.9m) 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 and with other rates adjustments, Fareham retains around **£3.3 million (9%)** of the rates collected. The council's income is also 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 **£1.1 million** for 2024/25.

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 2.99% which means that gap between the highest and lowest council taxes will only grow bigger. This is penalising 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 current policy, resulting in the gap between the average authority and Fareham continuing to grow.

The Council Tax for Fareham forms around 74% 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 a minimum of £5 per year for the last 8 years and it is proposed to increase by 2.99% for 2024/25. The Council Tax for a Band D property currently stands at £180.46 which was approved by the Full Council in February 2023. Of the gross expenditure budget of **£50,033,700** (net budget £11,897,100) for council services in 2023/24, £7,965,355 (**15.9%**) was budgeted to be met by Council Tax payers.

This Medium-Term Finance Strategy assumes that there will be an increase of **560(2025/26), 665(2026/27) and 564(2027/28)** 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.

AFFECT ON THE MEDIUM TERM FINANCE STRATEGY



Currently due to the delay in the Fair Funding Review future funding levels remain uncertain. Generally, we are not expecting any increases in core funding, outside of Council Tax, and no government general grants have been relied upon after 2025/6.

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 or projects. Grants expected in the 2023/24 and 2024/25 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 have been increasing since December 2021 and currently stand at 5.25% which has meant that returns on investments have been increasing. However, 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 management 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.

Overall, we are predicting a reduction in income from investments in 2023/24 due to increased 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 **£2.7 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 £100,000 per annum to £NIL in 2025/26 and for the remainder 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 2024/25 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. However, the Government has introduced an increase in planning application fees from the latter part of 2023/4.
- **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 2024/25 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 **5%** is proposed.
 - Specific charges which have been reviewed and there are no alternative increases proposed.

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 2023/24 was approved by the Executive in January 2023. The Pay Policy Statement for 2024/25 is attached at [Annex 2](#).

The rising cost of employment in future years reflects the cost of an assumed pay award of 3.5% from 1 April 2024 and 3% per year for the remainder of the strategy period. The pay award is affected by other pay movements such as meeting the requirements of the National Living Wage.

Pension Provisions

During 2022, the triennial pension fund valuations took 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 additional amount will still not be required going forward. For Fareham the future service funding, from variable contributions, will reduce from 19.3% of pay to 18.0%. 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.

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 Tax payers.

2.4 SERVICE PRESSURES

Cost of Living Crisis

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 spend in most areas of the council.

There have been significant inflationary pressures on staff pay, fuel and energy price increase 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 which has risen to a £2million cost. From 2024/5 we will have used all the government grants that we have been given to help pay for this cost.

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 £39 million of gross expenditure and £33 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.

3. CORPORATE PRIORITIES

3.1 Corporate Strategy 2023-2029

The latest Corporate Strategy was adopted by the Council in October 2023 and will be updated each year. It currently contains 6 priorities linked to 26 project areas, as summarised in the table 3 below.

Table 3 – Priorities and Projects in the Corporate Strategy

| | | |
|------------|---|---|
| Priority 1 | Providing Housing Choices | DIVERSE HOUSING MARKET |
| | | DEVELOPMENT OF NEW HOMES |
| | | HIGH QUALITY AFFORDABLE HOUSING |
| | | HELPING HOMELESS PEOPLE |
| | | WELBORNE GARDEN VILLAGE |
| Priority 2 | Respond to Climate Change and Protect the Environment | REDUCE CARBON EMISSIONS |
| | | KEEP THE BOROUGH CLEAN AND ATTRACTIVE |
| | | SUPPORT BIODIVERSITY AND ENHANCE GREEN SPACES |
| | | INCREASE RECYCLING |
| | | COSTAL MANAGEMENT |
| Priority 3 | Strong, Safe and Healthy Communities | EVERYONE FEELS SAFE |
| | | ENABLING COMMUNITIES TO THRIVE |
| | | HEALTH AND SAFETY |
| | | EMERGENCY PLANNING |
| Priority 4 | Promote Economic Development | ECONOMIC VITALITY |
| | | FAREHAM TOWN CENTRE REGENERATION |
| | | INCREASE EMPLOYMENT SPACE |
| | | DAEDALUS |
| Priority 5 | Leisure Opportunities for Wellbeing and Fun | COMMUNITIES COME TOGETHER |
| | | EXERCISE |
| | | HIGH QUALITY FACILITIES |
| | | FAREHAM LIVE |
| Priority 6 | Responsive, Inclusive and Innovative | HARD WORK |
| | | VALUE FOR MONEY |
| | | LOW COUNCIL TAX |
| | | CUSTOMER ENGAGEMENT |

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 Fareham Live

Ferneham Hall closed in January 2020 with a view to a new modern facility being built soon after. However, delays due to the Pandemic meant that work on the £16million Fareham Live Project didn't start until late 2022. The project is now nearing completion and construction works are scheduled to be finished in April 2024 with shows commencing later on in the year. The venue will be operated by Trafalgar Theatres who are working in partnership with the Council to bring this exciting venture to the people of Fareham. There will be one-off set up costs to start with along with operator costs. This figure will reduce during future years as the venue becomes established and should also see Fareham receiving an element of the profit-sharing agreement.

3.3 Fareham Town Centre

In October 2023 the Council purchased Fareham Shopping Centre at a cost of £14.25million. The acquisition formed part of Fareham's broader regeneration programme which also includes the development of Fareham Live and the demolition of the Osborn Road Multi Storey Car Park and replacing it with a modern surface car park.

The shopping centre has a key role to play both now and in the future. Ownership of the centre will enable the Council to provide stability and reassurance to its tenants as it works with them and other key partners to develop a new all-encompassing strategy leading to a more vibrant town centre.

The project will now move forward with key partners who will advise on strategic direction and improvements to the shopping centre that will benefit both shoppers and businesses.

Until firm plans are in place for the regeneration of the Town Centre no budget has been built into the MTFs. However, the operation of the shopping centre will see a contribution to the budget of just under £1million of income although this will be partially offset by an increase in borrowing costs.

3.4 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 site in the area. It is now arguably the premier centre of excellence for aviation, aerospace, marine and advanced engineering businesses in the south.

It is a strategic asset for the Council, and as such will require significant capital investment over time.

It has the potential to generate revenue for the Council and create job opportunities for the borough.

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, which is presented to Members at regular meetings of the Scrutiny Panel.

3.5 Climate Change

To help mitigate the worst effects of Climate Change, the Council has made a commitment to working toward carbon neutral by 2030. Changes in priorities responding to climate change and achieving net zero carbon will all add significantly higher costs to our budgets.

In June 2021 we published our first Action Plan which focused predominantly on reducing the Council's operational carbon footprint. This plan tries to find ways we can lower the carbon emissions created when we provide services to our customers.

We recognise our leadership role and will support and encourage broader change across Fareham with both businesses and residents where we can.

An annual report outlines the carbon reduction measures we have completed during the last year as well as an overview of how much we have reduced our emissions by. It also lays out the plans we have for the coming year/s both for the Council buildings and services and the local Fareham community. Any budgets required to implement specific projects in the action plan are approved separately by the Executive.

4. CAPITAL POSITION

4.1 CAPITAL STRATEGY

The Capital Strategy is 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 reviewed and updated to take into account carry forwards from 2022/23, any new schemes and now totals **£54.7 million** of General Fund expenditure.

4.2 CAPITAL RESOURCES

Resources of **£57.8 million** are estimated to be available over the life of the capital programme and therefore there should be a surplus of resources of approximately **£3.1 million** in 2027/28.

Capital Financing Costs

The proposed budget for 2024/25 provides for a revenue contribution to capital of **£1.125 million**, which includes a contribution of £500,000 towards future capital commitments. The remaining amount provides for ICT, vehicle purchases, CCTV renewals and car park improvements. There are currently no plans to increase this amount but it is reviewed every year in line with the strategy.

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 including the Innovation Centre Phase 2, works undertaken at the 2 Leisure Centre in the borough, new general aviation and business hangars and purchase of Fareham Shopping Centre.

5. PROPOSED BUDGET 2024/25

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 to cover price increases that are unavoidable or predictable, 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 for 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 them to reduce the impact on Council Tax payers.
- 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 2024/25

The proposed base budget for 2024/25 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 2023/24 is summarised in the table below. It should, however, be noted that the revised net budget needs for 2023/24 are estimated to be £12,376,100.

Table 5 – Proposed Revenue Budget for 2024/25

| | Budget 2023/24 | Budget 2024/25 | Variation |
|--|---------------------------|---------------------------|------------------|
| | £ | £ | £ |
| Committees | | | |
| Licensing and Regulatory Affairs Committee | 540,400 | 699,100 | 158,700 |
| Planning Committee | 694,300 | 578,100 | -116,200 |
| Executive - Portfolio Budgets | | | |
| - Leisure and Community | -38,600 | 148,600 | 187,200 |
| - Housing | 2,270,800 | 3,435,900 | 1,165,100 |
| - Planning and Development | 1,246,100 | 1,221,200 | -24,900 |
| - Policy and Resources | 541,800 | -958,900 | -1,500,700 |
| - Health and Public Protection | 765,800 | 373,500 | -392,300 |
| - Streetscene | 5,592,200 | 6,706,800 | 1,114,600 |
| Accounting Adjustments not included above | 4,101,900 | 3,891,400 | -210,500 |
| SERVICE BUDGETS | 15,714,700 | 16,095,700 | 381,000 |
| Capital Charges | -4,320,000 | -4,094,400 | 225,600 |
| Direct Revenue Funding | 1,125,000 | 1,125,000 | 0 |
| Minimum Revenue Provision | 1,490,900 | 1,756,700 | 265,800 |
| Bad Debt Provision | 0 | 0 | 0 |
| Interest on Balances | -612,000 | -468,400 | 143,600 |
| Portchester Crematorium | -80,000 | -100,000 | -20,000 |
| New Homes Bonus | -17,900 | -98,200 | -80,300 |
| Contribution from Earmarked Reserves | -1,002,700 | -552,600 | 450,100 |
| Contribution to(+)/from(-) Reserves | -400,900 | -598,200 | -197,300 |
| OTHER BUDGETS | -3,817,600 | -3,030,100 | 787,500 |
| NET BUDGET | 11,897,100 | 13,065,600 | 1,168,500 |

5.3 CONTRIBUTIONS TO AND FROM RESERVES

These represent:

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

Use of Earmarked Reserves

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

Table 6 – 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 | | -81 |
| Welborne Delivery Funding – Strategic Sites Posts / General Expenses | | -188 |
| Daedalus Funding | | -18 |
| Use of Earmarked Reserves | | |
| Homelessness Fund | 1 year funding only | 0 |
| Portchester Town Centre Improvements | | 0 |
| Total Due from Ear Marked Reserves | | -332 |

The cost of these activities will be included in the service, 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 7 – Use of General Reserves

| | '000s |
|---|-------------|
| Draw down for specific purposes | |
| Transfer of £1.2m from general reserves to the spending reserve to give additional protection from the increased volatility of income and expenditure (from 5% to 7.5% gross expenditure) | 0 |
| Move to reserves for Local Plan Future Years | +44 |
| General Reserves set aside for Ash die back costs until 2026/27 | -15 |
| General Reserves set aside for Opportunities Funding | -80 |
| General Reserves set aside for Civic Quarter Regeneration | -170 |
| Draw down to balance the budget | -598 |
| Total Due from General Reserves | -819 |

In addition, as [discussed above](#), the proposed budget for 2024/25, as a non-service specific revenue budget, 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 £3,750,000 which is the threshold of 7.5% of gross expenditure for 2023/24 (£50.0 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 2024/25

The net revenue budget proposed for 2024/25 of £13,065,600 requires use of general reserves of £598,200 to help fund the spend. This is in addition to what can be funded from the collection fund as summarised below. However, without an increase of Council Tax by a minimum of 2.99% there will be a shortfall in funding available of £238,000. It is therefore proposed that this gap is closed by a council tax increase in 2024/25 up to the maximum allowable level before a referendum is required.

Table 8 – Projected Funding of the 2024/25 Net Revenue Budget from Council Tax

| | £'000 |
|---|-----------------|
| Net Budget Requirement (after contribution from general reserves) | £13,065 |
| Retained Business Rates | -£4,487 |
| RSG & Services Grant | -£366 |
| Council Tax at current level | -£7,965 |
| Additional Council Tax for new properties | -£9 |
| Total Available from the Collection Fund and General Grants | -£12,827 |
| Projected Shortfall – proposed to be met by 2.99% increase in council tax | £238 |

6. FIVE YEAR FORECAST

6.1 OVERALL REVENUE POSITION

Table 9 – Financial Projections 2023/24 to 2027/28

| | 2023/24 Revised | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|--|--------------------|-----------------|-----------------|-----------------|-----------------|
| | 000s | 000s | 000s | 000s | 000s |
| SERVICE EXPENDITURE | | | | | |
| Gross Expenditure on Services | | | | | |
| Base Budget | £51,265 | £52,027 | £52,216 | £52,405 | £52,594 |
| Changes for Pay and Pensions | £151 | £400 | £400 | £400 | £400 |
| Changes for Spend Pressures and Opportunities | -£226 | £499 | -£276 | -£263 | -£401 |
| Changes for Cost of Living Spend Pressures | £0 | £19 | £100 | £200 | £300 |
| Revised Budget | £51,190 | £52,945 | £52,440 | £52,742 | £52,893 |
| Gross Income for Services | | | | | |
| Base Budget | -£33,341 | -£32,496 | -£32,512 | -£32,512 | -£32,512 |
| Changes for Income Pressures and Opportunities | £0 | -£1,670 | -£313 | -£372 | -£362 |
| Revised Budget | -£33,341 | -£34,166 | -£32,825 | -£32,884 | -£32,874 |
| Net Cost of Services | | | | | |
| | £17,849 | £18,779 | £19,615 | £19,858 | £20,019 |
| NON SERVICE SPECIFIC BUDGETS | | | | | |
| Contribution to capital spend – RCCO | £1,125 | £1,125 | £1,125 | £1,125 | £1,125 |
| Provision to repay borrowing (MRP) | £1,546 | £1,757 | £1,844 | £1,899 | £1,957 |
| Increase In Bad Debt Provision | £0 | £0 | £0 | £0 | £0 |
| Accounting Adjustments | -£4,094 | -£4,094 | -£4,094 | -£4,094 | -£4,094 |
| Total Non Service Budgets | -£1,423 | -£1,212 | -£1,125 | -£1,070 | -£1,012 |
| NET BUDGET REQUIREMENT | | | | | |
| | £16,426 | £17,567 | £18,490 | £18,788 | £19,007 |
| SOURCES OF FUNDING | | | | | |
| Core Funding | | | | | |
| Government General Grants | -£440 | -£366 | -£308 | £0 | £0 |
| New Homes Bonus | -£18 | -£98 | £0 | £0 | £0 |
| Retained Business Rates | -£3,971 | -£4,488 | -£4,737 | -£4,290 | -£4,761 |
| Collection Fund Balance | | £0 | £0 | £0 | £0 |
| Total Core Funding | -£4,429 | -£4,952 | -£5,045 | -£4,290 | -£4,761 |
| Other Funding Sources | | | | | |
| Income from Financial Investments | -£430 | -£468 | -£468 | -£468 | -£468 |
| Income from Property Investments | -£2,543 | -£2,684 | -£2,684 | -£2,684 | -£2,684 |
| Contributions from Partnerships | -£80 | -£100 | £0 | £0 | £0 |
| Contributions from Govt For COVID | £0 | £0 | £0 | £0 | £0 |

| | | | | | |
|---|---------------|---------------|----------------|----------------|----------------|
| Total Other Funding | -£3,053 | -£3,252 | -£3,152 | -£3,152 | -£3,152 |
| Use of Reserves | | | | | |
| Ear marked for specific use | -£979 | -£552 | -£369 | -£437 | -£380 |
| COUNCIL TAX REQUIREMENT | | | | | |
| Council Tax | | | | | |
| Projection of Retained Council Tax at current level | £7,965 | £7,965 | £7,974 | £8,075 | £8,195 |
| Additional Council Tax for new properties | £0 | £9 | £101 | £120 | £102 |
| Council Tax available at no increase | £7,965 | £7,974 | £8,075 | £8,195 | £8,297 |
| Projected shortfall with no increase | £0 | -£837 | -£1,849 | -£2,714 | -£2,417 |
| Council Tax available with 2.99% increase per year | £7,965 | £8,213 | £8,566 | £8,953 | £9,335 |
| Projected shortfall with 2.99% increase per year | £0 | -£598 | -£1,358 | -£1,956 | -£1,379 |

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.

The highest funding gap now showing across the 5 years is **£1.956 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.

The Council currently has general reserves it can use to balance the budgets, but these will be insufficient by 2026/7.



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.

6.2 SENSITIVITY ANALYSIS

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 Tax payers, 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 £½m) would result in an increase in the amount to be met by Council Tax payers of 6.3%. 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 | 47.6 | |
| Significance of an extra £500,000 in spending | | +1.0% |
| Council Tax payers | 8.0 | |
| Significance of spending an extra £500,000 | | +6.3% |

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 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 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 cost of living crisis.
- Demand for Council services remains volatile in some services, and this may be heightened due to economic challenges.
- 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 has been delayed many times but it would result in a loss of income for the Council of up to **£100,000** but is more likely to be less than half of that figure. It is anticipated that part of the service would move over in the latter part 2024/25 at the earliest but over half of the 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)
- **Corporate Strategy** – The proposed projects in the new Corporate Strategy 2023-2029 have not been fully costed and added to the forecasts.
- **Climate Change** – Funding that might be needed for projects in the Climate Change action plan has not currently been allocated.

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 was undertaken during 2023 by all Senior Managers, Heads of Services and

Members to generate ideas to close the predicted funding gap from 2023/24 and build in capacity to cover future pressures and areas of spending growth.

Over 260 ideas were generated; they were then reviewed further and prioritised for delivery between 2023/24 and 2025/26 as part of the new Opportunities Plan. The Plan is being expanded as other opportunities to generate savings are identified.

In the 2023/24 revised budget £498,500 of opportunity savings were used to reduce the need to draw on reserves to balance the budget. The figure for 2024/25 was £391,200 and there will be more savings needed before the end of the strategy period in order to close the funding gap.

Current predictions are that the Opportunities work will be needed to address the projected funding gap for the next 5 years, with some spare capacity for pressures not yet built in.

7. CONCLUSION

The Council has a long history of prudent financial management, 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 2026/27 even if Council Tax is increased by 2.99% each year, which cannot be met by the Council's general reserves. 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 2024/25 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. The work developing and implementing the Opportunities Plan will therefore be critical to this aim.

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 2024 - 25

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 2024-25, 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 | refers to the following roles within the Council: Statutory Chief Officers: <ul style="list-style-type: none"> • Chief Executive Officer, as Head of Paid Service • Assistant Chief Executive Officer, as Monitoring Officer • Assistant Director (Finance and ICT), as Section 151 Officer Non-Statutory Chief Officers: <ul style="list-style-type: none"> • Director of Planning and Regulation • Director of Housing • Director of Neighbourhoods • Assistant Director (Democracy) |
| 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 Assistant Chief Executive Officer 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 points relating to responsibility for statutory posts).

The National Minimum Wage applies to those under 21 (with effect from 1 April 2024) 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 2023 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 2023 was settled in November 2023 with a cash sum of £1,925 applied to each scale point subject to a minimum increase of 3.88%. This resulted in a pay award of between 3.88% and 9.50% on the mainstream grades. The pay award with effect from April 2024 will be negotiated between the employers and the Unions.

The pay award for the Chief Executive and Chief Officers was agreed at 3.50%.

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 £125,716 to £145,192.
- b) Statutory and Non-Statutory Chief Officers will be paid a salary within the grade range £79,308 to £102,823 (£106,480 to £118,252 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 £60,132 to £79,308.

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 the Senior Leadership 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 Assistant Director(Democracy) as his Deputy Returning Officer. For performing elections duties the Returning Officer and Deputy 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 2023-24, including base salary, allowances, etc.

| | |
|--|----------|
| Highest paid employee | £135,455 |
| Median earnings for remainder of workforce | £29,296 |
| Ratio | 4.62 |

ANNEX A (to the Pay Policy Statement)**Fareham Borough Council - Pay Scales as at 01/04/2023**

| Chief Executive Grades & Salary | | Directors Grades & Salary | |
|--|---------------|--------------------------------------|---------------|
| Spinal Column Point | Annual Salary | Spinal Column Point | Annual Salary |
| 1 | £125,716 | 1 | £89,782 |
| 2 | £130,586 | 2 | £92,600 |
| 3 | £135,455 | 3 | £95,888 |
| 4 | £140,324 | 4 | £99,292 |
| 5 | £145,192 | 5 | £102,823 |

| Senior Management Grades & Salary scales | | | | | | | | |
|---|---------------------|---------------|-------|---------------------|---------------|-------|---------------------|---------------|
| Grade | Spinal Column Point | Annual Salary | Grade | Spinal Column Point | Annual Salary | Grade | Spinal Column Point | Annual Salary |
| | 1 | £79,308 | | 1 | £69,039 | | 1 | £60,132 |
| | 2 | £82,015 | | 2 | £71,470 | | 2 | £62,242 |
| 1 | 3 | £84,814 | 2 | 3 | £73,990 | 3 | 3 | £64,427 |
| | 4 | £87,272 | | 4 | £76,301 | | 4 | £66,629 |
| | 5 | £89,781 | | 5 | £79,308 | | 5 | £69,039 |

| Local Pay Scales | | | | | |
|------------------|---------------------|----------------------------|-------|---------------------|----------------------------|
| GRADE | SPINAL COLUMN POINT | ANNUAL SALARY (APRIL 2023) | GRADE | SPINAL COLUMN POINT | ANNUAL SALARY (APRIL 2023) |
| 1 | 3 | £22,183 | | | |
| | 4 | £22,366 | | | |
| | 5 | £22,737 | | | |
| 2 | 5 | £22,737 | | 26 | £37,170 |
| | 6 | £23,114 | | 27 | £38,172 |
| | 7 | £23,500 | 7 | 28 | £39,028 |
| | 8 | £23,893 | | 29 | £40,272 |
| | 9 | £24,294 | | 30 | £41,358 |
| 3 | 9 | £24,294 | | 30 | £41,358 |
| | 10 | £24,702 | | 31 | £42,487 |
| | 11 | £25,119 | 8 | 32 | £43,639 |
| | 12 | £25,545 | | 33 | £44,837 |
| | 13 | £25,979 | | 34 | £45,964 |
| 4 | 13 | £25,979 | | 34 | £45,964 |
| | 14 | £26,873 | | 35 | £47,127 |
| | 15 | £27,803 | 9 | 36 | £48,309 |
| | 16 | £28,770 | | 37 | £49,534 |
| | 17 | £29,269 | | 38 | £50,658 |
| 5 | 18 | £30,296 | | 38 | £50,658 |
| | 19 | £30,825 | | 39 | £51,858 |
| | 20 | £31,693 | 10 | 40 | £53,107 |
| | 21 | £32,603 | | 41 | £54,378 |
| | 22 | £33,461 | | 42 | £55,025 |
| 6 | 22 | £33,461 | | 42 | £55,025 |
| | 23 | £34,352 | | 43 | £56,226 |
| | 24 | £35,266 | 11 | 44 | £57,443 |
| | 25 | £36,210 | | 45 | £58,688 |
| | 26 | £37,170 | | 46 | £59,968 |