

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 05 February 2024

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| Portfolio: | Policy and Resources |
| Subject: | Finance Strategy, Capital Programme, Revenue Budget & Council Tax 2024/25 |
| Report of: | Chief Executive Officer |
| Corporate Priorities: | Responsive, Inclusive and Innovative Council |

Purpose:

This report seeks final confirmation of the recommendations to be made to Council, on 23 February 2024, in respect of the revenue budget, capital programme and council tax for 2024/25.

Executive summary:

On 8 January 2024, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the revenue budgets and the council tax for 2024/25. This report updates the Council's budgets to reflect the decisions taken and other known changes since 8 January 2024, including the provisional local government finance settlement.

The capital programme for the years 2023/24 to 2027/28 will be £58,678,500.

The net revenue budget for 2024/25 will be £13,292,600. With core funding estimated to be £5,079,839 and no payment from the collection fund, the total amount due from the council taxpayers will be £8,212,761.

Taking these changes into consideration, the council tax for 2024/25 will be £185.86 per Band D property. This represents an increase of £5.40 per year from the council tax set for 2023/24 and is within the 2.99% referendum threshold set by the Government.

Recommendation/Recommended Option:

It is recommended that the Executive approves and recommends to the meeting of the Council to be held on 23rd February 2024:

- (a) the capital programme and financing of £58,678,500;
- (b) an overall revised net revenue budget for 2023/24 of £12,376,100;

- (c) a net revenue budget for 2024/25 of £13,292,600;
- (d) a council tax for Fareham Borough Council for 2024/25 of £185.86 per band D property, which represents a £5.40 per year increase when compared to the current year and is within referendum limits;
- (e) an unchanged Council Tax Support scheme for 2024/25; and
- (f) that the Council continues to disregard the whole of any incomes prescribed in the Housing Benefit (War Pensions Disregards) Regulations 2007 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

Reason:

To allow the Council to approve the Council Tax for 2024/25.

Cost of proposals:

Not Applicable

Appendices: **A: Overall Total Budget for 2024/25**

Background papers: **None**

Reference papers: Report to the Executive – 9 January 2023 Finance Strategy,
Revenue Budget and Council Tax 2023-24

Report to the Executive – 8 January 2024 Finance Strategy,
Revenue Budget and Council Tax 2024-2

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

| | |
|---------------------|---|
| Date: | 05 February 2024 |
| Subject: | Finance Strategy, Capital Programme, Revenue Budget & Council Tax 2024/25 |
| Briefing by: | Chief Executive Officer |
| Portfolio: | Policy and Resources |

INTRODUCTION

1. On 8 January 2024 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
 - The revised revenue budget for 2023/24;
 - Fees and charges for 2024/25;
 - The revenue budget for 2024/25; and
 - The council tax for 2024/25.
2. The purpose of this report is to update the Council's spending plans to take account of the decisions taken by the Executive in relation to these various issues and any know changes that arisen since.

THE CAPITAL PROGRAMME 2023/24 TO 2027/28

3. The capital programme for the General Fund for the period 2023/24 to 2027/28 was reported to the January Executive as part of the Capital Strategy Report and totalled £54,709,000.
4. At the January Executive, additional capital budgets were approved for Emergency and Temporary Accommodation and the purchase of Strategic Land at Faraday Business Park, Daedalus.
5. In addition, £769,800 has been added to the Disabled Facilities Grants budget to reflect an increase in demand and the cost of demand in 2023/24, to be met by grant funding.

6. The updated programme is shown in the following table:

| | £000s |
|--------------------------|---------------|
| Streetscene | 805 |
| Leisure and Community | 17,274 |
| Housing | 8,054 |
| Planning and Development | 323 |
| Policy and Resources | 32,223 |
| TOTAL | 58,679 |

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

| | £000s |
|--------------------------|---------------|
| Capital Receipts | 9,252 |
| Grants and Contributions | 24,612 |
| Capital Reserves | 4,662 |
| Revenue | 3,404 |
| Borrowing | 16,749 |
| TOTAL | 58,679 |

8. The programme and projected resources indicate that, by 31 March 2028, there could be a small surplus of capital resources of £3.1 million, which represents a contingency of 5% on the overall capital programme.

9. Importantly, the surplus assumes an estimate of future capital receipts and grants as well as continued revenue contributions towards capital investment, totalling £29 million. In the event that these resources do not materialise, the programme will become partly unfunded.

REVISED BUDGET 2023/24

10. In January, the Executive considered in detail the revised net budget for 2023/24, which now shows a better forecast position and instead of having to draw from reserves to balance the budget, includes a forecast contribution to general fund reserves of £58,800.

SERVICE BUDGETS 2024/25

11. The following table shows the service budgets resulting from the report that was submitted to the Executive on 8 January 2024. At the meeting there were no changes made to the services budgets so the figures remain the same as that report.

| | Base Budget 2024/25 |
|--|--------------------------------|
| Committees | £ |
| Licensing and Regulatory Affairs | 699,100 |
| Planning | 578,100 |
| Executive - Portfolio Budgets | |
| - Leisure and Community | 148,600 |
| - Housing | 3,435,900 |
| - Planning and Development | 1,221,200 |
| - Policy and Resources | -958,900 |
| - Health and Public Protection | 373,500 |
| - Streetscene | 6,706,800 |
| Depreciation Adjustments in Service Portfolios | 3,891,400 |
| SERVICE BUDGETS | 16,095,700 |

OTHER BUDGETS 2024/25

- Since the January report was drafted, the Government has announced the provisional Local Government Finance Settlement, as detailed further below. This has improved the Council's position by an amount of £194,000, reducing the amount that needs to be drawn from reserves to fund the budget, by the same amount.
- The revenue contribution to funding the capital programme has been maintained at £1,125,000. The "Other Budgets" total will therefore now be -£2,803,100.

THE OVERALL BUDGET POSITION FOR 2024/25

- Taking account of the information referred to in the preceding paragraphs, the overall total net budget for 2024/25, detailed in Appendix A, is confirmed as £13,292,600 which is £1,395,500 above the base budget for 2023/24. This includes a contribution from general fund reserves to balance the budget of £404,200.
- Although the situation with the cost of living crisis appears to have stabilised the overall economic position remains unclear going into the new financial year it is and it is anticipated that there will be no further support from central government to councils relating to this crisis.

THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25 AND GOVERNMENT CORE FUNDING SUPPORT

- The Local Government Finance Settlement was announced on 18 December 2023 and confirmed that it would again be a one-year settlement for 2024/25 with limited indications about funding for 2025/26.

17. The statement also announced there would be a 3% Funding Guarantee for Local Authorities. This grant along with the Services Grant and Revenue Support Grant is worth £507,200 to Fareham.
18. A further announcement was made on 24 January to increase the 3% Funding Guarantee to 4% which would mean a further £100,000 grant would be paid to Fareham.
19. In the Local Government Finance Settlement 2024/25 the referendum limits for local authorities were set out and council tax increases that exceed 2.99% would trigger a referendum. However, the government has also allowed shire districts to raise their council tax by the higher of 2.99% or a maximum of £5 when compared to the previous level, before a referendum is triggered.
20. As this settlement was for one year only there remains the details of the Fair Funding Review which has been delayed further until at least 2025/26. With the outcome of this review unclear, it is important that the Council continues to identify and secure cash-releasing efficiencies each year in order to maintain the high level of service currently provided and continue to achieve its corporate priority to minimise council tax increases.

SPENDING RESERVE

21. The spending reserve exists to cover unforeseen changes in revenue expenditure and is important to prudent financial management.
22. The current balance on the reserve stands at £5,901,800 which is £2,149,300 over the current policy of maintaining a minimum balance of 7.5% of Gross Expenditure.
23. However, as well as the requirement to use reserves to balance the budget for 2024/25, the Medium-Term Finance Strategy covers the period through to 2027/28 and is showing a projected shortfall of £1.9m in 2025/26 and a further shortfall in the final 2 years of the strategy. There are also some additional future pressures which have not yet been accounted for in the forecasts, and a current high level of international volatility which may affect future costs.
24. In light of this it would be prudent to increase the balance on the spending reserve to £5,003,400 (10% of gross revenue expenditure) for the period covered by the strategy. This would leave a balance of £898,400 which would be further reduced by the £404,200 required to balance the 2024/25 budget.
25. There also remains the unknown financial implications of the outcome of the Fair Funding Review which is due at the earliest in 2025/26, so any further use of all reserves must be carefully considered.

COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

26. The council tax base for 2024/25 is 44,188.90 Band D equivalent properties.
27. The net rates payable from National Non-Domestic Rates for 2024/25 (after Transitional arrangements, empty property rate, mandatory and discretionary reliefs) is £47,092,496.

COUNCIL TAX FOR 2024/25

28. With a net budget for 2024/25 of £13,292,600 and government funding of £5,079,839 along with a zero contribution from the collection fund, this will leave an amount due from council tax payers of £8,212,761. This is shown in the following table:

| | Base Budget 2023/24 | Base Budget 2024/25 | Variation |
|---|------------------------|------------------------|------------|
| | £ | £ | £ |
| Total Budget | 11,897,100 | 13,292,600 | 1,395,500 |
| Less: | | | |
| Government Funding and Retained Business Rates | -3,931,745 | -5,079,839 | -1,148,094 |
| Collection Fund deficit | 0 | 0 | 0 |
| Total due from Council Tax Payers | 7,965,355 | 8,212,761 | +247,406 |
| Council Tax base | 44,139.4 | 44,188.9 | |
| Council Tax (Band D) | £180.46 | £185.86 | |
| Cash Increase (per year) | + £5.24 | + £5.40 | |
| Percentage Increase (per year) | +2.99% | +2.99% | |

29. The proposed council tax increase is within government referendum limits.
30. The proposed council tax of £185.86 is for Band D properties only and the Fareham element of the council tax for all bands is shown in the table below:

| | 2023/24 | 2024/25 | Increase | Number of Dwellings |
|---------------|----------------|----------------|--------------|------------------------|
| Band A | £120.31 | £123.91 | £3.60 | 3,645 |
| Band B | £140.36 | £144.56 | £4.20 | 7,301 |
| Band C | £160.41 | £165.21 | £4.80 | 15,580 |
| Band D | £180.46 | £185.86 | £5.40 | 10,773 |
| Band E | £220.56 | £227.16 | £6.60 | 8,054 |
| Band F | £260.66 | £268.46 | £7.80 | 3,645 |
| Band G | £300.77 | £309.77 | £9.00 | 1,517 |
| Band H | £360.92 | £371.72 | £10.80 | 129 |

31. The overall income from taxpayers of £8,212,761 represents approximately 16% of the gross revenue budget for the council for 2024/25 of £52.9million.

ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)

32. Section 25 of the Local Government Act 2003 states that when the Council sets a budget for the forthcoming financial year, the CFO must report to the authority on the robustness of the budgets and the adequacy of the financial reserves.
33. The CFO is able to confirm that the Council's co-ordinated finance strategy allows the availability of resources to finance both capital and revenue expenditure to be considered at the same time. It provides the necessary flexibility to allow resources to be allocated to both capital and revenue and this has enabled the delivery of balanced budgets for both capital and revenue.
34. The CFO can also confirm the robustness of the approved budgets and therefore major variations in expenditure and income are not anticipated. However, a risk assessment has been carried out to highlight the impact of possible variations in the level of expenditure and income and by maintaining the spending reserve at a minimum of 10% of gross expenditure, resources should be in place to meet any variations that cannot be met from within the Council's overall budget.

COUNCIL TAX SUPPORT 2024/25

35. Legislation requires that Local Council Tax Support schemes are considered by Full Council on an annual basis even if no major changes are to be made. In previous years and following public consultation, the Council has agreed and implemented a scheme based on the following principles:
- Every working-age claimant should pay something towards their council tax
 - The amount of Council Tax Support to be capped to a Band C for those claimants living in larger properties
 - All non-dependents (such as adult sons or daughters living in the claimant's property) should pay something towards the household's council tax bill
 - Provide additional financial support to the most vulnerable claimants (such as those receiving a War Pension or who are severely disabled)
36. For 2024/25, it is proposed to retain these key principles and to administer an unchanged scheme.
37. There are currently 3,664 households in the borough receiving Council Tax Support. The caseload and expenditure for the current financial year can be seen below:

| | Number of claimants | Cost of Council Tax Support |
|---|---------------------|-----------------------------|
| Pension-age caseload | 1,763 | £2,024,805 |
| Working-age caseload (vulnerable group) | 1,141 | £1,389,057 |
| Working-age caseload (employed) | 92 | £46,626 |
| Working-age caseload (not employed*) | 668 | £585,392 |
| Total | 3,664 | £4,045,880 |

*In receipt of an out-of-work benefit such as Job Seekers Allowance, Income Support or Universal Credit

38. It is anticipated that an unchanged Council Tax Support scheme for 2024/25, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.

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

39. The Housing Benefit Regulations 2006 prescribe a standard weekly disregard of £10 from the incomes prescribed in the Housing Benefit (War Pensions Disregards) Regulations 2007. However, any residual balance from these incomes is included in the aggregated assessment of means in an applicant's entitlement, thereby affecting their total award.
40. The Social Security Administration Act 1992 (SSAA) entitles Local Authorities to locally design adjustments to the scheme to satisfy the needs of their community but with a percentage of the cost for such a scheme falling on the authorities' own finances.
41. The Council has operated a local scheme that disregards 100% of this income since the introduction of the SSAA and has copied this scheme design to its Local Council Tax Support Scheme upon its introduction in 2013. This ensures financial support for low-income households who are in receipt of a disablement or widow's/widower's pension payable as a consequence of service as members of the armed forces.
42. Subsidy arrangements mean that where a local amendment to the scheme is in operation, the local authority will only be compensated with 75% of any expenditure incurred up to a maximum of 0.2% of the total subsidy claimed in the relevant year.
43. In 2022-23, the full cost to the Council was £2,742 as £8,226 of the total expenditure of £10,968 was met through subsidy.
44. In exercising the function of administering the Housing Benefit scheme, local authorities are subject to external reporting on the efficacy of their processes and procedures. The Housing Benefit Assurance Process (HBAP) specifies the

requirement for the appointment of reporting accountants; theirs and the local authorities' responsibilities; and the potential consequences arising from the HBAP report.

45. Ernst & Young were appointed as the Council's reporting accountant in August 2022 and gave guidance at that time as to what evidential requirements we would need to adhere to in order to satisfy the HBAP Audit guidelines.
46. The need to have a resolution in respect of a local scheme was identified as a matter for attention. Prior to this, the Benefits Service had relied upon the resolution made at the original lying down of legislation and had not reviewed or renewed the scheme formally in some considerable time.
47. However, the financial impact of the scheme is routinely taken into account when preparing financial estimates for the Benefits Service, as it is built into the Housing Benefit subsidy regime. It therefore forms part of the financial planning for the service and formulating the scheme now will not make any additional financial demand on the Council.
48. The latest estimate was produced in August 2023 and indicates that from a total spend of £13,338, £10,004 will be subsidised, with the total cost to the Council being £3,334.

ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT

49. The subject matter of this report is not anticipated to have an impact on the Council's carbon footprint, nor is it expected to have a detrimental or beneficial impact to the wider environment.

LEGAL CONSIDERATIONS

50. Members have a legal duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. This duty includes consideration of future local taxpayers as well as current local taxpayers.
51. The Council has a duty under the Local Government Finance Act 1992 to consult about proposals for expenditure and set a balanced budget. The consultation process is currently underway, and an update will be provided to members at the February meeting of the Council.
52. Failure to set a lawful Council Tax could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a council tax. Information must be published and included in the council tax demand notice, in a form that complies with the regulations made by the Secretary of State.
53. Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
54. The Assurance Statement from the Chief Finance Officer is included in the report in accordance with Section 25 of the Local Government Act 2003.

RISK ASSESSMENT

55. While all spending plans can be met from within existing resources, including use of reserves, growing financial pressures increase the risk that spending plans exceed desirable levels.
56. With the Fair Funding review being delayed until at least the 2025/26 financial year the future funding support for Fareham remains uncertain. Any changes as a result of the review and the Business Rate Reset are very likely to affect the Council's finances and it remains an important part of the overall Medium Term Finance Strategy to retain sufficient balances to cater for the unexpected in these uncertain times.
57. The council will continue to explore opportunities to increase income sources for the Council as well as review other opportunity plans in order that balanced budgets can be made in future years.

CONCLUSION

58. In making a recommendation to Council on the council tax for 2024/25, the Executive has evaluated the Council's overall financial position in relation to existing commitments, the level of resources (including reserves) and the projected financial position in the future; not just the overall budget position for next year.

Enquiries:

For further information on this report please contact Neil Wood on 01329 824506

ACTUAL REVENUE BUDGET

| | Budget 2023/24 £ | Revised 2023/24 £ | Budget 2024/25 £ |
|--|---------------------------------|----------------------------------|---------------------------------|
| Committees | | | |
| Licensing and Regulatory Affairs | 540,400 | 495,700 | 699,100 |
| Planning | 694,300 | 580,400 | 578,100 |
| Executive - Portfolio Budgets | | | |
| - Leisure and Community | -38,600 | -260,400 | 148,600 |
| - Housing | 2,270,800 | 3,394,800 | 3,435,900 |
| - Planning and Development | 1,246,100 | 1,209,000 | 1,221,200 |
| - Policy and Resources | 541,800 | -220,100 | -958,900 |
| - Health and Public Protection | 765,800 | 352,600 | 373,500 |
| - Streetscene | 5,592,200 | 6,174,000 | 6,706,800 |
| Accounting Adjustments in Service Portfolios | 4,101,900 | 3,492,800 | 3,891,400 |
| SERVICE BUDGETS | 15,714,700 | 15,218,800 | 16,095,700 |
| Capital Charges | -4,320,000 | -4,094,400 | -4,094,400 |
| Direct Revenue Funding | 1,125,000 | 1,125,000 | 1,125,000 |
| Minimum Revenue Position | 1,490,900 | 1,545,700 | 1,756,700 |
| Interest on Balances | -612,000 | -430,200 | -468,400 |
| Portchester Crematorium Contribution | -80,000 | -100,000 | -100,000 |
| New Homes Bonus | -17,900 | -17,900 | -65,200 |
| Contribution from Earmarked Reserves | -1,002,700 | -929,700 | -552,600 |
| Contribution to(+)/from(-) General Reserves | -400,900 | 58,800 | -404,200 |
| OTHER BUDGETS | -3,817,600 | -2,842,700 | -2,803,100 |
| NET BUDGET | 11,897,100 | 12,376,100 | 13,292,600 |

| | Budget 2023/24 £ | Revised 2023/24 £ | Budget 2024/25 £ |
|---|---------------------------------|----------------------------------|---------------------------------|
| NET BUDGET | 11,897,100 | 12,376,100 | 13,292,600 |
| CORE FUNDING | | | |
| Government Grant | 340,000 | 440,000 | 607,200 |
| Non-Domestic Rates | 3,591,745 | 3,970,745 | 4,472,639 |
| | <u>3,931,745</u> | <u>4,410,745</u> | <u>5,079,839</u> |
| COLLECTION FUND BALANCE | 0 | 0 | 0 |
| AMOUNT DUE FROM COUNCIL TAX PAYERS | 7,965,355 | 7,965,355 | 8,212,761 |
| COUNCIL TAX BASE | 44,139.4 | | 44,188.9 |
| COUNCIL TAX PER BAND D PROPERTY | £180.46 | | £185.86 |
| CASH INCREASE | £5.24 | | £5.40 |
| PERCENTAGE INCREASE | 2.99% | | 2.99% |