

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 13 February 2025

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Updated Budgets and Council Tax 2025-26</b>
<b>Report of:</b>	Assistant Director (Finance and ICT)
<b>Corporate Priorities:</b>	All Corporate priorities apply

#### **Purpose:**

This report seeks final confirmation of the recommendations to be made to Council, on 14 February 2025, in respect of the revenue budget, capital programme and council tax for 2025/26.

#### **Executive summary:**

On 13 January 2025, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the revenue budgets and the council tax for 2025/26. This report updates the Council's budgets to reflect the decisions taken and other known changes since 13 January 2025, including the provisional local government finance settlement.

The capital programme for the years 2024/25 to 2028/29 will be £37,004,800 and has increased by £1,838,000 since the previous report. There are sufficient resources projected to be available to fund the programme.

The net revenue budget for 2025/26 will be £15,050,100. With core funding estimated to be £5,819,957 no payment from the collection fund and other income sources and use of reserves totalling £693,500, this leaves the total amount due from the council taxpayers to be £8,536,643.

This level of council tax for 2025/26 equates to £191.42 per Band D property. This represents an increase of £5.56 per year from the council tax set for 2024/25 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 14<sup>th</sup> February 2025:

- (a) the capital programme and financing of £37,004,800;
- (b) an overall revised net revenue budget for 2024/25 of £14,369,200;
- (c) a net revenue budget for 2025/26 of £15,050,100;
- (d) a council tax for Fareham Borough Council for 2025/26 of £191.42 per band D property, which represents a £5.56 increase when compared to the current year and is within referendum limits;
- (e) an unchanged Council Tax Support scheme for 2025/26; 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 Full Council to approve the Council Tax for 2025/26.

**Cost of proposals:**

Not applicable

**Appendices:**                    **A: Top Level Summary – Original and Updated Base Budget for 2025/26**

**Background papers:**   **None**

**Reference papers:**

Report to the Executive – 13 January 2025 - General Fund Fees and Charges Report

Report to the Executive – 13 January 2025 – Capital Programme and Capital Strategy 2025-26 Report

Report to the Executive – 13 January 2025 – General Fund Revenue Budgets and Finance Strategy 2025-26

Report to the Executive – 13 January 2025 – Capital Investment at Solent Airport

Report to the Executive – 13 January 2025 – Trade Waste Services 2025 - 2028

Report to the Executive - 13 February 2025 Fareham Town Centre Regeneration Strategy

Draft Statutory Instrument: The Town and County Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) (Amendment and Transitional Provision) Regulations 2025

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## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	13 February 2025
<b>Subject:</b>	Updated Budgets & Council Tax 2025/26
<b>Briefing by:</b>	Assistant Director (Finance & ICT)
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. On 13 January 2025 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
  - The five year Capital Programme for 2024/25 to 2028/29 (separate report);
  - The revised revenue budget for 2024/25;
  - Fees and charges for 2025/26 (separate report);
  - The revenue budget for 2025/26; and
  - The council tax for 2025/26.
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 known changes that have arisen since.

#### THE CAPITAL PROGRAMME 2024/25 TO 2028/29

3. The General Fund capital programme for the period 2024/25 to 2028/29 was reported to the January Executive as part of the Capital Strategy Report and totalled £35,166,800.
4. At the January Executive, additional capital budgets were approved for PVC Aeroplane Storage Units at Solent Airport and new trade food waste bins. New schemes relating to Town Centre Regeneration and Fareham Shopping Centre Asset Management Initiatives presented to the Executive at the same meeting as this report in February have also been included.
5. The updated programme is shown in the following table:

	<b>Original Programme £000s</b>	<b>Updated Programme £000s</b>
Streetscene	3,673	3,707
Leisure and Community	9,573	9,573
Housing	4,321	4,321
Planning and Development	323	323
Policy and Resources	17,277	19,081
<b>TOTAL</b>	<b>35,167</b>	<b>37,005</b>

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

	<b>£000s</b>
Capital Receipts	4,403
Grants and Contributions	19,705
Capital Reserves	4,754
Revenue	5,536
Borrowing	2,607
<b>TOTAL</b>	<b>37,005</b>

7. The programme and projected resources indicate that, by 31 March 2029, there could be a surplus of capital resources of £6.7 million, which represents a contingency of 18% on the overall capital programme.
8. Importantly, the surplus assumes an estimate of future capital receipts and grants as well as continued revenue contributions towards capital investment, totalling £20 million. In the event that these resources do not materialise, the programme will become partly unfunded.

## **REVISED BUDGET 2024/25**

9. In January, the Executive considered in detail the revised net budget for 2024/25, totalling £14,410,200.
10. The updated revised budget now totals £14,369,200 as there has been an addition to the budget of £15,000 for Winter Fuel payments and movements from 2024/25 to 2025/26 of £56,000 for Town Centre Regeneration projects.
11. Overall changes to the revised budget show a better forecast position and instead of having to draw £404,200 from reserves to balance the budget, the figure has reduced to a drawdown of £285,700.

## **SERVICE BUDGETS 2025/26**

12. The table below shows the service budgets resulting from the report that was submitted to the Executive on 13 January 2025, and an updated budget for decisions taken and other known changes since which are detailed further below.
- **January Executive:** There were no specific changes requested following the January 2025 General Fund Revenue Budgets and Finance Strategy 2025/6 report.

- **Town Centre Regeneration:** A report is being presented to the same Committee meeting for proposals relating to the Town Centre. The revenue implications of these proposals (£311,000) are included in the updated budget for the Policy and Resources Portfolio.
- **Local Tax Collection:** There has been a small amendment to this budget of £9,000 to reflect some capital charges which is included in the updated budget for the Policy and Resources Portfolio.
- **Planning Fees:** Since the January Executive meeting the Government have confirmed that Planning Fees will increase from 1 April 2025 which will see an increase of approximately £100,000 in the income received from that service. The budget for the Planning Committee has been amended to reflect the new position on fees.

	<b>2025/26 Original Base Budget (£)</b>	<b>2025/26 Updated Base Budget (£)</b>
<b>Non- Executive Committees</b>		
Licensing and Regulatory Affairs	619,900	619,900
Planning	800,600	700,600
<b>Executive Committee</b>		
Health and Public Protection	471,700	471,700
Housing	1,928,800	1,928,800
Leisure and Community	-85,200	-85,200
Planning and Development	1,010,000	1,010,000
Policy and Resources	-541,800	-221,800
Streetscene	6,935,100	6,935,100
<b>NET SERVICE EXPENDITURE</b>	<b>11,139,100</b>	<b>11,359,100</b>

13. Overall the Net Service Expenditure is budgeted to be more than estimated in January by £220,000.

#### **OTHER EXPENDITURE 2025/26**

14. There have been no changes to the Other Expenditure budgets since the January report. The “Other Budgets” total will therefore remain at £3,700,000.

#### **FUNDING SOURCES**

15. The provisional Local Government Finance Settlement was announced on 18 December 2024 and confirmed that it would again be a one-year settlement for 2025/26. This was updated in the Final Settlement on 3 February 2025. There was an indication that the Government then wishes to move to multi-year settlements and it has started a consultation on proposed funding reforms for 2026/27 onwards.

16. The implications of the provisional Local Government Finance Settlement for this Council are:
- **Recovery Grant** – The government have removed a number of grants, including the Service Grant (worth £13,500 to FBC in 2024/25) and reduced the Funding Floor/Guarantee (loss of £276,000 to FBC compared to 2024/25). These reductions have been used to fund the new Recovery Grant payments. However, few District Councils will receive a Recovery Grant and FBC is not one of them.
  - **Revenue Support Grant (RSG)**– The total RSG distribution has been higher than expected (worth an additional £31,000 to FBC).
  - **New Homes Bonus (NHB)** – It has been confirmed that there will be another year of NHB payments. The provisional estimate for FBC is higher than in the January budget by £22,000.
  - **National Insurance Contribution (NIC) Funding** – The Government have confirmed that they will be distributing a funding pot to Councils to compensate for the increased cost of NIC in 2025/26. This Councils share of this pot is estimated to be approximately £155,000 which will fund about 49% of the increased direct costs. No funding had been included in the January budget figures.
17. The overall position is an improvement in the Council's funding position by an amount of £215,100 which means that there is no need to draw from reserves to fund the budget for 2025/26.

## **THE OVERALL BUDGET POSITION FOR 2025/26**

18. The updated budget position, taking account of the information referred to in the preceding paragraphs, is summarised in Appendix A. The overall total net budget for 2025/26 is confirmed as £15,050,100 which is £211,000 above the base budget for 2024/25. The increase in funding detailed in paragraph 17 means there is no requirement for a contribution from general fund reserves to balance the budget. This has reduced from the original estimate of a £62,600 contribution from reserves.
19. Although the overall economic situation appears to have stabilised recently the overall position for councils remains unclear going into the new financial year and the impact of changes announced in the Autumn Statement are yet to be felt by the economy in general.

## **RESERVES**

20. The Council maintains a spending reserve to cover unforeseen changes in revenue expenditure and is important to prudent financial management.
21. The current balance on the reserve stands at £4,498,711 which is £298,711 over the current policy of maintaining a minimum balance of 7.5% of Gross Expenditure.

22. The Council will continue to use the unallocated general reserves to balance the budget for 2024/25 and 2025/26. However, the projections in the Medium-Term Finance Strategy through to 2028/29 are showing a projected shortfall of £1.2m in 2026/27 and a further shortfall in the final 2 years of the strategy. These cannot be met from unallocated general reserves, even if the spending reserve were reduced to the minimum of 5% of Gross Expenditure, and Council Tax increases are maintained.
23. 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. Therefore, there is still a need to protect the Council's reserves above the spending reserve provision and delay future funding gaps.

## COUNCIL TAX FOR 2025/26

25. In the provisional Local Government Finance Settlement 2025/26 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 again 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.
26. The council tax base for 2025/26 is estimated to be 44,596.40 Band D equivalent properties.
27. The overall net budget for 2025/26 is £15,050,100. There will be government funding of £5,819,957 along with other funding sources such as interest receipts and use of reserves totalling £693,500 and a zero contribution from the collection fund. This will leave an amount due from council tax payers of £8,536,643. This is shown in the following table:

	<b>Base Budget 2024/25</b>	<b>Base Budget 2025/26</b>	<b>Variation</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Total Net Budget</b>	<b>14,883,000</b>	<b>15,050,100</b>	167,100
Less:			
Government Funding and Retained Business Rates	-5,145,039	-5,819,957	-674,918
Other funding and Use of Reserves	-1,525,200	-693,500	831,700
Collection Fund deficit	0	0	0
<b>Total due from Council Tax Payers</b>	<b>8,212,761</b>	<b>8,536,643</b>	+323,882
Council Tax base	44,188.9	44,596.4	
Council Tax (Band D)	£185.86	£191.42	
Cash Increase (per year)	+ £5.40	+ £5.56	
Percentage Increase (per year)	+2.99%	+2.99%	



28. The proposed council tax increase is within government referendum limits.
29. The proposed council tax of £191.42 is for Band D properties only and the Fareham element of the council tax for all bands is shown in the table below:

	2024/25	2025/26	Increase	Number of Dwellings
Band A	£123.91	£127.61	£3.70	3,628
Band B	£144.56	£148.88	£4.32	7,380
Band C	£165.21	£170.15	£4.94	15,698
<b>Band D</b>	<b>£185.86</b>	<b>£191.42</b>	<b>£5.56</b>	<b>10,868</b>
Band E	£227.16	£233.96	£6.80	8,126
Band F	£268.46	£276.50	£8.04	3,703
Band G	£309.77	£319.03	£9.26	1,528
Band H	£371.72	£382.84	£11.12	136

30. The overall income from taxpayers of £8,536,643 represents approximately 15% of the gross revenue budget for the council for 2025/26 of £57.4million.

### **ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)**

31. 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.
32. 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.
33. The CFO can also confirm the robustness of the approved budgets and therefore major variations in expenditure and income are not anticipated. However, a risk assessment has been carried out to highlight the impact of possible variations in the level of expenditure and income and by maintaining the spending reserve at a minimum of 5% of gross expenditure, resources should be in place to meet any variations that cannot be met from within the Council's overall budget.

## COUNCIL TAX SUPPORT 2025/26

34. 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)

35. For 2025/26, it is proposed to retain these key principles and to administer an unchanged scheme.

36. There are currently 3,629 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	1,728	£2,061,938
Working-age caseload (vulnerable group)	1,230	£1,608,396
Working-age caseload (employed)	46	£21,602
Working-age caseload (not employed*)	625	£576,907
<b>Total</b>	<b>3,629</b>	<b>£4,268,843</b>

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

37. It is anticipated that an unchanged Council Tax Support scheme for 2025/26, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.

38. However, work will continue in 2025/26 to benchmark the support scheme with neighbouring authorities and to explore the implications of changing the nature of the scheme. For example consideration is being given to whether moving to a banded scheme will require a reduced resource to deliver and therefore potential savings for the Opportunities Plan, with limited impact to claimants.

## **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 2023-24, the full cost to the Council was £3,613 as £10,840 of the total expenditure of £14,453 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 2024 and indicates that from a total spend of £13,903, £10,427 will be subsidised, with the total cost to the Council being £3,476.

## **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 2026/27 financial year the future funding support for Fareham remains uncertain. However, indications are that the review and the Business Rate Reset also expected in 2026/27 are very likely to affect the Council's future 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 continue to be made in future years.
58. In addition, the Government is currently consulting on the proposal to remove the Pooling Fund Statutory Override on 1 April 2025. This could result in a cost to the General Fund of up to £1million in 2025/26. Allocated reserves of £0.5million have

been put aside to help mitigate this risk. However, any additional shortfall, will need to be met from unallocated reserves, reducing their availability for future year budget gaps.

## **CONCLUSION**

59. In making a recommendation to Council on the council tax for 2025/26, 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

## Appendix A - Top Level Summary – Original and Updated Base Budget for 2025/26

	Original Base Budget 2025/26 £	Updated Base Budget 2025/26 £	Variation Base to base £
<b>REVENUE BUDGETS</b>			
<b>Service Subjective Expenditure</b>			
Employees	14,504,700	14,614,700	110,000
Premises-Related Expenditure	5,043,300	5,043,300	0
Supplies and Services	7,610,623	7,811,600	200,977
Third Party Payments	3,310,500	3,310,500	0
Transfer Payments	13,586,800	13,586,800	0
Transport Payments	1,708,300	1,708,300	0
Support Services	3,442,500	3,442,500	0
<b>Gross Service Expenditure</b>	<b>49,206,723</b>	<b>49,517,700</b>	<b>310,977</b>
Service specific Government Grants	-14,597,723	-14,597,700	23
Service specific other Grants & Reimbursements	-3,770,600	-3,770,600	0
Sales, Fees and Charges	-10,260,200	-10,360,200	-100,000
Rents	-9,139,000	-9,139,000	0
Recharges to other accounts	-300,100	-300,100	0
<b>Gross Service Income</b>	<b>-38,067,623</b>	<b>-38,167,600</b>	<b>-99,977</b>
<b>Net Service Expenditure</b>	<b>11,139,100</b>	<b>11,350,100</b>	<b>211,000</b>
<b>Other Expenditure</b>			
Service accounting adjustments	4,845,700	4,845,700	0
Non-service specific budgets	-4,243,100	-4,243,100	0
Minimum Revenue Provision	1,747,400	1,747,400	0
Revenue contribution to capital	1,350,000	1,350,000	0
<b>Total Other Expenditure</b>	<b>3,700,000</b>	<b>3,700,000</b>	<b>0</b>
<b>NET REVENUE EXPENDITURE</b>	<b>14,839,100</b>	<b>15,050,100</b>	<b>211,000</b>
<b>FUNDING SOURCES</b>			
General Government Grants	-368,400	-585,900	-217,500
Extended Producer Responsibility Payment (pEPR)	-704,000	-704,000	0
Retained Business Rates and S31 grants	-4,530,081	-4,530,057	24
Return on Financial Investments	-357,300	-357,300	0
Other Funding Sources	0	0	0
Use of ear marked reserves	-209,800	-240,800	-31,000
Use of allocated general reserves	-70,400	-95,400	-25,000
Draft Council Tax Proposal	-8,536,519	-8,536,643	-124
<b>Total Funding Available</b>	<b>-14,776,500</b>	<b>-15,050,100</b>	<b>-273,600</b>
<b>Transfer from (-) or to (+) unallocated general reserves</b>	<b>-62,600</b>	<b>0</b>	<b>62,600</b>