

<b>Name of Committees:</b>	Cabinet Full Council		
<b>Committee Date:</b>	14 <sup>th</sup> February 2024 28 <sup>th</sup> February 2024		
<b>Report Title:</b>	Havant Borough Council Budget 2024/25		
<b>Responsible Officer:</b>	Steven Pink – Chief Finance Officer & S151 Officer		
<b>Cabinet Lead:</b>	Councillor Bowdell – Cabinet Lead for Finance		
<b>Status:</b>	Non-Exempt		
<b>Urgent Decision:</b>	Yes / No	<b>Key Decision:</b>	Yes/ No
<b>Appendices:</b>	Appendix A – Revenue Budget 2024/25 Appendix B – Medium Term Financial Plan 2024/25 to 2028/29 Appendix C – Capital Strategy Appendix D – Capital Programme 2024/25 to 2028/29 Appendix E – Council Reserves Appendix F – Treasury Management Strategy Appendix G – Investment Strategy Appendix H – Fees and Charges 2024/25 Appendix I – Council Tax Resolution 2024/25 Appendix J – Business Rates 2024/25 Appendix K – Statement of Robustness		
<b>Background Papers:</b>	None		
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## Corporate Priorities:

The financial performance of the authority's budget has an overarching impact on all corporate priorities and the Council's ability to deliver against them. Ensuring the Council has a balanced budget is not only a legal requirement, but also vital to allow the Council to deliver against its corporate priorities without putting the financial viability of the Council at risk.

The approval of the capital programme by Full Council is required to ensure it is also able to deliver against the corporate priorities whilst remaining affordable, transparent and in understanding of any financial exposure risks.

The Medium-Term Financial Plan assesses the financial health of the Council over the next five years, identifying any areas for concern and allowing appropriate plans to be put in place in good time. This needs to be calculated with strong consideration to all current corporate priorities and may shape any changes to those priorities in the coming years.

## Executive Summary:

Given the current economic and financial climate, it is a positive position that the Council is able to set a balanced budget for the forthcoming financial year 2024/25. Salary increases and general inflation are both exceeding the available additional funding at a time when demand led pressures, such as temporary accommodation and homelessness, are also on the rise. Furthermore, with the recommended approach, the Council is able to balance the budget without the use of reserves, protecting these resources for specific, planned projects over the coming years.

The net cash limited revenue budget for 2024/25 is £18,015,000, an increase of 7% on the current year.

To achieve this, the following recommendations and assumptions have been made:

- To increase council tax in line with the maximum allowable rise without triggering a referendum (2.99%)
- Retained business rate are increased equivalent to a 6.7% rise in tariff (in line with September 2023 CPI)
- Fees and charges are to be increased by 6.7% (in line with September 2023 CPI) unless a specific review of individual charges has recommended an alternative rate.
- Treasury investment income is assumed in line with forecast market data from independent industry specialists.
- To remove approximately half of the Council's current vacancies upon an in-year review or resource requirements. (This will have no impact on current service levels).

The Medium-Term Financial Plan forecasts a base budget deficit of £2m by the end of the five-year period. This is based on known data and best estimates. The Council will be launching a savings and efficiency programme in the new financial year to close the forecast budget gap within the lifespan of the plan.

The Capital Programme aims to deliver up to £69m worth of projects over the next five years. These include renovating existing assets, providing new community facilities through to major infrastructure projects. Funding for each project varies based on its specific circumstances but could include external grants, Community Infrastructure Levy funding, capital receipts, borrowing or general reserves.

**Recommendations:**

Cabinet recommends to Council that Council:

- i. Agrees the proposed Revenue and Capital budgets for 2024-25 including a Council Tax rate of £232.82 at Band D, representing a £6.76 increase on the current charge.
- ii. Agrees the proposed Medium Term Financial Strategy, Capital Strategy, Treasury Management Strategy and Prudential Indicators.
- iii. Agrees the Fees & Charges schedule for 2024-25.
- iv. Agrees the Council Tax Resolution.
- v. Approve the drawdown of up to £500,000 from the ringfenced Leisure Contingency Reserve to be used to secure the main leisure facilities in Havant Town and Waterlooville.
- vi. Delegate authority to the Chief Executive Officer, in conjunction with the Section 151 Officer to agree terms with Horizon Leisure Trust in line with the approved drawdown.
- vii. Approves the application of a Council Tax premium of 100% for all dwellings which are unoccupied but substantially furnished (second homes) with effect from 1st April 2025.

## 1.0 Introduction

- 1.1 Following a thorough process of challenge and review, and considering all known financial pressures and opportunities, the Council is presented with the following proposals for its revenue budget, medium-term financial plan, capital strategy and capital programme, treasury management strategy, fee and charges and Council Tax resolution.

## 2.0 Background

- 2.1 It is a legal requirement for the Council to set a “Balanced Budget”. Each year, the Council faces a number of changes to our available funding, service requirements and cost inflation. Given the general rate of inflation, this has put significant pressure on the Council’s budget in the past few years.

## 3.0 National Developments and Economic Environment

- 3.1 As well as the Council’s direct funding and cost pressures, there are a number of wider economic pressures that impact the Council’s budget, even if not directly.
- 3.2 The ongoing conflicts in Ukraine and the Middle East have had many impacts including reducing the available funding the Treasury has to support Local Government, driving up inflation and the cost of goods and increasing the numbers of asylum seekers (nationally).
- 3.3 The increasing Bank of England base rate can be seen as a positive and a negative. It improves the performance of our treasury investments (of which the Council has relatively high levels), increases the cost of borrowing (of which the Council has very little) but also makes residents borrowing harder. This impacts the amount of planning applications we see.
- 3.4 The general “Cost of Living Crisis” has also seen significant increase in the number of residents presenting as homeless and has become one of the Council’s biggest cost pressures in 2023/24.
- 3.5 The Council is still facing some financial impacts of the change process from exiting the partnership agreement and establishing ourselves as a stand-alone authority. The majority of these issues have been resolved but there is still some cost lag and some legacy issues that can have budgetary impact.

## 4.0 Relationship to the Corporate Strategy

- 4.1 Without a balance budget and agreed capital programme, the Council would not be able to deliver very much of its corporate strategy and would be restricted to statutory functions.
- 4.2 Ensuring that key projects that support the corporate strategy have approved funding (whether revenue or capital) is essential to ensuring the achievement of their objectives.
- 4.3 Our Corporate Strategy, adopted in February 2023, outlines three themes of wellbeing, pride in place and growth, these themes seek to improve the health of our communities, protect our natural environment and build for the future. Underpinning our Corporate Strategy we have identified 16 corporate priorities that we are taking forward for delivery which our budget supports.

### Wellbeing

- Purchase of temporary accommodation to provide support to those who are at risk of homelessness as well as providing additional funding to Citizens Advice to support those with housing pressures.
- Delivery of the Local Authority Housing Fund which will help secure longer-term accommodation for refugees living in the borough.
- Continued investment in our play park refurbishment programme with three play parks due for refurbishment over the coming 18 months (Avenue Road, Hayling, Scratchface Lane and Cowplain Recreation Ground).
- Providing funds to support the Waterlooville Leisure Centre development.

### Pride in Place

- Continued delivery of our coastal protection and management projects including the Langstone Flood and Coastal Erosion.
- Development and delivery of our Local Plan to ensure sustainable development in the borough.
- Funds to support delivery of deployable and static CCTV cameras around the borough.
- Additional funding to help with our climate initiatives.

- Implementing our new prevention and enforcement service focusing on triage and early intervention to improve the quality of place across the borough.

## **Growth**

- Delivery of the Waterlooville Masterplan to identify key areas of growth, future development and identify improvements to the local economy and town centre.
- Progression of the Bulbeck Road car park demolition to help regenerate Havant town centre.
- Implementation of a programme of Civil Engineering projects to improve active travel routes, such as new or improved cycle routes around the borough.
- Continuation of the grant scheme for vacant shops in Waterlooville and Leigh Park to reduce the high shop vacancy rate in those areas Commitment to continue our regeneration plans across the borough.

## **5.0 The Annual Budget Process**

- 5.1 The annual budget setting process began on 1<sup>st</sup> September 2023. This gave the Council four clear months to run the financial and service impact assessments to be able to understand the challenges and find solutions.
- 5.2 The first part is to understand the available funding to the Council. This is primarily made up of Council Tax receipts, Retained Business Rates, Non-ringfenced Government grants and Investment income.
- 5.3 The final funding figures could not be agreed until the Government announced the financial “settlement”, which was publicised just before Christmas.
- 5.4 The Business Partnering Team have worked with Cabinet Leads (portfolio holders), Executive Heads and senior Service Managers to identify each service’s known and emerging costs pressures, what income or savings opportunities they have, what new opportunities or service gaps they might need/wish to fund and what their capital bids are.
- 5.5 The process focuses the Council’s spend in different ways, such as:
  - Which of our services are statutory or discretionary,
  - What are the interdependencies between services,

- Is a bid for additional funding (or capital expenditure) an investment to save costs elsewhere in the budget,
  - How much influence do we have over the budget's performance (such as can we change the cost drivers or is it reactive to external pressures)'
  - Is the cost/service "demand led" such as temporary housing.
- 5.6 Known and expected cost pressures are identified, service changes are financially evaluated and revenue and capital bids are submitted to the finance department for assessment. They are then scrutinised and challenged for accuracy and appropriateness before the first draft submission is shared with the Executive Leadership Team and the Cabinet.
- 5.7 Specific budget workshops are then held to work out priorities and to understand the collective financial position and pressure. If any budget gap is identified then a range of solutions will be drawn up and corrective plans worked through with key stakeholders.
- 5.8 The budget then goes through a series of committees before being presented to Full Council with a range of recommendations for approval.

## **6.0 Revenue Budget**

- 6.1 After the Local Government financial settlement, it can be assumed that the available cash funding for the proposed 2024/25 revenue budget is £18.02m.
- 6.2 This figure is made up of £5.36m in retained business rates, £9.9m in Council tax receipts £1.1m in un-ringfenced government grants and £1.66m in investment income. There are further specific grants budgeted, and there is income from fees and charges, but these form part of the "net cash" limit and not the funding available.
- 6.3 The funding figures include an assumption that Council tax will be increased by 2.99%, that Business Rates retained will be equivalent to an increase of 6.7% in line with September 2023 CPI.
- 6.4 The initial "draft submission" returned a budget gap of £1.39m. However, there was significant scope to amend before the final budget for approval. Some costs were identified as known pressures that were not concrete enough to include in the budget at this stage, no increase had been included for fee and charges and there was a significant number of vacancies included in the budget.
- 6.5 Further work was done on vacancies and it was identified that of £1.25m of vacancies, ~£750k we not currently being covered by other means. These remaining vacancies could be targeted with no reduction in current service levels.

6.6 The proposal put forward was to increase the fees and charges in line with September 2023 CPI inflation (6.7%). Once any appropriate pressures had been moved to in-year pressures, that left a budget gap of ~£350k. Options to close this gap have been identified as:

- Remove unused vacancies (up to £750k available)
- Raise fees and charges above 6.7% inflation.
- Delay the capital programme to generate more investment income from treasury management.
- Amend our Treasury Management Strategy to explore higher risk/higher reward investments.
- Make cuts to discretionary services.
- Explore additional commercial income opportunities.
- Use the Council's revenue reserves.

6.7 The proposed budget includes the removal of unused vacancies. This option is the safest way to ensure the budget is balanced, carrying the minimum risks. All other options either directly impact current or planned services or place the Council's risk level above its current risk appetite. It is also worth noting that the removal of these vacancies should have no impact on maintaining current levels of services delivery and there will be scope to fill some of these posts (approximately 30-50% after an appropriate scrutiny process) to improve service delivery above current levels.

6.8 Further detail can be found in Appendix A

## **7.0 Medium-Term Financial Plan 2024/25 to 2028/29**

7.1 The Medium-Term Financial Plan (MTFP), or otherwise referred to as the Medium-Term Financial Strategy (MTFS), sets out the anticipated financial performance, pressures and opportunities of the Council over the next five years.

7.2 The MTFP is informed by analysis of the Local Government Financial Settlement, known funding guarantees and/or pressures, known and anticipated cost pressures, known and/or planned service changes and market and economic data.

7.3 The MTFP for the five-year period 2024/25 to 2028/29 is forecasting a base budget deficit growing to £2m by the 2028/29 financial year. The accumulative cash deficit over the five-year period is £5.2m. This would use up half of the Council's current revenue reserves.



- 7.4 It should be noted that the funding figures assume the cessation of some grant funding such as the New Homes Bonus (£0.5m per annum) from 2025/26. If the Council still received this (or the financial equivalent) from central government, then the base budget deficit would be £1.5m and the accumulated five-year deficit £3.2m.
- 7.5 Growth in Council Tax is based on the application of the maximum increase allowed without triggering a referendum (2.99% or £5 per week on the Band D equivalent, whichever the higher) and includes allowances for both housing growth, council tax reliefs and reasonable rates of recovery.
- 7.6 Business rate growth has been set based on the announcement of a levy increase equivalent to September 2023 CPI (6.7%) and any known exceptional change to the current cohort of businesses charged.
- 7.7 Investment income allows for an anticipated reduction in interest rates and for a reduction in available cash to invest as the Council uses some of its cash balances to deliver the capital programme.
- 7.8 Given the risk over the future funding deficit, and the projected drop in revenue reserves, the Council proposes to launch a savings and efficiency programme in 2024/25 with the aim of redesigning services in such a way that delivers both the Council's statutory requirements and corporate priorities within the available financial envelope. This will also present an opportunity to further modernise services and improve value for money.
- 7.9 Further detail can be found in Appendix B.

## **8.0 Capital Strategy**

- 8.1 The Capital Strategy is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources and Asset Management Plans. The strategy reflects the links to other Council plans, in particular the Regeneration Strategy as well as the Medium-Term Financial Strategy (MTFS). The Capital Strategy is written following guidance included in the Prudential Code (2018) and is required to be approved by Full Council.
- 8.2 The objectives of the Capital Strategy are to:
- Provide an overview of the governance process for approval and monitoring of capital expenditure.
  - Provide a longer-term view of capital expenditure plans.

- Provide an overview of asset management planning.
  - Provide expectations around debt and use of internal borrowing to support capital expenditure.
  - Define the authority's approach to commercial activities including due diligence and risk appetite.
  - Defines the available knowledge and skills to the authority in relation to capital investment activities.
- 8.3 For the year ended 31 March 2023 the Council Asset Portfolio consisted of £36.6m of Investment Property, £63.3m of Property, Plant & Equipment and £8k of Assets under construction.
- 8.4 Further detail can be found in Appendix C.

## **9.0 Capital Programme 2024/25 to 2028/29**

- 9.1 The Capital Programme aims to set out the planned capital expenditure and projects to be delivered over the next 5-year period. It includes any existing "live" projects that are carried over from the prior year's capital programme (along with any agreed funding) and any new approved projects submitted through the capital bidding processes.
- 9.2 The total value of the capital programme will deliver £69m worth of projects and/or new assets over the life of the programme.
- 9.3 The capital programme is funded from existing and assumed future capital resources. These include:
- Capital receipts.
  - Section 106 Fund.
  - Community Infrastructure Levy (CIL) funds (both Strategic and Neighbourhood CIL).
  - Capital Grants.
  - Borrowing.
- 9.4 Each of these funding source has either specific conditions (such as grant conditions) or restrictions on how they can be spent. Some capital projects will be able to access certain funding that others won't. The proposal considers all these funding complexities to piece together the final programme and ensure it is affordable.

- 9.5 It is also worth noting that some projects require funding cover rather than final commitment. In these instances, further grant funding or contributions are being sought, and the figure in the budget is the safe level required to underwrite the project only if other funds are not secured.
- 9.6 Further detail can be found in Appendix D.

## 10.0 Council Reserves

- 10.1 The Council holds a number of financial reserves, both revenue and capital. Some of these are earmarked reserves and some have conditions attached. There is also a general fund balance which is not earmarked is where any general underspend of the revenue budget would be transferred to or any general overspend would be funded from.
- 10.2 As at the year ended 31 March 2023, the revenue reserves total £9.8m, of which £2.2m was the general fund balance and £7.6m was earmark reserves.
- 10.3 During the year, the Council approved the recommendation to realign £1.3m of earmarked reserves to fund the procurement of many of the Council's currently outsourced core services that are due to be out of contract in 2025.
- 10.4 Whilst reserves should not be seen as a "safety net" and are an integral part of the Council's financial planning, should the forecast over the medium-term be that the Council's reserves might fall into a negative balance, then the issuing of a Section 114 notice must be seriously considered.
- 10.5 The current medium-term financial plan does not forecast such a position. However, reserves are expected to fall significantly should the Government not increase either the Council's direct funding or it's funding flexibility and service, process and financial efficiencies will need to be explored in detail.
- 10.6 There is a requirement in 2024/25 to review the structure of the Council's future leisure provision. To achieve this, it is recommended to commit up to £500k from the specific Leisure Contingency reserve in order to invest in key services across the Borough over the medium-term, whilst de-risking the Council's future financial exposure.

10.7 The Council also has £33.3m in Capital reserves. Of which, £10.3m are Capital Receipts and £23m are Capital Grants. Capital reserves cannot be spent on revenue costs unless the Council requests the use of Capital flexibilities from the Minister for Local Government, and even then, they can only be used in specific circumstances where the costs are incurred in delivering an ongoing saving from the implementation of a new system or asset.

10.8 Further detail can be found in Appendix E.

## **11.0 Treasury Management Strategy**

11.1 The Treasury Management Strategy outlines the Council's prudential indicators and sets the expected treasury operations for the period.

11.2 The Treasury Management Strategy outlines how the Council manages its borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks.

11.3 The content of the Treasury Management Strategy is designed to cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

11.4 Further detail can be found in Appendix F.

## **12.0 Investment Strategy**

12.1 The Investment Strategy sets out how the Council manages its cash resources for the year. For the past 12 months, the Council has invested between £36.5m and £46.5m depending on working capital requirements/availability.

12.2 The Investment Strategy sets out the principles, guidelines, regulations and risk appetite that investment activities will adhere to. The purpose is to strike a reasonable balance between risk and yield. The risk appetite would typically be lower than as many private businesses as profits (or shareholder wealth) is not a driver of the organisation and it is extremely important to protect the public purse.

12.3 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.

12.4 The Investment Strategy is also informed by specialist third party local government treasury advisors, Arlingclose, who provide market data on both yield, risk and trends.

12.5 The Investment Strategy defines a list of approved counterparties, with which investments can be placed. These detail both time and cash limits for each class or type of investment.

12.6 Further detail can be found in Appendix G.

## **13.0 Fees and Charge 2024/25**

13.1 Fees and charges can be set on a number of different basis. The main premise for level of fees and charges is to be on a cost recovery basis.

13.2 Where possible, detailed work is carried out to assess the true cost of delivering a chargeable service and that information will inform any proposed change to the current rate/s charged.

13.3 Elsewhere, fees and charges are often increased in line with inflation. This is usually based on September CPI, which keeps the increase in line with most inflationary increases in local and national government, and in line with any increase to benefits rates.

13.4 After the Autumn statement, where the Chancellor of the Exchequer confirmed that benefits and allowances would increase at September's 6.7% CPI figure (rather than October's 4.4%), the general rate of increase for the Council's fees and charges is proposed at 6.7% as well.

13.5 Some specific services will have a different rate of increase, either where a full cost recovery exercise has taken place, or where a discounted rate is to be offered for either commercial reasons or to support the delivery of one or more of the Council's corporate priorities or strategic aims.

13.6 The proposed increase to fees and charges is estimated to bring in an additional £430k to support the Council's revenue budget.

13.7 Further detail can be found in Appendix H.

## **14.0 Council Tax Resolution 2024/25**

14.1 The Council Tax resolution is required to set the level of Council Tax charge for the new financial year.

14.2 The following is extracted from Appendix I to highlight the key decision for the Council to approve.

- a. That it be noted that (on 31<sup>st</sup> January 2024) the Chief Finance Officer calculated the Council Tax Base 2024/25 for the whole Council area as **42,528.17** [Item T in the formula in Section 31B(1) of the Local Government Finance Act 1992, as amended, (the “Act”)] and that this Council Tax base be split between the regions of the Environment Agency as follows:
- Southern – 42,528.17**
- b. That the following amounts be calculated by the Council for the year 2024/25 in accordance with Sections 31 and 34 to 36 of the Act.
- i. **£62,265,336** (expenditure) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act;
  - ii. **£52,363,927** (income) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act;
  - iii. **£9,901,409** being the amount by which the aggregate at b(i) above exceeds the aggregate at b(ii) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in section 31A(4) of the Act);
  - iv. **£232.82** being the amount at b(iii) above (Item R), divided by Item T(a above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

14.3 Further detail can be found in Appendix I.

## 15.0 Council Tax on Second Homes

- 15.1 The Levelling Up and Regeneration Bill allows councils to; levy a council tax premium on second homes of up to 100% and permits a council tax premium on empty properties at an earlier point than legislation currently permits.
- 15.2 This report has been written in accordance with the provisions of The Levelling-Up and Regeneration Act 2023, which inserts Section 11C to The Local Government Finance Act 1992.
- 15.3 On 26 October 2023, The Levelling-Up and Regeneration Act 2023 (The Act) received Royal Assent and Section 73 of The Act provides councils the discretion to charge additional council tax of up to 100% on all residential dwellings which are occupied periodically, substantially furnished and no one is resident for council tax purposes i.e. second homes.

- 15.4 The rationale behind increasing council tax on second homes is to encourage lower levels of second home ownership or to increase contributions for those who continue to own second homes to help fund vital local services.
- 15.5 There are estimated to be 250 homes that would fall under this classification in the Borough at this current time and this would result in approximately £60k in additional Tax revenue for the Council and £485k to the relevant precepting authorities.
- 15.6 Under Section 73(2)(3), any decision to increase the council tax on second homes must be made at least one year prior to the beginning of the financial year from which it relates, hence can only take effect from 1st April 2025 at the earliest.
- 15.7 The Council proposes to charge the maximum allowable 100% additional rate for second homes within the borough. The Council is required to give notice of this, in the budget the year prior to raising this levy. Therefore, the levy is intended to be applied in the 2025/26 financial year.
- 15.8 Should Council agree the recommendation, a notice will be published in a local newspaper within 21 days of the decision date.

## **16.0 Business Rates 2024/25**

- 16.1 The Council collects non-domestic rates (NDR) from businesses within the Borough.
- 16.2 The Council is entitled to a maximum of 40% of the business rates collected. Central Government are entitled to 50%, Hampshire County Council 9% and the Hampshire Fire Authority 1%.
- 16.3 The Council then must pay a tariff on the maximum amount and a levy on growth, but also receives a business rates grant. This results in a retained business rates figure of approximately 15% of the total business rates yield for the Borough.
- 16.4 Discounting growth or collection rates, the retained business rates figure for the council is set to increase by the September 2023 consumer price index (CPI) inflation figure of 6.7%
- 16.5 For the 2024/25 budget, retained business rates are estimated at £5.3m.
- 16.6 Further detail can be found in Appendix J

## 17.0 Options

- 17.1 The proposed 2024/25 budget has been drawn up in consideration to all statutory and constitutional requirements.
- 17.2 Whilst there are alternatives to the recommended options, each will have a financial consequence which would require further investigation and consultation to be able to produce a balanced budget. For example, deciding not to increase Council Tax would mean having to make revenue budget savings of approximately £300k.
- 17.3 The 2024-25 budget has been prepared on the following basis which has guided the recommendations.
- 17.4 **Council Tax:** The budget proposals assume that Council Tax will increase by 2.99% for 2024-25 representing £232.84 at Band D. This overall forecast also includes a small increase to reflect growth in housing numbers year on year.
- 17.5 The Council Tax paid by an individual is a combination of:
- Hampshire County Council Precept
  - Police and Crime Commissioner for Hampshire Precept
  - The Fire and Rescue Authority Precept
  - Havant Borough Council
- 17.6 Every 1% change to Council Tax equates to a change of approximately £99k to the Council's revenue budget.
- 17.7 **Fees and Charge:** The baseline increase for fees and charges has been set at 6.7%. This is based on September 2023 CPI and is in line with the % increase by Government for benefits. Every 1% change in the % applied to fees and charges is equivalent to approximately £65k for the Council's net revenue budget.
- 17.8 Some areas of fees and charges have had a full zero-base review. Others will not have any increase applied to promote and support key community activities.
- 17.9 **Removal of vacancies:** After completing the detailed budget work, the remain balance has been proposed to be found from pausing non-essential recruitment. All vacancies that are not currently out to recruitment, and not currently being covered by agency, interim or supplied under contract, would be temporarily removed from the budget. The amount remaining (after balancing the budget) would be held centrally and distributed on a needs basis in-year at the discretion of the Chief Executive in consultation with the Chief Finance Officer.



- 17.10 All current and new vacancies will be reviewed as part of the saving and efficiencies programme in 2024/25 to ensure value for money and that the required service standards can be met.
- 17.11 **Treasury Management Strategy and Investment Strategy:** The Council's risk appetite for its treasury management and investment strategy is in line with standard recommendations for Local Government. The risk profile is low, capital is not put at risk and high returns are not chased if they are susceptible to too much volatility. This means that returns are typically not much above the Bank of England base rate, yet they are secure. They are also made with the support of specialist Local Government Treasury advisors.
- 17.12 The Council could choose to alter its risk appetite and explore higher return investments. However, this is not considered to be prudent or appropriate given the financial difficulties face several other Local Authorities who have sought alternative, higher risk, investments.
- 17.13 **Capital Programme:** The Council's capital programme will see it invest in new projects and infrastructure over the next five years. To fund this programme, some of the Council's cash reserves will be spent.
- 17.14 One option to support balancing the revenue budget would be to delay the delivery of the capital programme, thus providing more funds to invest and increase the Council's investment income. This has not been recommended as a viable option as it would delay the delivery of key projects for the Borough.
- 17.15 **Commercial Income:** The Council has a prudent approach to commercial income. All investment opportunities are appraised based on the prudential code and will only be considered if they meet the key criteria. Particularly that the investment is held to either protect the local economy or as part of future regeneration plans. The Council could adopt a less prudent approach but this would be both riskier (financially) and could also put at risk the potential to borrow through the Public Works Loan Board (PWLB) for projects that directly support key frontline services.
- 17.16 **Service Cuts:** Not all services provided by the Council are statutory. Many services are discretionary and could be considered for funding cuts or ceasing altogether. However, all the discretionary services provided have a strong purpose and support the local communities. It has not been considered appropriate to consider cuts to services when other options are available to balance the budget.

17.17 **Use of reserves:** Whilst many UK Local Authorities have had to use their reserves to balance their budgets, this can only ever be a temporary measure, and should be considered a last resort to retain frontline services. The Council has within its gift the ability to balance the revenue budget without using general reserves. It is also important for the medium-term financial plan to balance the budget in year, without use of reserves so as to reduce the base budget and protect the finite reserves for their intended purposes only, and to retain sufficient reserves to deal with the unexpected should it arise.

17.18 In accordance with Council Standing Order 20.3, when the Cabinet makes recommendations to the Full Council in relation to calculating the budget requirement and setting the Council tax, any amendments to those recommendations which affect those calculations, or the level of Council tax must be submitted in writing and received by the Monitoring Officer by 4pm on the seventh day after the meeting of the Cabinet. Any such amendment, together with the recommendations of the Cabinet, will be referred to the Overview & Scrutiny Committee which will report to the Full Council meeting at which the Full Council calculates the budget and sets the Council Tax (the Budget Council meeting).

## 18.0 Conclusion

18.1 The 2024/25 budget is the culmination of many months of work between the Council's leadership team, officers, and elected members. The revenue budget has been balanced within existing funding and includes some new elements of investment and growth, whilst protecting the Council's finite reserves.

18.2 The Capital programme will see the Council deliver significant investment to the Boroughs infrastructure and community assets, whilst further investing in vital services.

18.3 The Medium-Term Financial Plan indicates some tougher challenges ahead with a predicted deficit balance to contend with. However, there is time to address these challenges and scope to find efficiencies and savings to ensure the budget can be balanced in future years without impacting core services to residents and businesses. This places the Council in a more secure position than many other local authorities and better equipped to deal with the pressures as and when they arise.

## 19.0 Statement of Robustness

19.1 The Section 151 Officer (S151 of the Local Government Act 1972) is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act.

- 19.2 This report has to be considered and approved by Council as part of the budget approval and Council Tax setting process.
- 19.3 In relation to the 2024/25 budget, I have examined the budget proposals and I believe that, whilst the economic conditions are challenging, the budget presented is more than achievable, having been constructed in a consultative and collaborative manner and with evidence-based calculations and assumptions and with regard to both internal and external specialist advice. I am also satisfied that sufficient management processes exist within the Council to deliver this budget and to identify and deal with issues which may arise unexpectedly during the year.
- 19.4 In relation to the adequacy of reserves, the overall position is that the authority has healthy balances across the General Fund and Capital but recognises that over the medium term these are potentially reducing to position that may be considered uncomfortable should further funding or efficiency savings not be found.
- 19.5 As Section 151 and Chief Financial Officer I am content that the budget being presented is adequate, and that the level of reserves held throughout the MTFs period are adequate to meet the Council's financial obligations having due regard for foreseeable risk.
- 19.6 Further detail can be found in Appendix K.

## **20.0 Implications and Comments**

### **20.1 S151 Comments**

Members should be reminded of the financial challenges facing all local authorities across the country. The Council finds itself in a fortunate position that it is not burdened by significant amounts of debt (unlike many other authorities) and that it has a reasonable level of reserves.

However, the Council does have some significant cost pressures and future challenges to overcome.

Members should ensure themselves they are comfortable that the proposed budget meets the statutory legal requirements whilst delivering value for money for the residents of the Borough.

### **20.2 Financial Implications**

The main financial implications are detailed throughout the report and its appendices.

### **20.3 Monitoring Officer Comments**

In accordance with the Local Government Finance Act 1992, local authorities in England and Wales are required to set a balanced budget for each financial year, following a specific process.

Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided against the costs of providing such services.

The Medium-Term Financial Plan and the Budget are key parts of the Policy Framework of the Council and must be approved by Full Council.

The Council's Budget and Policy Framework Procedure Rules set out in the Council's Constitution provide a legal framework for the decision-making process whereby the budget of the Council is determined, and the council tax is set.

## 20.4 Legal Implications

Members have fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary 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.

In deciding upon expenditure, the council must fairly hold a balance between recipients of the benefits of services provided by the council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.

The Council has a duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. 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. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.

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.

Section 25 of the Local Government Act 2003 imposes a specific duty on the S151 Officer to formally report to council at the time the budget is considered and the council tax is set on the robustness of the budget estimates and the adequacy of financial reserves. This statement by the S151 Officer is included alongside the budget and council tax setting report to both Cabinet and Full Council in February.

## 20.5 Equality and Diversity

- These recommendations comply with our internal Equality and Diversity policy and practises where applicable.

## 20.6 Human Resources

- These recommendations have been considered in line with current HR policies and best practise.

## 20.7 Information Governance

- These recommendations have been considered in line with current information and governance guidelines.

## 20.8 Climate and Environment

- There are no direct climate and environmental impacts from the report itself. However, the detailed service delivery plans that underpin the budget requirements will each have their own potential climate and environmental impacts. These have been formulated with consideration to the Council's current climate strategy.

## 21.0 Risks

21.1 Failure to set a balanced budget would likely trigger a Section 114 notice and result in both a very strict series of cost control measures and an intervention from central government.

21.2 The 2024-25 budget preparation has identified the following key corporate risks:

- Future funding and cost risks from the changes to the Environment Act around waste collection and recycling.
- Future reduction in funding for grants such as the New Homes Bonus and the Core Spending Power grants.
- Levels of homelessness continue to rise putting significant pressure on the costs of temporary accommodation.

- The cost-of-living crisis escalates further placing local residents under increased pressure and increasing demand on services from the Council.
- The financial challenges faced by Hampshire County Council result in decision which impact the residents of the Borough thus that they place increased demand on services delivered by the Council.

## 22.0 Consultation

22.1 The Council has undertaken extensive internal consultation as part of the budget setting process. The budget has been built in consultation with the Chief Executive, Executive Heads of Service, budget holders and Cabinet Leads.

22.2 The draft budget has also been reviewed by the Audit and Finance Committee and the Overview and Scrutiny Committee.

22.3 Finally, the budget was taken to the publicly attended Cabinet meeting on 14 February 2023 before being considered at Full Council.

## 23.0 Communications

23.1 Subject to approval by Full Council the finalised budgets will be published on the Council website.

<b>Agreed and signed off by:</b>		<b>Date:</b>
<b>Cabinet Lead:</b>	Cllr N Bowdell	
<b>Executive Head:</b>	Matt Goodwin	
<b>Monitoring Officer:</b>	Jo McIntosh	
<b>Section151 Officer:</b>	Steven Pink	