

Board/Committee:	FULL COUNCIL
Date of Meeting:	02 FEBRUARY 2022
Title	MEDIUM TERM FINANCIAL STRATEGY & BUDGET (REVENUE & CAPITAL) 2022/23
Author:	BOROUGH TREASURER
Status:	FOR DECISION

1. PURPOSE OF REPORT

- 1.1 The Council is required to set a "Balanced Budget" and to maintain adequate levels of Reserves. The primary purpose of this report is to set the Council's overall Budget for the forthcoming year 2022/23 (both Revenue & Capital) and the associated level of Council Tax necessary to help fund the Budget.
- 1.2 The report also considers the overall financial position for 2022/23 and the forecasts for future years considering the outlook for both spending and funding and the likely consequences for Council services moving forward. In 2021/22, Gosport faced continued financial challenges resulting from Covid 19, some of which are expected to continue in 2022/23.
- 1.3 In that context, it remains prudent to maintain sufficient levels of reserves to secure the overall financial health of the Council in the short and medium term and thereby enable the on-going sustainability of services to the residents of the Borough.
- 1.4 This report is set out in five sections:
- (a) **A Medium Term Financial Strategy** covering the Council's financial aims over the forthcoming three years in the context of the current economic and financial climate and recognising the impact of Covid;
 - (b) **The Budget for 2021/22 (Revised) and for 2022/23**, including recommendations for Council Tax for 2022/23;
 - (c) **Estimated Reserves** over the period 2021/22 to 2025/26;
 - (d) **The Statement of the Section 151 Officer** on the robustness of the Budget in compliance with the requirements of the Local Government Act 2003; and
 - (e) **The Capital Programme 2021/22 to 2024/25** (and associated Prudential Indicators).
- 1.5 In summary, the report outlines the overall current and medium term financial position of the Council's General Fund, recommends a Budget for 2022/23 that maintains the financial health and resilience of the Council and proposes an associated increase in Council Tax for 2022/23 of £5 for a Band D Council Taxpayer (paragraph 2.4 and 2.6). The financial position of the Housing Revenue Account (HRA) and recommendations for rent and service charge levels for 2022/23 is subject to a separate report.
- 1.6 To assist the Council in their consideration of the Budget proposals, all Members have been issued with a draft Budget Book for 2022/23 which incorporates all General Fund, Housing Revenue Account and Capital Budgets and provides an analysis by Board, Service and Capital Scheme.

2. RECOMMENDATIONS

It is recommended that the following be approved:

- 2.1 A Revised General Fund Budget for 2021/22 of £11,056,560 as set out in Appendix A;
- 2.2 A General Fund Budget for 2022/23 of £11,498,820 as set out in Appendix A and broken down in Appendix C;
- 2.3 Any variation arising from the final Local Government Finance Settlement be accommodated by a transfer to / from the Revenue Financing Reserve;
- 2.4 That the level of Council Tax be increased by £5 per annum for a Band D property for 2022/23;
- 2.5 It be noted that the Borough Treasurer has determined that the Council Tax Base for the financial year 2022/23 will be 27,154.20 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")];
- 2.6 That the following amounts be now calculated by the Council for the financial year 2022/23 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£45,641,973	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£39,104,600	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£6,537,373	Being the amount by which the aggregate at 2.6 (a) above exceeds the aggregate at 2.6(b) 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 31B(1) of the Act.
(d)	£240.75	Being the amount at 2.6 (c) above (Item R), all divided by Item 2.5 above (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation Bands (Gosport Borough Council)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
160.50	187.25	214.00	240.75	294.25	347.75	401.25	481.50

Being the amounts given by multiplying the amount at 2.6 (d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings in different valuation bands.

- 2.7 That it be noted that for the financial year 2022/23 we estimate that Hampshire County Council will propose the following amounts for the precept to be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of categories of the dwellings shown below:

Valuation Bands (Hampshire County Council)

A £	B £	C £	D £	E £	F £	G £	H £
927.24	1,081.78	1,236.32	1,390.86	1,699.94	2,009.02	2,318.10	2,781.72

- 2.8 That it be noted that for the financial year 2022/23 the Hampshire Police & Crime Commissioner has proposed the following amounts for the precept to be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Police & Crime Commissioner)

A £	B £	C £	D £	E £	F £	G £	H £
157.64	183.91	210.19	236.46	289.01	341.55	394.10	472.92

- 2.9 That it be noted that for the financial year 2022/23, we estimate that Hampshire & Isle of Wight Fire and Rescue Authority will propose the following amounts for the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire & Isle of Wight Fire & Rescue Authority)

A £	B £	C £	D £	E £	F £	G £	H £
50.29	58.67	67.05	75.43	92.19	108.95	125.72	150.86

- 2.10 That having calculated the aggregate in each case of the amounts at 2.6(e), 2.7, 2.8 and 2.9 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2022/23 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

A £	B £	C £	D £	E £	F £	G £	H £
1,295.67	1,511.61	1,727.56	1,943.50	2,375.39	2,807.27	3,239.17	3,887.00

- 2.11 The Borough Treasurer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire County Council, Hampshire Police & Crime Commissioner and Hampshire & Isle of Wight Fire and Rescue Authority precepts.
- 2.12 The Council determines in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2022/23, which represents a £5 increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZC of the Act.
- 2.13 As the billing authority, the Council has not been notified by a major precepting authority (Hampshire County Council, the Police and Crime Commissioner for Hampshire or the Hampshire & Isle of Wight Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2022/23 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.
- 2.14 That the Council approves the Savings Strategy for 2023/24 onwards set out in this report, requiring that £0.575m of Budget Savings are made in 2023/24 and that indicative savings of a further £0.575m will be required in both 2024/25 and 2025/26, these indicative savings being subject to an annual review
- 2.15 Members have had regard for the Statement of the Section 151 Officer in accordance with the Local Government Act 2003 as set out in the report.
- 2.16 The Capital Programme 2021/22 to 2024/25 as set out in Appendix D is approved.
- 2.17 That the Prudential Indicators as set out in Appendix E are approved
- 2.18 That the Pay Policy Statement 2022/23 as set out in Appendix F is approved

Members should note that:

- 2.19 The Section 151 Officer has a duty to report to Members on the Robustness of the Estimates and the Adequacy of Reserves (as described in Section 5). Accordingly, any amendments put before the Council for consideration must also include a written Statement by the Section 151 Officer.
- 2.20 In accordance with statute, the Budget Report is required to incorporate a number of specific recommendations. Amendments may require those recommendations to be altered and therefore need to be precisely written in order to have legal effect and be capable of adoption by the Council.
- 2.21 Due to the requirements set out above, it is necessary for any amendment to be discussed in sufficient time to be drafted by the Section 151 Officer so that it includes the Section 151 Officers Statement alongside precisely worded recommendations that the Council can properly consider.

3. MEDIUM TERM FINANCIAL STRATEGY

Overall Strategy

3.1 The Medium Term Financial Strategy (MTFS) is designed to meet the following overall aim:

"In year" expenditure matches "in year" income over the medium term whilst providing sustainable high quality public services, improving the overall prosperity of residents and businesses and ensuring adequate financial resilience"

3.2 Over the next 3 years, the Council has a forecast budget deficit to remedy amounting to £1.7m (+/- £0.5m arising from future uncertainty). This compares to a forecast deficit of £2.1m estimated in February 2021 and reflects the following:

- i) An improved position regarding future estimates of Pension obligations (£0.3m)
- ii) An improved position for Waste Recycling Income (£0.3m)
- iii) The rolling 3 year forecast moving on a further year to now incorporate 2025/26

3.3 The Council has also benefitted from a further 1 year delay to the implementation of Local Government Funding Reform (known as the Fair Funding Review) and a further 1 year delay to the Business Rates Retention Scheme and the associated "Reset". In combination, these two changes to the Local Government Funding system are the primary driver of the Council's future forecast deficit and represents £1m of the overall £1.7m deficit.

3.4 The combination of the improved position of £0.4m plus the delay to the reform of the Local Government Funding system has provided welcome "breathing space" to the Council at a time when it continues to respond to the pressures arising from the Covid 19 pandemic. This has enabled the Council to delay implementing a planned savings programme of £0.7m for 2022/23 (as estimated in last year's Budget Report and being one third of the previously estimated £2.1m forecast deficit to be delivered over a 3 year period).

3.5 However, it is important to note, as last year, there remains significant uncertainty regarding the future forecast which is estimated could vary between +/- £0.5m arising from the following:

- The outcome of the Fair Funding Review
- The outcome of the Business Rate Retention review
- The legacy impact of Covid 19, and in particular, its effect on Council Tax Income and Business Rates Income

Financial Context

Spending

- 3.4 The cost of steady state services continues to grow, mainly in response to general inflation but also the ongoing impact arising from the Covid 19 pandemic. The largest component of the Council's costs is staff costs (including pensions). Other significant elements of the cost base include the contracts for Urbaser and Housing related contracts and these are inflation linked.
- 3.5 The main measure of inflation CPI (Consumer Price Index) is currently tracking at 5.4% with the RPI (Retail Price Index), upon which some contracts remain linked, tracking at 7.5%. These rates are the highest in a decade. The Office for Budget Responsibility, the advisors of Government for the purposes of policy setting, are forecasting that CPI will remain high at 3.7% for 2022/23 but falling to 2.3% for 2024/25. As will be evident from the following sections, the inflationary cost increases outstrip the rates of increase in funding, leading to a "structural gap" between spending and funding.
- 3.6 The impact of the ongoing emergency response to the Covid 19 pandemic and its legacy impact over the medium term will also continue to shape the Council's spending needs in the future. Although Covid spending in year was covered by Government Grants, there remains the risk of legacy Covid expenditure in future.

Funding

- 3.7 Over the past 11 years, Central Government funding to Councils has reduced by over 40% in real terms. Future funding levels remain uncertain (as previously mentioned). Whilst Central Government has indicated that there are no plans to return to the "Austerity" measures of the past, the Council will be exposed to:
- The overhaul of the Local Government Funding system (including Business Rates Retention)
 - The lasting economic impact of Covid 19 (on Council Tax and Business Rates)
- 3.8 Whilst the outcome of the overhaul of the Local Government Funding remains uncertain, the direction of travel is expected to be a transfer of funding away from District Councils towards Upper Tier Authorities.
- 3.9 Similarly, any Covid legacy impact on Council Tax and Business Rates funding is expected to be negative but improving over the period of the forecast. This combined with the structural issue that Council Tax increases are limited to £5 per Band D (representing a 2.1% increase) and inflation forecast to be 3.7% in 2023/24 widens the gap between spending and funding.

Revised Financial Forecast 2023/24 to 2025/26

- 3.10 As is described more fully later in this report, the forecast financial deficit for next financial year and the three financial years beginning 2023/24 is outlined in the table below:

Financial Year	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Total Forecast Deficit	1,391	1,246	1,651	1,726
Structural (Surplus) / Deficit	153	913	1,536	1,726

Note:

The Structural Deficit represents the underlying gap between Revenue Expenditure vs Revenue Funding after removing "one-off" items, mainly the Revenue Contribution to the Capital Programme

To achieve financial balance over a 3 year period will require the Council to make savings of £0.57m per annum from 2023/24 onwards. This will still require significant withdrawals from the Revenue Financing Reserve in 2023/24 and 2024/25 amounting to almost £1.2m whilst savings "catch up" with the structural deficit.

Response (Strategy)

- 3.11 The Council has a strong track record of being able to live within its means, make savings and secure financial resilience. Adequate reserves are a necessary requirement of financial resilience enabling any in-year deficits between funding and spending to be "smoothed out" over time as well as enabling investments to be made that will improve the financial sustainability of the Council in the future. Given the widely expected funding reductions to District Councils over the coming years, the Council's known future cost pressures and the desire to support the Borough's recovery from the pandemic, the adequacy and targeted use of reserves has never been more important.
- 3.12 In overall terms, the reduction in funding coupled with the increased costs to the Council are expected to result in an overall budget deficit of £1.726m by 2025/26. The Administration's strategy to meet this challenge is a multi-faceted approach to maintain a stable financial position and undertake targeted investment in services to improve sustainability and safeguard resilience.
- 3.13 The Revenue Budget and Capital Investment proposals include a wide range of potential actions that can either generate savings or grow income. Looking forward, the Administration's financial strategy will:
- Undertake a strategic review of all Council property assets to determine where there are opportunities for income generation, regeneration, efficiencies or disposal
 - Enhance income generation through spend to save initiatives and the introduction of a commercialisation programme.
 - Continue to pursue efficiency by undertaking a full review of existing Capital Schemes.

- Invest in the Borough for regeneration to stimulate employment and also to increase funding by improving the Business Rate Base and the Council Tax Base for the Council; this will also positively improve prosperity for the Borough generally and reduce the dependency on Council Services.
- 3.14 As described, the proposed Budget for 2022/23 has delayed the need for a significant savings programme. The proposed Budget for 2022/23 however does contain a structural deficit of £0.15m which is funded from the Revenue Financing Reserve.
- 3.15 With a small structural deficit of £0.15m, it has been possible to propose a Budget for the forthcoming year 2022/23 without significant savings. However, the scale of the structural deficit in the following year (2023/24) is substantial at £0.91m and will require the Council to seek savings of at least £0.57m and withdraw £0.34m from the Revenue Financing Reserve to fund the residual deficit and a further and £0.33m to fund the obligations within the Capital Programme.

4 REVISED BUDGET 2021/22

- 4.1 The Budget for 2021/22 as set out in Appendix A has been revised upwards from £10,503,100 to £11,056,560. This, however, reflects 'carry forwards' of unspent budget from the prior year of £245,000.
- 4.2 The key changes between the Original Budget 2021/22 and the proposed Revised Budget 2021/22 are as follows:

Expenditure 2021/22

Board and Service expenditure has been revised upwards from £10,503,100 to £11,056,560, an increase of £553,460.

The key increases in spending / reduction in income include:

- Carry Forward of Previous Year's underspending - £0.25m
- Additional Covid related expenditure (although this expenditure is fully offset by government grants)
- Pay awards - £0.16m
- Offset by:
 - Additional Waste Income - £0.14m
 - Treasury Management - £0.19m

Funding 2021/22

Funding has increased, from £8,647,630 to £10,322,560, an increase of £1,674,930.

This increase is due to mainly Covid related grants:

- New Burdens Grant
- New Burdens Restart and Additional Restrictions Grant
- Clinically Extremely Vulnerable grant

- Surge funding

Note:

The Variances in the budget book reflect the additional expenditure and lost income to Gosport BC from Covid-19. However, the additional costs have been fully offset by Covid grants.

During the year, £388,000 has been transferred from the Covid 19 Reserve into Budgets to fund the additional costs of Covid 19. A remaining balance of £264,000 remains available to guard against additional Covid related costs and risks in future years.

5. PROPOSED BUDGET 2022/23

Funding – The Provisional Local Government Finance Settlement 2022/23

5.1 The key announcements from the Provisional Local Government Finance Settlement, announced on the 20 December 2021, are as follows:

- A 1 year Settlement only pending the forthcoming Fair Funding Review and Business Rate Retention Scheme. There are no projected or indicative allocations for the remainder of the Spending Review Period (2023/24 or 2024/25)
- No negative Revenue Support Grant adjustments
- The continuation of the Lower Tier Services grant to ensure that no Local Authority has a real terms reduction in "Core Spending Power"
- Continued reductions in the New Homes Bonus - expected to be phased out in the future
- A new "One-Off" Services Grant of £172,680 intended to compensate Local Authorities for all new burdens, including the impact of the National Insurance uplift of 1.25% to fund the national reforms to Social Care
- Council Tax increase thresholds of:
 - 1.99% or £5 for Shire District Councils
 - 1.99% for Upper Tier and Unitary Councils
 - 1.0% for Adult Social Care (Upper Tier Authorities only)
 - 2.0% or £5 for Fire & Rescue Authorities
 - £10 for Police and Crime Commissioners
- Continuation of funding for Homelessness.

5.2 The table on the next page details the key funding streams from Government:

Funding Stream	2021/22 (Current Year) £m	Estimate 2022/23 £m	Difference £m
Core Annual Funding			
Revenue Support Grant	0.0	0.0	0
New Homes Bonus	0.154	0.047	-0.107
Benefits Administration Grant	0.308	0.306	-0.002
Lower Tier Services Grant	0.107	0.112	0.005
CSP Services Grant	-	0.173	0.173
Sub-Total - Core Annual Funding	0.569	0.638	0.069
Other "One-Off" Funding Streams			
COVID Funding	0.453	-	-0.453
New Burdens – Business Covid 19 Grant Schemes	0.240	-	-0.240
Other Covid Related Grants	0.152	-	-0.152
Local Council Tax Support Grant (One Off)	0.095	-	-0.095
Levelling UP Fund	0.125	-	-0.125
Sub -Total "One-Off" Funding	1.065	0	-1.065
Total Government Grants	1.634	0.638	-0.996

Core Annual Funding has increased by just £69,000 as described above. All other funding from Central Government is routed through the Business Rate Retention Scheme. Direct Government funding is now an increasingly small part of total Council funding, representing just 6.7%.

- 5.3 The final grant settlement should be available by early February, it is not expected to vary significantly from the provisional settlement and it is recommended that any variation should be accommodated by a transfer to/from the Revenue Financing Reserve.
- 5.4 Whilst the Local Government Finance Settlement is a factor in determining the Council's overall financial position and therefore any necessary savings, other significant factors that will affect the Council's future Savings Requirements include Business Rates income, Council Tax income, inflation, interest rates and any new unfunded burdens passed down from Government. These are described in the paragraphs that follow.

Business Rates - 2022/23 & Future Forecasts

- 5.5 The Retained Business Rates system is extremely complex and subject to a significant degree of inherent risk.
- 5.6 In broad terms, the Council currently retains 19% of all Business Rates received and this is characterised by a complex formula which includes the following:

- i) An initial starting point of 40% retention of all business rates received;
- ii) Reduced by a fixed amount "tariff" which increases annually by the rate of inflation;
- iii) Any growth in Business Rates (above a pre-determined baseline) is reduced by a "levy" of 50%;
- iv) A "safety net" set at 7.5% below a pre-determined baseline below which retained Business Rates will not fall; and
- v) A General Fund grant reimbursement under Section 31 of the Local Government Act 2003 to compensate local authorities for business rates foregone as a result of the Government's nationally determined additional business rate reliefs (e.g., for small business).

5.7 As outlined above, the estimation of business rate receipts is extremely complex, with the potential to be volatile and with many of the factors outside this Council's control. In particular, the Valuation Office Agency will both determine whether a rating appeal is successful and the level of reduction granted with the Council having no right of challenge. The Covid 19 pandemic will affect the level of business rate income as the economy shrinks and then begins to recover with potential business failures, reduced collection rates and increased business rates appeals.

5.8 Other variables, as mentioned, include the level of successful appeals, the level of mandatory reliefs awarded and future inflation levels. Future forecasts of retained business rates over the next 3 years have been based on the following:

- No real growth in the Business Rate base;
- Uplifts in Business Rates due to increases in the rate of inflation (as estimated by the Office for Budget Responsibility);
- A full Business Rate Reset, meaning that business rate growth since 2013/14 amounting to £0.85m is no longer retained and phased out between 2023/24 and 2025/26; and
- No significant change in the assumption for Successful appeals

Based on the assumptions described, forecast Business rate income is estimated as follows:

Financial Year	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Business Rates	2,274	2,627	2,935	2,992

5.9 A Stability and Resilience Reserve was established to help mitigate against the risks outlined above. The risk to future levels of Retained Business Rates from 2023/24 onwards has never been more uncertain.

Council Tax Amount 2022/23

- 5.10 Council Tax will represent around 70% of the Council's total revenue funding. As Government funding has reduced this has become an increasingly important and dependent funding source for the Council.
- 5.11 Council Tax for the average Council Tax payer in Gosport (Band B) currently amounts to £1,464.63 of which £183.36 (12.5%) is the Gosport Borough Council element. In response to inflationary pressures faced by Councils, the Provisional Local Government Finance Settlement for 2022/23 confirmed a Council Tax increase limit (i.e. referendum threshold) of either 2% or £5 for all shire District Councils, whichever is the higher. For Gosport Borough Council, a £5 increase is the higher limit.
- 5.12 The proposals for the 2022/23 Budget are based on increasing the Council Tax by £5 representing an increase of 7 pence per week for the average Band B taxpayer in Gosport. At present, 47% all residents pay the full amount of Council Tax with 53% being entitled to some form of discount, exemption or Local Council Tax Support.

Council Tax Base 2022/23

- 5.13 The Council Tax Base (i.e. the number of Band D equivalent properties paying the full Council Tax) has been determined as 27,154.2 for 2022/23, having taken account of all estimated changes in properties, discounts and exemptions for the coming year and the impact of Covid 19 on both the Collection Rate and the Local Council Tax support caseload. This results in an increase in the number of Band D equivalent properties of 431.4.

Collection Fund Balance (Council Tax Element) 2021/22

- 5.14 The Collection Fund is the account into which are paid amounts collected in respect of Council Tax and out of which are paid the Council Tax precepts to:
- Hampshire County Council (71% share)
 - Gosport Borough Council (13% share)
 - Hampshire Police & Crime Commissioner (12% share)
 - Hampshire & Isle of Wight Fire and Rescue Authority (4% share)

In the event that actual Council Tax income receivable is different from the estimated income (informed by the calculation of the Council Tax Base) upon which the precepts are based, then a surplus or deficit will arise.

For 2021/22, it is estimated that the Collection Fund will be in surplus by £477,000, the Gosport Borough Council element of that amounts to £59,770. Government rules introduced in 2020/21 arising from the impact of Covid require the 2020/21 estimated deficit to be spread over 3 years (2021/22 to 2023/24). The overall surplus factored into the 2022/23 Council Tax income is £49,440 (representing the surplus of £59,770 offset by the spread of the deficit of £10,330).

Total Council Tax Income 2022/23

- 5.15 A Council tax increase of £5 per annum will raise, in total, an additional £133,600 in 2022/23. Additionally, the improvement in the Taxbase of 431.4 Band D equivalent properties has generated a further £103,800. This results in a total increase in

Council Tax of £237,400. Taken together with the movement on the Collection Fund, the overall Council Tax income has risen by £290,200.

- 5.16 Considering the Council Tax increase, Council Tax Base and position on the Collection Fund, the total Council Tax income for 2022/23 is estimated at £6,586,810.

Total Council Tax Income 2022/23 & Future Years

- 5.17 As Government funding reduces and costs rise with inflation, rises in Council Tax income are fundamental to the Council's future financial position and therefore the future sustainability of Council Services. The Council's future forecasts for the period 2023/24 to 2025/26 have been estimated on the basis of a £5 increase per annum for a Band D Taxpayer (£3.89 for the average Band B Taxpayer in Gosport).

- 5.18 The Council's Medium Term Financial Forecast assumes that Council Tax Income will rise to £7,053,140 by 2025/26 and is based on the following assumptions:

- Annual increases in the amount of Council Tax of £5 per annum for a Band D Tax payer from 2022/23 onwards
- Growth in the Council Tax Base of circa 3.2% over the period
- Economic Recovery over the period and reduction in the cost of providing Local Council Tax Support

Financial Year	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Council Tax	6,587	6,689	6,873	7,053

Total Funding 2022/23 (Council Tax, Business Rates & Government Grants)

In taking account of the factors detailed above; total funding for the Council in 2022/23 is estimated at £9,498,500.

Revenue Budget 2022/23

- 5.19 The overall aim of the Council's Medium Term Financial Strategy is to match "In Year" spending with "In Year" income and funding over the medium term with the use of the Revenue Financing Reserve to "smooth out" the necessary savings required to meet the forecast budget deficit over the next 3 years.

- 5.20 The proposed Budget for 2022/23 has been prepared to accommodate the following:

- Inflationary costs and other cost pressures in general
- A Revenue Contribution to Capital of £1.032m (funded from the Revenue Financing Reserve) in order to meet the costs associated with the New Capital Investment proposals set out later in this report as well as the re-phasing of the previous year's Capital Programme
- An Invest to Save scheme relating to the introduction of new "self-service" benefits functionality and a new document management system requiring an initial investment of £206,000 with a return of £39,000 over 4 years (having taken account of the initial investment) and followed by annual on-going savings of circa £60,000 per annum from 2027/28 onwards

- A Covid Reserve of £264,000 to guard against the on-going financial effects of Covid 19 (e.g. Additional costs generally, losses of income from sales, fees and charges, potential losses of Council Tax and Business Rates funding)
- Transfers of sums from Reserves, specifically set aside to compensate for the Covid related deficits in Business Rates and Council Tax
- An increase in Council Tax of £5 per Band D property

5.21 The key changes between the Original Budget 2021/22 and the proposed Budget 2022/23 are as follows:

Expenditure 2022/23

5.22 Board and service expenditure is estimated at £11,498,820, an increase of £995,720 from the 2021/22 Original Budget.

5.23 Spending has increased within the Budget predominantly due to a range of inflationary and economic pressures outside of the Council's control, such as:

- Pay inflation - £680,000
- Addition of a 7th round to the waste contract - £86,490
- Other unavoidable waste contract costs (e.g. driver shortages) - £66,650
- Cost of Financing the Approved Capital Programme (i.e. Borrowing costs) - £60,000
- Municipal elections - £48,960
- Gosport Ferry Pontoon – (impact of Covid on the rent review) - £33,670
- Wilmott Lane Depot repairs and utility costs - £25,770
- Gosport Leisure Centre (Covid impact on the profit share) - £43,780

5.24 Despite these pressures and the financial context that the Council faces, the following savings have also been achieved:

- Local Development Plan re-profile - £23,750
- Pension Scheme advance Payments in return for a discount - £51,000
- Members' Expenses (boundary review) - £41,210
- Increase in Waste Income - £87,590
- Reduction in Interest Payable - £30,700

5.25 An Income Compensation Reserve was established in 2020/21 to fund the general losses in Business Rate and Council Tax income. There is a draw down from this reserve of £127,330 in the year. The remaining funds will be drawn down over the following two years.

5.26 A summary of the proposed Budget 2022/23 is set out in Appendix A and the Budgets for each of the Boards are included at Appendix D.

Revenue Forecasts to 2025/26

- 5.27 A new medium term forecast has now been completed to cover the period 2023/24 to 2025/26 (i.e. after including the savings and cost pressures incorporated into the 2022/23 Budget and incorporating the further financial year of 2025/26). All of the financial assumptions have been comprehensively revised and a savings requirement for the new period has been determined. It is now estimated that the savings required for the new 3 year period 2023/24 to 2025/26 will now be £1.726m.
- 5.28 To manage the necessary savings, arising from the forecast deficit of £1.726m, over a 3 year period in an even and managed way to avoid de-stabilising service provision, £0.57m per annum will be required each year commencing in 2023/24. The most significant assumptions in the medium term future forecasts are described below.
- 5.29 The key drivers behind the 3 year deficit are:
- i) The current structural deficit of £0.15m contained in the proposed 2022/23 Revenue Budget and funded from the Revenue Financing Reserve
 - ii) The forecast funding reductions of £1.0m arising from the introduction of the forthcoming Fair Funding Review and the Business Rate Reset
 - iii) General inflationary cost increases that exceed funding increases
- 5.30 The most significant assumptions in the medium term forecasts:

Spending

- An assumption of providing "steady state" services across the Council
- Inflation on pay and prices of £1.3m
- Increase in Pension costs of £0.2m
- Increased Interest costs of £0.2m
- Forecast savings from "Spend to Save" initiatives of £0.2m
- Increased income from fees and charges - £0.1m

Funding

- An overall funding reduction in funding arising from the implementation of the Fair Funding Review and Business Rate Retention scheme of £1.0m
- A reduction in Business Rates from the Enterprise Zone of £0.2m now that the 7 year period where the Council retained the incremental business rates has ended
- A residual underlying zero growth assumption for changes in Business Rates from 2023/24 onwards, to reflect the uncertainty relating to material changes of use, appeals and mandatory reliefs
- Indexation uplifts on retained Business Rates of 2.6% for 2023/24 and 2.0% thereafter

- Reductions in funding for the New Homes Bonus, assuming it will be completely phased out by 2023/24
- A Council Tax increase of £5 increase per annum for a Band D property for 2023/24 to 2025/26, accompanied by an improving taxbase, in total yielding £0.5m over the period.

5.31 It is important to recognise that this forecast extends beyond the Fair Funding Review and the revised Business Rate Retention Scheme due to be implemented in 2023/24. It also moves 2 years beyond these events and makes broad assumptions at the macroeconomic level pending any indicative information at the local level. Consequently there remains a significant level of uncertainty surrounding the £1.726m forecast deficit which could realistically vary between +/- £0.5m.

Savings Strategy 2023/24 to 2025/26

5.32 The estimated 3 Year Savings Requirement of £1.726m is recommended to be phased evenly over the next 3 years (see table below), drawing on reserves where necessary in order to "smooth" the impact on services. This provides for a managed reduction in spending, giving good opportunity for alternative income / efficiency initiatives to take effect and balanced with a financially responsible approach to achieving the necessary savings over the period.

Financial Year	Revised Budget Deficit	In Year Target	Revised Cumulative Saving
£	£	£	£
2023/24	1.246m	0.575m	0.575m
2024/25	1.651m	0.575m	1.150m
2025/26	1.726m	0.576m	1.726m

are fundamental to maintaining the financial resilience of the Council especially in uncertain times such as now, giving the Council the ability to respond to any potential "financial shocks" without resorting to quick and severe reductions to services. Crucially, it is also essential that the Council has the financial capacity to be able to fund spend to save initiatives that support the delivery of the future savings necessary to ensure continued financial viability and delivery of good quality Council services.

5.34 Based on a Savings Strategy described above at £0.575m per annum, there will be a requirement to draw on Reserves in order to "smoothing out" the savings requirements in a managed way. For example, if the Council were to achieve a structural balance to its Budget by 2023/24, it would require savings of £0.91m to be made as opposed to the £0.575m proposed in the Savings Strategy described.

Note: The Structural Deficit is £0.91m and the Contribution to the Capital Programme is £0.33m which equals the total deficit of £1.24m in the table at 5.35 above

5.35 The savings strategy described above, and having proper regard for the uncertainty surrounding the legacy impact of Covid-19 and future Government Funding, can only work if the Council retains the level of Reserves set out in this report. The flexibility afforded by Reserves at these levels will ensure that in the event that the 3 year forecast improves, the Council has not prematurely made a level of savings and

service reductions that could have been avoided and it allows more time for savings initiatives to take effect. Conversely, if the forecast deteriorates, the Council will have made good progress towards the necessary savings and have sufficient Reserves to avoid significant "spikes" in Savings Requirements in any single year in the future.

6. RESERVES

6.1 In general, maintaining adequate reserves is a measure of responsible financial management and strong financial health. They are crucial for financial resilience in order to be able to respond to "financial shocks" without having to revert to the alternative of quick and severe reductions in services. Equally, they can be a vehicle to take advantage of any opportunities that may arise which are in the financial interests of the Council (for example, matched funding opportunities which could lever in additional funding for Gosport). Importantly, as described above, they also enable differences between expenditure and funding levels to be "smoothed out" and managed in a planned way over time.

6.2 The Council's forecast Reserve position is set out below:

Reserve	Amount at 31/03/2022 £k	Projected 31/03/2023 £k
General Fund Balance	1,000	1,000
Revenue Financing Reserve	4,883	3,492
Stability & Resilience Reserve	3,097	1,583

General Fund Working Balance

6.3 The General Fund Working Balance is the minimum level of balances, on a risk basis, that the Council should not breach. This has been set at a level that is consistent with the Council's level of potential financial risks and enables the Council to meet unexpected demands on its resources such as increased inflation or demand for statutory services, therefore providing a cushion against uneven cash flows.

Revenue Financing Reserve

6.4 The Revenue Financing Reserve (RFR) is the Council's primary vehicle for driving through savings initiatives of both a Revenue and Capital nature and remains a critical part of the Council's overall Medium Term Financial Strategy. It is also used to underwrite any uninsured risks and meet any necessary redundancy costs. Importantly, the RFR is also used to ensure that fluctuations between the Council's Budgeted Spending and Budgeted Funding can be "smoothed out" over time as previously described.

6.5 The RFR has an important relationship with the overall Savings Strategy since it funds any gap between Budgeted Spending and Budgeted Funding. On the basis of the Savings Strategy described above to deliver £0.575m of Budget Savings each year, the sums set out in the table will be required to be drawn from the RFR

Budget Deficit & Savings Strategy	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Budget Deficit	21	1,391	1,246	1,651	1,726
Funded by:					
<u>Budget Savings Strategy</u>					
Budget Savings 2023/24			575	575	575
Budget Savings 2024/25				575	575
Budget Savings 2024/26					576
Sub - Total	0	0	575	1,150	1,726
Revenue Financing Reserve	21	1,391	671	501	0
Total Funding	21	1,391	1,246	1,651	1,726

6.6 As illustrated above, the RFR will require a withdrawal of £21k to support the Revised Budget for 2021/22 and a sum of £1.391m to support the proposed Budget for 2022/23.

The sum of £1.391m, is mainly required to fund the following:

- i) £1.032m for the Capital Programme
- ii) £0.206m for Invest to Save Scheme
- iii) £0.153m to fund the structural deficit between spending and funding

6.7 Even if savings are made in accordance with the proposed Saving Strategy of £0.575m savings per annum, there will be a residual requirement to withdraw a further £1.172m from the Reserve over the period of the Savings Strategy, being £0.671m in 2023/24 and a further 0.501m in 2024/25.

6.8 The Forecast for the RFR therefore is set out below, leaving a Forecast Balance on the Reserve of £2.320m at the end of 2025/26.

Revenue Financing Reserve	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Opening Balance	4,904	4,883	3,492	2,821	2,320
Budget (Surplus) / Deficit - see above	(21)	(1,391)	(671)	(501)	0
Closing Balance	4,883	3,492	2,821	2,320	2,320

6.9 In the event that the Savings Strategy described is not implemented, the RFR would be exhausted during 2024/25.

Stability & Resilience Reserve

6.10 The Stability and Resilience Reserve (SRR) was established in 2014/15 to help safeguard against the significant increase in risk and volatility arising from the introduction of the Business Rate Retention Scheme and the Council Tax Support Scheme together with the uncertainties in future levels of Central Government support. The withdrawal in the current year is expected to be £1.3m. The proposed Budget for 2022/23 also includes a withdrawal of £1.5m, which is expected to leave a balance of £1.6m as at the end of March 2023. These withdrawals in large part simply relate to the drawing down of Government Grants previously received to compensate the Council for lost Business Rates through its Business Rate Relief initiatives to support the national economy.

6.11 As described, the majority of Council funding is exposed to some risk, but the Business Rate Retention Scheme and the Government Funding review are subject to the most potential volatility. It is vital that the SRR is maintained at healthy levels to guard against the real and significant funding risks facing the Council over the medium term.

6.12 The SRR cannot be seen as a generally available reserve if it is to be used for its intended purpose. Therefore, as mentioned, if the Council were to take no further action in relation to the required savings (£0.575m per annum), the RFR would be exhausted part way through 2025/26.

6.13 The Council's MTFs Strategy including continued zero based budget reviews, partnership working, income generation and a commercialisation programme has been established to drive through the necessary savings required whilst maintaining reserves at levels to secure the Council's financial resilience.

6.14 In view of the need to continue to make savings in a smooth and managed way over the next 3 year period and the particular funding uncertainties, it is both financially responsible and prudent to maintain these reserves at the proposed levels.

7 Statement of the Section 151 Officer in Accordance with the Local Government Act 2003

7.1 Section 25 of the Local Government Act 2003 ("the Act") requires the Chief Financial Officer to report to the Council on the following matters:

- The robustness of the estimates included in the budget made for the purposes of setting the Council Tax; and
- The adequacy of proposed financial reserves

7.2 Section 25 of the Act concentrates on uncertainties within the budget year rather than the greater uncertainties in future years. In the current economic climate, there continue to be uncertainties in both the current and future years i.e. beyond 2022/23. Particular uncertainties exist regarding:

- The rising levels of inflation, some of which are exceptional
- The continuing impact of the Covid 19 pandemic, its impact on costs, Council Tax and Business Rate income levels
- The general uncertainty surrounding Business Rate income including "Material Change of Circumstances" and the extent of successful appeals and mandatory reliefs all of which affect Retained Business Rates
- Government Funding levels (including the outcome of the Fair Funding Review and the Business Rate Retention scheme review)
- The ability of the Council to make the necessary savings at the required scale and pace

7.3 A minimum level of revenue reserves must be specified within the Budget. The Local Authority must take full account of this information when setting the Budget Requirement.

7.4 Should the level of reserves fall below the minimum approved Working Balance of £1m, either arising from an overspend in the previous year or the current year, the S.151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall. In the most extreme of circumstances, the S.151 Officer can impose a spending freeze until a balanced budget is approved by the Council.

7.5 Given the scale of the forecast budget deficit and the significant uncertainty regarding Council funding, it is vital that the Council maintains its reserves at the levels set out in this report in order to provide financial resilience for the forthcoming 3 year period.

(a) Robustness of the Budget

- 7.6 In setting the Budget, the Council should have regard to the strategic and operational risks facing the Council. Some of these risks reflect the current economic climate and the national issues surrounding local authority funding levels.
- 7.7 Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions.
- 7.8 Assumptions for the Budget and forecasts for future years are considered to be sound and based on the best available information. These are set out in detail in Section 5 and use the following sources as their evidence base:
- Government funding as set out in the provisional settlement for 2022/23 and future assumptions informed by the most recent consultations
 - An assumption that the overall outcome of the Fair Funding Review and Business Rate Retention scheme review will lead to a net reduction in funding of £1m, but phased over 3 years
 - A "no growth" assumption for Retained Business Rates from 2023/24 onwards on the basis that any income arising from growth will be offset by appeals, reliefs and change of use
 - An assumption that the value of successful appeals against the 2017 rating list will be based on the most up to date information from the Valuation Office Agency
 - Increases in Council Tax within the likely referendum limits
 - Inflation on Retained Business Rates and prices informed by inflation estimates from the Office for Budget Responsibility
 - Prudential borrowing requirements based on approved Capital schemes
 - Balances and contingencies based on a risk assessment of all known financial risks
- 7.9 Savings contained within the Budget are those where Board Chairmen and Senior Management assess the confidence level of achievement is medium and above. Responsibility and accountability for delivering the savings rests with Board Chairmen and Senior Management and progress will be monitored throughout the year as part of the Budget Monitoring process.
- 7.10 The most volatile budgets are Housing Benefits, Homelessness, Interest Payable and Receivable and General Maintenance. Budget provision has been made available to cover these risks both directly within Service budgets as well as maintaining an adequate Revenue Financing Reserve.
- 7.11 The forecasts prepared for the forthcoming and future years are robustly based and illustrate the expected costs the Council will incur in order to deliver current levels of service.
- 7.12 Board Chairmen and Senior Managers will be given regular budget updates to ensure that action to address any potential over or underspend is taken promptly.

(b) The Adequacy of Proposed Financial Reserves

- 7.13 The Council's General Fund Working Balance, Revenue Financing Reserve (RFR) and Stability & Resilience Reserve (SRR) have been proposed at levels that are consistent with the Council's financial risks over the medium term.
- 7.14 The Working Balance at £1m represents 8.7% of General Fund revenue spending, and is supplemented by the RFR and SSR for the Council's highest financial risks.
- 7.15 The RFR is appropriately set to ensure adequate financial capacity exists to support the cost of implementing the necessary savings required for future years. The SRR has been set at 17% of annual funding and is expected to be sufficient to accommodate funding volatility over the next 2 to 3 years.
- 7.16 The Council maintains a number of other Earmarked Reserves for specific purposes and known future liabilities. These include¹:
- The Revenue Financing Reserve
 - The Stability and Resilience Reserve
 - Homelessness Support Grant Reserve
- 7.17 At the proposed levels, the Council reserves are sufficient to accommodate the Council's financial risks and maintain the Council's overall financial health in the short to medium term.

8 PAY POLICY STATEMENT 2022/23

- 8.1 The Council's Pay Policy Statement for 2022/23 is attached at Appendix G for approval.

9 CAPITAL PROGRAMME 2021/22 TO 2024/25

- 9.1 The Capital Programme is a key mechanism for the Council to achieve its objectives and enhance services for Borough residents. Officers have been reviewing existing projects and the potential for new projects as part of Budget preparation. The financial analysis in this report has compared current forecasts of expenditure against the capital budgets set in the February 2021 Budget.
- 9.2 The current programme was agreed by Council in February 2021. Expenditure to take place in this financial year has been reviewed against the Budget agreed and plans have been updated accordingly; including making provision for expenditure in future years where this is required. The refreshed financial profile for existing projects is detailed at Appendix D. Due to the difficult working situation this year, a number of projects have been moved into 2022/23. Key movements are outlined below, by Board:

Existing Projects

Policy & Organisation Board

¹ A full list of earmarked reserves can be found at page 63 of the Annual Report and Accounts 2019/20

- i) The NNDR system has been moved forward and is now planned to take place in 2022/23, and £144k has been transferred from this financial year;
- ii) The Finance System upgrade has been moved to 2022/23 and £70k has been moved from the current year to 2022/23

Economic Development Board

- i) The viability of regenerating the waterfront area by the Gosport Bus and Ferry terminals continues to be examined. This work has been successful in outlining a number of options for redevelopment; including in the context of broader Town Centre regeneration. The revised project budget will be utilised as follows:
 - a. £1.071m has been moved from the current year to 2022/23, £1m as a match funding contribution from the Council to support Town Centre regeneration activity with Hampshire County Council and the Solent LEP although the precise funding requirement is still being identified and £71k to be spent on marketing the redevelopment of the original site; and
 - b. £100k in 2023/24 to continue marketing activity of the bus depot site for further development in line with the feasibility studies undertaken.
- ii) Work continues at the Heritage Action Zone (HAZ) to conserve and enhance Gosport's heritage, with major repair works to Bastion No.1, projects at Priddys Hard and Gosport HAZ Walking Trail. The capital funding can attract further external funding to enhance the planned programme;

Community Board

- i) £209k has moved from the current year to 2022/23 to provide lighting to pathways within leisure parks, gardens and open spaces;
- ii) £280k for a scheme of footway repairs and water circulation at the Cockle Pond has been moved from the current year to 2022/23;
- iii) The planned new pavilion at Nobes Avenue open space, £320k has moved from current year to 2022/23
- iv) Work to provide a new cemetery is on schedule and £450k previously planned for 2022/23 is still expected to be spent in that year.
- v) Roof replacement at Brooker Field, costing £100k, has been moved from the current year to 2022/23
- vi) Replacement of No.2 Pavilion and Paths at Privett Park has been moved from the current year to 2022/23, at a cost of £500k (subject to match funding)

9.3 Additions to the Capital Programme 2022/23 Onwards

The capital programme for next financial year and beyond has a number of new proposals that reflect the priorities for Gosport and its residents, across a wide range of areas. These include:

CAPITAL PROGRAMME - SUMMARY OF NEW PROPOSALS / ADDITIONS	£'000
<u>EXTENSIONS / OVERSPENDINGS AGAINST EXISTING CAPITAL SCHEMES</u>	
FORTON LAKE OPENING BRIDGE - RENEWAL OF MOTORS, GEARS, SPROCKETS AND CHAINS & ELECTRICAL UPGRADE	9
SUB TOTAL	9
<u>NEW SCHEMES</u>	
ALVER VALLEY MARSHES	280
GRANGE FARM DEPOT - LONG BARN	225
GROUNDS MAINTENANCE SERVICE - PURCHASE OF EQUIPMENT AND MACHINERY	65
LOCAL FULL FIBRE NETWORK (LFFN)	62
ALLOTMENTS - IMPROVED ACCESS TO SITES	60
ALLOTMENT INFRASTRUCTURE	40
IPAD REPLACEMENT	30
ALVER VALLEY FOOTPATH	30
WILMOTT LANE DEPOT - ELECTRICAL REPLACEMENT	28
ANNS HILL CEMETERY - REFURBISH CREMATION GARDEN	28
DSO CEMETERY TEAM	25
DSO SPORTS TEAM	25
ANNS HILL CEMETERY - CHILDRENS GRAVES	15
STOKES BAY FOUNTAIN	10
ALLOTMENT SIGNAGE	10
WEST OF THE RIVER NATURE RESERVE - ALL ABILITIES ACCESS	10
SUB TOTAL	943
<u>ROLLING PROGRAMMES - ADDITIONAL YEAR</u>	
CCTV - REPLACEMENT & UPGRADES	15
IT – DESKTOP REPLACEMENT PROGRAMME	10
IT - SERVER REPLACEMENT	40
IT - SYSTEM UPGRADES	40
TOWN HALL	50
SUB TOTAL	155
GRAND TOTAL	1,107

- 9.4 There can be a direct impact on revenue budgets arising from the Capital Programme both positive and negative. All revenue implications arising from the Capital Programme have been taken into account in the proposed Budget.
- 9.5 In the current climate, it is important that the Council directs its available capital resources in a balanced way towards both essential service provision as well as regeneration activities and Invest to Save schemes. Investing in regeneration and schemes that stimulate employment is likely to improve overall prosperity within the Borough, reducing the need for Council services which better enables savings to be made. Additionally, increased employment has a positive financial impact on the Council's funding from Business Rates which will support the Council's future viability and the sustainability of high quality services to residents.

9.6 The amount of capital expenditure funded through borrowing continues to be strictly controlled since it must be demonstrated that the revenue consequences are affordable in line with the Prudential Code, in practice this means that borrowing can only be used for "Invest to Save" schemes where the saving is identifiable and can be removed from the Council's Revenue Budget.

10 CONCLUSION

10.1 The proposed Budget 2022/23 of £11,498,820 is balanced, has been prepared to incorporate the ongoing impact of Covid-19 and other cost and inflationary pressures. It also incorporates an increase in Council Tax of £3.89 for the average Gosport resident. The Council's Capital Programme provides for new Capital Investment of £1.107m and importantly continues to prioritise regeneration of the borough which will be vital for the recovery from the pandemic.

10.2 The Council's future forecasts require that savings of £1.726m are made over the next 3 years, either through reduced costs and / or additional income. It is proposed that these savings be phased at £0.575m per annum from 2023/24 to 2025/26 inclusive in order to provide for a broadly evenly managed programme to be implemented over the period. There are opportunities for this to be achieved by pursuing the Council's MTFS designed to stimulate the tax base (Council Tax and Business Rates), income generation and commercialisation opportunities alongside service reviews and continued joint working with partners. The adoption of the proposed Savings Strategy will still require a withdrawal from the RFR of £1.172m and it is imperative that this Reserve is maintained and used for that purpose.

10.3 Significant risks to the Council's future funding still remain over the next 3 years, particularly relating to legacy of the Covid-19 pandemic, inflation and the forthcoming overhaul of the Local Government funding system. The Council's forecast of a 3 year deficit of 1.726m is a central (or base case") assumption which could realistically change by +/- £0.5m and is a key reason why the Council's Reserves need to be retained at adequate levels.

10.4 The proposed Budget for 2022/23 is financially balanced, robustly based and provides sufficient cover for anticipated and potential financial risks within the year. Furthermore, with Reserves at this level, the overall financial health of the Council is currently sound providing resilience against an uncertain future.

Financial Implications:	All of the financial implications associated with the recommendations are described within the body of the report.
Legal Implications:	The Council has to set a balanced budget and is also under an obligation to carry out its functions effectively, efficiently and economically
Service Improvement Plan implications:	The budget submissions reflect both service improvement plans and the corporate plan.
Corporate Plan:	The budget submissions reflect both service improvement plans and the corporate plan. The report includes an assessment of the risks in the Council's budget and forward projections as described in Section 12.
Risk Assessment:	

Background papers:	Budget Book Budget working papers Capital Programme 2021/22 to 2024/25
Appendices/Enclosures:	A. General Fund Budget 2022/23 B. General Fund Forecast to 2025/26 C. Summary of Service Board Budgets 2022/23 D. Capital Programme 2021/22 to 2024/25 E. Prudential Indicators F. Pay Policy 2022/23

APPENDIX A

GENERAL FUND BUDGET

SUMMARY OF REVISED 2021/22 AND ESTIMATE 2022/23

	ORIGINAL 2021/22 £'000	REVISED 2021/22 £'000	ESTIMATE 2022/23 £'000
GENERAL FUND BUDGET			
COMMUNITY BOARD	5,742	5,672	5,897
ECONOMIC DEVELOPMENT BOARD	1,044	1,193	1,016
HOUSING BOARD	372	778	488
POLICY AND ORGANISATION BOARD	3,345	3,414	4,098
TOTAL NET EXPENDITURE	10,503	11,057	11,499
REVENUE CONTRIBUTION TO CAPITAL	1,263	427	1,032
TRANSFER TO/(FROM) RESERVES			
REVENUE FINANCING RESERVE	(1,181)	(21)	(1,391)
STABILITY AND RESILIENCE RESERVE	(2,444)	(1,277)	(1,514)
COVID 19 RESERVE	653	264	0
INCOME COMPENSATION SCHEME RESERVE	(147)	(127)	(127)
BUDGET TOTAL	8,647	10,323	9,499
FINANCED BY			
COUNCIL TAX	(6,297)	(6,297)	(6,587)
GOVERNMENT GRANTS	(1,126)	(1,634)	(638)
BUSINESS RATES	(1,225)	(2,392)	(2,274)
FUNDING TOTAL	(8,648)	(10,323)	(9,499)
BALANCES			
GENERAL FUND WORKING BALANCES			
B/FWD	1,000	1,000	1,000
CHANGE	0	0	0
C/FWD	1,000	1,000	1,000
REVENUE FINANCING RESERVE			
B/FWD	3,550	4,904	4,883
CHANGE	(1,181)	(21)	(1,391)
C/FWD	2,369	4,883	3,492
STABILITY AND RESILIENCE RESERVE			
B/FWD	4,662	4,374	3,097
CHANGE	(2,443)	(1,277)	(1,514)
C/FWD	2,219	3,097	1,583

APPENDIX B

GENERAL FUND PROJECTION TO 2025/26	2023/24 £'000	2024/25 £'000	2025/26 £'000
A 2022/23 BASE BUDGET	11,499	11,499	11,499
B BUDGET INCREASES / (DECREASES)			
REVENUE CONTRIBUTION TO CAPITAL	333	115	0
PENSIONS	132	153	176
INFLATION	426	860	1,303
MRP	70	60	24
INTEREST	69	131	151
SPEND TO SAVE	(216)	(278)	(365)
ELECTIONS	(114)	(44)	(114)
LOCAL DEVELOPMENT PLAN	16	(14)	(64)
CIVIC EVENTS	(20)	(20)	(20)
OTHER INCOME	(32)	(65)	(97)
FEES AND CHARGES	(64)	(64)	(131)
	600	834	863
C PROJECTED BUDGET TOTALS (A+B)	12,099	12,333	12,362
D FUNDING			
COUNCIL TAX (SEE BELOW)	(6,689)	(6,873)	(7,053)
GOVERNMENT GRANTS (SEE BELOW)	(1,158)	(874)	(591)
BUSINESS RATES (SEE BELOW)	(2,627)	(2,935)	(2,992)
CONTRIBUTION TO / (FROM) RESERVES	(379)	0	0
	(10,853)	(10,682)	(10,636)
E BUDGET DEFICIT (C+D)	1,246	1,651	1,726

COUNCIL TAX			
COUNCIL TAX BASE	27,260.2	27,408.2	27,577.2
COUNCIL TAX - BAND D	£245.75	£250.75	£255.76
COUNCIL TAX INCOME	(6,699)	(6,873)	(7,053)

GOVERNMENT GRANTS			
BENEFITS ADMINISTRATION GRANT	(306)	(306)	(306)
LOWER TIER / SERVICES, CSP GRANT AND TRANSITIONARY RELIEF	(852)	(568)	(285)
GOVERNMENT GRANTS	(1,158)	(874)	(591)

Savings to meet budget requirement	Revised Underlying Deficit	In Year Target	Revised Cumulative Saving
YEAR 1 (2023/24)	1,246	575	575
YEAR 2 (2024/25)	1,651	575	1,150
YEAR 3 (2025/26)	1,726	576	1,726

BUSINESS RATES			
RETAINED RATES	(2,879)	(2,935)	(2,992)
COLLECTION FUND SURPLUS / DEFICIT	252	0	0
	(2,627)	(2,935)	(2,992)

APPENDIX C

OVERVIEW OF GENERAL FUND BOARD REVENUE BUDGETS 2022/23

1. All members have been issued with a draft budget book for 2022/23 that while primarily containing the Council's General Fund (GF) budgets by Board and Service also contains the Housing Revenue Account (HRA) budgets within Community Board and a summary of the Capital Programme by scheme. This Appendix provides an overview of the GF budgets
2. Each of the three Board budgets comprise a number of services, each service in turn comprises of a number of managerial 'cost centres' which facilitate the management and delivery of services by budget holders and managers
3. Board budgets may be presented by the individual services (e.g. Parking, Waste etc.) as in the budget book and may also be presented by the type of service expense that are incurred (e.g. Premises, Transport etc.). These types of service expense are set down nationally for local authorities to follow.
4. The tables below shows the budgets for each of the Council's spending Boards, firstly their services as contained in the budget book and secondly by the type of expense.

APPENDIX C

COMMUNITY BOARD - BY SERVICE	Orig Budget 21/22	Revised Budget 21/22	Original Estimate 22/23	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	5,742,470	5,672,000	5,896,760	(70,470)	224,760	154,290
LEISURE & CULTURE	2,385,240	2,357,320	2,415,150	(27,920)	57,830	29,910
WASTE	1,598,310	1,455,520	1,640,470	(142,790)	184,950	42,160
STREETSCENE	520,420	569,170	533,080	48,750	(36,090)	12,660
COMMUNITY SAFETY	279,600	272,690	297,660	(6,910)	24,970	18,060
ENVIRONMENTAL SERVICES	449,560	441,020	461,700	(8,540)	20,680	12,140
MISC ENVIRONMENTAL & TRANSPORT	531,570	591,470	553,910	59,900	(37,560)	22,340
CEMETERY	(22,230)	(15,190)	(5,210)	7,040	9,980	17,020

COMMUNITY BOARD BY TYPE OF EXPENSES	Orig Budget 21/22	Revised Budget 21/22	Original Estimate 22/23	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	5,742,470	5,672,000	5,896,760	(70,470)	224,760	154,290
EXPENDITURE	8,202,020	8,193,440	8,309,060	(8,580)	115,620	107,040
EMPLOYEES	1,520	1,000	-	(520)	(1,000)	(1,520)
PREMISES	702,420	836,030	772,690	133,610	(63,340)	70,270
TRANSPORT	8,680	7,730	7,480	(950)	(250)	(1,200)
SUPPLIES & SERVICES	412,120	466,730	383,450	54,610	(83,280)	(28,670)
THIRD PARTY PAYMENTS	3,306,980	3,252,250	3,439,340	(54,730)	187,090	132,360
TRANSFER PAYMENTS	-	-	-	-	-	-
SUPPORT SERVICES	2,749,700	2,743,900	2,820,300	(5,800)	76,400	70,600
CAPITAL/FINANCING	1,020,600	885,800	885,800	(134,800)	-	(134,800)
INCOME	(2,459,550)	(2,521,440)	(2,412,300)	(61,890)	109,140	47,250
FEES & CHARGES	(2,070,360)	(2,086,580)	(2,102,070)	(16,220)	(15,490)	(31,710)
NON FEES & CHARGES	(389,190)	(434,860)	(310,230)	(45,670)	124,630	78,960

HOUSING BOARD - BY SERVICE	Orig Budget 21/22	Revised Budget 21/22	Original Estimate 22/23	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	371,620	778,310	488,400	406,690	(289,910)	116,780
HOME ADAPTATION GRANTS	13,380	13,450	13,830	70	380	450
PRIVATE SECTOR HOUSING	82,760	82,280	85,230	(480)	2,950	2,470
HOMELESSNESS	371,400	701,840	416,210	330,440	(285,630)	44,810
OTHER GENERAL FUND HOUSING	(95,920)	(19,260)	(26,870)	76,660	(7,610)	69,050

HOUSING BOARD - BY SERVICE	Orig Budget 21/22	Revised Budget 21/22	Original Estimate 22/23	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	371,620	778,310	488,400	406,690	(289,910)	116,780
EXPENDITURE	2,311,400	3,155,420	2,567,980	844,020	(587,440)	256,580
EMPLOYEES	20,740	159,620	21,240	138,880	(138,380)	500
PREMISES	15,520	125,750	15,150	110,230	(110,600)	(370)
TRANSPORT	-	12,200	-	12,200	(12,200)	-
SUPPLIES & SERVICES	1,322,380	1,687,750	1,319,740	365,370	(368,010)	(2,640)
THIRD PARTY PAYMENTS	72,130	73,030	75,180	900	2,150	3,050
TRANSFER PAYMENTS	343,430	480,970	480,970	137,540	-	137,540
SUPPORT SERVICES	537,200	616,100	655,700	78,900	39,600	118,500
CAPITAL/FINANCING	-	-	-	-	-	-
INCOME	(1,939,780)	(2,377,110)	(2,079,580)	(437,330)	297,530	(139,800)
FEES & CHARGES	(1,355,350)	(1,481,580)	(1,316,110)	(126,230)	165,470	39,240
NON FEES & CHARGES	(584,430)	(895,530)	(763,470)	(311,100)	132,060	(179,040)

ECONOMIC DEVELOPMENT BOARD BY SERVICE	Orig Budget 21/22	Revised Budget 21/22	Original Estimate 22/23	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	1,043,990	1,193,000	1,015,600	149,010	(177,400)	(28,390)
ECONOMIC PROSPERITY	300,490	409,530	269,200	109,040	(140,330)	(31,290)
MARKET	(7,550)	(7,300)	(6,690)	250	610	860
TOWN HARBOUR FORESHORE	213,870	187,100	187,200	(26,770)	100	(26,670)
EVENTS	91,700	77,500	112,500	(14,200)	35,000	20,800
PROPERTIES	126,240	189,610	166,800	63,370	(22,810)	40,560
MARKETING AND TOURISM	214,490	208,960	205,590	(5,530)	(3,370)	(8,900)
LOCAL DEVELOPMENT FRAMEWORK	104,750	127,600	81,000	22,850	(46,600)	(23,750)

ECONOMIC DEVELOPMENT BOARD BY TYPE OF EXPENSES	Orig Budget 21/22	Revised Budget 21/22	Original Estimate 22/23	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	1,043,990	1,193,000	1,015,600	149,010	(177,400)	(28,390)
EXPENDITURE	1,322,580	1,463,880	1,266,580	141,300	(197,300)	(56,000)
EMPLOYEES	1,000	500	500	(500)	-	(500)
PREMISES	178,610	228,590	200,390	49,980	(28,200)	21,780
TRANSPORT	700	700	700	-	-	-
SUPPLIES & SERVICES	383,410	610,520	319,720	227,110	(290,800)	(63,690)
THIRD PARTY PAYMENTS	32,860	33,170	33,670	310	500	810
TRANSFER PAYMENTS	-	-	-	-	-	-
SUPPORT SERVICES	525,400	389,800	511,000	(135,600)	121,200	(14,400)
CAPITAL/FINANCING	200,600	200,600	200,600	-	-	-
INCOME	(278,590)	(270,880)	(250,980)	7,710	19,900	27,610
FEES & CHARGES	(189,560)	(173,390)	(180,490)	16,170	(7,100)	9,070
NON FEES & CHARGES	(89,030)	(97,490)	(70,490)	(8,460)	27,000	18,540

POLICY AND ORGANISATION BOARD BY SERVICE	Orig Budget 21/22	Revised Budget 21/22	Original Estimate 22/23	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	3,345,020	3,413,250	4,098,060	68,230	684,810	753,040
REGISTRATION OF ELECTORS	251,820	285,820	287,070	34,000	1,250	35,250
LOCAL LAND CHARGES	28,560	31,660	40,910	3,100	9,250	12,350
HOUSING BENEFITS	659,200	543,900	906,790	(115,300)	362,890	247,590
LOCAL TAXATION	344,140	359,960	396,110	15,820	36,150	51,970
DEVELOPMENT SERVICES	967,940	941,950	1,074,810	(25,990)	132,860	106,870
LICENSING & REGISTRATION	49,000	54,380	68,180	5,380	13,800	19,180
ASSISTANCE TO VOLUNTARY ORGS	225,980	225,640	230,140	(340)	4,500	4,160
CORPORATE & CIVIC EXPENSES	1,224,010	1,225,770	1,299,350	1,760	73,580	75,340
MISCELLANEOUS SERVICES	384,960	567,800	386,040	182,840	(181,760)	1,080
OTHER CORPORATE AREAS	(790,590)	(823,630)	(591,340)	(33,040)	232,290	199,250

POLICY AND ORGANISATION BOARD BY TYPE OF EXPENSES	Orig Budget 21/22	Revised Budget 21/22	Original Estimate 22/23	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	3,345,020	3,413,250	4,098,060	68,230	684,810	753,040
EXPENDITURE	27,344,620	25,224,970	26,126,950	(2,119,650)	901,980	(1,217,670)
EMPLOYEES	81,480	221,420	82,380	139,940	(139,040)	900
PREMISES	4,200	10,630	7,850	6,430	(2,780)	3,650
TRANSPORT	5,210	5,110	5,020	(100)	(90)	(190)
SUPPLIES & SERVICES	755,110	844,300	988,090	89,190	143,790	232,980
THIRD PARTY PAYMENTS	276,460	230,270	278,050	(46,190)	47,780	1,590
TRANSFER PAYMENTS	20,870,020	18,650,440	18,948,790	(2,219,580)	298,350	(1,921,230)
SUPPORT SERVICES	4,316,640	4,228,600	4,580,870	(88,040)	352,270	264,230
CAPITAL/FINANCING	1,035,500	1,034,200	1,235,900	(1,300)	201,700	200,400
INCOME	(23,999,600)	(21,811,720)	(22,028,890)	2,187,880	(217,170)	1,970,710
FEES & CHARGES	(461,480)	(439,920)	(446,200)	21,560	(6,280)	15,280
NON FEES & CHARGES	(23,538,120)	(21,371,800)	(21,582,690)	2,166,320	(210,890)	1,955,430

APPENDIX D

CAPITAL PROGRAMME 2021/22 TO 2024/25 HOUSING BOARD (HRA)

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2021 £'000	Revised 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
1	IMPROVEMENTS TO HOUSING STOCK		-	3,100	4,185	3,500	3,500
2	PURCHASE OF PROPERTIES		-	280			
3	NEW BUILD	6,550		250	1,800	2,500	2,000
	Board Total			3,630	5,985	6,000	5,500

Project costs funded by GBC			
2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
3,100	4,185	3,500	3,500
280			
250	1,800	2,500	2,000
3,630	5,985	6,000	5,500

CAPITAL PROGRAMME 2021/22 TO 2024/25

HOUSING BOARD (GENERAL FUND)

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2021 £'000	Revised 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
1	DISABLED FACILITIES	-	-	600	600	600	600
2	STOKES BAY HOME PARK - UPPER SITE STORE SHED REPLACEMENT	84		84			
	Board Total			684	600	600	600

Project costs funded by GBC			
2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
84			
84			

**CAPITAL PROGRAMME 2021/22 TO 2024/25
COMMUNITY BOARD**

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2021 £'000	Revised 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Project costs funded by GBC			
								2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
1	ALVER VALLEY COUNTRY PARK	1,748	1,740	8				8			
2	GRANGE FARM GARDEN CENTRE & GATEWAY	226	181	35	10			35	10		
3	FORTON COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	1,054	371	683							
4	ALVERSTOKE COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	1,081	466	615							
5	SEAFIELD COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	539	325	44	100	70					
6	CAR PARK RESURFACING & UPGRADING	123	2	61	60			61	60		
7	PROVIDE LIGHTING TO PATHWAYS WITHIN LEISURE PARKS, GARDENS & OPEN SPACES	245	36		209				47		
8	PLAYGROUNDS - IMPROVEMENTS TO EXISTING FACILITIES	175	138	37				37			
9	ESSENTIAL PAVING IMPROVEMENTS & UPGRADES	105	5	5	95			5	95		
10	RENEW INTERPRETATION BOARDS ACROSS THE BOROUGH	30	22	8				8			
11	ICE RINK REFURBISHMENT & IMPROVEMENT	105	38		67				67		
12	COCKLE POND - WATER CIRCULATION SCHEME	100			100				100		
13	COCKLE POND - FOOTWAY REPAIRS	180			180				180		
14	COMMUNITY SPACE MANOR WAY	145	54	31	60			31	60		
15	STOKES BAY ROAD, EAST AND WEST CAR PARKS - DRAINAGE UPGRADE	40		40				40			
17	ALLOTMENTS - MANAGEMENT AND ERADICATION OF JAPANESE KNOTWEED	65	10	55				55			
18	LEE-ON- SOLENT SPLASH POOL	656	654	2				2			
19	BROOKERS FIELD - ROOF REPLACEMENT	100			100				40		
20	TUKES AVENUE OPEN SPACE - PLAY ZONE	120		120							
21	STOKES BAY - GYM EQUIPMENT	45	12	33				2			

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2021 £'000	Revised 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Project costs funded by GBC			
								2021/22	2022/23	2023/24	2024/25
								£'000	£'000	£'000	£'000
22	NOBES AVENUE OPEN SPACE - NEW PAVILLION	350		30	320			(5)	5		
23	WALPOLE PARK - INCLUSIVE PLAY ZONE	135		135							
24	GRANGE FARM - OFFICE REFURBISHMENT	28	28					(7)			
25	SPLASH PARK - STOKES BAY	430		430				370			
26	PLAY AREA - KINGS ROAD	100		100				100			
27	STOKES BAY SEAWALL	500		500				200			
28	FORTON BOWLING PAVILION	10		10				10			
30	PROVISION OF A NEW CEMETERY	580		130	450			130	450		
31	GROUNDS MAINTENANCE SERVICE - PURCHASE OF EQUIPMENT AND MACHINERY	699	359	158		117	65	158		117	65
32	LEISURE CENTRE CHANGING PLACES FACILITIES	50		50				50			
33	LANDING STAGE	100	90	10				10			
34	LEISURE CENTRE SOLAR PANELS	188		188				188			
35	BEACH ROAD CAR PARK - ANPR ACCESS CONTROL	80			80				80		
36	PRIVETT PARK - REPLACEMENT NO2 PAVILION AND PATHS (SUBJECT TO MATCH FUNDING)	500			500				500		
37	GRANGE FARM DEPOT - LONG BARN	225			175	50			175	50	
38	DSO CEMETERY TEAM	25			25				25		
39	DSO SPORTS TEAM	25			25				25		
40	STOKES BAY FOUNTAIN	10			10				10		
41	ALLOTMENT INFRASTRUCTURE	40				20	20			20	20
42	ALLOTMENTS - IMPROVED ACCESS TO SITES	60			20	20	20		20	20	20
43	ALLOTMENT SIGNAGE	10				10				10	
44	ANNS HILL CEMETERY - REFURBISH CREMATION GARDEN	28				28				28	
45	ANNS HILL CEMETERY - CHILDRENS GRAVES	15			15				15		
46	ALVER VALLEY FOOTPATH	30			30						
47	WEST OF THE REIVER NATURE RESERVE - ALL ABILITIES ACCESS	10			10						
48	ALVER VALLEY MARSHES	280			280						
	Board Total			3,518	2,921	315	105	1,488	1,964	245	105

**CAPITAL PROGRAMME 2021/22 TO 2024/25
ECONOMIC DEVELOPMENT BOARD**

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2021 £'000	Revised 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Project costs funded by GBC			
								2021/22	2022/23	2023/24	2024/25
								£'000	£'000	£'000	£'000
1	WATERFRONT (BUS STATION) REGENERATION	1,628	282	175	1,071	100		175	1,071	100	
2	FORTON LAKE OPENING BRIDGE - RENEWAL OF MOTORS, GEARS, SPROCKETS AND CHAINS & ELECTRICAL UPGRADE	470	384	86				86			
3	DAEDALUS REGENERATION	484	434	25	25			25	25		
4	HERITAGE ACTION ZONE (FEASIBILITY STUDIES/MATCH FUNDING)	377	87	130	110	50		130	110	50	
5	GOSPORT MUSEUM & GALLERY (CAPITAL GRANT)	100	30		70				70		
6	WAR MEMORIAL STOKES BAY	80		80				80			
7	DSO DEPOT - GRANGE FARM	130	68	62				62			
8	WILMOTT LANE DEPOT - ELECTRICAL REPLACEMENT	28		28				28			
	Board Total			586	1,276	150		586	1,276	150	

**CAPITAL PROGRAMME 2021/22 TO 2024/25
POLICY & ORGANISATION BOARD**

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2021 £'000	Revised 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
1	CCTV - REPLACEMENT & UPGRADES			17	15	15	15
2	IT - DESKTOP REPLACEMENT PROGRAMME			10	10	10	10
3	IT - SERVER REPLACEMENT			73	40	40	40
4	IT - SYSTEM UPGRADES			140	40	40	40
5	TOWN HALL MAJOR REPAIRS - ELECTRICS			24		10	10
6	TOWN HALL MAJOR REPAIRS - INTERNAL DECORATIONS				10	15	15
7	TOWN HALL MAJOR REPAIRS - HEALTH & SAFETY				10	10	10
8	TOWN HALL MAJOR REPAIRS - ADAPTIONS				10	15	15
9	FINANCE SYSTEM UPGRADE			20	70		
10	REPLACEMENT OF NNDR SYSTEM				144		
11	DIGITAL STRATEGY (CHANNELSHIFT)	52	13	39			
12	DESKTOP UPGRADE			110			
13	LOCAL FULL FIBRE NETWORK (LFFN)				62		
14	IPAD REPLACEMENT				10	10	10
	Board Total			433	421	165	165

Project costs funded by GBC			
2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
17	15	15	15
10	10	10	10
73	40	40	40
140	40	40	40
24		10	10
	10	15	15
	10	10	10
	10	15	15
20	70		
	144		
39			
110			
	62		
	10	10	10
433	421	165	165

SUMMARY FINANCING STATEMENT

	2021/22 £,000	2022/23 £,000	2023/24 £,000	2024/25 £,000	Total £'000
<u>EXTERNAL RESOURCES</u>					
SPECIFIC CAPITAL GRANTS - GF	600	600	600	600	2,400
DEVELOPER CONTRIBUTIONS - OPEN SPACES - GF	51	467			518
DEVELOPER CONTRIBUTIONS - CIL	538	390			928
OTHER GRANTS AND CONTRIBUTIONS - GF	1,442	100	70		1,612
<u>LOCAL RESOURCES</u>					
DEPRECIATION - HRA	3,098	3,120	3,027	3,027	12,272
REVENUE CONTRIBUTION - HRA	2	1,065	473	473	2,013
RESERVES - HRA	530	1,800	2,500	2,000	6,830
RESERVES - HRA (TO GF PROGRAMME)	115	115	100		330
REVENUE CONTRIBUTION - CAPITAL	427	1,032	333	115	1,907
REVENUE RESERVE FOR CAPITAL	163	475			638
CAPITAL RECEIPTS - GF	55				55
CAPITAL FUNDING REQUIREMENT - GF	1,831	2,039	127	155	4,152
TOTAL FUNDING	8,851	11,203	7,230	6,370	33,654

APPENDIX E

PRUDENTIAL INDICATORS

	2020/21	2021/22	2022/23	2023/24	2024/25
Capital Expenditure	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
General Fund Services	1,742.0	5,221.0	5,218.0	1,230.0	870.0
HRA	2,754.0	3,630.0	5,985.0	6,000.0	5,500.0
Total	4,496.0	8,851.0	11,203.0	7,230.0	6,370.0
Capital Financing	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
External Resources	746.0	2,630.0	1,557.0	670.0	600.0
Local Resources (excl. borrowing)	3,750.0	4,390.0	7,607.0	6,433.0	5,615.0
Borrowing	0.0	1,831.0	2,039.0	127.0	155.0
Capital Financing Requirement	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
CFR - Non Housing	20,708.0	21,953.0	23,249.0	22,564.0	21,916.0
CFR - Housing	61,565.0	61,565.0	61,565.0	61,565.0	61,565.0
Total CFR	82,273.0	83,518.0	84,814.0	84,129.0	83,481.0
Net movement in CFR	(202.0)	1,245.0	1,296.0	(685.0)	(648.0)
Movement in CFR is represented by					
Net financing need for the year	0.0	1,831.0	2,039.0	127.0	155.0
* Less MRP/VRP/other movements	(202.0)	(586.0)	(743.0)	(812.0)	(803.0)
Movement in CFR	(202.0)	1,245.0	1,296.0	(685.0)	(648.0)
Portfolio Position	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
External Debt	64,850.0	70,850.0	75,850.0	76,850.0	78,850.0
Other Long Term Liabilities	0.0	0.0	500.0	500.0	500.0
Gross Debt at 31 March	64,850.0	70,850.0	76,350.0	77,350.0	79,350.0
CFR	82,273.0	83,518.0	84,814.0	84,129.0	83,481.0
Under / (over) borrowing	17,423.0	12,668.0	8,464.0	6,779.0	4,131.0
Operational boundary		2021/22	2022/23	2023/24	2024/25
		Revised	Estimate	Estimate	Estimate
		£'000	£'000	£'000	£'000
		76.9	82.9	83.9	85.9
Authorised limit		2021/22	2022/23	2023/24	2024/25
		Revised	Estimate	Estimate	Estimate
		£'000	£'000	£'000	£'000
		85.0	91.5	91.6	93.4
% Net Financing Costs to Revenue Stream	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Revised	Estimate	Estimate	Estimate
Non-HRA	3.6%	2.9%	5.1%	7.2%	7.5%
HRA	33.6%	33.7%	32.3%	31.1%	29.9%

APPENDIX F

GOSPORT BOROUGH COUNCIL

PAY POLICY STATEMENT 2022/23

1. Purpose

This statement is produced in accordance with Section 38(1) of the Localism Act 2011, and sets out the Council's policies relating to the pay of its workforce for the financial year 2022/23, and in particular:

- the remuneration of its Chief Officers/highest paid employees
- the remuneration of its "lowest paid employees"
- the relationship between the remuneration of its Chief Officers and those who are not Chief Officers.

2. Shared working arrangements

With effect from 1 October 2016 an arrangement was implemented with Portsmouth City Council to share management and leadership arrangements with both councils retaining their clear identities as individual councils. Under this arrangement Gosport Borough Council pays a contribution to Portsmouth City Council, the figure for 2022/23 is £187,000. As a consequence there is no longer a Chief Executive as Head of Paid Service or Borough Treasurer employed directly by Gosport Borough Council. This arrangement was also extended further to other posts including the Head of Payroll and Head of Human Resources. The management and leadership that was provided by the Housing Services Manager is covered through a separate Service Level Agreement under which Gosport Borough Council pay a contribution, the figure for 2022/23 is £119,000.

3. Definitions

For the purpose of this pay policy statement, the following definitions apply.

3.1 **Pay**, in addition to salary, includes any charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements, and termination payments.

3.2 **Chief Officer**, prior to 1 October 2016, referred to the following roles within the Council:

- Chief Executive, as Head of Paid Service,
- Borough Solicitor and Deputy Chief Executive (who is also the Council's Monitoring Officer),
- Borough Treasurer,
- Housing Services Manager

In addition, in accordance with the definition set out in the Localism Act and the Government's statutory guidance, this term for this purpose also refers to those officers who report directly to the statutory or non-statutory officers, i.e. the following Section Heads:

- Head of Policy and Community Safety
- Head of IT
- Head of Finance
- Head of Local Taxation
- Head of Internal Audit
- Head of Housing
- Property Services Manager
- Housing Needs and Advice Manager
- Neighbourhood Operations Manager
- Borough Solicitor & Monitoring Officer

- Head of Electoral Services & Emergency Planning
- Head of Customer Services and Civics
- Senior Democratic Services Officer
- Assistant Chief Executive & Head of Planning and Regeneration
- Development Manager
- Planning Policy Manager
- Conservation Manager
- Economic Development & Regeneration Manager
- Head of Human Resources
- Head of Payroll
- Head of Streetscene
- Head of Housing Benefits, Procurement and Insurance
- Housing Benefits Manager

3.3 **Lowest paid employees** refers to those employees employed at the lowest grade level (Grade 1) of the Council's pay framework. This definition has been adopted because this is the lowest pay level in the Council, excluding Apprentices.

3.4 **Employees who are not Chief Officers** refers to all employees who are not covered by the Chief Officer group indicated at 3.2.

3.5 **Highest paid employee** will refer to the highest paid individual in Gosport Borough Council following the introduction of the shared working arrangement from 1 October 2016. This reflects the individual not responsible for directing the organisation but who receives the highest remuneration, due to the specialist skills or expertise held.

4. Pay framework and remuneration levels

4.1 General Approach

The Council recognises the need to exercise the greatest care in managing scarce public resources. The level of remuneration is a very important factor in both recruitment and retention of high quality employees dedicated to fulfilling the Council's business objectives and delivering services to the public, but this has to be balanced by ensuring remuneration is not, nor seen to be, unnecessarily excessive. Each council faces its own unique challenges and retains flexibility to cope with various circumstances.

Gosport Borough Council is aware that its pay levels for the Chief Executive and statutory and non-statutory Chief Officers have been low in comparison with the other authorities in the region, and nationally. The situation is kept under regular review.

The Government considers that large salary packages for new appointments, which should be considered by full Council, are those above the threshold of £100,000. In accordance with the revised guidance issued in February 2013, a lower threshold of £95,000 is used for this Council.

4.2 Responsibility for decisions on remuneration

Statutory and non-statutory Chief Officers of this Council are covered by the Joint National Council for Local Authorities' Conditions of Service for Chief Executives and Chief Officers; the JNC terms and conditions are incorporated in contracts of employment.

Any corporate changes to pay or grading for these officers are considered by the Council's Policy and Organisation Board.

Section Heads as listed at 3.2 and employees who are not Chief Officers are covered by the NJC for Local Authorities' Services Conditions of Service. The level of pay is determined in accordance with national pay scales. Any changes to the formally agreed terms or conditions for all staff are considered by the Council's Policy and Organisation Board.

4.3 Salary Grades and Grading Structure

The Council's grading structure for Section Heads and all employees who are not Chief Officers consists of one spot point salary and 14 grades – grades within the pay scales are allocated to posts through the national job evaluation scheme, thus ensuring fairness and equality in the application of pay. The allocation of a spot salary or grade depends on the nature and complexity of the job and the consequent need for a learning curve, and progression within grades is normally by annual increments, subject to satisfactory performance.

Section Heads listed at 3.2, who report directly to statutory and non-statutory Chief Officers also listed in that paragraph, are responsible for a particular function, with some employees at a lower level (e.g. secretarial) also reporting direct to statutory or non-statutory Chief Officers. Grades for Section Heads vary from grade 9 to grade 14 within the structure (attached), depending on the level of duties and responsibilities of each post and as evaluated in accordance with the national scheme.

Grade	Salary with effect from 1 April 2021*
1	£17,842 - £18,198
2	£18,198 - £18,933
3	£19,312 - £19,698
4	£20,092 - £21,748
5	£22,183 - £24,491
6	£25,481 - £27,741
7	£28,672 - £32,234
8	£32,910 - £37,890
9	£38,890 - £42,821
10	£43,857 - £46,845
11	£47,829 - £50,784
12	£51,796 - £54,964
13	£56,062 - £61,262
14	£63,100 - £68,949

* The national pay award has not yet been finalised for April 2021, so this is subject to change.

The lowest paid employees within the authority, i.e. those whose posts have been evaluated at the lowest grade, which is grade 1. Apprentices are paid outside of the pay grades based on the Authority's Apprenticeship rate.

The highest paid employee post 1 October 2016 is a Section Head (£38,890 to £68,949). Additional supplements are applicable for any employees managing other employees from other local authorities, see section 8 below. The comparison between the lowest paid and the highest paid is 3.7:1.

The highest paid salary, at the top of the grade is, 2.8 times the median average salary (£24,491) of the whole workforce. This is considered to be a fair and reasonable pay multiple, striking an appropriate balance which recognises the need to adequately recompense the different levels of duties and responsibilities. The reduction in the pay multiple is reflective of the removal of several senior posts within the Council and the introduction of shared working practices.

Increases in pay are made in accordance with national pay negotiations; there are separate negotiations for statutory and non-statutory Chief Officers. Section Heads pay will be increased with any pay increase agreed nationally in line with national negotiations.

4.4 Remuneration – level and elements

In considering pay, the Council takes into account market rates, individual performance and the need for equality and consistency in the way grades are applied.

5.0 Chief Officers

Statutory and non-statutory Chief Officers are not covered by the Council's job evaluation scheme and do not therefore receive any increase in grade where duties and responsibilities increase. Given the significant reduction in the size of the Council's Management Team over recent years, there have been considerable increases in duties and responsibilities for all these officers.

Following the implementation of the shared working arrangement from 1 October 2016 changes in pay for Chief Executive or Chief Officers are no longer applicable.

6.0 Other Officers

The salaries of Section Heads and other employees who are not Chief Officers are in accordance with the national tables, with increases applied following national pay negotiations.

The only other pay increases occur where employees are progressing contractually through a grade, or where a job is re-evaluated to recognise substantial additional duties/responsibilities. The majority of the Council's staff are on the top of their grade and have not therefore received incremental progression.

7.0 Grading Structure and Progression

The Council's grades consist of incremental points, other than a few spot point salaries. The use of a grade recognises and allows for employees to gain knowledge and expertise in the job. Appointments are made on merit and on the appropriate point of the grade, taking into account the level of skills and knowledge of the successful applicant. The decision is made by the Appointment Panel; the salary applied on appointment is subject to regular monitoring, and formally reviewed through the Equal Pay Audit.

All the Council's employees are subject to the same performance management process. Whilst there is no formal performance related pay for any of the Council's officers, increments can be withheld where performance is unsatisfactory, and enhanced incremental progression or one-off honorarium payments can also apply to recognise and reward exceptional performance. The scheme covering merit increments/honoraria provides clear guidance relating to the circumstances in which such payments can be made, and the size of the payment, which must be commensurate with the work being rewarded. Such awards can only be approved by the Chief Executive, following corporate consideration, and they are centrally monitored for fairness and consistency.

8.0 Additions to Salary

The responsibility of Returning Officer attracts an additional payment once every two years on completion of the work, this being the frequency of local elections. The payment is made in accordance with the Hampshire scale of fees, and is made to whichever officer undertakes that responsibility.

There are other supplements applied to the salaries of Section Heads; for instance where a Section Head requires a practising certificate or professional membership by law in order to fulfil their contractual duties, and where a Section Head is managing the functions across more than one Council; in the latter case, a 15% supplement is applied for managing the function (and staff within it) in one additional council, and 25% where this applies to two or more councils. Supplements are also provided for additional duties on top of an existing Section Head role; such

as a 15% supplement for the Head of Planning and Regeneration who is also Assistant Chief Executive. The only other additional payments applying to Section Heads or other employees are those recognising work out of normal hours, overtime or stand-by, in accordance with National and Local Conditions of Service.

All officers are entitled to claim an allowance for attendance at evening committee meetings, in accordance with the Council's formal Local Agreement, which depends on the amount of time involved. All officers who are nominated as "Essential" or "Casual" car users can apply for a loan from the Council to purchase a vehicle, the interest rate currently being 2%, in accordance with the formal Local Agreement. Car user designations are reviewed annually to consider whether there is sufficient justification to continue the allowance. All officers of the Council have the option to join the Hampshire County Council pension scheme, which is a contributory scheme with varying rates dependent on salary level.

The following elements of remuneration are determined by corporate policies or arrangements which apply to all permanent employees of the Council, regardless of their pay level, status or grading within the Council:

A Market Supplement payment may be made if there is a clear business need, supported by effective market data, where a post is difficult to recruit to or to retain key members of staff, in addition to the normal reward package.

The supplement payment will be made in strict accordance with the Recruitment and Retention Policy and will be reviewed biennially. The full Recruitment and Retention Policy will be provided on request.

The Council does not make any bonus payments.

9.0 Payments on Termination of Employment

There are no additional payments made on termination of employment, other than in situations of redundancy or early retirement. The provisions relating to such payments are set out in the Council's Statement on Early Retirement and Discretionary Payments, and the Redundancy Policy, which are approved by Policy and Organisation Board. Were there to be any severance packages beyond the threshold of £95,000, they would be subject to approval by the Council.

The provisions relating to flexible retirement, whereby an officer with sufficient service and of the appropriate age can request to take immediate payment of pension but remain in employment on less hours or in a lower graded role, are also included in the Statement referred to. Where any additional payments are required in accordance with pension provisions, these applications are subject to approval by Policy and Organisation Board. The provisions are exercised where appropriate savings can be made whilst still retaining the necessary knowledge and experience.

Early payments of pension on compassionate grounds are considered by Policy and Organisation Board and approved in very exceptional circumstances only.

Early payments of pension on medical grounds are considered in accordance with the requirements of the Pension Regulations, with advice from an independent Occupational Health Physician.

10. Re-employment of Officers

Where an officer has been made redundant or taken early retirement, staff will not normally be re-employed after retirement, it can be mutually beneficial for casual work to be undertaken where it is available. This involves work of a casual call-in nature, with no guarantee of work being offered

and no obligation to agree to the request, for example to provide cover for an absent employee. The rate of pay would depend on the work being undertaken.

A former employee cannot re-join the organisation following a redundancy, in any capacity including as a contractor, consultant, a permanent or temporary member of staff or a casual worker within 12 months of their termination date. Before agreeing to any such termination, a full search is always made for any possible suitable alternatives to avoid the situation arising, but there are times when redundancies/early retirements cannot be avoided.

The Council will in such cases, as in any recruitment exercise, take the necessary action to ensure that any future appointments are made on merit, selecting the most suitable person for the relevant post. Any necessary adjustments to pension (or payments made) would be made in accordance with the relevant Regulations.

11. Publication of Information

The Council publishes information relating to senior employees (those earning £58,200 and above as defined by the Government's transparency agenda), number of staff whose remuneration was at least £50,000, the organisation structure and grading structure, vacant posts, the pay multiple, and a range of equality data, on its website.

12. Review

This statement is reviewed on an annual basis, as required by legislation, and approved by full Council.

Associated Documents

The following documents also relate to pay, grading and retirement provisions:

Grading Structure
Statement on Early Retirement and Discretionary Payments
Redundancy Policy
Guidance on the Award of Merit Increments and Honoraria
People Management Strategy
Hampshire Election Fees 2020/21