

Board/Committee:	FULL COUNCIL
Date of Meeting:	07 FEBRUARY 2024
Title	MEDIUM TERM FINANCIAL STRATEGY & BUDGET (REVENUE & CAPITAL) 2024/25
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 2024/25 (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 2024/25 and the forecasts for future years considering the outlook for both spending and funding, and the likely consequences for Council services moving forward.
- 1.3 Working within a Local Government financial envelope set by the Government in their Comprehensive Spending Review 2021 for the period 2022/23 to 2024/25, which did not foresee the elevated and prolonged levels of inflation of the past 2 years, the Budget setting process over this period has been some of the most challenging that the Council has experienced.
- 1.4 Within 6 months of the Comprehensive Spending Review being set, and just 1 month before it came into effect, the financial environment changed rapidly, precipitated by the war in Ukraine and other economic factors causing inflation to swiftly escalate across the globe. The enduring impact of elevated inflation has led to unavoidable and unplanned cost increases in the delivery of Council Services as well as a "cost of living crisis" for residents which, in turn, has increased the demand for Council Services.
- 1.5 During 2023/24 and continuing into 2024/25, the Council continues to experience the "hang-over" of the heightened levels of inflation of the past 2 years, the consequent impact on residents of the cost of living, which in turn has resulted in a significant increase in demand for Council Services, mainly relating to Housing. Other unavoidable cost pressures experienced have been driven by National Living Wage rises in the current year and next year at 9.7% and 9.8% respectively, which has had a "knock on" impact on council contracts and council pay in the current and future years.
- 1.6 Rising cost pressures and constrained funding is a feature across Local Government as a whole with services such as Adult Social Care, Children's Services and Homelessness experiencing the most severe increases in price, demand and therefore cost, and resulting in all councils needing to continue to make substantial budget savings. Next year, some of the budget savings required to be made by Hampshire County Council will also impact on Gosport Borough Council's Budget.
- 1.7 Taken together, the unavoidable cost pressures described above are expected to amount to over £1m. These cost pressures were unplanned and therefore not factored into the Budget Forecast for 2024/25 and future years. Neither, therefore,

were these cost pressures factored into the forecast savings requirements reported to Council this time last year of £485,000 p.a. for the 3 year period 2024/25 to 2026/27.

- 1.8 As described in the Budget Report last year, it was anticipated that by making Budget Savings of £485,000, "structural balance" would be achieved (i.e. expenditure of an on-going nature would be matched by funding of an on-going nature). With unplanned cost pressures exceeding £1m and without a compensating increase in funding, it has not been possible to remain with target savings for 2024/25 of £485,000. The Budget Savings proposed for 2024/25 amount to £845,000 which, alongside some relatively modest increases in income and funding, will result in a "Structural Budget Deficit" for 2024/25 of £147,000
- 1.9 Looking ahead to the period 2025/26 to 2027/28, it is still anticipated that any new Government will simultaneously implement a Fair Funding Review and Business Rate Reset in 2026/27. The Fair Funding Review is a mechanism to re-distribute funding between Local Authorities based on relative need and will take any business rate growth experienced by Local Authorities into that review which, in effect, will also be re-distributed according to relative need. It is important to recognise that this will not provide funding to Local Authorities based on their actual and absolute need, rather it will distribute the sum of funding available for Local Government nationally on a relative fair and equitable basis. It is anticipated that the culmination of this review of Local Government funding will result in a loss of funding of £0.7m by the end of the forecast period in 2027/28.
- 1.10 Based on future estimates of both spending and funding, it is anticipated that the Council will have a Budget Deficit of £1.2m by 2027/28. The driving factors giving rise to the Budget Deficit in 2027/28 are:
 - i) The estimated impact of the change to the Local Government funding system described above at £0.7m
 - ii) The 2024/25 "Structural Deficit" of £0.147m
 - iii) The extent to which inflationary cost increases are not matched by funding increases from Council Tax, Business Rates and Government Grants.
- 1.11 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.
- 1.12 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 on the Council's costs and demand for Services
 - (b) **The Budget for 2023/24 (Revised) and for 2024/25**, including recommendations for Council Tax for 2024/25
 - (c) **Estimated Reserves** over the period 2023/24 to 2027/28
 - (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 2023/24 to 2026/27** (and associated Prudential Indicators).

- 1.13 In summary, the report outlines the overall current and medium term financial position of the Council's General Fund, recommends a Budget for 2024/25 that maintains the financial health and resilience of the Council and proposes an associated increase in Council Tax for 2024/25 of 2.99%. The financial position of the Housing Revenue Account (HRA) and recommendations for rent and service charge levels for 2024/25 is subject to a separate report.
- 1.14 To assist the Council in their consideration of the Budget proposals, all Members have been issued with a draft Budget Book for 2024/25 which incorporates all General Fund, Housing Revenue Account (HRA) 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 2023/24 of £11,582,410 as set out in Appendix A;
- 2.2 A General Fund Budget for 2024/25 of £12,434,500 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 2.99% for 2024/25;
- 2.5 It be noted that the Borough Treasurer has determined that the Council Tax Base for the financial year 2024/25 will be 26,980.9 [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 2024/25 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£44,587,889	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£37,697,777	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£6,890,112	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)	£255.37	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 £
170.25	198.62	227.00	255.37	312.12	368.87	425.62	510.74

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 2024/25 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 £
1,022.16	1,192.52	1,362.88	1,533.24	1,873.96	2,214.68	2,555.40	3,066.48

- 2.8 That it be noted that for the financial year 2024/25, 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 £
174.31	203.36	232.41	261.46	319.56	377.66	435.77	522.92

- 2.9 That it be noted that for the financial year 2024/25, that Hampshire & Isle of Wight Fire and Rescue Authority will be recommended to consider 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 and Rescue Authority)

A £	B £	C £	D £	E £	F £	G £	H £
55.23	64.43	73.64	82.84	101.25	119.66	138.07	165.68

- 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 2024/25 for each of the categories of dwellings shown on the next page:

Valuation Bands (Total Council Tax)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1,421.95	1,658.93	1,895.93	2,132.91	2,606.89	3,080.87	3,554.86	4,265.82

- 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 2024/25, which represents a 2.99% 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 and Rescue Authority) that its relevant basic amount of Council Tax for 2024/25 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 2025/26 onwards set out in this report, requiring that £0.401m of Budget Savings are made in 2025/26 as a minimum and that indicative savings of a further £0.401m will be required in both 2026/27 and 2027/28, 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 2023/24 to 2026/27 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 2024/25 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 8). 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 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 Officer's 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 The Budget for 2024/25 makes proposals for the following:

- i) Savings in excess of £0.485m as required by the Council resolution of February 2023, the increased level of savings being required to offset the unavoidable and unplanned inflationary and demand pressures experienced in 2023/24 and continuing into 2024/25
- ii) Inflationary uplifts for all Services
- iii) A Council Tax increase of 2.99%
- iv) A withdrawal from the Revenue Financing Reserve of £0.622m to reflect a £0.475m contribution to the Capital Programme and to fund an underlying Budget Deficit of £0.147m.

3.3 Considering the Revised Budget 2023/24, the proposed Budget for 2024/25 and the Council's Future Years' Forecasts, the Council will have a Forecast 3 Year Budget Deficit to remedy amounting to £1.204m (+/- £0.5m arising from future uncertainty). This compares to a forecast 3 Year Budget Deficit of £1.456m estimated in February 2023.

3.4 The financial environment through 2023/24 continued to experience elevated levels of inflation, starting the year at 10.1%¹ and falling steadily to 4% at the end of December 2023. This prolonged period of inflation has had a consequent impact on the cost of living for residents and therefore demand for Council Services which has been felt most acutely in the increase in demand for temporary accommodation.

3.5 For the financial year 2024/25, the Office for Budget Responsibility is forecasting that CPI will be an average of 3.0% and by the end of the financial year fall to 2.3%. Unavoidable cost pressures in 2024/25 in excess of inflation exceed £1m and represent a total increase of over 8% of Net Expenditure. Inflation and demand related cost pressures at these levels combined, continues to outstrip the increases in funding from Central Government and Council Tax, each at just 3.0% and Business Rates at 6.7%, causing a "structural gap" between spending and funding.

3.6 Due to the scale of the inflationary and demand related cost increases at over £1m, it has been necessary to deliver budget savings for 2024/25 at a level in excess of the £0.485m originally estimated in order for the Council to maintain its trajectory towards a "structurally balanced" Budget.

¹ Consumer Price Index

- 3.7 The Budget Savings proposed for 2024/25 contained in this report amount to £0.845m which has enabled the trajectory of the original deficit recovery plan to remain intact. This is highlighted by the following:

Financial Year	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Structural (Surplus) / Deficit - last year 2023/24	477	768	1,456	Beyond Forecast Horizon
Structural (Surplus) / Deficit - Revised 2024/25	147	189	738	1,204
Improvement	330	579	718	N/A

- 3.8 The Council has benefitted from a further delay to the implementation of the review of Local Government Funding (Fair Funding Review and Business Rate Reset) which is now assumed to be implemented in 2026/27.

- 3.9 The combination of all these factors has led to an overall improvement in the Council's Financial position as follows:

- i) Progress has been made towards the overall Budget Deficit - reducing the previous Forecast Deficit as at 2026/27 from £1.456m to a Forecast Deficit of £0.738m as at 2026/27 - an improvement of £0.718m
- ii) The new 3 Year Forecast Deficit (including a further year) to 2027/28 is £1.204m
- iii) Annual savings in order to meet the new 3 Year Forecast Deficit now amount to £0.401m p.a (compared with £0.485m p.a previously albeit that the forecast and therefore saving period is now extended by a further year).

- 3.10 The new 3 Year Forecast Deficit of £1.204m has been prepared on the basis of certain key assumptions on costs, informed by the economic assumptions of the Office for Budget Responsibility and funding assumptions based on consultations and announcements made by Government. The Forecast Deficit is set out below:

Financial Year	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Total Forecast Deficit	622	364	948	1,204
Structural (Surplus) / Deficit	147	189	738	1,204

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 and any surplus or deficit on the Collection Fund.

- 3.11 The most significant risks to the Forecast Deficit are as follows:

- i) The impact of the review of Local Government Funding, previously described
- ii) The extent to which levels of demand and inflation will persist and increase at levels in excess of funding
- iii) Collection rates for Council Tax and Business Rates
- iv) The level of successful business rate appeals arising from the revaluation in 2023/24.

- 3.12 The combination of the risks above could lead to a variation in the Forecast of +/- £0.5m over the 3 year period.
- 3.13 To achieve financial balance over a 3 year period will require the Council to make savings of £0.401m per annum from 2025/26 onwards. This will enable the Council to achieve "Structural Budget Balance" in 2025/26 and for the following years of the Forecast. If this level of savings of £0.401m are made, there will be no requirement to make withdrawals from the Revenue Financing Reserve from 2025/26 onwards to balance the Revenue Budget, only withdrawals to fund the approved Capital Programme will be required.
- 3.14 Adequate levels of reserves have been maintained. 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 through the review of Local Government Funding, the volatile nature of inflation and the risks to the demand for services and Council Tax and Business Rates collection levels arising from the "cost of living crisis", the adequacy and targeted use of reserves remains a key requirement of responsible and risk based financial management.
- 3.15 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 continue to:
- Use the strategic review of all Council property assets to capture the opportunities for income generation, regeneration, efficiencies or disposal
 - Enhance income generation through spend to save initiatives and other commercial activities
 - Pursue efficiency by undertaking a full review of existing Revenue Budgets, ensuring that both Council performance and value for money are achieved
 - Ensure that the organisational design of the Council meets the Council's priorities
 - 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.
- 3.16 The Administration's Budget proposals enable the Council to live within its means, make savings and provide a good degree of resilience.

4 REVISED BUDGET 2023/24

- 4.1 The Budget for 2023/24 as set out in Appendix A has been revised downwards from £11,741,800 to £11,582,410.
- 4.2 The key changes between the Original Budget 2023/24 and the proposed Revised Budget 2023/24 are as follows:

Expenditure 2023/24

Board and Service expenditure has been revised downwards by £159,390.

The key increases in spending / reductions in income include:

- Pay Award - £174,000
- Reduced income from Dry Mixed Recyclables - £102,000
- Lower than estimated Parking Income - £124,000
- Homelessness - £76,000
- Reduced income from Portchester Crematorium - £70,000

Offset by:

- Reduced Energy Costs - £411,000
- Staff vacancies and other staff related costs (offset by additional agency costs) - £348,000.

Funding 2023/24

Funding has increased by £187,270 mainly due to a lower than anticipated Business Rate "Tariff" payment to Government.

5. PROPOSED BUDGET 2024/25

Funding – The Provisional Local Government Finance Settlement 2024/25

- 5.1 The Local Government Finance Settlement is the term used to describe the main non-ring-fenced Revenue and Capital grant funding allocations from Government.
- 5.2 In overall terms the provisional Local Government Settlement has increased the overall grant funding available to the Council by £201,700 in 2024/25 as follows:

Funding Stream	2023/24 (Current Year) £m	Estimate 2024/25 £m	Difference £m
Revenue Support Grant	0.079	0.084	0.005
New Homes Bonus	0.000	0.000	0.000
Services Grant	0.101	0.016	-0.085
Funding Guarantee (Note 1 and 2)	0.202	0.484	0.282
Total Funding	0.382	0.584	0.202

Note:

- i) **The Provisional Local Government Finance Settlement has been adjusted to take account of the estimated additional funding arising from the announcement by the Secretary of State for Levelling Up, Housing and Communities on 24 January 2024 which increased the Funding Guarantee from 3% to 4%. For Gosport Borough Council this is estimated at an additional £100,000.**

- ii) **The Funding Guarantee Grant replaces the Lower Tier Services Grant. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 4% (before taking account of any Council Tax increase)**

5.3 Other features of the Settlement include:

- A 1 year Settlement for 2024/25
- Council Tax increase thresholds of:
 - 3.0% or £5 for Shire District Councils, whichever is the greater
 - 3.0% for Upper Tier and Unitary Councils
 - 2.0% for Adult Social Care (Upper Tier Authorities only)
 - 3.0% for Fire & Rescue Authorities
 - £13 for Police and Crime Commissioners
- Ceasing of the Household Support Fund.

5.4 It has now been 8 years since the Government first announced that it would consult and implement the review of Local Government Funding. The review is now anticipated to be implemented in 2026/27 at the earliest. The funding review covers the following:

- The "Fair Funding Review", (to determine a new formula methodology which will set each Local Authority's baseline funding level and creating "winners and losers")
- The Retained Business Rates system which involves the removal of all existing growth retained to date (amounting to £0.8m) and re-distributing that growth nationally according to relative need (rather than where it was generated).

5.5 Core Annual Funding has increased by £201,700 as described above and entirely driven by the 4% Funding Guarantee. Direct Government funding is now an increasingly small part of total Council funding, representing just 7.0%.

5.6 The final grant settlement should be available by early February, it is not expected to vary significantly from the adjusted provisional settlement, and it is recommended that any variation should be accommodated by a transfer to / from the Revenue Financing Reserve.

5.7 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 - 2024/25 & Future Forecasts

5.8 The Retained Business Rates system is extremely complex and subject to a significant degree of inherent risk.

5.9 In broad terms, the Council currently retains 20% 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).

5.10 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.

5.11 The coming year is the second year since the latest Business Rate revaluation (April 2023). At the national level, the effect of revaluation is intended to be neutral with any increase in Business Rates generated from the revaluation being offset by a reduction in the Business Rate multiplier. At the local level for the Council, retained Business Rates are also similarly adjusted to attain neutrality.

5.12 The revaluation presents a degree of risk to the Council's retained Business Rates since individual rateable values of businesses on average have increased by 15.0% (and 7.3% nationally). The new 2023 revaluation will commence a process where businesses seek to appeal their valuation with the Valuation Office. The Council's funding can be affected positively or negatively by the extent to which successful business rate appeals exceed the national average assumed at 3.2%. This presents a risk to the Council's Budget and Budget Forecasts.

5.13 Other variables include 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 £0.8m is no longer retained and phased out between 2026/27 and 2028/29; and
- An underlying assumption that the rate of successful appeals will be 4.7%.

Additionally, the "cost of living crisis" could affect the level of business rate income if the economy stagnates or falls into recession with potential business failures and reduced collection rates.

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

Financial Year	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Business Rates	4,859	4,692	3,980	4,036

- 5.14 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 2026/27 onwards has never been more uncertain.

Council Tax - 2024/25 & Future Forecasts

Collection Fund Balance (Council Tax Element) 2023/24

- 5.15 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 (72% share)
- Gosport Borough Council (12% 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 2023/24, it is estimated that the Collection Fund will be in deficit by £1,062,000. The Gosport Borough Council element of that amounts to £129,100.

This deficit is factored into the Council Tax income estimates for 2024/25.

Council Tax Base 2024/25

- 5.16 The Council Tax Base (i.e. the number of Band D equivalent properties paying the full Council Tax) has been determined as 26,980.9 for 2024/25, having taken account of all estimated changes in properties, discounts and exemptions for the coming year and the impact of Covid pandemic and the "cost of living crisis" on both the Collection Rate and the Local Council Tax Support caseload. This results in a reduction in the number of Band D equivalent properties of 75.1.

Council Tax Amount 2024/25

- 5.17 Council Tax will represent 54% 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.
- 5.18 Council Tax for the average Council Tax payer in Gosport (Band B) currently amounts to £1,586.74 of which £192.85 (12.2%) is the Gosport Borough Council element. In response to inflationary pressures faced by Councils, the Provisional Local Government Finance Settlement for 2024/25 confirmed a Council Tax increase limit (i.e. referendum threshold) of either 3.0% or £5 for all shire District Councils, whichever is the higher. For Gosport Borough Council, a 3.0% increase is the higher limit.

5.19 The proposals for the 2024/25 Budget are based on increasing the Council Tax by 2.99% representing an increase of 11 pence per week for the average Band B taxpayer in Gosport. At present circa. 50% of all residents pay the full amount of Council Tax with 50% being entitled to some form of discount, exemption or Local Council Tax Support.

Total Council Tax Income 2024/25

5.20 A Council Tax increase of 2.99% per annum will raise, in total, an additional £200,800 in 2024/25. However, a deterioration in the Taxbase of 75.1 Band D equivalent properties reduced Council Tax income by £19,200. This results in a total increase in Council Tax of £181,600. Taken together with the movement on the Collection Fund, the overall Council Tax income has increased by £286,800.

5.21 Considering the Council Tax increase, Council Tax Base and position on the Collection Fund, the total Council Tax income for 2024/25 is estimated at £6,761,010.

Total Council Tax Income 2024/25 & Future Years

5.22 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 2025/26 onwards have also been estimated on the basis of a 2.99% increase per annum.

5.23 The Council's Medium Term Financial Forecast assumes that Council Tax Income will rise to £7,662,100 by 2027/28 and is based on the following assumptions:

- Annual increases in the amount of Council Tax of 2.99% per annum from 2024/25 onwards
- Growth in the Council Tax Base of circa 1.8% over the period

Financial Year	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Council Tax	6,761	7,156	7,406	7,662

Total Funding 2024/25 - Council Tax, Business Rates & Government Grants

In taking account of the factors detailed above; total funding for the Council in 2024/25 is estimated at £12,463,680.

Revenue Budget 2024/25

5.24 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.

5.25 The proposed Budget for 2024/25 has been prepared to accommodate the following:

- Inflationary costs and other unavoidable cost pressures in general

- A Revenue Contribution to Capital of £0.475m (funded from the Revenue Financing Reserve) in order to meet the costs associated with the Capital Investment proposals set out later in this report as well as the re-phasing of the previous year's Capital Programme
- Transfers from Reserves where grant income has been received in advance for financial impacts that will be experienced in 2024/25
- Transfers of sums to Reserves to adjust for timing differences between the receipt of grants for Business Rate Reliefs and the financial cost of those reliefs which impact on the General Fund the following year
- An increase in Council Tax of 2.99%.

5.26 The key changes between the Original Budget 2023/24 and the proposed Budget 2024/25 are as follows:

Expenditure 2024/25

5.27 Board and Service expenditure is estimated at £12,434,500, an increase of £692,700 from the 2023/24 Original Budget.

5.28 Spending increases have been largely caused by the unplanned and unavoidable cost increases associated with a prolonged period of inflation, budget savings by Hampshire County Council flowing through to Gosport Borough Council and the increased demand for Council services driven by the cost of living for residents, resulting in cost increases in excess of £1m as described below:

- Loss of income from Hampshire County Council for Dry Mixed Recyclables - £298,000
- Pay Award (including the shortfall from 2023/24) - £250,000
- Homelessness - £251,000
- Overestimates of Car Parking Income (overall income has increased) - £99,000
- Changes to the Chief Executive Arrangements - £96,000
- Reduced Income from Portchester Crematorium - £70,000.

Savings 2024/25

5.29 The Administration's Budget proposals for 2024/25 include total savings amounting to £0.845m and are in response to the following:

- i) The requirement to meet savings of £485,000 in 2024/25 as approved by the Council in February 2023 in order to address the 3 Year Budget Deficit
- ii) The need to maintain the trajectory of the Medium Term Financial Strategy in achieving a "structurally balanced" Budget over the 3 year period; by making additional savings to accommodate the unplanned extraordinary costs associated with inflation and demand.

5.30 The majority of the savings included within the Budget proposals for 2024/25 arise from efficiencies and other costs savings alongside some additional income raising measures.

5.31 Key savings contained with the proposed Budget for 2024/25 are as follows:

- Staff organisational efficiency savings including vacancy savings and service re-design - £633,000
- Increases in Council Tax enforcement fees and fines for non-compliance - £55,000
- Support from the Housing Revenue Account for the Family Intervention Project - £52,000
- Tourism surveys and initiatives - £48,000
- Concession income - £30,000.

5.32 A summary of the proposed Budget 2024/25 is set out in Appendix A and the Budgets for each of the Boards are included at Appendix C.

6. REVENUE FORECASTS TO 2027/28

6.1 A new medium term forecast has now been completed to cover the period 2025/26 to 2027/28 (i.e. after including the savings and cost pressures incorporated into the 2024/25 Budget and incorporating the further financial year of 2027/28). This has previously been set out in summary in Section 3 when describing the financial context to the Medium Term Financial Strategy.

6.2 In arriving at the new Forecast, all 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 2025/26 to 2027/28 will be £1.204m.

6.3 To manage the necessary savings, arising from the forecast deficit of £1.204m, over a 3 year period in an even and managed way to avoid de-stabilising service provision, £0.401m per annum will be required each year commencing in 2025/26. The most significant assumptions in the medium term future forecasts are described below.

6.4 The key drivers behind the 3 year deficit are:

- The estimated impact of the change to the Local Government funding system described above at £0.7m
- The 2024/25 "Structural Deficit" of £0.147m
- The extent to which inflationary cost increases are not matched by funding increases from Council Tax, Business Rates and Government Grants.

6.5 The most significant assumptions in the medium term forecasts are:

Spending

- An assumption of providing "steady state" services across the Council
- Inflation on pay and prices of £1.6m
- Increased Debt servicing costs of £0.1m
- Increased income from fees and charges - £0.1m.

Funding

- An overall reduction in funding arising from the implementation of the Fair Funding Review and Business Rate Retention scheme of £0.7m
- A residual underlying zero growth assumption for changes in Business Rates from 2025/26 onwards, to reflect the uncertainty relating to the new 2023 Rating List and the extent to which successful appeals will be made and other mandatory reliefs awarded
- Indexation uplifts on retained Business Rates of 3.0% for 2025/26, 1.6% for 2026/27 and 1.4% for 2027/28 in accordance with forecasts from the Office for Budget Responsibility
- Continuation of the 4% Funding Guarantee introduced in 2023/24
- A Council Tax increase of 2.99% per annum for 2025/26 to 2027/28, accompanied by an improving taxbase, in total yielding £0.8m over the period.

6.6 It is important to recognise that this forecast extends beyond the Fair Funding Review and the revised Business Rate Retention Scheme expected to be implemented in 2026/27. It also moves 3 years beyond the current Government Spending Review period and therefore broad assumptions have been made at the macroeconomic level pending any indicative information at the local level. There also remain uncertainties regarding the volatility of inflation more generally. Consequently, there remains a significant level of uncertainty surrounding the £1.204m forecast deficit which could realistically vary between +/- £0.5m.

Savings Strategy 2025/26 to 2027/28

6.7 The estimated 3 Year Savings Requirement of £1.204m 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.

6.8

Financial Year	Revised Budget Deficit £	In Year Target £	Revised Cumulative Saving £
2025/26	0.364m	0.401m	0.401m
2026/27	0.948m	0.401m	0.802m
2027/28	1.204m	0.402m	1.204m

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a Savings Strategy described above at £0.401m per annum, the Council will achieve "structural budget" balance in 2025/26 since £0.175m of the total deficit of £0.364m relates to a "one-off" contribution to the Capital Programme, meaning that there will be an underlying "structural surplus" of £0.212m. Savings from 2026/27 will then be required to meet the annual gap between spending and funding that occurs as a consequence of funding not keeping pace with inflation generally.

6.9 To provide assurance that the savings strategy described above can remain intact and have protection from the uncertainties of the Forecast 3 Year Deficit which could reasonably vary by +/- £0.5m, it is imperative that 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.

7. RESERVES

7.1 In general, maintaining adequate reserves is a measure of responsible financial management and strong financial health. They are crucial for financial resilience 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.

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

Reserve	Amount at 31/03/2024 £m	Projected 31/03/2025 £m
General Fund Balance	1,000	1,000
Revenue Financing Reserve	4,560	3,936
Stability & Resilience Reserve	1,739	2,044

General Fund Working Balance

7.3 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

7.4 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.

7.5 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 £0.401m of Budget Savings each year, the sums set out in the table on the next page will be required to be drawn from the RFR.

Budget Deficit & Savings Strategy	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Deficit	937	622	364	948	1,204
Funded by:					
<u>Budget Savings Strategy</u>					
Budget Savings 2024/25			(401)	(401)	(401)
Budget Savings 2025/26				(401)	(401)
Budget Savings 2026/27					(401)
Sub - Total	0	0	(401)	(802)	(1,204)
Residual Deficit after Savings	937	622	-37	145	0
Revenue Financing Reserve					
Revenue Financing Reserve - RCCO	(622)	(475)	(175)	(210)	0
Revenue Financing Reserve - Budget	(315)	(147)	212	65	0
Movement on RFR	(937)	(622)	37	(145)	0

7.6 As illustrated above, the RFR will require a withdrawal of £0.937m to support the Revised Budget for 2023/24 and a sum of £0.622m to support the proposed Budget for 2024/25.

The sum of £0.622m for 2024/25, is required to fund the following:

- i) £0.475m for the Capital Programme
- ii) £0.147m to fund the structural deficit between spending and funding.

7.7 Should the required savings be made in accordance with the proposed Saving Strategy of £0.401m per annum, there will be a residual requirement to withdraw a further £0.108m over the period 2025/26 to 2027/28.

7.8 The Forecast for the RFR therefore is set out below, leaving a Forecast Balance on the reserve of £3.828m at the end of 2027/28. This is an improvement of £0.449m against last year's forecast of £3.379m as at the end of 2026/27.

Revenue Financing Reserve	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Opening Balance	5,495	4,558	3,937	3,974	3,828
Budget Surplus / (Deficit) - see above	(937)	(622)	37	(145)	0
Closing Balance	4,558	3,937	3,974	3,828	3,828

- 7.9 In the event that the Savings Strategy described is not implemented, the RFR would be just £1.4m by 2027/28.

Stability & Resilience Reserve

- 7.10 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 contribution in the current year is expected to be £0.3m. The proposed Budget for 2024/25 includes a further contribution of £0.3m, which is expected to leave a balance of £2.0m as at the end of March 2025. Contributions and withdrawals to this reserve are generally neutral over time and relate to:
- i) Timing differences between the receipt of Government grants in compensation for national business rate reliefs and the actual loss of Business Rates income
 - ii) Reconciling amounts between the estimates of the Levy paid over to Government and the actual Levy paid over to Government.
- 7.11 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.
- 7.12 The SRR cannot be seen as a generally available reserve if it is to be used for its intended purpose.
- 7.13 The Council's MTFs including continued zero based budget reviews, organisational design efficiencies, 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.
- 7.14 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.

8. STATEMENT OF THE SECTION 151 OFFICER IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003

- 8.1 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.
- 8.2 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 2024/25. Particular uncertainties exist regarding:
- The volatility and prolonged impacts of inflation

- The increased levels of demand for Council Services (e.g. Homelessness) being driven by the cost of living crisis
- The continuing impact of the Covid pandemic, its impact on costs, Council Tax and Business Rate income levels
- The general uncertainty surrounding Business Rate income including the recent revaluation 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 expected in 2026/27)
- The ability of the Council to continue to make the necessary savings at the required scale and pace
- The extent to which new policy changes will be funded.

All of these uncertainties increase the need for adequate reserves and balances to be maintained in current and future years.

- 8.3 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.
- 8.4 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 issue a S.114 notice requiring the Council to make contractual and statutory spending only until a balanced budget is approved by the Council.
- 8.5 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

- 8.6 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.
- 8.7 Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions.
- 8.8 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 2024/25 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 £1.1m, but phased over 3 years

- A "no growth" assumption for Retained Business Rates from 2025/26 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 2023 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.

8.9 Savings contained within the Budget are those where Board Chairs and Senior Management assess the confidence level of achievement is medium and above. Responsibility and accountability for delivering the savings rests with Board Chairs and Senior Management, and progress will be monitored throughout the year as part of the Budget Monitoring process.

8.10 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.

8.11 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.

8.12 Board Chairs 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

8.13 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.

8.14 The Working Balance at £1m represents 8.0% of Net General Fund revenue spending and 2% of Gross Expenditure and is supplemented by the RFR and SSR for the Council's highest financial risks.

8.15 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.

8.16 The Council maintains a number of other Earmarked Reserves for specific purposes and known future liabilities. These include²:

- The Revenue Financing Reserve

² A full list of earmarked reserves can be found at page 59 of the draft Annual Report and Accounts 2022/23

- The Stability and Resilience Reserve
- Homelessness Support Grant Reserve.

8.17 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.

9. PAY POLICY STATEMENT 2023/24

9.1 The Council's Pay Policy Statement for 2024/25 is attached at Appendix F for approval.

10. CAPITAL PROGRAMME 2023/24 TO 2026/27

10.1 The Capital Programme is an integral part of the Council's Medium Term Financial Strategy. It sets out the Council's Capital Investment plans and is a key mechanism for the Council to achieve its objectives and enhance services for Borough residents.

10.2 Given the scarcity of Capital Funding, this report makes only minor amendments to the current approved Capital Programme and only on the basis that any additional capital expenditure has been funded either from underspendings, reductions or deletions within the existing Capital Programme. The proposed Capital Programme does include additions where these are funded from specific external funding for particular purposes and also updated for any re-phasing of expenditure across years.

Capital Strategy

The Capital Strategy has 3 core aims:

Aim 1 - To support a Medium Term Outlook

- Allocating known resources to future years for critical capital investment, ensuring that in years where capital resources are limited, critical investment can continue to be made
- Aligning known resources and spending, ensuring that uncertain or forecast resources are not applied to current investment, thus leaving potentially unfunded obligations in the future
- Smoothing out any significant gaps between capital investment needs and capital resources available by utilising contributions from revenue.

Aim 2 - To Maximise the Capital Resources available and the flexibility of their application

- Setting aside capital funding for "match funding" opportunities, where these are aligned with the Council's strategic objectives in order to take advantage of "free" funding
- Reviewing contractually uncommitted schemes against newly emerging capital investment priorities
- Avoiding ring-fencing of capital resources, except where such ring-fencing is statutory

- Using prudential borrowing for "Invest to Save" schemes, or schemes which generate income.

Aim 3 - Targeted Capital Investment

- Annual review of all contractually uncommitted capital schemes which rely on non-ring-fenced funding is undertaken to ensure that they remain a priority in the context of any newly emerging needs and aspirations
- Investment in programmes of a recurring nature that are essential to maintain operational effectiveness
- Investment in specific schemes that:
 - Have a significant catalytic potential to unlock the regeneration of the Borough
 - Are significant in terms of the Council strategies that they serve
 - Are significantly income generating or efficiency generating
 - If not implemented would cause severe disruption to service delivery.

9.3 The Capital Programme is the plan that underpins the Capital Strategy (described above) and has an important role to play in seeking to support the financial sustainability of the Council and its services. It is a key mechanism to:

- Meet the Council's statutory obligations for continued and sustainable service provision
- Support the delivery of Council priorities and strategies
- Improve the economy of the Borough (and therefore the funding base of the Council)
- Improve the efficiency, effectiveness and cost of services
- Generate or maintain income for the Council.

Additions to the Capital Programme 2024/25 Onwards

9.4 In accordance with the Capital Strategy, the Administration propose that the following new Capital Schemes (shown in the table on the next page) totalling £0.797m are added to the Council's Capital Programme 2023/24 to 2026/27:

Additions to the Capital Programme 2024 25 to 2026 27

PROPOSED PROJECTS - NEW STARTS			
No	Name of Scheme	Details	Total £'000
1	Concerto Property Database	Essential for statutory compliance monitoring and effective management of the Council's property assets	18
2	Heritage Grants	Applications for grant funding	200
3	Play Area Refurbishments across the Borough	Provision for priority works at play facilities	275
TOTAL			493

ROLLING PROGRAMMES - ADDITIONAL YEAR 2026 27			
No	Name of Scheme	Details	Total £'000
4	IT - Desktop Replacement Programme	Essential Council Services to operate effectively	10
5	IT - Server Replacement	Essential Council Services to operate effectively	40
6	IT - System Upgrades	Essential Council Services to operate effectively	40
7	Ipad Replacement	Essential Council Services to operate effectively	10
8	IT - Laptop Replacement Programme	Essential Council Services to operate effectively	30
9	WFH Infrastructure	Essential Council Services to operate effectively	20
10	Town Hall Major Repairs - Internal Decorations	Essential Council Services to operate effectively	10
11	Town Hall Major Repairs - Health & Safety	Essential Council Services to operate effectively	6
12	Town Hall Major Repairs - Adaptions	Essential Council Services to operate effectively	10
13	CCTV - Replacement & Upgrades	Essential Council Services to operate effectively	15
14	Grounds Maintenance - Purchase of Equipment & Machinery	Essential Council Services to operate effectively	40
TOTAL			231

APPROVED CAPITAL PROGRAMME - ADDITIONAL COSTS OF APPROVED SCHEMES			
No	Name of Scheme	Details	Total £'000
15	West of the River Nature Reserve - All abilities access		5
16	Town Hall Major Repairs - Electrics		24
17	Replacement NNDR System		44
TOTAL			73

Total Capital Requirement 2024 25 & Future Years			797
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- 9.4 As described, to fund the new Capital Expenditure described on the previous page, the following underspendings and deletions are proposed to be removed from the existing approved Capital Programme:

Funding for New Capital Expenditure	
FUNDING PROPOSALS	Total £'000
Underspending / Deletion of Capital Schemes from the Approved Capital Programme	
<u>Underspendings</u>	
IT Server Replacement	26
IT System Upgrades	40
Town Hall Major Repairs - Internal Decorations	20
Town Hall Major Repairs - Health & Safety	9
Town Hall Major Repairs - Adaptations	20
Desktop Upgrade	102
Heritage Action Zone (Feasibility Studies / Match Funding)	10
IPAD Replacement	20
Working From Home Infrastructure	20
<u>Deletions</u>	
Provision of New Cemetery	530
Total Underspendings and Deletions	797

- 9.5 The following additions to schemes / new schemes have also been added to the Capital Programme and funded by external grants:

PROPOSED PROJECTS - FUNDED BY EXTERNAL GRANT	Total £'000
Forton Coastal Flood & Erosion Risk Management Scheme	1,511
Seafield Coastal Flood & Erosion Risk Management Scheme	2,134
Alverstoke Coastal Flood & Erosion Risk Management Scheme	2,601
Stokes Bay Seawall	965
Beach Management Plan	562
Cyber Security / Email Archiving	100
UK Shared Prosperity Fund	160
Total	8,033

- 9.6 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.

- 9.7 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 can have 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.

- 9.8 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 2024/25 of £12,434,500 is balanced. It has been prepared to accommodate the impact of the prolonged period of inflation and the other unavoidable cost pressures being experienced in the current year and flowing into next year as well as further anticipated new cost pressures in 2024/25 amounting to over £1m. It also incorporates an increase in Council Tax of 2.99% or £5.77 per year for the average Gosport resident. The Council's Capital Programme incorporates few but important additions either of a time critical nature or necessary for securing the medium term sustainability of essential Council services.
- 10.2 The Council's future forecasts require that savings of £1.204m are made over the next 3 years, either through reduced costs and / or additional income. It is proposed that these savings be phased at £0.401m per annum from 2025/26 to 2027/28 inclusive to provide for a broadly evenly managed programme of savings 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), improve the organisational design of services plus income generation and commercialisation opportunities alongside continued joint working with partners. The adoption of the proposed Savings Strategy will still require a withdrawal from the RFR of £0.108m over the period 2025/26 to 2027/28 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 the prolonged impact and volatility of inflation, the demands on Council Services relating to the "cost of living crisis", and the forthcoming review of the Local Government funding system. The Council's forecast of a 3 year deficit of £1.204m 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 2024/25 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 2023/24 to 2026/27
Appendices/Enclosures:	A. General Fund Budget 2024/25 B. General Fund Forecast to 2027/28 C. Summary of Service Board Budgets 2024/25 D. Capital Programme 2023/24 to 2026/27 E. Prudential Indicators F. Pay Policy 2024/25