Havant
BOROUGH COUNCIL

Name of Committee:	Full Council
Committee Date:	26th February 2025
Report Title:	Havant Borough Council Budget 2025/26
Responsible Officer:	Steven Pink, Chief Finance Officer (Section 151 Officer)
Cabinet Lead:	Councillor Philippa Gray – Cabinet Lead for Finance
Status:	Non-Exempt
Urgent Decision:	No **Key Decision:** No
Appendices:	Appendix A – Revenue Budget 2025/26 Appendix B – Medium-Term Financial Strategy 2025/26 to 2029/30 Appendix C – Capital Strategy 2025/26 to 2029/30 Appendix D – Capital Programme 2025/26 to 2029/30 Appendix E – Usable Reserves 2025-26 Appendix F – Treasury Management Strategy 2025/26 Appendix G – Investment Strategy Appendix H – Fees and Charges 2025/26 Appendix I – Council Tax Resolution 2025/26 - Supplementary Appendix J – Business Rates 2025/26 Appendix K – Statement of Robustness
Background Papers:	None
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Corporate Priorities:
The financial performance of the authority's budget has an overarching impact on all corporate priorities and the Council's ability to deliver against them. Ensuring the Council has a balanced budget is not only a legal requirement, but also vital to allow the Council to deliver against its corporate priorities without putting the financial viability of the Council at risk.

The approval of the capital programme by the Council is required to ensure it is also able to deliver against the corporate priorities whilst remaining affordable, transparent and in understanding of any financial exposure risks. Each proposed capital project is measured against its ability to deliver on the agreed corporate priorities.

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

Executive Summary:

Set before the Council is a robust balanced budget for the financial year 2025/26. Changes in central government, the available funding, the sources of funding, and the changing economic climate have all had an impact on the Council's ability to set and deliver the budget for the new financial year.

Challenges such as salary increases and general inflation, which are both exceeding the available additional funding, compound demand led pressures and risks such as temporary accommodation and homelessness.

However, with some additional one-off funding, that cannot be relied upon in future years, the Council has been able to balance the budget without the use of reserves, protecting these resources for specific, planned projects over the coming years.

The net cash limited revenue budget for 2025/26 is £19.6M, an increase of 7.7% on the current year.

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

- To increase council tax in line with the maximum allowable rise (2.99%) without triggering a referendum. *The actual rate proposed is 2.98% due to rounding of the cash values.*

- Retained business rate are increased equivalent to a 1.7% rise in tariff (in line with September 2024 Consumer Price Index - CPI)

- Fees and charges are to be increased by 1.7% (in line with September 2024 CPI) unless a zero-based review has been carried out for a specific charge. There have been some amendments to the schedule agreed at Cabinet in December 2024.

- Treasury investment income is assumed in line with forecast market data from independent industry specialists.

Based on known data and best estimates, The Medium-Term Financial Strategy (MTFS) forecasts a base budget deficit of £6.6M by the end of the 2029/30 financial year. The Council will be expanding its savings and efficiency programme to close the forecast budget gap within the lifespan of the MTFS.

The Capital Programme aims to deliver up to £92M worth of projects over the next five years. These include renovating existing assets; providing new community facilities; the purchase of some new waste collection vehicles and other fleet; the introduction of EV charge points at specific Havant owned assets; and some major infrastructure projects. Funding for each project varies based on its specific circumstances but could include external grants, Community Infrastructure Levy funding, capital receipts, borrowing or general reserves.

Recommendations:
Council is recommended to: 1) Approve the 2025/26 Revenue Budget as set out in Appendix A 2) Approve the 2025/26 – 2029/30 Capital Programme as set out in Appendix D 3) Set the Band D Council Tax rate for Havant Borough Council at £239.76, representing a £6.94 increase on the current charge. 4) Approve the Medium-Term Financial Strategy 2025/26 to 2029/30, Capital Strategy, Investment Strategy, Treasury Management Strategy Business Rates 2025/26 and Prudential Indicators. 5) Approve the Council Tax Resolution, as set out in Appendix I. 6) Endorse the statement of the Section 151 Officer on the robustness of the budget and the adequacy of the Council's reserves.

1.0 Introduction

1.1 The process for setting the 2025/26 budget was launched in September 2024. Members and officers have been through a thorough period of challenge and review, considering all known financial pressures and opportunities, service demands, financial commitments, and economic conditions.

1.2 Having concluded this process, the Council is presented with the following proposals for its revenue budget, medium-term financial strategy, capital strategy and capital programme, treasury management strategy, fees and charges and Council Tax resolution for the financial year 2025/26.

1.3 The budget papers were presented to the Overview and Scrutiny Committee on 10th February and no recommendations were made.

1.4 The budget was also presented to Cabinet on 12th February where they recommended the budget to Full Council for approval.

2.0 Background

2.1 It is a legal requirement for the Council to set a "Balanced Budget" each year, the Council faces a number of changes to our available funding, demand on services and costs of inflation. Given the general rate of inflation, this has put significant pressure on the Council's budget in the past few years.

3.0 National Developments and Economic Environment

3.1 As well as the Council's direct funding and cost pressures, there are a number of wider economic pressures that impact the Council's budget, even if not directly.

3.2 The current Bank of England base rate of interest can be seen as a positive and a negative. It improves the performance of our treasury investments (of which the Council has relatively high levels), increases the cost of borrowing (of which the Council has very little) but also makes the costs of borrowing harder for both residents and the Council.

3.3 The new Government's Autumn budget statement has had a significant impact on the Council's financial planning for the year. Whilst the direct costs of the increase in National Insurance contributions have been stated to be fully funded, this increase has impacted the Council's supplier market (including the Norse SE joint venture) which additional funding will not be received.

The national budget decisions have also slowed down the anticipated reduction in interest rates.

The single year funding settlement, along with the impending spending review, has also made medium-term financial planning more uncertain.

4.0 Relationship to the Corporate Strategy

4.1 Without a balanced budget and agreed capital programme, the Council would not be able to deliver much of its corporate strategy and would be restricted to statutory functions.

4.2 Ensuring that key projects that support the corporate strategy have approved funding (whether revenue or capital) is essential to ensuring the achievement of their objectives.

4.3 Our new Corporate Strategy, adopted in September 2024, outlines four themes of wellbeing, pride in place, growth and being a responsive council. These themes seek to improve the health of our communities, protect our natural environment and build for the future. Underpinning our Corporate Strategy we have identified our corporate priorities as articulated in our Corporate Strategy Delivery Plan, adopted in December 2024, that we are taking forward for delivery which our budget supports.

Wellbeing

- Delivery of our newly purchased temporary accommodation to provide support to those who are at risk of homelessness.
- Continued investment in our play park refurbishment programme with three play parks due for refurbishment over the coming 18 months (Avenue Road, Hayling, Scratchface Lane and Cowplain Recreation Ground).
- Explore options for social housing provision in the borough including potential owning and manging our own.

- Agreeing a new Active Wellbeing Strategy with supporting action plan.
- Deliver our Local Plan and Infrastructure Development Plan for the borough including consultation on the draft Local Plan

Pride in Place

- Enable improvements to our Open Spaces through a review of our Open Space Strategy and progress against the recommendations within that strategy
- Continued delivery of our coastal protection and management projects across the borough.
- Deliver our regeneration initiatives across the borough in Havant, Waterlooville, Leigh Park and Hayling Island
- Act to improve environmental quality in the borough through initiatives such as the installation of water quality signage on Hayling Island, lobbying of water companies to maintain higher standards, addressing fly-tipping and implementation of Environment Act changes.

Growth

- Deliver our new Climate Change and Biodiversity strategies including supporting local businesses to acquire ‘green skills’
- Implementation of a programme of Civil Engineering projects to improve active travel routes, such as new or improved cycle routes around the borough.
- Enable and support employment opportunities and local business growth through initiatives such as Youth Hub and Link up Leigh Park.

A responsive council

- Deliver our engagement programme including engagement on climate, Leigh Park, and Local Plan
- Progress our programme of work to bring back in-house Customer Services, implement new IT within Planning, Regulatory Services and Finance and deliver our new ICT infrastructure provider

- Continue to review our processes and procedures through our 'Good to Great' programme to improve how we deliver to our residents and businesses.

4.4 Our updated Capital programme includes a number of initiatives which support the delivery of the Corporate Strategy. These include funding for vehicle replacement (with consideration of electric vehicles), additional new refreshed seafront signage on Hayling Island, electric vehicle (EV) infrastructure within council owned car parks and preparation for food waste collection. There are also a number of capital infrastructure refurbishment or maintenance programmes that will be delivered over the coming year as articulated in the capital programme.

5.0 The Annual Budget Process

5.1 The annual budget setting process began in August 2024. This gave the Council five clear months to run the financial and service impact assessments to be able to understand the challenges and find solutions.

5.2 The first part is to understand the available funding to the Council. This is primarily made up of Council Tax receipts, Retained Business Rates, non-ringfenced Government grants and investment income.

5.3 The final funding figures could not be agreed until the Government announced the financial “settlement”, which was publicised just before Christmas.

5.4 The Business Partnering Team have worked with Cabinet Leads, Executive Heads and Service Managers to identify each service’s known and emerging costs pressures, what income or savings opportunities they have, what new opportunities or service gaps they might need/wish to fund and what their capital bids are.

5.5 The process focuses the Council’s spend in different ways, such as:

- Which of our services are statutory or discretionary,
- What are the interdependencies between services,
- Is a bid for additional funding (or capital expenditure) an investment to save costs elsewhere in the budget,
- How much influence do we have over the budget’s performance (such as can we change the cost drivers or is it reactive to external pressures)’
- Is the cost/service “demand led” such as temporary housing.

5.6 Known and expected cost pressures are identified, service changes are financially evaluated and revenue and capital bids are submitted to the finance department for assessment. They are then scrutinised and challenged for accuracy and appropriateness before the first draft submission is shared with the Executive Leadership Team and the Cabinet.

5.7 Meetings were held to work out priorities and to understand the collective financial position and pressure. If any budget gap is identified, then a range of solutions will be drawn up and corrective plans worked through with key stakeholders.

5.8 The budget was presented to the Overview and Scrutiny Committee on 10th February, and recommended for approval by Cabinet on the 12th February.

6.0 Revenue Budget

6.1 After the Local Government financial settlement, it can be assumed that the available cash funding for the proposed 2025/26 revenue budget is £20.6M.

6.2 This funding is made up of £7.6M in retained business rates, £10.7M in Council tax receipts, £2.2M in un-ringfenced government grants. There are further specific grants budgeted, and there is income from fees and charges, but these form part of the “net cash” limit and not the funding available. The Funding for 2025/26 exceeds net cost of service by £1.038M. This funding includes few one-off income streams including Business rates pool income. It is recommended to the Council to transfer £500k to "Business Rates Resilience Reserves" to smooth any adverse impact of business rates reset. In addition, £538k is recommended to transfer to "Financial Management Reserves" for future budget pressures and reduction in funding.

6.3 The funding figures include an assumption that Council tax will be increased by 2.98%, that Business Rates retained will be equivalent to an increase of 1.7% in line with September 2024 CPI.

6.4 The proposal put forward was to increase the fees and charges in line with September 2024 CPI inflation (1.7%).

7.0 Medium-Term Financial Strategy 2025/26 to 2029/30

7.1 The Medium-Term Financial Strategy (MTFS) sets out the anticipated financial performance, pressures and opportunities of the Council over the next five years.

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

7.3 The MTFS for the five-year period 2025/26 to 2029/30 is forecasting a base budget deficit growing to £6.6M by the 2029/30 financial year.

7.4 It should be noted that some grant funding such as the New Homes Bonus (£32K in 2025/26) will cease from 2026/27 onwards.

7.5 Growth in Council Tax is based on the application of the maximum increase allowed without triggering a referendum (2.99% or £5 per week on the Band D equivalent, whichever the higher) and includes allowances for both housing growth, council tax reliefs and reasonable rates of recovery. The actual amount applied is 2.98% due to rounding of the cash value as increasing the cash value by 1p would push the rate over the threshold percentage.

7.6 Business rate growth has been set; based on the announcement of a levy increase equivalent to September 2024 CPI (1.7%) and any known exceptional change to the current cohort of businesses charged.

7.7 Investment income allows for an anticipated reduction in interest rates and for a reduction in available cash to invest as the Council uses some of its cash balances to deliver the capital programme.

7.8 Given the risk over the future funding deficit, and the projected drop in revenue reserves, the Council proposes to continue its savings and efficiency programme including the “good to great” programme to close the medium-term funding gap so that it continues to live within its financial means.

8.0 Capital Strategy

8.1 The Capital Strategy is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources and Asset Management Plans. The strategy reflects the links to other Council plans, in particular the Regeneration Strategy as well as the MTFS. The Capital Strategy is written following guidance included in the Prudential Code (2018) and is required to be approved by Full Council.

8.2 The objectives of the Capital Strategy are to:

- Provide a longer-term view of capital expenditure plans.
- Provide an overview of the governance process for approval and monitoring of capital expenditure.
- Provide an overview of asset management planning.
- Provide expectations around debt and use of internal borrowing to support capital expenditure.
- Define the authority’s approach to commercial activities including due diligence and risk appetite.
- Defines the available knowledge and skills to the authority in relation to capital investment activities.

8.3 For the year ended 31 March 2024 the Council’s asset portfolio consisted of £34.7M of investment property, £91.7M of property, plant and equipment and £575K of assets under construction.

9.0 Capital Programme 2025/26 to 2029/30

9.1 The Capital Programme aims to set out the planned capital expenditure and projects to be delivered over the next 5-year period. It includes any existing "live" projects that are caried over from the prior year's capital programme (along with any agreed funding) and any new approved projects submitted through the capital bidding processes.

9.2 The Council is proposing to invest up to £92M in its capital programme by 2029/30.

9.3 The capital programme is funded from existing and assumed future capital resources. These include:

- Capital receipts.
- Section 106 Fund.
- Community Infrastructure Levy (CIL) funds (both Strategic and Neighbourhood CIL).
- Capital Grants.
- Borrowing.
- Use of Reserves

9.4 The Council approved the Strategic Commissioning programme for 2024/25 to be funded from revenue reserves. However, the nature of the spend on these projects are capital and as per the accounting regulations this expenditure needs to be capitalised. Therefore, the capital programme has updated accordingly.

9.5 The Council has also made a commitment to tackle the climate crisis and to support sustainable solutions wherever possible. The capital programme includes the purchase of several operational vehicles to replace the Council's aging fleet. Where practical and possible, these will be electric vehicles, alongside the infrastructure with which to charge them. There will be some exceptions to this, where operational requirements cannot be met by the current EV market.

The capital programme also includes a project to develop an outline plan to bring public EV charging to as many of the Council's public car parks as possible.

9.6 Each of these funding sources has either specific conditions (such as grant conditions) or restrictions on how they can be spent. This means that some capital projects will be able to access certain funding that others cannot. The proposal considers all these funding complexities to piece together the final programme and ensure it is affordable.

9.7 It is also worth noting that some projects require funding cover rather than financial commitment. In these instances, further grant funding or contributions are being sought, and the figure in the budget is the safe level required to underwrite the project only if other funds are not secured.

10.0 Council Reserves

10.1 The Council holds a number of financial reserves, both revenue and capital. Some of these are earmarked reserves and some have conditions attached. There is also a general fund and financial management reserve which are not earmarked. The general fund balance is where any general overspend/underspend on the revenue budget would be transferred to or any general overspend would be funded from.

10.2 As at the year ended 31 March 2024, the revenue reserves total £6.7M, of which £0.3M was the general fund balance and £6.4M was earmark reserves.

10.3 During the year, the Council approved the recommendation to draw down £450K to offset the income target from the Dry Mixed Recycling which ceased in year. In addition to this; it is anticipated to fund additional £1.1M for service cost pressures.

10.4 Whilst reserves should not be seen as a "safety net" and are an integral part of the Council's financial planning, should the forecast over the medium-term be that the Council's reserves might fall into a negative balance, then consideration must be given in respect of issuing a Section 114 notice. The Council's safe minimum level of reserves is £2.98m.

10.5 The current MTFS does not forecast such a position. However, reserves are expected to fall significantly should Central Government not increase either the Council's direct funding or its funding flexibility and service, process and financial efficiencies will need to be explored in detail.

10.6 The Council also has £33.1M in Capital reserves. Of which, £10.1M are Capital Receipts and £23M are Capital Grants. Capital reserves cannot be spent on revenue costs unless the Council requests the use of Capital flexibilities from the Minister of State (Housing, Communities and Local Government), and even then, they can only be used in specific circumstances where the costs are incurred in delivering an ongoing saving from the implementation of a new system or asset. It is anticipated that £3.1M will be drawn down from capital receipts and £2.1M from Capital Grants. This will leave an anticipated balance of £27M in Capital reserves. In addition to capital reserves and capital receipts the Council has received a number of other capital grants and are earmarked for those specific capital projects.

11.0 Treasury Management Strategy

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

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

11.3 The content of the Treasury Management Strategy is designed to cover the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code.

11.4 The Treasury Management Strategy details a small increase in Counterparty Limits for Banks from £3m to £5m and Money Market Funds from £5m to £7m. This will allow better management of day-to-day cash levels to ensure risk is minimised, but investment return is maximised.

12.0 Investment Strategy

12.1 The Investment Strategy sets out how the Council manages its cash resources for the year. For the past 12 months, the Council has invested between £30M and £50M depending on working capital requirements/availability.

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

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

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

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

13.0 Council Tax Resolution 2025/26

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

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

a. That it be noted that (on 18/12/2024) the Chief Finance Officer calculated the Council Tax Base 2025/26 for the whole Council area as **43,147.4** [Item T in the formula in Section 31B(1) of the Local Government Finance Act 1992, as amended, (the “Act”)] and that this Council Tax base be split between the regions of the Environment Agency as follows:

Southern – **43,147.4**

b. That the following amounts be calculated by the Council for the year 2025/26 in accordance with Sections 31 and 34 to 36 of the Act.

i. **£66,550,393** (expenditure) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act;

ii. **£56,205,372** (income) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act;

iii. **£10,345,021** being the amount by which the aggregate at b(i) above exceeds the aggregate at b(ii) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in section 31A(4) of the Act);

iv. **£239.76** being the amount at b(iii) above (Item R), divided by Item T(a above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

13.3 Preceptors share of council tax to be finalised by the preceptors and the final figures are expected to be available in time for the Council budget meeting.

14.0 Council Tax on Second Homes

14.1 The Levelling Up and Regeneration Bill allows councils to; levy a council tax premium on second homes of up to 100% and permits a council tax premium on empty properties at an earlier point than legislation currently permits.

14.2 There are estimated to be 250 homes that would fall under this classification in the Borough at this current time and this would result in approximately £60k in additional Tax revenue for the Council and £485k to the relevant precepting authorities.

14.3 The Council resolved to charge the maximum allowable 100% additional rate for second homes within the borough at the Council meeting held on 28th February 2024. Therefore, the additional charge will come into effect from 1st April 2025.

15.0 Business Rates 2025/26

15.1 The Council collects non-domestic rates (NDR) from businesses within the Borough.

15.2 The Council is entitled to a maximum of 40% of the business rates collected. Central Government are entitled to 50%, Hampshire County Council 9% and the Hampshire Fire Authority 1%.

15.3 The Council must then pay a tariff on the maximum amount and a levy on growth, but also receives a business rates grant. This results in a retained business rates figure of approximately 15% of the total business rates yield for the Borough.

15.4 For 2025/26, the Council has also entered into a Business Rates pool with Hampshire County Council and several other districts. This pool will allow the member authorities to retain approximately an additional £9m in business rates within the Hampshire of which Havant Borough Council's share is likely to be in excess of £500k.

15.5 Discounting growth or collection rates, the retained business rates figure for the council is set to increase by the September 2024 consumer price index (CPI) inflation figure of 1.7%

15.6 For the 2025/26 budget, retained business rates are estimated at £6.9M

16.0 Options

16.1 The proposed 2025/26 budget has been drawn up in consideration to all statutory and constitutional requirements.

16.2 Whilst there are alternatives to the recommended options, each will have a financial consequence which would require further investigation and consultation to be able to produce a balanced budget. For example, deciding not to increase Council Tax would mean having to make revenue budget savings of approximately £300K.

16.3 The 2025/26 budget has been prepared on the following basis which has guided the recommendations.

16.4 **Council Tax:** The budget proposals assume that Council Tax will increase by 2.98% for 2025/26 representing £239.76 at Band D. This overall forecast also includes a small increase to reflect growth in housing numbers year on year.

The Council Tax paid by an individual is a combination of:

- Hampshire County Council Precept
- Police and Crime Commissioner for Hampshire Precept
- The Fire and Rescue Authority Precept
- Havant Borough Council

Every 1% change to Council Tax equates to a change of approximately £99k to the Council's revenue budget.

16.5 **Fees and Charges:** The baseline increase for fees and charges has been set at 1.7%. This is based on September 2024 CPI and is in line with the percentage increase by Government for benefits. Every 1% change in the percentage applied to fees and charges is equivalent to approximately £31K for the Council's net revenue budget.

The fees and charges schedule for 2025/26 was approved by Cabinet on 18th December 2024. Since then, Beach hut licence and rental fees for residents of the Borough will increase by 50% (and will increase incrementally by 25% per year until the fee matches the non-resident licence fee). In addition, the schedule has been updated to reflect the VAT treatment on sports pitches charges as Non-VATable (previously these were treated as VATable when certain conditions were met). Further amendments have been made to remove 4 duplicate fees and charges and correct some fees for animal welfare and taxi licensing fees in the Place Directorate.

Some areas of fees and charges have had a full zero-base review. Others will not have any increase applied to promote and support key community activities.

16.6 **Review of Establishment:** The Council's establishment has been thoroughly reviewed is consideration of both current and planned services requirements and it is proposed to remove any non-essential, historic vacancies.

All current and new vacancies will be reviewed as part of the saving and efficiencies programme in 2025/26 to ensure value for money and that the required service standards can be met.

16.7 **Treasury Management Strategy and Investment Strategy**: The Council's risk appetite for its treasury management and investment strategy is in line with standard recommendations for Local Government. The risk profile is low, capital is not put at risk and high returns are not chased if they ae susceptible to too much volatility. This means that returns are typically not much above the Bank of England base rate, yet they are secure. They are also made with the support of specialist Local Government Treasury advisors.

The Council could choose to alter its risk appetite and explore higher return investments. However, this is not considered to be prudent or appropriate given the financial difficulties face several other Local Authorities who have sought alternative, higher risk, investments.

16.8 **Capital Programme**: The Council's capital programme will see it invest in new projects and infrastructure over the next five years. To fund this programme, some of the Council's cash reserves will be spent.

One option to support balancing the revenue budget would be to delay the delivery of the capital programme, thus providing more funds to invest and increase the Council's investment income. This has not been recommended as a viable option as it would delay the delivery of key projects for the Borough.

16.9 **Commercial Income:** The Council has a prudent approach to commercial income. All investment opportunities are appraised based on the prudential code and will only be considered if they meet the key criteria. Particularly that the investment is held to either protect the local economy or as part of future regeneration plans. The Council could adopt a less prudent approach but this would be both riskier (financially) and could also put at risk the potential to borrow through the Public Works Loan Board (PWLB).

16.10 **Service Reductions:** Not all services provided by the Council are statutory. Many services are discretionary and could be considered for funding cuts or ceasing altogether. However, all the discretionary services provided have a strong purpose and support the local communities. It has not been considered appropriate to consider cuts to services when other options are available to balance the budget.

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

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

17.0 Conclusion

17.1 The 2025/26 budget is the culmination of many months of work between the Council's leadership team, officers, and elected members. The revenue budget has been balanced within existing funding and includes some new elements of investment and growth, whilst protecting the Council's finite reserves.

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

17.3 The Medium-Term Financial Strategy indicates some tougher challenges ahead with a predicted deficit balance to contend with. However, there is time to address these challenges and scope to find solutions to ensure the budget can be balanced in future years without impacting core services to residents and businesses. This

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places the Council in a more secure position than many other local authorities and better equipped to deal with the pressures as and when they arise.

18.0 Statement of Robustness

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

18.2 This report has to be considered and approved by Council as part of the budget approval and Council Tax setting process.

18.3 In relation to the 2025/26 budget, I have examined the budget proposals and I believe that, whilst the economic conditions are challenging, the budget presented is more than achievable, having been constructed in a consultative and collaborative manner and with evidence-based calculations and assumptions and with regard to both internal and external specialist advice. I am also satisfied that sufficient management processes exist within the Council to deliver this budget and to identify and deal with issues which may arise unexpectedly during the year.

18.4 In relation to the adequacy of reserves, the overall position is that the authority currently has reasonable balances across the General Fund and healthy balances in Capital. However, the current projection is that the General Fund reserves will be used up long before the end of the MTFS period and unless significant action is taken to reduce net expenditure, the Council is at considerable risk of not being able to balance future budgets.

18.5 As Section 151 and Chief Financial Officer I am content that the budget being presented is adequate. The level of revenue reserves held throughout the MTFS period is a greater concern, but with the savings identified and the significant scope for increasing savings, and the level of total reserves, there are adequate funds to meet the Council's financial obligations having due regard for foreseeable risk.

19.0 Implications and Comments

19.1 Section 151 Comments

Members should be aware that agreeing the budget remains one of the most important decisions that the Council makes and it is a statutory requirement that a balanced budget is approved by Council each year before the end of February.

Given the economic climate that Local Government faces across the county, the 2025/26 budget process has proved more challenging than normal, and whilst the budget has been balanced without the use of reserves, this is only due to a number of funding measures which can only be considered as one-off's and cannot be relied upon in future years as they are not reoccurring.

This presents the Council with some significant concerns when looking at the Medium-Term Financial Strategy. As things stand, sizable savings will need to be found to balance the budget in 2026/27 and beyond. In approving this budget, members should be aware of the future financial risks and that the 2025/26 represents a holding position and is not sustainable over the medium to long term.

Members can be assured that senior officers are working closely with Cabinet Leads to identify and implement financial efficiencies and recommend areas for savings.

The recommendations within the report have been made to protect the ongoing financial position of the Council. Approving a council tax increase of 2.98% is essential to this, as not only does this maximise the available tax revenue in 2025/26, but to not increase the council tax rate would have a detrimental effect on future years, as there is no option to catch up on any foregone revenue in later years and this increase to the base budget would be lost forever.

The Capital programme includes projects that are either funded from external grants, meet the current corporate priorities, and/or are considered as 'invest to save'. Projects such as those delivering housing or temporary accommodation properties, will have a positive impact on the revenue budgets. Whether they reduce the current levels of revenue spend in these areas, or simply mitigate the increased demand, is yet to be seen but the inclusion of such initiatives is an important step in improving the Council's financial resilience to demand led services.

19.2 Financial Implications

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

19.3 Monitoring Officer Comments

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

S.151 Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs while s.25 Local Government Act 2003 requires the Council to have due regard to a statement on the adequacy of reserves and the robustness of the budget, produced by the Chief Financial Officer, when making its budget decisions.

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

The Council's Constitution requires Full Council to set Council Tax and agree the Budget for the forthcoming financial year. The Budget, MTFS, Capital Programme and various financial strategies appended to this report, are key parts of the Council's Budget and Policy framework and as such form the parameters in which the Council operates over the upcoming financial periods. This report sets out the budget proposals for Cabinet's consideration so that it can make recommendations to Full Council, to enable it to agree the Budget and set Council Tax for the year.

19.4 Legal Implications

Members have a fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers.

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

The Council has a duty under the Local Government Finance Act Page 24 1992 (the 1992 Act) to set a balanced budget. Failure to set a lawful Council Tax could have serious financial results for the council and make the council vulnerable to an Order from the Courts requiring it to make a council tax. Information must be published and included in the council tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.

Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.

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

19.5 Equality and Diversity

There are no direct equality and diversity implications as a result of confirming the budget.

19.6 Human Resources

There are no human resources implications as a result of confirming the budget.

19.7 Information Governance

There are no Information Governance implications arising from this report.

19.8 Climate and Environment

From a climate and environment perspective it is positive to see that the Council is able to set a balanced budget without which the Corporate Strategy would not be able to be delivered. It is noted and acknowledged that within the capital programme there are a number of projects associated with climate that will come at a cost but will ultimately reduce emissions produced by the Council, help towards its achievement of net zero targets and save money in the longer term which is supported and will aid the delivery of the Councils new Climate Change Strategy and Action Plan. The Council should continue to consider and evaluate investments to ensure that where there are opportunities to invest in sustainable/greener technologies that these are considered.

20.0 Risks

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

20.2 The 2025/26 budget preparation has identified the following key corporate risks:

- Levels of homelessness continue to rise putting significant pressure on the costs of temporary accommodation.
- Future funding and cost risks from the changes to the Environment Act around waste collection and recycling.
- Future reduction in funding for grants such as the New Homes Bonus and the Core Spending Power grants.
- The cost-of-living crisis escalates further placing local residents under increased pressure and increasing demand on services from the Council.
- The financial challenges faced by Hampshire County Council result in decisions which impact the residents of the Borough in

such a way that they place increased demand on services delivered by the Council.

21.0 Consultation

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

21.2 The draft budget will have also been reviewed by the Overview and Scrutiny Committee on 10th February 2025.

22.0 Communications

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

Agreed and signed off by:		**Date:**
Cabinet Lead:	Cllr Philippa Gray	31/01/2025
Executive Head:	Matt Goodwin	30/01/2025
Monitoring Officer:	Jo McIntosh	31/01/2025
Section151 Officer:	Steven Pink	30/01/2025