

REPORT OF THE  
**CABINET**  
PART I

**1. REVENUE BUDGET AND PRECEPT 2023/24**

- 1.1. The Cabinet considered the proposed Revenue Budget and Precept for 2023/24 at its meeting on 7 February 2023 and resolved to make a number of recommendations to the County Council. The report considered by Cabinet is attached as Annex A to this Part I report and is referenced in recommendations a to l below.
- 1.2. The main changes that have been made to the figures presented to Cabinet are technical and relate to notifications from District Councils of final collection fund and business rates figures. These changes have been reflected in an amended Summary Revenue Budget for 2023/24 presented at Annex 1 to this Part I report.
- 1.3. As a result of additional business rates reliefs and income and collection fund surpluses there is a net increase in income for 2023/24, compared to that previously assumed, of £8.7m which reduces the required draw from the Budget Bridging Reserve (BBR). The impact of the figures provided by the Districts is set out in more detail below.

**Council Tax and Business Rates Collection Funds**

- 1.4. Each year the Districts determine and declare the estimated surplus or deficit on their Council Tax and Business Rates Collection Funds.
- 1.5. The position reported to Cabinet on 7<sup>th</sup> February included a prudent assumption of a balanced position for both Collection Funds, pending the final figures from Districts. A Council Tax Collection Fund surplus of £4.3m and a Business Rates Collection Fund surplus of £0.7m have been declared. These amounts include an adjustment for the 2020/21 business rates deficit due to Covid, which local authorities were permitted to spread over the three years from 2021/22 to 2023/24 in order to reduce the impact on 2021/22 budgets.

**Business Rates Income**

- 1.6. The final figures provided by Districts for 2023/24 result in an increase of £2.1m in retained business rates compared to that originally assumed and forecast Section 31 grants also exceeded the budgeted level by £1.4m.
- 1.7. Business rates were particularly difficult for Billing Authorities to estimate this year due to the 2023 business rates revaluation, which caused the rateable values of many properties to change. Government policy stipulates that revaluations should be revenue neutral for local authorities. Therefore, any increase in business rates caused by the revaluation is cancelled out by a matching reduction to the top up grant.
- 1.8. Based on the estimated increase in business rates, Government has reduced Hampshire's top up grant funding by £1m. However, the cut is not as large as the total increase in business rates as some of this increase is caused by

business growth rather than the revaluation. The overall impact of these changes is an increase in income for 2023/24 of £2.5m.

### Confirmation of Grant Allocations

- 1.9. The final Local Government Finance Settlement was published on 6<sup>th</sup> February. The Settlement includes a small increase in the Hampshire share of the Services Grant of £0.2m and a one-off levy account surplus grant worth £1m to the County Council. Both adjustments return funds to local government which were previously held back as contingencies and were not included in the Provisional Settlement. The levy on business rates growth is used to fund a safety net payment for authorities with lower growth in business rates, and any remaining surplus in the levy account is redistributed between all Councils at the end of the financial year.

### Impact on the County Council

- 1.10. The overall impact of the budget changes outlined in this report on the Council's net budget position for 2023/24 is as follows:

	<b>£'000</b>
Council Tax collection fund surplus	4,265
Business rates collection fund surplus	709
Increase in business rates income	2,054
Increase in business rate relief grants	1,465
Reduction in business rates top up	(1,031)
Increase in Services Grant	193
Levy Account Surplus	1,009
Contribution to the Investment Risk Reserve	(1,750)
Contribution to the BBR / Reduction in Draw	(6,914)
<b>Balanced Budget</b>	<b>0</b>

- 1.11. The table shows that in 2023/24, because of the changes, the County Council can reduce the draw from the BBR, leaving funding available for future years. This is in line with the approach set out in the budget report to Cabinet which requires a deficit in 2024/25 to be met from the Budget Bridging Reserve and highlighted a budget gap of £132m by 2025/26 which would potentially need to be bridged, in part, through the use of reserves pending an improved finance settlement at the next Spending Review.
- 1.12. As set out at recommendation k, Council is asked to approve an increase in the cash allocation targeting higher investment yields. This increases the Council's exposure to financial risk, and it is therefore proposed to contribute £1.75m to the Investment Risk Reserve to maintain the reserve at 2.5% of the balance of high yielding investments, as set out in the Treasury Management Strategy.
- 1.13. Local authorities are required to report a formal council tax requirement as part of the budget setting process and the recommendations to Council in this report show that the Council Tax Requirement for the year is £781,761,571.99
- 1.14. The recommendations from Cabinet to County Council are unchanged, although final figures in Annex 1 to this Part I report reflect the technical

adjustments that have been made. The order of recommendations has also been changed to aid with the recorded voting required for council tax setting purposes.

### **Treasury Management Strategy Statement**

- 1.15. The Council plans to prepay its employer's pension contributions for the three years from 2023/24 to 2025/26 to benefit from a discounted contribution rate. This impacts the Council's medium term balance sheet forecast and liability benchmark as set out in the Treasury Management Strategy Statement (TMSS). Updated versions of Tables 1 and 2 of the TMSS are presented in Annex 2 which reflect the adjustment for the pension prepayment. There is no adverse impact on any of the Prudential Indicators.

### **Section 25 Report from the Chief Financial Officer**

- 1.16. The Section 25 Report from the Chief Financial Officer provided at Appendix 6 to the Cabinet Report refers to a budget gap of £53m in 2023/24 to be balanced by use of the BBR. Members will note that the final updated budget gap for 2023/24 is £57.7m as set out in paragraph 87 of the Revenue Budget and Precept Report to Cabinet, which is then further reduced to £50.8m after the additional funding set out in paragraph 1.10 is taken into account.

## **2. CAPITAL PROGRAMME 2023/24 TO 2025/26**

- 2.1. The Capital Programme report was presented to Cabinet on 7 February 2023 and recommendations were made to the County Council. The report is attached as Annex B to this Part I report and is referenced in recommendations under Part B below. There have been no changes to the report or recommendations since Cabinet.

The full reports to Cabinet can be found at the following link:

[Agenda for Cabinet on Tuesday, 7th February, 2023, 2.00 pm | About the Council | Hampshire County Council \(hants.gov.uk\)](#)

## RECOMMENDATIONS

### A. Revenue Budget and Precept 2023/24

That the County Council approve:

- a) The Revenue budget for 2023/24 as set out in Annex 1 of this Part I report
- b) That the **council tax requirement** for the County Council for the year beginning 1 April 2023, be £781,761,571.99
- c) That the County Council's band D council tax for the year beginning 1 April 2023 be £1,460.25, an increase of 4.99%, of which 2% is specifically for adults' social care.
- d) That the County Council's council tax for the year beginning 1 April 2023 for properties in each tax band be:

	£
Band A	973.50
Band B	1,135.75
Band C	1,298.00
Band D	1,460.25
Band E	1,784.75
Band F	2,109.25
Band G	2,433.75
Band H	2,920.50

- e) That precepts be issued totalling £781,761,571.99 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out below:

Local Authority	Tax base	Council Tax Precept (HCC share)
Basingstoke and Deane	69,037.30	100,811,717.33
East Hampshire	52,581.28	76,781,814.12
Eastleigh	48,510.23	70,837,063.36
Fareham	44,139.40	64,454,558.85
Gosport	27,056.00	39,508,524.00
Hart	42,313.27	61,787,952.51
Havant	41,898.30	61,181,992.58

<b>Local Authority</b>	<b>Tax base</b>	<b>Council Tax Precept (HCC share)</b>
New Forest	72,271.70	105,534,749.92
Rushmoor	32,959.11	48,128,540.38
Test Valley	51,968.00	75,886,272.00
Winchester	52,626.87	76,848,386.92

- f) That any early delivery of savings approved in November 2023 will be contributed to the Budget Bridging Reserve rather than Directorate Cost of Change Reserves.
- g) That the Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 6 of the Cabinet report) be taken into account when the Council determines the budget and precept for 2023/24, including the update set out in paragraph 1.16 of this report.
- h) The Revised Budget for 2022/23 set out in Appendix 1 of the Cabinet report.
- i) The Capital & Investment Strategy for 2023/24 (and the remainder of 2022/23) as set out in Appendix 7 of the Cabinet report.
- j) The Treasury Management Strategy for 2023/24 (and the remainder of 2022/23) as set out in Appendix 8 of the Cabinet report, and the revised Tables 1 and 2 as set out in Annex 2 of this report.
- k) An increase to the allocation targeting higher yields from £250m to £320m (as set out in the Treasury Management Strategy in Appendix 8 of the Cabinet report) to provide extra flexibility given the forecast level of cash balances.
- l) The delegation of authority to the Director of Corporate Operations to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

## **B. Capital Programme 2023/24 to 2025/26**

That the County Council approve:

- a) The Capital Programme for 2023/24 and the provisional programmes for 2024/25 and 2025/26 as set out in Appendix 1 of the Cabinet report, including the identified carry forward of resources.
- b) The revised capital programme cash limits for 2022/23.
- c) That the scheme value for the Botley Bypass project within the Universal Services capital programme is increased by £8m from £23.1m to £31.1m to be funded from a combination of local resources (£5.09m) and the corporate capital inflation risk reserve (£2.91m).
- d) That the scheme value for the Stubbington Bypass scheme within the Universal Services capital programme is increased by £2.2m from £42.0m to £44.2m to

be funded from a combination of LTP grant (£1.23m) and the corporate capital inflation risk reserve (£0.97m).

- e) That the scheme value for the Uplands Development Infrastructure scheme within the Universal Services Capital programme is increased by £3.837m from £28.489m to £32.326m to be funded from the corporate capital inflation risk reserve.
- f) That the scheme value for the Hiltingbury Junior School SCOLA recladding project is increased by £2.265m from £1.546m to £3.811m to be funded from unallocated SCA grant (£1.765m), Universal Services climate change resources (£0.2m) and Salix grant (£0.3m).

**Revenue Budget 2023/24**

	<b>Original Budget 2022/23 £'000</b>	<b>Adjustment  £'000</b>	<b>Proposed Budget 2023/24 £'000</b>
<b><u>Departmental Expenditure</u></b>			
Adults' Health and Care	445,112	83,054	528,166
Children's – Schools	1,007,261	68,415	1,075,676
Children's – Non Schools	256,488	56,797	313,285
Universal Services	144,668	6,525	151,193
Hampshire 2050	9,531	1,284	10,815
Corporate Operations	41,217	(3,268)	37,949
People and Organisation	12,893	3,294	16,187
	<b>1,917,170</b>	<b>216,101</b>	<b>2,133,271</b>
<b><u>Capital Financing Costs</u></b>			
Committee Capital Charges	155,575	0	155,575
Capital Charge Reversal	(158,269)	0	(158,269)
Interest on Balances	(13,938)	(2,464)	(16,402)
Capital Financing Costs	53,854	(1,626)	52,228
	<b>37,222</b>	<b>(4,090)</b>	<b>33,132</b>
<b><u>RCCO</u></b>			
Main Contribution	3,978	(174)	3,804
RCCO from Reserves	0	0	0
	<b>3,978</b>	<b>(174)</b>	<b>3,804</b>
<b><u>Other Revenue Costs</u></b>			
Contingency	126,875	(32,603)	94,272
Dedicated Schools Grant	(915,976)	(50,811)	(966,787)
Specific Grants	(291,283)	(72,692)	(363,975)
Levies	2,907	0	2,907
Coroners	2,391	577	2,968
Business Units (Net Trading Position)	(386)	3	(383)
	<b>(1,075,472)</b>	<b>(155,526)</b>	<b>(1,230,998)</b>
<b>Net Revenue Budget</b>	<b>882,898</b>	<b>56,311</b>	<b>939,209</b>
<b><u>Contributions to / (from) Earmarked Reserves</u></b>			
Transfer to / (from) Earmarked Reserves	(33,140)	3,150	(29,990)
Trading Units Transfer to / (from) Reserves	537	(3)	534
RCCO from Reserves	0	0	0
	<b>(32,603)</b>	<b>3,147</b>	<b>(29,456)</b>
Contribution to / (from) General Balances	900	0	900
<b>NET BUDGET REQUIREMENT</b>	<b>851,195</b>	<b>59,458</b>	<b>910,653</b>

	<b>Original Budget 2022/23 £'000</b>	<b>Adjustment £'000</b>	<b>Proposed Budget 2023/24 £'000</b>
<b>NET BUDGET REQUIREMENT</b>	<b>851,195</b>	<b>59,458</b>	<b>910,653</b>
<b>Funded by</b>			
Business Rates and Government Grant	(117,412)	(6,505)	(123,917)
Business Rates Collection Fund Deficit / (Surplus)	9,237	(9,946)	(709)
Council Tax Collection Fund Deficit / (Surplus)	(4,948)	683	(4,265)
<b>COUNCIL TAX REQUIREMENT</b>	<b>738,072</b>	<b>43,690</b>	<b>781,762</b>



**Table 1: Balance sheet summary and forecast**

	<b>31/03/22</b>	<b>31/03/23</b>	<b>31/03/24</b>	<b>31/03/25</b>	<b>31/03/26</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Financing Requirement	784	771	768	777	752
<b>New Capital Financing Requirement</b>					
Less: Other debt liabilities*:					
- Leases**	0	0	0	(15)	(14)
- Street Lighting PFI	(90)	(87)	(83)	(79)	(75)
- Waste Management Contract	(42)	(38)	(34)	(30)	(25)
<b>Loans CFR</b>	<b>652</b>	<b>646</b>	<b>651</b>	<b>653</b>	<b>638</b>
Less: External borrowing***:					
- Public Works Loans Board	(208)	(188)	(180)	(170)	(167)
- Other Loans (incl. LOBOs)	(20)	(12)	(12)	(12)	(12)
- Other short-term borrowing	(21)	(21)	(21)	(21)	(21)
<b>Total external borrowing</b>	<b>(249)</b>	<b>(221)</b>	<b>(213)</b>	<b>(203)</b>	<b>(200)</b>
<b>Internal borrowing</b>	<b>403</b>	<b>425</b>	<b>438</b>	<b>450</b>	<b>438</b>
Less: Balance sheet resources:					
- Usable Reserves	(883)	(826)	(776)	(752)	(775)
- Allowance for Working Capital	(169)	(243)	(83)	(163)	(243)
<b>Balance sheet resources</b>	<b>(1,052)</b>	<b>(1,069)</b>	<b>(859)</b>	<b>(915)</b>	<b>(1,018)</b>
<b>Treasury investments</b>	<b>(649)</b>	<b>(644)</b>	<b>(421)</b>	<b>(465)</b>	<b>(580)</b>

**Table 2: Prudential Indicator: Liability benchmark**

	<b>31/03/22</b>	<b>31/03/23</b>	<b>31/03/24</b>	<b>31/03/25</b>	<b>31/03/26</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Loans CFR	652	646	651	653	638
Less: Balance sheet resources	(1,052)	(1,069)	(859)	(915)	(1,018)
<b>Net loans requirement</b>	<b>(400)</b>	<b>(423)</b>	<b>(208)</b>	<b>(262)</b>	<b>(380)</b>
Plus: Liquidity allowance	10	10	10	10	10
<b>Liability benchmark</b>	<b>(390)</b>	<b>(413)</b>	<b>(198)</b>	<b>(252)</b>	<b>(370)</b>