

Public Document Pack

NORTH HERTFORDSHIRE DISTRICT COUNCIL

COUNCIL

THURSDAY, 23RD FEBRUARY, 2023

SUPPLEMENTARY AGENDA

Please find attached supplementary papers relating to the above meeting, as follows:

Agenda No **Item**

10. **REVENUE BUDGET 2023/24** (Pages 3 - 8)

REPORT OF THE SERVICE DIRECTOR – RESOURCES

To note and adopt the Revenue Budget 2023/24

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Appendix D- CIPFA Resilience Index results and detailed commentary

The screenshots below show the results from the CIPFA resilience index. The data is for 2021-22 with trends over a 6 year period. The data comes from a Revenue Outturn form that all Local Authorities are required to complete. The full index is published on the CIPFA website (<https://www.cipfa.org/services/financial-resilience-index-2022>).

North Herts Council can be compared against our statistical “nearest neighbours” or against all Non-Metropolitan Districts. The “nearest neighbours” are: Ashford, Basingstoke and Deane, Braintree, Broxbourne, Chelmsford, Dacorum, East Herts, Epping Forest, Maidstone, Stroud, Test Valley, Tonbridge and Malling, and Welwyn Hatfield. The only change to the “nearest neighbours” from last year is that Welwyn Hatfield have replaced Huntingdonshire.

As this is an index all results are comparative, and the tool takes no view on what is an acceptable level. For example, all the Councils (particularly when looking at a nearest neighbour comparison) could be acceptable (or better) but someone would still be shown as higher risk as they would be the ones with the “worst” data.

The index has 13 measures across two pages. On the first page there are 8 measures and there are 5 on the second page (although one relates to Housing Revenue Account so is not relevant to North Herts Council). These are summarised in a small chart in the top left corner. This plots North Herts Council against the other comparators. The table in the top right shows the indicator value for North Herts Council against each indicator and the minimum and maximum values from the comparator group. By clicking on one of the indicators the bottom of the page shows more detail for that indicator. The bottom left shows each Council in the comparator group. The bottom right shows the performance of North Herts over the last 6 years. In the middle of the page is a box showing the Auditors VFM (Value for Money) Assessment. As the Council’s audit for 2021/22 has not yet been completed this is shown as “refer to local authority website”.

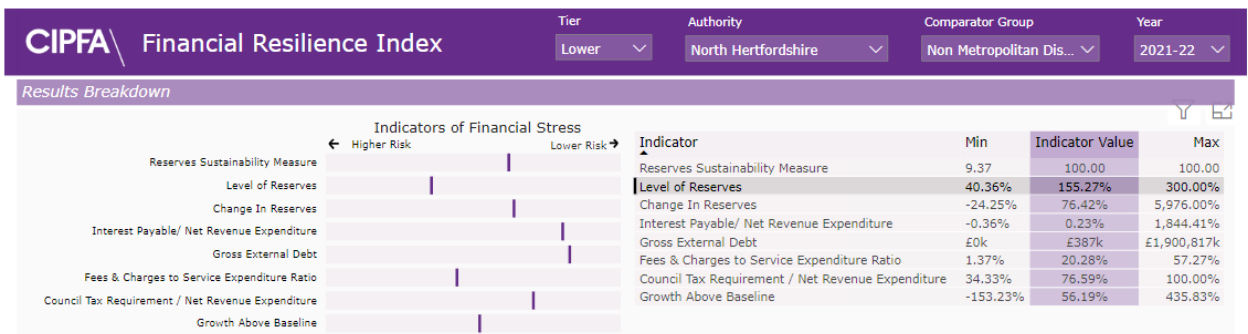
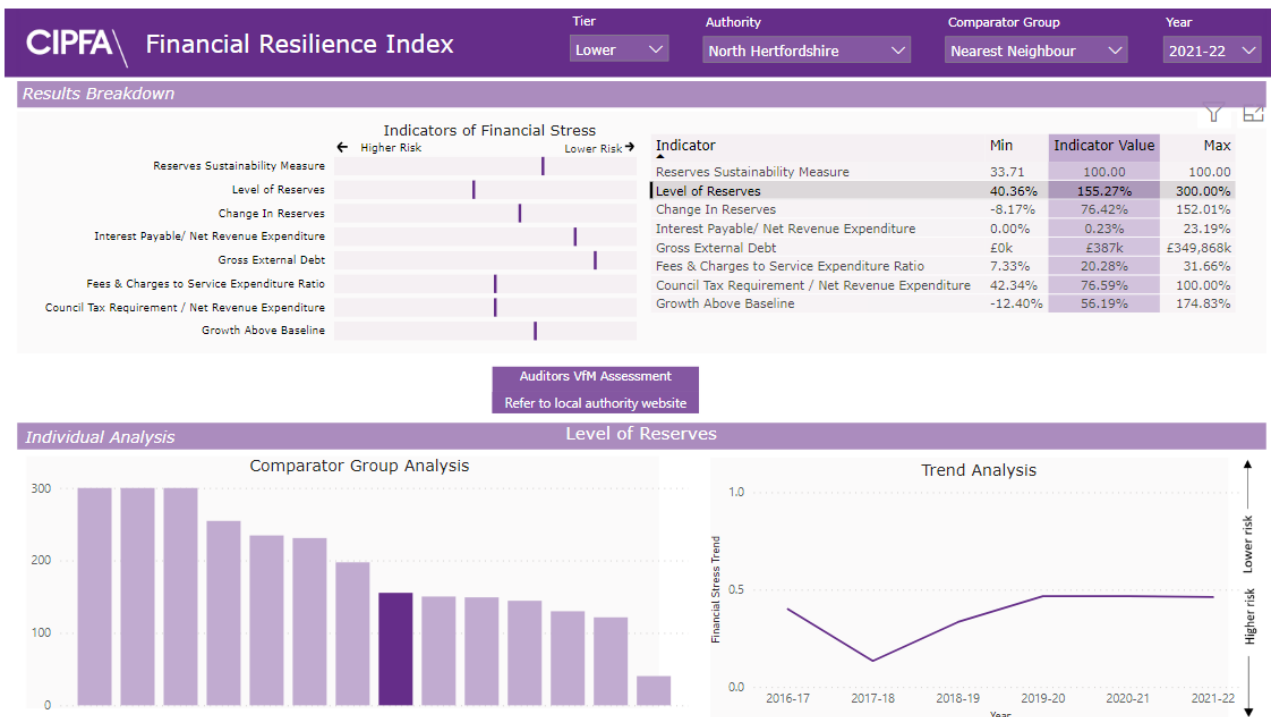
The format of the page is the same whether the comparator group is set as “nearest neighbour” or all Non-Metropolitan Districts. In the screenshots below, the bottom sections have not been included for the comparator being all Non-Metropolitan Districts. This is because the trend analysis is the same as it only relates to North Herts Council in each case. The graph in the bottom left is not helpful when shown as a screenshot as there is too much data (with all Non-Metropolitan Districts included) to fit in without scrolling across.

To keep the number of screenshots manageable, the bottom section has only been included for the indicator where North Herts Council is showing as highest risk on each of the 2 pages.

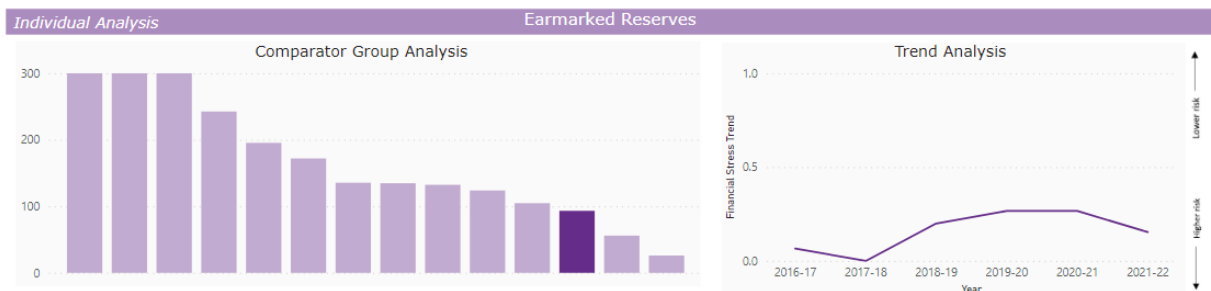
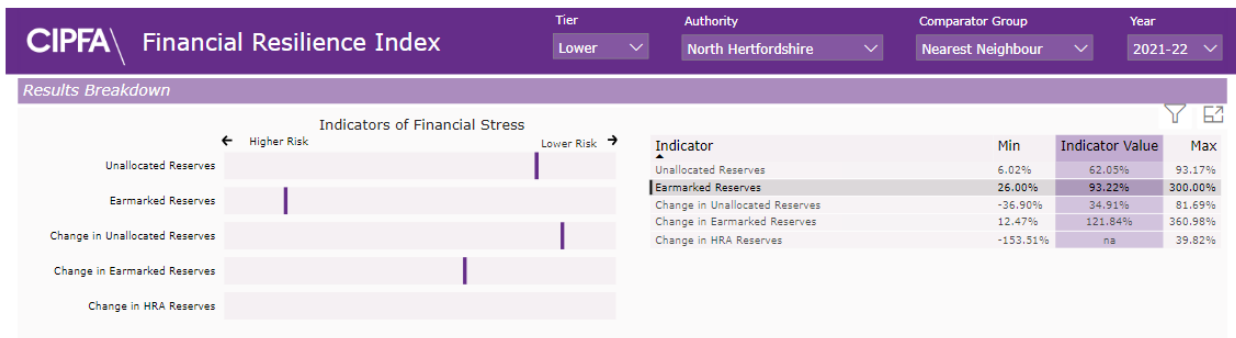
The 12 relevant indicators are detailed in the table below, including information provided by CIPFA:

Indicator	Detail/ Impact	Supporting Notes
Reserves Sustainability	How long an authority's reserves will last if they continue drawing them down at the same rate. The longer an authority's reserves will last, the less risk	Without reserves, councils have no ability to weather financial storms. It is the responsibility of the S151 officer to utilise good financial management and decide what is an appropriate level of reserves. Reserves may have been increased as a result of COVID payments.
Level of Reserves	Lower levels of reserves imply higher risk	It is the responsibility of the S151 officer to utilise good financial management and decide what is an appropriate level of reserves.

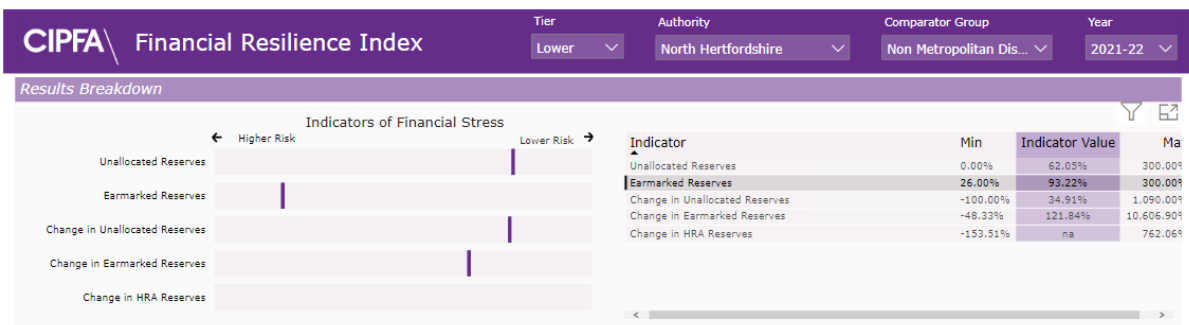
		<p>Good financial management can be achieved with relatively low reserves, while high reserves do not always indicate good financial management.</p> <p>COVID payments paid at the end of March 2021 will have an impact on this indicator if the local authority recorded them as reserves such as section 31 payments for business rate relief.</p>
Change in reserves	<p>Percentage change in reserves over the past three years.</p> <p>Negative changes imply higher risk</p>	<p>This indicator shows the degree of change in reserve levels as an average over the last three years.</p> <p>An increasing use of reserves over this period indicates a higher risk to financial sustainability.</p> <p>The indicator should be viewed with the MTFP, total reserves, planned use of reserves, and the level of reserves which the authority determines to be an appropriate minimum.</p> <p>We would not suggest inter-authority comparison, as each will have differing reserves policy, reserves levels and planned use.</p> <p>This figure will be impacted by the increase in reserves as a result of the COVID payment.</p>
Interest Payable/ Net Revenue Expenditure	The higher the interest that needs to be paid, the higher the risk	<p>The Prudential Code is clear that local authorities should borrow within their means. Minimum revenue provision ensures that there is suitable debt cover.</p> <p>Substantial debt must be monitored, and effective risk management must be evident.</p>
Gross External Debt	The higher the gross debt level, the higher the risk	
Fees and Charges to Service Revenue Expenditure	The higher the ratio the lower the risk (income). A greater amount of fees/charges will make councils more resilient as they have more control over budgets	<p>You have greater control over your own ability to put charges up or down, giving more control over budget.</p> <p>Local authorities have the ability to raise income through certain fees and charges. Fees and charges across different sources may reduce risk.</p> <p>CIPFA is aware of the alternative argument that councils with low fees and charges have greater scope to generate more income, but this approach was supported by the working group.</p> <p>CIPFA is aware that during the pandemic this has not proven to be true as grants have underpinned income losses but over the longer term we continue to support the principles of this indicator.</p>
Council Tax Requirement / Net Revenue Expenditure	Higher the ratio the lower the risk (income)	<p>Council Tax is a stable form of income.</p> <p>Collection rates and hardship schemes have resulted in minimal impact across the board.</p> <p>Awareness of the pressures from COVID and the requirement for Government support.</p>
Growth above baseline	The higher the ratio the higher the risk	<p>Local authorities have been able to maintain their growth in business rates.</p> <p>There is an issue that in a reset, those with greater income above the baseline will face a greater negative impact. This makes them more vulnerable.</p> <p>Business rates changes have been delayed along with the fair funding review but the risk continues to exist.</p>
Unallocated reserves	These are components of the "level of reserves" indicator above.	
Earmarked reserves		
Change in unallocated reserves	These are components of the "change in reserves" indicator above.	
Change in earmarked reserves		



Page 2- Nearest Neighbour comparator (additional detail relates to “earmarked reserves” measure)



Page 2- Non-Metropolitan Districts comparator



Overall North Herts Council is measured as lower risk against most of the indicators. The table below provides a brief commentary against those indicators which are shown as slightly higher risk.

Indicator	Level of Risk	Commentary
Reserves Sustainability	Just above the middle compared against all Non-Metropolitan Districts, slightly lower risk when compared to Nearest Neighbours	Based on the data North Herts Council is not currently using reserves to balance its budget. The position is therefore just the ordering of the data when a large number of Councils have the same indicator value (i.e. all have an indicator value of the lowest risk, i.e. 100). The Council is forecasting that it will need to use reserves over the medium-term, based on future funding forecasts. The Medium-Term Financial Strategy (MTFS) details this risk and sets out how it will be achieved whilst keeping reserves above the minimum level.
Level of Reserves	Around the middle against Nearest Neighbours, slightly higher risk when compared to all Non-Metropolitan Districts	The Council's overall reserves would cover its net expenditure for around 1.5 years. This measure therefore reflects that some Council's have some very high levels of reserves, rather than a concern about North Herts Council's level of reserves.
Change in Reserves	Around the middle against both comparator groups	The Council's reserves have increased over the last 3 years. This is a combination of (1) we need to keep preparing for the introduction of "negative RSG", including using reserves as a strategy to mitigate the impact when it happens, and (2) we were holding Government money in relation to Covid-19 payments. Other Councils have increased their reserves by more, so that will affect our ranking. We are not currently using our reserves to balance the budget. Whilst we do plan to use our reserves to balance the budget, subject to the identification and delivery of savings, this will be in a way that ensures our budget stays sustainable.
Fees and Charges as a proportion of service expenditure	Around the middle against Nearest Neighbours, slightly higher risk when compared to all Non-Metropolitan Districts	CIPFA state that it is better to have more of your expenditure funded from fees and charges, as you then have more control. However as fees and charges can be significantly impacted by demand (as demonstrated by the Covid-19 impact) this may no longer be correct, as high dependency also has a lot of risk. Being around a mid-level is therefore considered reasonable. We would also need to consider the willingness and ability of our customers/ residents to pay if we chose to increase our charges.
Council Tax requirement to net revenue expenditure	Around the middle compared against nearest neighbours	The Council can not change its dependency on Council Tax without choosing to reduce the extent to which it increases it. That would bring much greater resilience problems. The MTFS highlights the inflation risk that the Council faces, which is made worse by the fact that Council Tax (as a key funding source) goes up by a lower percentage than general inflation.
Growth above baseline	Around the middle against both comparator groups	The Council chooses to budget at its baseline level of business rates income. This means that the risk that CIPFA highlight is not applicable, as the Council would not be impacted by a rates reset.
Earmarked Reserves	Above average risk compared against both comparator groups	See comment about level of reserves above. The Council could always choose to increase earmarked reserves by moving amounts from unallocated reserves.

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