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## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### CABINET

TUESDAY, 11TH FEBRUARY, 2025

### SUPPLEMENTARY AGENDA

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

**Agenda No    Item**

6.            **ITEMS REFERRED FROM OTHER COMMITTEES (Pages 3 - 8)**

Any Items referred from other committees will be circulated as soon as they are available.

6A)        Finance, Audit and Risk Committee – Budget 2025/26 (Revenue Budget and Investment Strategy) – **to be considered with item 9.**

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# Agenda Item 6

<b>Item No</b>	<b>Referred from:</b>	<b>Finance, Audit and Risk Committee</b>
<b>6A</b>	<b>Date:</b>	<b>05 February 2025</b>
	<b>Title of item:</b>	<b>Budget 2025/26 (Revenue Budget And Investment Strategy)</b>
<b>To be considered alongside agenda item:</b>		<b>Agenda Item 9</b>

The report considered by Cabinet at the meeting held on 11 February 2025 can be viewed here: [Agenda for Cabinet on Tuesday, 11th February, 2025, 7.30 pm | North Herts Council](#)

**RECOMMENDED TO CABINET:** That Cabinet recommends to Council that it:

- (1) Notes the position on the Collection Fund and how it will be funded.
- (2) Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.6 million is recommended.
- (3) Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's section 25 report (Appendix D) which provides a commentary on the risks and reliability of estimates contained in the budget.
- (4) Approves the revenue savings and investments as detailed in Appendix B.
- (5) Approves the capital programme as detailed in Appendix C
- (6) Approves a net expenditure budget of £22.792m, as detailed in Appendix E.
- (7) Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium-Term Financial Strategy.
- (8) Approves the Investment Strategy as detailed in Appendix F.
- (9) Approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.32 to 8.35).

**REASONS FOR DECISIONS:**

- (1) To ensure that all relevant factors are considered in arriving at a budget (revenue and capital) and Council Tax level for 2025/26. To ensure that the budget is aligned to Council priorities for 2024-28 as set out in the Council Plan.
- (2) The Council's Investment Strategy is set to comply with relevant statutory guidance, including the CIPFA Prudential Code. The Strategy also sets out the Council's approach to risks in relation to the investment of surplus cash.

*Audio recording – 41 minutes 20 seconds*

*N.B. Cllr Paul Ward declared an interest in this item due to his employment. He has spoken to the Monitoring Officer and has been advised that he can take part in the debate and vote on Recommendations 2.1 to 2.7 and 2.9, however needed to leave the Chamber and not take part in debate or vote on recommendation 2.8.*

The Chair stated that recommendations 2.1-2.7 and 2.9 would be taken as one recommendation and 2.8 as a separate recommendation, and so to debate and vote would be separately.

The Service Director – Resources presented the report entitled ‘Budget 2025/26 (Revenue Budget and Investment Strategy) 2.1 – 2.7 & 2.9’ and highlighted the following:

- The Government confirmed the funds for NI insurance employer payments, this fund was less than the total expenditure for the Council but was more than expected in the draft Budget.
- At the last FAR meeting it was recommended that Cabinet and Council consider whether investments related to statutory services and the Implications of not going forward with them, this information had been added to the Cabinet report.
- For the first time the Budget report combining Capital, Revenue and Treasury, which was common in other Councils. This allowed the implications of capital funding to be more clearly seen.
- The Report sets out that the Medium Term Financial Strategy (MTFS) was confirmed in September at Council and the Report adhered to that strategy.
- Following the MTFS, Officers and Executive Members looked at where the Council could make savings and where the Council needs to make investments.
- The next stage was the Budget Workshops with sessions for the administration and for Opposition groups.
- There is a requirement to consult Business Ratepayers. This has been published to the North Herts Council website with e-mails to business groups to be sent on Thursday which would seek any feedback before the Council meeting.
- The reasoning for some of the investments was set out in Section 8.1.
- The changes since the draft and why these were featured in the budget was highlighted in Section 8.4
- There is a requirement to consult Business Ratepayers. This has been published to the North Herts Council website with e-mails to business groups to be sent on Thursday which would seek any feedback before the Council meeting.
- From 26/27 the Council will have a 3-year settlement.
- In estimating future years budget the report took a middle case assumption.
- The Report looked at the assumptions of the budget in Appendix D and a key part showed positive and negative predictions to what the Council could get as part of future funding.
- Table 3 looked at specific grants. Some concerns and opportunities in terms of the budget projections were, the UKSPF fund which gave scope in terms of investments in the District and the Healthy Hub Funding where there is uncertainty over the expectations of what needed to be delivered for this grant, and the Domestic Abuse Grant which was added to general funding so added as a budget pressure to allow the funding for the service to continue.
- The reserves that the Council had were laid out in 8.12, the main one of these is the Business Rates Grant Reserve which sat at £6.4 million.
- The Council could release most of the grant over the medium term.
- The Councils biggest provision is against Business Rates, due to a backlog of appeals and this funding would be released as appeals were settled.

- The reports recommendation for minimum funds balance was £2.6 million, the Council had funds above the recommendation and if the balance were close then concerns would have been raised.
- In future years if the Council have more risks due to projects, then the minimum balance would increase.
- The revenue effect of the lost or gained interest from investments is laid out in Section 8.27
- The Principles the Council must agree in terms of Treasury Management are in Section 8.29-8.35
- Expected funding over a 5-year period and sets savings target, with a net expenditure budget of £22.792m was set out in Section 8.37 – 8.41 and Appendix E.

The following Members asked questions:

- Councillor Ralph Muncer
- Councillor Ruth Brown
- Councillor Paul Ward
- Independent Member John Cannon

In response to questions, the Service Director – Resources advised that:

- The final Local Government settlement benefits the Council as we had assumed £0 of contribution in the provision estimates and the Government has given is £157k however the cost of the NI payment is higher than that at £370k.
- Gaps in the budget (shown as TBC) all related to savings (rather than investments), would not make the budget worse.
- The areas that are TBC are the car parking charging due to having a consultation which would affect the scope of charging and when it would be implemented, and agency for leisure which was subject to confidentiality.
- Summary in Appendix E showed the reserves, the general fund reserve was different from the other as it could be used to support general spending, other reserves are created for specific use, some of these were ring fenced for projects and that information was shown in table 4.
- The only place the report uses the total number of reserves going forward is in the investment strategy, which reflected the decreases in expected decreases in the waste reserve and the business rates reserve but assumed others would stay at a similar level.
- The TBC were still potential savings for 2025/26 and for contribution towards the 26/27 savings, the targets for future years was a net target, if investments create bigger costs that would add to the savings needed.
- A spike in net expenditure in 2025/26 was caused by carry forwards which were reported to cabinet.
- Churchgate spend came primarily from some grants and also the surplus funding, the funding was subject to some uncertainty due to commercial tenants playing rent.
- Homelessness grant funding was in a reserve for specific projects, this was reported to Cabinet.
- Welfare grant funding was and accumulation of funding the Council had got during Covid and there was a planned use of that reserve over time, but this would not be an ongoing spend, it would only be while the grant was available.

Councillor Ruth Brown proposed, and Councillor Stewart Willoughby seconded to approve the recommendations and following a vote, it was:

**RESOLVED:** That Finance, Audit and Risk commented on the budget process, assumptions and risks contained within this report, in the context that Cabinet recommend to Council that:

- (1) Notes the position on the Collection Fund and how it will be funded.
- (2) Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.6 million is recommended.
- (3) Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's section 25 report (Appendix D) which provides a commentary on the risks and reliability of estimates contained in the budget.
- (4) Approves the revenue savings and investments as detailed in Appendix B.
- (5) Approves the capital programme as detailed in Appendix C.
- (6) Approves a net expenditure budget of £22.792m, as detailed in Appendix E.
- (7) Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium-Term Financial Strategy.
- (9) Approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.32 to 8.35).

The Service Director - Resources presented the report entitled 'Budget 2025/26 (Revenue Budget and Investment Strategy)' and highlighted the following about recommendation 2.8:

- The Investment Strategy is outlined on page 76
- It looked at what the Council had available for investment, capital spend and combined with revenue forecasts, compared balances with what was needed for predicted spends to show what was left to invest.
- When investing the Council should look at Security, Liquidity and Yield.
- The report set out a strategy that aimed to have sensible limits that covered at the start of year, and the end of the year.
- For example, this included a reduction in the amount that could be invested with another local authority from 15% of investments down to 10% or in financial terms £4 million down to £3 million.
- There were also lower limits set out for investment with banks, banking groups and building societies comparing yield to risk.
- The report also listed investments which the Council were unlikely to use for example, UK Property Funds, Multi Bond Funds, Multi Asset Funds.

The following Members asked questions:

- Councillor Sean Nolan
- Councillor Ralph Muncer
- Councillor Ruth Brown

In response to questions, the Service Director – Resources advised that:

- Investing in Local Authorities, those authorities that were expected to merge in the next year or two should not affect the Councils investment as debts will transfer to successor Local Authorities
- Banks may use the Councils money as they wish and at their risk, which could include shares, which is why research was done into the credit rating of the bank to reduce risk.
- The Council would not invest in shares due to high risk, which was outside the treasury strategy, the only exception to this would be multi-asset funds where there was then a spread of the risk.
- Currently most of our investments are with other Local Authorities, of which a lot would have declared climate emergencies and therefore would be taking positive environmental actions. The Council would be excluded from some ESG funds due to a minimum financial threshold which were outside the Treasury strategy.
- The annual revenue position for the council from investments was included in the revenue budget which was shown in table 19.

Councillor Tina Bhartwas proposed, and Councillor Ruth Brown seconded to approve the recommendations and following a vote, it was:

**RESOLVED:** That Finance, Audit and Risk commented on the budget process, assumptions and risks contained within this report, in the context that Cabinet recommend to Council that:

(8) Approves the Investment Strategy as detailed in Appendix F.

**RECOMMENDED TO CABINET:**

That Cabinet recommend to Council that:

- (1) Notes the position on the Collection Fund and how it will be funded.
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- (9) Approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.32 to 8.35).

***REASONS FOR DECISIONS:***

- (1) To ensure that all relevant factors are considered in arriving at a budget (revenue and capital) and Council Tax level for 2025/26. To ensure that the budget is aligned to Council priorities for 2024-28 as set out in the Council Plan.
- (2) The Council's Investment Strategy is set to comply with relevant statutory guidance, including the CIPFA Prudential Code. The Strategy also sets out the Council's approach to risks in relation to the investment of surplus cash.