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NORTH HERTFORDSHIRE DISTRICT COUNCIL

CABINET

TUESDAY, 21ST DECEMBER, 2021

SUPPLEMENTARY AGENDA

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

Agenda No **Item**

8. **DRAFT BUDGET 2022/23 (Pages 3 - 6)**

REPORT OF THE SERVICE DIRECTOR - RESOURCES

To consider the Draft Budget 2022/23

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CABINET
21 December 2021

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: DRAFT BUDGET 2022/23 (ADDENDUM)

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

- 1.1. This addendum report provides an update from the provisional Local Government Settlement. Overall the Settlement provides more funding for the Council in 2022/23 compared to what was forecast. There is positive news about transitional protection for any move to a new funding formula. The longer term position (i.e. after the full implementation of a new funding formula) is still unclear, and the Council must still consider the possibility of a cut in funding equivalent to the amount previously referred to as negative RSG.

2. RECOMMENDATIONS

- 2.1. As the main report.

3. REASONS FOR RECOMMENDATIONS

- 3.1. See main report.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. See main report.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. See main report.

6. FORWARD PLAN

- 6.1. See main report.

7. BACKGROUND

- 7.1. As highlighted in the main report, it was expected that the announcement from the Department of Levelling Up, Housing and Communities (DLUHC) on the provisional Local Government Settlement would be received after the reports for this meeting were published, but before the meeting itself. Given the technical nature of the information, it is felt appropriate to provide this as an addendum report rather than providing as a verbal update.

7.2. The provisional Local Government Settlement determines how the overall Local Government funding will be allocated to each Council. It is subject to consultation, with the final settlement being announced in January. There is very little chance that there will be any significant changes.

8. RELEVANT CONSIDERATIONS

General and Specific Funding

8.1. The table below shows the forecasts that were made in the Medium Term Financial Strategy (MTFS) for 2022/23, and what was announced in the provisional settlement:

Funding Source	MTFS estimate	Provisional settlement	Comments
Lower Tier Services Grant (non-ringfenced)	£0	£112k	This was a new grant in 2021/22 but no guarantee that it would continue. Still no expectation that it will continue in future years.
Services Grant (non-ringfenced)	See Comments	£188k	Assumed that we would receive funding for the additional costs of the National Insurance/Social Care levy. This is included within this total. Estimated that the cost of the levy for directly employed staff is £100k. There may also be additional contract cost pressures from the increase. Propose that the balance of £88k is held as a central contingency.
New Homes Bonus	£113k	£295k	The MTFS assumed that the Council would just receive the promised legacy payment relating to 2019/20. But an allocation for the most recent year has also been included (i.e. change in property numbers up to September 2021). See comments below about future changes.
Council Tax increases without the need for a local referendum	The higher of £5 (band D) or 2%		As expected. The £5 increase equates to 2.08%.
Retained Business Rates (including compensation for not increasing the multiplier)	£3,009k	£2,950k	The compensation for not increasing the multiplier is currently based on CPI inflation, but will be updated at the final settlement to be based on RPI inflation. This will make up the vast majority of the difference.
Covid-19 funding	£0	£0	Whilst no funding was expected, this is included to highlight the risk of increased costs/ reductions in income. The MTFS assumed a £1.1m impact in 2022/23. The latest variant could further delay recovery and the impact could be higher.

8.2. The settlement also stated that a new funding formula would be looked at in the coming months. Given the level of consultation that would be required, this would be the required timing for it to be implemented from 2023/24 onwards. A new funding formula will at least give some degree of certainty over future funding levels. The announcement also included references to transitional protection. This is positive news. If the Council is faced with a significant drop in funding because of a new formula (which has to still be considered to be a distinct possibility) then that protection will help reduce the cliff edge that creates. It should still be expected that any transitional protection will only be in place for a short period (e.g. 2-3 years) when more detail is known (likely to be part of the

2023/24 budget process) it may allow a change to the phasing of any savings that need to be delivered. However, the Council should still expect to need to deliver a significant level of net savings each year.

- 8.3. Whilst the funding position for 2022/23 is more positive than forecast, we will need to be extremely prudent about any new spend investments. If there is a need for additional investments then they should be one-off in 2022/23 only (including not creating an expectation of funding beyond 2022/23) and be clearly aligned to the objectives of the Council Plan. This reflects the uncertainties in relation to inflation and Covid-19 costs. Even with the additional funding (compared to forecasts) the budget will still require use of our reserves in 2022/23.

9. LEGAL IMPLICATIONS

- 9.1. See main report.

10. FINANCIAL IMPLICATIONS

- 10.1. See main report.

11. RISK IMPLICATIONS

- 11.1. See main report.

12. EQUALITIES IMPLICATIONS

- 12.1. See main report.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. See main report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. See main report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. See main report.

16. APPENDICES

- 16.1. None

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1. None.

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