

## **APPENDIX B**

### **BUDGET SPEECH BY THE EXECUTIVE MEMBER FOR FINANCE AND IT**

Thank you Chair for allowing me some additional time to speak this evening on this agenda item. I will try and not overstay your indulgence.

And I am glad to see that you are recovered from your recent illness and back with us this evening.

I would like to start with some thanks, in case I forget later!

Firstly, I would like to thank my Deputy in our Labour and Liberal Democrat joint administration, Councillor Sam North for his support and advice. Sam was one of the first to raise in January last year whether we had an emergency plan in place for a pandemic.

Sam and I have the fortune in our portfolio to deal with two excellent Senior Officers and their teams.

Firstly, Ian Couper and all the Finance and other teams that report to him. Our auditors, EY (Ernst and Young) commended our staff for the work they had done in managing our budgets and quickly and effectively preparing our accounts for audit.

And then I would like to thank Jo Dufficy (previously Howard Crompton until his partial retirement last autumn) and all her staff. Their successful management of customer facing issues including Council Tax, Business Rates and Council Tax Reduction Scheme has enhanced the reputation of the Council amongst our residents.

In addition, working with Keith Hoskins, Helen Oliver Sam North and me, Jo's team have designed and implemented both our statutory and local discretionary business grant schemes.

So far around £34m in grants to local businesses have been paid by North Herts Council through the various Government Schemes that we are running. The prompt payments, particularly in recent weeks have been welcomed across the District by businesses and our Business Improvement Districts.

When I spoke at our budget setting meeting in February 2020, we had just begun to see the spread of this virus. No one could really imagine the extent that it would dominate our lives since then. Our thoughts are with those who have lost loved ones not been able to see their family and friends or who have lost their employment.

The Joint Administration has sought to ensure that the resources of the Council, particularly our staff, have been diverted where we can to new work arising from the pandemic. Our staff have been overwhelmingly versatile and amazing. But as we know the day job workload has expanded in many areas like Environmental Health.

But despite these challenges, we have maintained the drive to deliver our ambitious programme of work:

I touched on my portfolio area earlier. But in other areas, Labour and Liberal Democrat colleagues working together;

### **Judi Billing and Ruth Brown on Community Engagement:**

- Establishment of the Food Provision Network
- Holocaust Memorial Day event
- Working in support of local community groups and key partners like the police to reintroduce regular public forums and engagement

### **Gary Grindal and Sean Prendergast on Housing and Environmental Health**

- Providing more accommodation for the growing numbers of homeless across the District
- Supported the expansion of Survivors against Domestic Abuse across the District
- Reduced taxi licensing fees for use of electric and hybrid vehicles

Brilliant to see you back with us Gary

### **Paul Clark and Ian Mantle on Planning and Transport**

- Developed Planning Guidance to address Climate Change, encouraging appropriate insulation and renewable energy
- Added new sections to the Local Plan ensuring that major developments will be preceded by a Master Plan, allowing consultation and preparation for good infrastructure and facilities
- Challenged Luton Airport Expansion

### **Elizabeth Dennis-Harburg and Carol Stanier on Recycling and Waste Management**

- Returned the waste service to something resembling 'business as usual' taking the steps necessary to protect the service through the pandemic
- Implemented a concessionary rate and direct debits for garden waste collections.
- Recruited a Waste Awareness officer to support residents improve their recycling habits and support our environmental objectives.

### **Steve Jarvis, Kay Tart and Adem Ruggiero-Cakir on Environment and Leisure**

- Updating and making more challenging our Climate Change Strategy drawing upon what we have learned from the Cabinet Panel for the Environment and our carbon footprint assessments.
- As the lead authority for Biodiversity on the Hertfordshire Climate Change and Sustainability Partnership, improving biodiversity through piloting rewilding and an ambitious tree planting programme
- Eliminated single use plastic in our leisure centres and swimming pools.

### **Keith Hoskins, Helen Oliver on Enterprise and Co-Operative Development**

- Made sure that our more Commercial focus moves forward to real action and that this action will be for the benefit of our local communities.
- Working with local partners, including the Local Enterprise Partnership, the Business Improvement Districts (BIDs), to protect the local economy and local businesses, during the pandemic.
- Continued and strengthened our partnership with the Black Squirrel Credit Union.

There's so much more. But I must now turn to the present.

This evening the Council is required to set a budget for 2021/22, and in doing this must be mindful of the impact of any decisions it makes on the ability to set a balanced budget over the medium term.

You don't need me to tell you, that the world is a very different place compared to when we set the budget last year.

I was struck by the comments from Baroness Louise Casey, a former adviser to this Government, who said earlier this week that Local Government has had reduced funding of £16 billion over recent years.

Now our share in North Herts is not quite that big!

But to provide some context, I will start with a summary of the impact of the pandemic on the Council's finances.

Our current forecast is that the cost to the Council over this year (2020/21) will be almost £2.2m in additional costs and £3.6m in lost income.

Government made some clear promises to Local Authorities about meeting our lost revenue which have not been fully kept.

In practice, so far Government has provided £1.65m of funding to meet cost pressures. We are expecting around £1.68m through the sales, fees and charges compensation scheme. And we are hoping that we will get £230k from the leisure recovery fund.

But this still leaves the Council funding a shortfall of over £2.2m in this year.

Some examples of the forecast impact, which is partly covered by the Government's income guarantee scheme:

- Lost parking income of over £1.2m – we get back around two thirds of this
- Almost £200k of net income lost from the Town Hall and Museum – we get back around 70% of this
- Over £150k reduction in planning income
- Over £100k reduction in demand for trade waste collections – we get back around 40% of this

Here are just some examples of forecast impacts which are not covered by the income guarantee, because they are additional expenditure or are not sales, fees or charges where demand has reduced:

- Over £180k compensation from the need to suspend garden waste collection services
- Almost £240k lost income from court summonses
- Up to £500k from reduced recycling material income
- Over £100k less income from Treasury investments
- Around £240k to provide accommodation for rough sleepers

Due to falling prices, it's worth noting that this reduction to recycled material income is potentially a longer-term detriment to our finances, not just for this financial year.

Looking forward, we have committed to support our leisure facilities as they recover.

I am not going to rerun the debate we had last month. But I do want to emphasise that this joint administration set out a clear desire to sustain our leisure services post pandemic. It was welcome that there was full cross-party support.

Some of you may have heard Olympic swimmer, Duncan Goodhew earlier this week. He set out very tellingly how people, especially young people, are suffering both physically and mentally with swimming pools closed and no lessons taking place. If our pools in North Herts didn't reopen, there is limited alternative provision. And most private gyms don't have pools. We have a responsibility to our next generation and all the citizens of our District who can't afford private gyms. That's the importance of what we decided.

But only this joint administration set out a plan on how we could maintain our leisure services and do this affordably within our resources.

You can't just hope for something, you have to plan for it. To paraphrase, failing to plan, is planning to fail. And we just won't do that.

This is why we also set out very clearly how we would manage and report progress on the leisure plan back to this Council and residents.

We are hopeful that there will be a quick recovery and the £2m forecast will be more than sufficient.

But we have to consider that the impacts of this pandemic could lengthen that recovery and the costs involved.

Of that £2m forecast cost, we are expecting that £140k will be funded through the income compensation scheme that has been extended until the end of June.

We will also apply the whole of the expenditure grant of £558k. That leaves us still funding around £1.3m from our reserves.

There is so much uncertainty over next year in terms of when restrictions will end and when things will recover, that we haven't put in many specific forecasts.

Instead, the proposal is that the minimum General Fund balance is increased to provide an additional cushion against the unknown impacts.

As the whole of the expenditure support grant has been absorbed by leisure, the only remaining off-setting compensation from Government will be income support up to the end of June where it meets several conditions.

Alongside the impact on our spend and income, there is also the impact on our funding. The economic impact of the pandemic has significantly increased the number of households eligible for Council Tax Support.

This impacts on our Council Tax base, the number of weighted number of properties that pay Council Tax. This time last year we were forecasting an increase of 1%, instead we are faced with a **decrease** of over 1%.

Last year we calculated based on 7,141 properties in receipt of CTRS, this year it is based on 7,821 properties. An increase of 9.5%.

I will also point out that the Government's funding calculations assume that we will receive £12.12m from Council Tax in 2021/22, due to the impact of CTRS we are estimating that it will be around £260k less than that. That is due to a blanket forecast by Government around growth in tax base.

Unfortunately, we have to consider that this might be a longer-term impact, and, therefore, we are forecasting that whilst the base will recover to pre-Covid levels in 2022/23, it will then stay at that level, rather than increasing by 1% each year.

This is just a forecast and we hope that reducing need for Council Tax support and property growth will mean that there is actually some growth, but can't count on it at this stage.

But, while I try and set out the facts of the impact of the pandemic on Council Tax, we must never forget that behind these numbers, are people and families faced with tough choices on low incomes. This is why the way that this Council engages and supports our communities faced with financial problems is so important and can make such a difference.

As our focus has been on Covid-19 over the last year, so has that of the Ministry for Housing, Community and Local Government.

That has meant that the planned changes to Local Government funding have not happened, and will be delayed by at least another year, and probably longer.

On the one hand, that means that negative Revenue Support Grant will not be applied next year, and we will not lose another £1m of the Business Rates that we collect.

On the other hand, it means that uncertainty over our future funding continues. Government just cannot expect Local Authorities to properly plan medium or long terms like this.

As a result, we are making the prudent assumption that there will be a need to deliver savings in the future, but don't know how much or when.

The budget assumes that a further £2m of further savings will need to be identified and delivered by 2025/26.

We hope that a good proportion of those can be delivered through income generation and the transformation programme, but we can't plan on hope.

So as a joint administration we have put in place a Challenge Board process.

We are using that to get a full understanding of the services that the Council delivers, what determines how much is spent and where savings or efficiencies can be made.

Unfortunately, after all these years of austerity, there are hardly any genuine efficiencies left. So, it is likely we will be faced with decisions over which services we should change.

But we are committed, when the time comes, to carrying out a public consultation on those services that are most valued, and therefore, those where changes can be made.

Turning to the budget process itself. All Councillors were invited to be part of the budget workshop process, which gave you a chance to hear the proposals being put forward as part of this year's budget, and to provide comments on them.

Councillors will know that there was unanimity cross-party that diverse services we provide now like some toilets in town centres and Christmas trees provided for town centres and Garden House Hospice should be maintained.

Following the presentation from Citizens Advice North Herts at the last Council meeting, I proposed to Cabinet and now to Full Council that exceptionally we add an additional grant of £50k to them for next year, to allow them to carry out the great work that they do in these very difficult times. This work has been recognised in the Council Chairman's Awards.

Unfortunately, we have to be clear that whilst we have been able to fund them an additional £50k for some years now, we may well not be able to do this next year. If Council agrees the award, I will ask Officers to sit down with our partner organisations to review the affordability of additional funding. This does not impact on the core funding which is in place through agreements until the end of 22/23.

You will be pleased to know that I am not going to go through the report in front of you in detail. But I will pick out a few key points.

Recommendations 2.5 and 2.6 were there to reflect that it might be possible for the Council to increase Council Tax by £10 without the need for a referendum. It would have been a difficult decision as to whether to go for a £10 increase rather than £5 as Councillor Stears-Handscomb has pointed out.

Whilst it would have created pressure for some households, this would have been balanced against the need to protect our services and also that our element of the Council Tax bill would remain a small proportion of the overall total.

Government has now confirmed that £5 will be the maximum increase allowed for a band D property, without the need for a local referendum. Other bands will be pro-rate to this.

Council should note that a £5 increase is equivalent to just over 2.1%.

We will use this increase prudently and wisely to benefit our residents. But while recognising even if Government is not helping local authorities to plan ahead, we will need to do so to manage our resources in future years.

With this increase and the other increases expected by the County Council (including Social Care Precept) and the Police and Crime Commissioner, excluding Parish Precepts, our District Council element of the bill drops from 12.7% in 2020/21 to 12.5% in 2021/22.

I am, therefore, proposing now that recommendations 2.5 and 2.6 are changed as follows:

The second sentence in 2.5 to be deleted so that it reads: "Approves a net expenditure budget of £18.441m, as detailed in Appendix C." This covers the increased funding proposal to CA.

2.6 amended to read "Approves a Council Tax increase by the maximum allowed without the need for a local referendum in 2021/22(as per the Medium-Term Financial Strategy), which is £5 for a band D property, with other increases pro-rata to this."

Paragraph 5.2 refers to the need to carry out consultation with Business Ratepayers. This was carried out via e-mail and a page on the website. The e-mail was sent to businesses and business groups, such as BIDs and Chamber of Commerce, who have engaged in the process in the past. No comments have been received.

I have already mentioned the impact of Covid-19 on the eligibility for Council Tax Reduction Support. The second bullet point in paragraph 8.8 details the Council Tax support grant, which is essentially compensation from Government for increased levels of CTRS. Given that the impact on funding has already been reflected, this grant will be applied to the General Fund to off-set that impact.

As I mentioned at the last Council meeting, we are hoping to do a full review of the CTRS scheme next summer. This may still prove impractical.

For the record, I also covered at the last meeting about the additional support offered to Parish, Town and Community Councils since the scheme was introduced in 2013.

I said in the Budget last year, that we would keep this under review. I can confirm that I propose that the amount of £38k should continue again in 21/22. I hope this is welcome.

Paragraph 8.18 refers to the Pool application for 2021/22. Following some technical advice, it has been decided by all the Authorities involved to proceed with the Pool. This comes with some risk, but it is considered that the potential gain is more likely than the potential risk. Any downside is limited by the Pool still having a safety net.

In table 3 in paragraph 8.20 you will see that it is recommended to release the Special Reserve and £2.5m on the MHCLG reserve in to the General Fund reserve.

This will help to maintain the General Fund reserve balance over the next few years. The MHCLG reserve balance will be kept under review and it may be possible to release more of this balance in future years. All of the other reserves in that table are set aside for a very specific purpose, and would not be available to support general expenditure.

Paragraphs 8.22 through to 8.24 details the method for setting a minimum General Fund balance. The Chief Finance Officer (Service Director - Resources) is required to recommend a balance, and the medium-term budget should be planned on the basis of not going below this amount.

The increase in the recommended minimum balance reflects the uncertainty in relation to Covid-19 recovery that I described previously, and also the potential Brexit impact- particularly on the price of goods and services.

Paragraphs 8.30 to 8.33 provide a commentary from the Chief Finance Officer about the reliability of estimates. You will note that these statements are more caveated than usual, which as you will appreciate reflects the uncertain times that we are facing.

I believe that despite the huge challenges, this Budget matches the ambitions of this joint administration, alongside the need for prudence in these uncertain times for local Government finances.

As a joint administration our Build Back Better will include:

- Thoroughly reviewing every area of expenditure to ensure that they meet the priorities we have set out in our Council Plan.
- Carrying out a public consultation on those services that are most valued by residents.
- Ensuring we value our most vital resource, our staff, and work with them to ensure we get value for every pound we raise in Council Tax.
- Seeking to use the skills and expertise of all Councillors and draw too on the undoubted expertise in our community, in contrast to the previous administration, which far too often took the “we know best” approach and didn’t listen.
- Setting out new initiatives we will take in support of key priorities like Climate Change Emergency, greener transport, effective Town Centre Strategies to keep our towns vibrant and better engage our community.
- Continuing to look for areas where we can work with other councils through the Co-operative Councils’ Network, the Growth Board and other collaborations, which achieve our aims through sharing resources or external funding.

- Strengthening co-operation with Parish and Town Councils, County Council and neighbouring Districts to encourage well-co-ordinated local services, in line with our collaborative approach.
- Ensuring the technology is fit-for-purpose, as public services are becoming increasingly online so that residents can conveniently access the information they need, and decisions can be made democratically.
- Ensuring that charges for services are affordable and make sure that all our services are accessible to all by introducing where we can concessions for services as we have for garden waste collection.
- Continuing to find ways to support vital community organisations across our District like Citizens Advice.
- Look to create new community and business grant funds and support our vital arts and culture sector.

Finally, Chair can I move the following recommendations from Cabinet to Council:

2.2 Notes the position on the Collection Fund and how it will be funded.

2.3 Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £3.85 million is recommended.

2.4 Approves the savings and investments as detailed in Appendix B.

2.5 (as amended) Approves a net expenditure budget of £18.441m, as detailed in Appendix C.

2.6 (as amended) Approves a Council Tax increase by the maximum allowed without the need for a local referendum in 2021/22 (as per the Medium-Term Financial Strategy), which is £5 for a band D property, with other increases pro-rata to this.

**In accordance with legislation, when we vote on this decision, I call for a recorded vote.**