

6a REFERRAL FROM FINANCE, AUDIT AND RISK COMMITTEE: 25 JANUARY 2023 – FINAL REVENUE BUDGET 2023/24

RECOMMENDED TO CABINET:

That Council:

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 £2.5 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 commentary on the reliability of estimates and the resilience index.
4. Approves the revenue savings and investments as detailed in Appendix B.
5. Approves a net expenditure budget of £18.123m, as detailed in Appendix C.
6. Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium Term Financial Strategy.

REASONS FOR DECISIONS:

1. To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2023/24. To ensure that the budget is aligned to Council priorities for 2023/24 as set out in the Council Plan.

The Service Director – Resources presented the report entitled Final Revenue Budget 2023/24, including:

- The Council was over halfway through the budget process of the year, starting with the MTFS in September through to Council approving a budget in February.
- Mr. Couper noted that there were a few changes between the FAR version and Cabinet version of the report.
- He highlighted the additional recommendation 2.7. This made a proposal that if Council agreed the additional funding for the Leisure Contract, that it would be bought forward into the current year 2022/23. This would allow the work to start sooner, instead of waiting for April 1 2023.
- Section 8 detailed the considerations by Cabinet and the December report.
- Paragraph 8.7 onwards looked at the finality of the outcomes of the draft local government settlement. Overall, in terms of funding, the Council were slightly better than forecasted but inflation pressures have brought the Council back to where they started.
- Whilst the Council hoped that in 2023/24 to be part of a Business Rate Pool however revaluation of Business Rates from 01/04/2023 meant greater risk which resulted in all the Councils withdrawing from the Pool.
- Paragraph 8.12 detailed other grants that the Council gets, including general and specific grants. It also gave an overview on where the Council thought changes would occur and how funds and resources would be affected.

- Paragraph 8.15/8.16 onwards detailed the General Fund Reserve and Specific Reserves. A forecast is also considered for those Reserves as these could go towards setting a Balanced Budget and can also be used to fund expenditure (Table 4).
- Provisions were considered and the amount of money that was set for those.
- Paragraph 8.17 described Business Rate Appeals and Insurance. There was a backlog of appeals relating to Business Rates, with Provisions not used.
- Paragraph 8.19-8.21 detailed the minimum balance for the General Fund, including the processes that were followed.
- Allowance for General Risk in relation to percentages of the Council's spend and income. Specific Risks were also covered in Table 5 and Appendix A which may have an impact in the coming year.
- The recommended Minimum Balance was £2.5million. The Council was not near that balance; however, this would help forecast for the coming years.
- Paragraph 8.22 and Table 6 detailed the effects of the COVID pandemic. Due to this, it was sensible to create additional contingency in areas seeing shortfalls for the upcoming year.
- Budget Position refresh at the end of November (month 8) is used to flag any issues in the current budget year going forward. This was detailed in Table 7.
- Paragraph 8.24 had minor updates for Cabinet version concerning the Detailed Savings Investment Proposals and recommendation 2.7.
- Paragraph 8.25 onwards detailed the Capital Budget and the Revenue impact. It was important the Revenue impact was brought forward as adjustments such as borrowing capital and borrowing internally had to be considered.
- Paragraph 8.27 detailed areas that are of interest and of concern with risks.
- Paragraph 8.35 referred to the Financial Resilience Index, with more detail in Appendix B. There were no concerns on the Index, but it was flagged for consideration.
- Paragraph 8.37 detailed cumulative impact, with more detail in Appendix C.
- In the short term, the Council was in a better position due to lower use of reserves.
- In the medium term, the Council needed to make annual savings of £2.5million based on current forecasts by 2027/28.
- Due to this, there was the capacity to take a gradual approach in the next two years to factor in the recovery from the Cost-of-Living crisis and to get more certainty over future funding.
- In future years, significant savings need to be identified and delivered.

The following Members and participants asked questions:

- Councillor Sean Nolan
- Councillor Terry Hone
- John Cannon

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

- There were two components to the £2.5million minimum balance. The amount for specific risks and additional funds also set aside for unknown risks.
- With any large contract there will be concerns around the price of a new tender. This are further concerns during periods of high inflation, and remaining uncertainty over government proposals in relation to waste collection.

- Areas such as Legal and Planning were struggling with recruitment. Different methods of recruiting were being tried such as welcome payments.
- No financial impact is expected in terms of the current contract from Stevenage Borough Council losing the Leisure contract, as the open book arrangements only allow the direct costs of our contract to be charged.
- Reserves were being used to fund the General Fund position by £3million.

The Committee, Member and Scrutiny Officer read out the recommendations in the report as follows:

That the Finance, Audit and Risk committee recommend to Cabinet that Council:

- **Notes the position on the Collection fund and how it will be funded.**
- **Notes the position relating to the General Fund balance and that due risks identified a minimum balance of £2.5million is recommended.**
- **Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's commentary on the reliability of estimates and the resilience index.**
- **Approves the revenue savings and investments as detailed in Appendix B.**
- **Approves the net expenditure budget of £18.123m, as detailed in Appendix C.**
- **Approves the Council tax increase of 2.99%, which is in line with provisions in the Medium Term Financial Strategy.**

Councillor Terry Tyler proposed, Councillor Terry Hone seconded and after a vote, it was:

RECOMMENDED TO CABINET:

That Cabinet recommend that Council:

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4. Approves the revenue savings and investments as detailed in Appendix B.
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REASONS FOR DECISIONS:

1. To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2023/24. To ensure that the budget is aligned to Council priorities for 2023/24 as set out in the Council Plan.

The report considered by Finance, Audit and Risk Committee at the meeting held on 25 January 2023 can be viewed here: [Agenda for Finance, Audit and Risk Committee on Wednesday, 25th January, 2023, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)