

Item No	Referred from:	Finance Audit & Risk
6c	Date:	8 NOVEMBER 2023
	Title of item:	MEDIUM TERM FINANCIAL STRATEGY 2024-29
To be considered alongside agenda item:		9

The report considered by Finance Audit & Risk Committee at the meeting held on 8 November 2023 can be viewed here: [Agenda for Finance, Audit and Risk Committee on Wednesday, 8th November, 2023, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

RECOMMENDED TO CABINET: That Cabinet note and comment to Council on the Medium Term Financial Strategy, as attached at Appendix A.

REASONS FOR DECISIONS: Adoption of a MTFS and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2024/2025 to 2028/2029, culminating in the setting of the Council Tax precept for 2024/25 in February 2024. This will (alongside the existing Council Plan) support the Council in setting a budget that is affordable and aligned to Council priorities.

Audio Recording 16 minutes 4 seconds

The Service Director – Resources presented the report entitled ‘Medium Term Financial Strategy (MTFS) 2024-29’ and highlighted that:

- The medium term in Local Government was meant to be the period up to five years.
- Assumptions had been made to set a balanced budget for the next five years and included some draw down of reserves as part of the strategy.
- The MTFS had a target level of savings that would need to be achieved over the five years.
- The budget for 2024-25 would be set in February and the Finance Audit and Risk (FAR) Committee would see the draft budget report before the budget was considered by Cabinet and approved by Council.
- The MTFS sits alongside the Council Plan.
- Appendix A is the MTFS and includes a number of assumptions, such as government funding and the Council Tax increase, these items would be flagged and monitored on the final report as being best estimates.
- The General Fund balance was estimated at £12.7M at the end of March 2023, which was well above the minimum recommended value, and this allowed some headroom to balance out any future shortfalls, however once the reserves had been used, they would be gone.
- There were some business rates reserves that could be released over the next two years.
- There were no ongoing provisions regarding Covid 19, but car parking fees had still not recovered, and remained a risk and would be highlighted in the budget.
- The uncertainty of inflation had impacted the funding, income and expenditure of the budget.
- Current indicator values had been applied to the new waste contract as precise numbers would not be known until May 2024, especially in relation to fuel costs.
- The events in the Middle East may have an effect on the global commodity price of fuel and energy.

- The pay award for 2023/24 had now been agreed and would be paid in November. Negotiations would now commence on the 2024/25 pay award with an assumption in the budget for around 4% decreasing to 2% over the following years.
- Appendix A showed the assumed modelling for fees and charges, and these would become more detailed as the budget process progressed.
- The cost of living crisis had impacted on the new Council Tax Reduction Scheme (CTRS) which had cost more than forecasted, and had impacted on the Council Tax base. The Council Tax base would usually increase each year with new homes but likely to be no increase this year, but with assumed growth again in later years.
- The impact of interest rate changes had not yet been factored in. Interest rates have stayed higher for longer than expected which had generated an income from our investments, however a need to borrow funds was expected in later years in the MTFS.
- There were some uncertainties regarding the recent Waste Legislation Changes and the impact this would have on our waste streams and funding, especially regarding the deposit return scheme and extended producer responsibility.
- The impact of the Council Delivery Plan was highlighted on pages 39 and 40 of the report.
- Maximum allowable Council Tax increases are currently set by the Government and the assumption was for a 3% increase for 2024/25.
- There was an assumption regarding the Retained Business Rates, based on an increase of the baseline set by the Government.
- There were some uncertainties regarding the new homes bonus scheme but other funding grants were expected to provide an overall increase in funding in 2024/25.
- There was an assumption that savings of £3.1 M would need to be made during the next five years as highlighted in the conclusions on page 43 of the report, although this could be affected by changes in Government funding especially in relation to Council Tax and negative Revenue Support Grant.
- There has been an update on the Waste Contract with reports to Cabinet and Overview and Scrutiny detailing that there would be cost increases, which decisions will need to be taken on how to mitigate some of that impact.
- The funding gap was shown on page 43 of the report and highlighted various approaches for addressing that gap.
- The revenue impacts of capital expenditure need to be considered, and include lost interest on money spent, the minimum revenue provision and costs incurred by borrowing.

N.B Councillor Mandi Tandi entered the Council Chamber at 19:58

The following Members asked questions:

- Councillor Terry Hone
- Councillor Tom Plater
- Councillor Mandi Tandi
- Councillor Clare Billing
- Councillor Sean Nolan
- Independent Person John Cannon

In response to questions the Service Director – Resources stated that:

- The report highlighted that there were difficult decisions to be made, predicting that small savings would be required in the next year with larger saving thereafter, some of these could initially be mitigated by the current high interest rate being generated from investments and the release of the business rate reserves.
- Savings could be made earlier but it may not be desirable to cut services when there was a cost of living crisis.

- There were two new contracts pending, which had substantial costs and risks, inflation for these items was included in the MTFs, however it was now apparent that there would be increased costs for the waste contract.
- The leisure contract would generate income and this would increase with inflation, however any increase in charges had to be in line with customer expectations.
- The garden waste fees had recently been increased but were for a period of 18 months, it was proposed that this would be returned to being a charge for 12 months.
- Interim steps were also being taken to align the parking fees increase back to the start of April.
- It was acknowledged that there was a Staff recruitment issue, and that this was stated on the Council Delivery Plan.
- The staffing level was impacting on the delivery of services, some areas had an increase of temporary staff and consultant support, and it also put additional pressures on staff in departments where there was a vacancy.
- There was not a budget for the premium of covering posts with temporary staff, but this would be highlighted as a risk in the budget.
- The trade waste market would be reviewed with fees and charges being set appropriately, this is unlikely to lead to an increase of businesses fly tipping.
- The demand for CTRS had led to a reduction of the Council Tax base, even with housing growth.
- Section 106 income was mainly capital and this was reflected as an funding source for relevant items in the capital programme, however payment dates for the S106 money were often uncertain.
- The Town Centre strategies work may be covered by consultants.
- If a Council Tax referendum was successful then revenue would be increased on an ongoing basis and therefore the extra income would cover the referendum costs, however it was unlikely that the District would vote to increase the Council Tax rate.
- General inflation after salaries and contracts would be insignificant as it was only a small proportion in relation to the overall picture.
- A planning assumption was made regarding staff vacancies, which was currently higher than expected.
- There was occasionally grant funding from Area Forums where match funding was unavailable, but generally Parish and County Councils had their own funding streams.
- Ideally the Council should be looking at the next ten years but due to the volume of uncertainties in the next five years this was not considered, and the focus was on five years.
- The £1.86M from business rate income was included in the 'other reserves that we plan to use to fund our expenditure' for 2024-26 on page 43 of the report.
- A Minimum Revenue Provision (MRP) was charged when the Council had capital expenditure not being funded immediately (e.g. from capital reserves), current guidance prohibits the Council from borrowing money in advance of need.
- There was a general assumption of 0.5% housing growth, although with some larger Local Plan schemes being approved this may increase, however the timing from planning approval to paying residents greatly varied.
- Any new houses may also require additional services and staffing, generally with smaller developments this can be absorbed by the current workforce.
- Larger development may generate more income, but this was then required for services, and was not always fully funded by S106 money.
- Some additional resources were budgeted for in the Planning team, this would include situations where specialists are temporarily required.
- Most councils had to borrow for their capital spend, the Council still had some land that could be sold to extend time and to generate capital receipts.

- The Capital Programme would be reviewed to assess the ability to delay spend and therefore borrowing, and this would form part of the budget setting process.
- The Council had several shared services including; Internal Audit Services, Anti-Fraud Services, Building Control, Disabled Facilities Grants, generally they delivered resilience rather than cost savings.
- Previously legal support had been sold to other authorities when the opportunity and resources were available.
- It was complicated to get the right balance of a shared service, but this area may be reviewed in the future.
- Should the funding gap not be addressed then spending would need to come from the Council reserves, the section 151 Officer may then be required to take more formal measures to ensure that the funding gap was addressed.
- Various options would be explored to achieve a balanced budget.
- The review of the Local Plan had commenced.

In response to questions the Executive Member for Finance and IT stated that:

- Due to the recent spending decisions the general fund balance had increased over the last four years which had allowed the Council to make sensible and practical decisions.
- The Council delivered vital services that the North Herts residents appreciated, and this needed to be protected.
- It was acknowledged that there were difficult decisions required in the coming years and it was a challenge to consider when was the right time to start.
- Once new contracts for Waste and Leisure were finalised and the government had released new funding formulas it would be prudent to start looking for savings and efficiencies.
- The public should be consulted about the services that the Council delivered and which services were valued.
- Staff recruitment was a known issue and challenge across the eastern regions of Local Government.
- Work had commenced on the Local Plan review and would be highlighted by Councillor Ruth Brown at the Cabinet meeting on 14 November 2023.
- The Council was fortunate to have some reserves, however these could only be spent once.

Councillor Clare Billing proposed and Councillor Tom Plater seconded and, following a vote, it was:

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