

CABINET
16 January 2024

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: DRAFT BUDGET 2024/25

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: Sustainability

1. EXECUTIVE SUMMARY

- 1.1. Cabinet is asked to consider the latest information in relation to funding, income and expenditure in relation to the revenue budget for 2024/25.
- 1.2. Cabinet are asked to consider the savings and investment proposals that were presented to the budget workshops. This should consider the feedback from those workshops.
- 1.3. Cabinet are asked to consider the capital project proposals that were presented to the budget workshops. This should consider the feedback from those workshops, as well as considering the forecast revenue impact of capital expenditure.

2. RECOMMENDATIONS

- 2.1. That Cabinet note the latest funding forecasts for 2024/25 onwards and the significant uncertainty that still remains.
- 2.2. That Cabinet confirm that it will be necessary to increase Council Tax by the maximum amount allowed without a local referendum (2.99%), as this is what will be assumed by Government in determining the Business Rates that the Council can retain and calculating the Council's Core Spending Power.
- 2.3. That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the budget to be brought back for consideration in February, for referral on to Council at the end of February.
- 2.4. That Cabinet consider the additional revenue investment proposals that are detailed in paragraph 8.8 and confirm that they should be included in the February budget report.
- 2.5. That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the capital investments in the Investment Strategy to be brought back for consideration in February, for referral on to Council at the end of February.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that all relevant factors are considered in arriving at a proposed budget, Investment Strategy and Council Tax level for 2024/25, to be considered by Full Council on 29 February 2023.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. In seeking to address the funding gap detailed in the Council's Medium Term Financial Strategy for 2024-29, Political Groups and Officers have been asked for savings ideas and these are presented in appendix A to this report.
- 4.2. The proposed investments are a combination of cost pressures to deliver existing services and new spend that is linked to the delivery of priorities identified within the Council Plan.
- 4.3. The Council is required to set a balanced budget over the medium term.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at budget workshops. The comments from these workshops are detailed in this report.
- 5.2. This report is the first draft of the budget and a further report to Cabinet will follow in February. Both reports will also be considered by the Finance, Audit and Risk (FAR) Committee.
- 5.3. Business Ratepayers will be consulted on the proposals within the February report. This is the only statutory consultation that is required. This consultation will be via the website/ e-mail, as this has worked effectively since it was introduced.
- 5.4. If any saving proposal is anticipated to have a particular impact on a specific area (or areas) then it can be considered by the relevant Area Forum(s). Any comments could be referred to Cabinet when they are considering the budget to be referred on to Full Council.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The Medium-Term Financial Strategy (MTFS), which provides the financial background for the Corporate Business Planning Process, was approved by Full Council in November following recommendation by Cabinet. The budget estimates within the MTFS included several assumptions. These will be updated as better information becomes available and further updates will be made prior to the presentation of the budget to Cabinet in February. The final budget recommended to Council in February will still contain some assumptions, hence monitoring reports are provided to Cabinet on a quarterly basis.
- 7.2. The MTFS set target net savings for the next 5 years. This is to ensure progress is made towards balancing the Council's budget in each year, with the aim of achieving a fully balanced budget (net expenditure = funding) by 2028/29. In the shorter term the budget will be balanced using reserves. The phasing of the delivery of savings also ensures that the reserves are not diminished too much and remain above the minimum recommended level.

8. RELEVANT CONSIDERATIONS

Autumn Statement

- 8.1. There were no specific announcements in relation to Local Government funding in the Autumn Statement. There has been some commentary that the overall funding provisions in the Statement could equate to real terms funding cuts for Local Government. The funding assumptions in the MTFS include a real terms funding reduction, as it incorporates 'negative Revenue Support Grant'.
- 8.2. The Statement included some overall allocations for specific grants. This included a third round of the Local Authority Housing Fund and homelessness prevention funding.
- 8.3. The Autumn Statement also made announcements in respect of Business Rates. These included reliefs (i.e., continuing the reduction in the amount to be paid by retail, hospitality and leisure businesses compared to normal levels) and freezing of the multiplier for small businesses (i.e. not applying an inflationary increase to small businesses). These will be fully funded by off-setting grants.

Local Government Settlement

- 8.4. The Local Government draft settlement was announced on Monday 18th December. The settlement included the following announcements:
 - The Council Tax referendum threshold would be set at 3%. It is also looking more likely that the threshold will be set at 3% on an ongoing basis. A change to 3% (from 2%) for each year from 2025/26 onwards increases annual Council Tax funding by about £580k by 2028/29.
 - A guaranteed increase in Core Spending Power of 3% for 2024/25, before local decisions on increases in Council Tax (note: in determining the Core Spending Power base in future years, Government are still expected to assume that Council Tax was increased by the referendum threshold).
 - Allocation of New Homes Bonus of £262k. This is incorporated into the Core Spending Power calculation, so unless it is exceptionally high it doesn't affect the overall funding available.
 - Services Grant has reduced to £17k, but forms part of the Core Spending Power calculations.

- 8.5 The table below shows a comparison of Core Spending Power between 23/24 and 24/25, and changes in Council funding estimates between the MTFS assumptions and the revised assumptions based on the draft settlement. All amounts in £000:

Funding source	Draft Settlement (Core Spending Power) 23/24	Draft Settlement (Core Spending Power) 24/25	Change in Core Spending Power		Draft Settlement (Council latest estimates) 24/25	MTFS (Council Estimates) 24/25	Difference (latest estimate versus MTFS)
Council Tax	12,790	13,251	461 3.6%		13,125	13,106	19
Business Rates	3,462	3,686	224 6.5%		3,686	3,693	(7)
Services Grant	110	17	(93) (85%)		17	110	(93)
New Homes Bonus/ Core Spending Power guarantee	932	1,246	314 34%		1,246	1,024	222
Other	n/a	n/a	n/a		(39)	(39)	0
Total	17,295	18,200	905 5.2%		18,035	17,894	141

- 8.6 Points to note from the table above:

- The draft settlement Core Spending Power for Council Tax assumes an increase in rate in line with the referendum limits and an increase in tax base. The Council estimate is based on an increase in rate in line with the referendum limit, but a reduction in tax base due to increased eligibility for Council Tax Reduction Scheme. The small increase (compared with the MTFS) is due to the latest Council Tax base estimate.
- The increase in Core Spending Power between 2023/24 and 2024/25 is 3% before local decisions on Council Tax (as per Government commitment). As the numbers above include the assumed impact of the local decision on Council Tax, it shows as a 5.2% increase.
- The 'Other' line is the payment to Parish, Town and Community Councils for CTRS support.

General Reserve balances

- 8.7. The Medium-Term Financial Strategy was set based on a General Fund balance at the end of 2023/24 (start of 2024/25) of £12.649 million. The Quarter 2 budget monitor estimates that this will now be around £13.099 million. However, the Quarter 2 monitor also includes £453k of carry-forward spend (in to 24/25) and £316k on ongoing additional pressures. This means that the Council can continue with the strategy set out in the MTFS for 2024/25 but being mindful of the need for future savings.

Revenue Savings and Investment proposals

- 8.8. The Medium-Term Financial Strategy did not set a savings target for 2024/25 but did highlight the need to constrain ongoing spend due to the expected increasing pressures from 2025/26 onwards.

- 8.9. The revenue savings and investment proposals were presented to Political Group workshops (Joint Administration and Conservative) in early November. The full list of revenue savings and investments is attached as Appendix A.
- 8.10. There are two new revenue investment proposals that have arisen since the budget workshops. Cabinet are asked to consider whether these should be included in the February budget report:
- £80k funding to open the Customer Service Centre (CSC) to in-person visitors throughout the working week without the need for an appointment. Some CSC staffing had been redeployed to support the development of a new software solution to support customer interactions with the Council, improving the experience and making processes more efficient. To enable this additional work to continue, there will be an additional cost of £80k in 2024/25. If approved, this will need to be considered again as part of the 2025/26 budget setting process.
 - £27k to continue with a part-time (shared post with East Herts) Economic Development Officer post in 2024/25. This will help complete the Council's Enterprise Strategy. The strategy itself will need to consider the level of resource (and funding of that resource) for 2025/26 onwards.

Capital Proposals

- 8.11. At the Budget Workshops, the Political Groups also considered capital investment proposals, which are attached at Appendix B. In addition to the importance that capital spend is scrutinised to ensure that it is in line with Council needs and priorities, the Council also needs to consider the revenue cost that arises from capital spend. The cash that is spent would otherwise be invested to generate a return. As interest rates have increased, the cost (through lost investment income) increases. The Council will also move to being in a position where it must use borrowing (either internal or external) to fund its capital programme, which requires a Minimum Revenue Provision to be charged to the revenue budget.
- 8.12. The list at Appendix B has been updated to reflect:
- Spend on a new waste depot (reference ECP50) is not expected to be until at least 2026/27, so the current amount is phased across 2026/27 and 2027/28.
 - Section 106 funding has been added back into the Royston Leisure Centre extension (reference: ECP41) as it had been omitted.
 - The section 106 funding contribution to the Norton Common Bowls Pavilion (reference NCP4) has been amended to a lower total (previously £40k).

Response to proposals

- 8.13. The joint administration workshop was content with all the proposals put forward.
- 8.14. The Conservative Group at their workshop, asked several questions about the proposals but did not make any comments or recommendations to Cabinet.

9. LEGAL IMPLICATIONS

- 9.7. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.

- 9.8. Cabinet's terms of reference include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax and the council tax base. Council's terms of reference include approving or adopting the budget.
- 9.9. Members are reminded of the duty to set a balanced budget and to maintain a prudent general fund and reserve balances.

10. FINANCIAL IMPLICATIONS

- 10.7. These are mainly covered in the body of the report.
- 10.8. The Council can fund capital expenditure from capital reserves or new capital receipts (e.g., sale of surplus land) which has a revenue impact (i.e. the lost interest from investing the cash, currently around 5%). The Council can also use revenue funding for capital expenditure but given the forecast budget position that the Council faces, this is not a viable option.
- 10.9. The Council is now in a position where its available and forecast capital reserves will not be sufficient to fund the capital programme, so it will need to borrow to fund its capital spend. Guidance from CIPFA (the Chartered Institute of Public Finance and Accountancy) strongly encourages Councils to borrow internally where possible. This involves using the available cash from revenue reserves and provisions to fund the capital spend, rather than bringing in additional cash from external borrowing. The cost of this will be made up of the lost interest from investing that cash and a charge known as a Minimum Revenue Provision (MRP).
- 10.10. Where a Council is in a position where it needs to borrow (technically known as having a positive Capital Financing Requirement) then it must include a MRP charge to its revenue budget. In simple terms this creates an amount over the life of the asset being borrowed for to repay the borrowing. In common with other Councils, the Council will assume that it is borrowing against its assets with the longest life and therefore the MRP will be based on a 40-year life (i.e. 2.5% per year).

11. RISK IMPLICATIONS

- 11.7. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change.
- 11.8. When taking decisions, risks and opportunities must be considered. The Council's MTFS set out several risks that will need to be considered when setting a budget for 2024/25 and beyond. The next iteration of this report will be presented to Cabinet in early February, and this version will include a full review of the adequacy of estimates that have been made and of reserve balances. This includes a view from the Service Director-Resources (as the Council's Chief Finance Officer) of the minimum level of General Fund reserves. This is a section 25 report in accordance with the Local Government Act 2003. The margin between actual and the minimum General Fund reserve levels provides a proxy for the level of financial risk that the Council faces, and its ability to deal with changes.

12. EQUALITIES IMPLICATIONS

- 12.7. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 12.8. For any individual proposal comprising either £50k growth or efficiency, or affecting more than two wards, an equality analysis is required to be carried out; this has either taken place or will take place following agreement of efficiencies or growth.

13. SOCIAL VALUE IMPLICATIONS

- 13.7. The Social Value Act and “go local” policy do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.7. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.7. Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

16. APPENDICES

- 16.7. Appendix A - List of Revenue Savings and Investments proposals.
- 16.8. Appendix B - Proposed Capital Programme (changes to previous years capital programme are highlighted in yellow)

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.7. Medium Term Financial Strategy: <https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=136&MIId=3399&Ver=4>