

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REVENUE BUDGET 2024/25

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

1.1. Cabinet have recommended a budget for 2024/25 to Council for their consideration and approval. The budget considers the following:

- The funding that the Council should expect to receive in 2024/25 and an estimate of future years funding
- The forecast net spend required to enable the continued delivery of the Council services in 2024/25 and beyond
- The risks in relation to the budget (e.g. higher spend or lower income) and providing reasonable financial protection against those risks
- The implications of all the above on future years and ensuring that actions are in place to deliver a balanced budget in the medium term.

There have been some changes to the version of the report that was considered by Cabinet and these changes are detailed in paragraph 7.3. There has also been a subsequent change in relation to energy costs for our leisure centres which is detailed at paragraph 8.4.

2. RECOMMENDATIONS

That Council:

- 2.1. Notes the position on the Collection Fund and how it will be funded.
- 2.2. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.46 million is recommended.
- 2.3. Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's section 25 report (Appendix D) which provides a commentary on the risks and reliability of estimates contained in the budget.
- 2.4. Approves the revenue savings and investments as detailed in Appendix B.
- 2.5. Approves a net expenditure budget of £19.898m, as detailed in Appendix C.
- 2.6. Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium Term Financial Strategy.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2024/25. To ensure that the budget is aligned to Council priorities for 2024/25 as set out in the Council Plan.

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. Given the overall budget position, any ongoing investments should only be where there are unavoidable cost pressures.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. All Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at the budget workshops.
- 5.2. Business Ratepayers will be consulted on the proposals within this report before the budget is discussed at Full Council on 29 February. Any feedback will be made available at the Council meeting. This is the only statutory consultation that is required. This consultation will be via the website/ e-mail, which is the method that has now been established.
- 5.3. If any saving proposal is anticipated to have a particular impact on a specific area (or areas) then it would be referred to the relevant Area Forum(s). It is however considered that this does not apply to any of the savings proposals that have been included.

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 Council in November following recommendation by Cabinet (and review by the Finance, Audit and Risk Committee). The budget estimates within the MTFS included a number of assumptions. These have been updated as better information has become available. This final budget still contains some assumptions, hence monitoring reports are provided to Cabinet on a quarterly basis.
- 7.2. Political groups were given the opportunity to comment on the initial budget proposals (put forward by Officers and Executive Members) in early November. The feedback from those discussions was presented to Cabinet in January, which has resulted in the proposals contained within this report.
- 7.3. Cabinet considered a version of this budget report at their meeting in February. The following changes have been made to reflect discussions at that Cabinet meeting, and other necessary changes that have come to light since that meeting:

- The addition of a total £100k contingency budget for project management to support the delivery of key projects in the Council Delivery Plan over an 18 month period, with £67k allocated in 24/25 and £33k in 25/26. This is detailed in Appendix B.
- Budget estimates have been updated for the 2024/25 scheme of Councillor Allowances approved by Council in January.
- Interest income estimates, as detailed in table 8 below and revenue pressure R27 in Appendix B, have been updated for all the budget changes detailed in this report.

8. RELEVANT CONSIDERATIONS

Decisions made to deliver Council services and priorities

- 8.1 The Council's Medium Term Financial Strategy (MTFS) did not set a specific target for savings as part of this budget process. The reasons for this were set out in the MTFS.
- 8.2 The net ongoing impact of proposals put forward as part of the budget setting process was a small increase of £45k.
- 8.3 At its meeting in January, Cabinet considered the feedback from the Budget Workshops. Cabinet agreed to all the savings and investments that were presented to the budget workshops, as well as some additional proposals included in that report (i.e. one year investments for customer service centre and economic development). In line with Cabinet decision (December 2023 meeting) in relation to waste collection, a capital allocation for fibre bins has also been added to the capital programme for 2025/26. They also considered verbal updates on the following:
- The impact of the award of the new leisure contract, which is an increase in budgeted long-term income of £955k at current prices. This has been adjusted for estimated inflationary increases. There will be a partial off-set of around £75k for the revenue costs of capital for the Royston Leisure Centre fitness extension (this will be part of the 'revenue effects of capital' section below).
 - Our new Leisure Centre operator (SLM) have put forward a proposal that we could provide the capital funding to purchase the fitness equipment and other capital investments contained within their bid. SLM have a higher cost of capital than the Council so doing this allows them to provide a further increase in the management fee income. That management fee income increase would more than off-set our revenue costs of capital. As we haven't fully determined how this will work, we will add the capital funding to our capital programme and add an off-setting revenue saving equal to the revenue cost of capital. This is considered prudent as the actual savings should be greater. If the proposal can't happen, then there will be no net revenue impact from removing it.
 - We have re-looked at the viability of a new learner pool at Royston. It may be financially viable, but that is subject to the capital cost and the net income that SLM can generate from the facility. The capital cost will be tested via a procurement process (alongside the gym extension). It has been added to the capital programme to allow the project to progress, subject to a suitable business case.
 - We have submitted a bid to the Public Sector Decarbonisation Fund (PSDF) for the decarbonisation of our Leisure Centres, and it includes heat pumps and solar panels. The bid is based on Council match funding of £3m, with the fund paying around £7m. We do not yet know if our bid has been successful. Indications are that based on current energy prices, the energy cost savings will offset the revenue costs of capital of the Council's funding. The actual cost savings should be higher as some of the boilers would need replacing soon anyway, and energy prices would

be expected to increase over time which would increase the relative savings. To allow the scheme to progress (subject to the application being successful and re-testing the financial viability) it has been added to the capital programme. An off-setting revenue saving equal to the revenue cost of capital has been added to the revenue budget. This is considered prudent as if scheme can't happen, then there will be no net revenue impact from removing it.

- Increase the capital allocation (to £8.5 million) for the vehicles needed for the new waste and street cleansing contract. The increase is a prudent estimate based on the initial tenders received. The increase reflects some property growth and inflation on vehicle costs. Most Members will be aware of confidential indications of the increase in costs from the new contract. The revenue impact of increased vehicle costs is already contained within those estimates.
- A short-term investment to recruit a two year post through the Local Government Association's National Graduate Development Programme. This would provide additional capacity and may help with future permanent recruitment. The cost of the two year placement will be around £84k. The additional budget will only be used if this can not be covered through staffing underspends.

8.4 The new leisure contract was let on an open-book basis in relation to energy costs. As part of the tender process, bidders were given rates to assume for electricity and gas. The new provider has started the process to procure energy for next year. Due to general market movements, the rates are forecast to be a lot lower than what were included in the tender process. This is expected to be a saving of around £430k in 2024/25. This saving is only assumed for 2024/25 as energy costs can be volatile, and (if the grant is successful) the Public Sector Decarbonisation Scheme works will also affect energy usage and costs.

General Funding

8.5. The Government provided a policy statement on Local Government funding on 5th December 2023. This was followed by the draft Local Government Finance Settlement on 18th December 2023. The policy statement provided some earlier warning of the principles that would be applied. The relevant points for future funding are:

- The baseline amount of Business Rates that Councils can retain will continue to be increased in line with CPI. Councils will continue to be reimbursed for this inflation even when Government make policy decisions to not increase the amounts that are charged to businesses.
- "Negative Revenue Support Grant" (which would reduce the amount of Business Rates that can be retained) will continue to be eliminated.
- District Councils will be able to increase Council Tax by up to 2.99% without the requirement for a local referendum. It is unknown what limits will be applied from 2025/26 onwards, but our forecasting assumption is that it will then revert back to 1.99%.
- Business rate pooling will continue to be available in 2024/25 and we will be part of a pool with the County Council and two other Districts.
- New Homes Bonus will continue in 2024/25 using the same method as applied in 2023/24 (i.e. one year reward only with a 0.4% baseline applied).
- That all Council's would see at least a 3% increase in their Core Spending Power, before they made a decision on Council Tax increases (but the 3% would be after assumed increases in the Council Tax base).
- There will be a reduction in Services Grant.

8.6. On 24th January 2024, Government announced that additional funding would be made available for Councils. For District Councils this would be by guaranteeing that Core Spending Power would increase by 4% rather than the previously announced 3%. The

additional funding is estimated to be £173k. There is an expectation that this will not be used to add to reserves, which we will comply with as we were already budgeting for a drawdown on reserves to support the 2024/25 budget. By July, Councils will have to provide Government with a Productivity Plan. That will be in a set format (to be determined) and we will need to show how we will “improve service performance and reduce wasteful expenditure to ensure every area is making best use of taxpayers’ money”. The Department for Levelling Up, Housing and Communities will be establishing an expert panel to advise the Government on financial sustainability in the sector which will include the Office for Local Government and the Local Government Association. The panel will review local authority productivity plans and advise the Government on best practice in this area.

- 8.7. Overall the draft settlement is more positive than the forecasts in the Medium Term Financial Strategy. This is mainly down to the assumptions used in calculating the Core Spending Power guarantee. However it is necessary to note that the level of funding increases is still less than recent levels of inflation. The table below (table 1) shows a comparison between 2023/24 funding, the MTFS forecast for 2024/25 and the latest 2024/25 forecast. Table 2 provides estimates for future years.

Table 1 – Estimated General Funding comparison (2024/25)

£000 Funding	2023/24 Budget	2024/25 MTFS Forecast	2024/25 Latest Forecast	Difference between MTFS and latest forecast	Comments
	£'000	£'000	£'000		
Council Tax	12,791	13,106	13,147	41	Small increase in tax base forecast
Council Tax Collection Fund Surplus / (Deficit)	138	Not included	(24)	(24)	MTFS made no assumption on in-year surplus / deficit position.
Business Rates, including compensation for under-indexing the multiplier	3,310	3,693	3,686	(7)	
4% Core Spending Power Guarantee/ New Homes Bonus	952	1,024	1,419	395	Included together as the Core Spending Power guarantee provides protection against fluctuations in New Homes Bonus. Difference due to the way the Guarantee was calculated and the Guarantee providing cover against the reduction in the Services Grant.
Services Grant	110	110	17	(93)	Reduction covered by Core Spending Power Guarantee.
Less: Council Tax support to Parishes	(39)	(39)	(39)	0	Maintained at previous levels.
	17,262	17,894	18,206	312	

Table 2 – Estimated General Funding forecasts

£000 Funding	2025/26	2026/27	2027/28	2028/29	Comments
Council Tax	13,570	13,909	14,257	14,613	Assumed 1.99% increase in rate. Net 0.5% increase in tax base
Negative RSG (or equivalent)	0	(500)	(1,000)	(1,000)	Assumed that any new funding formula delayed until at least 2026/27. Assume net decrease of £1m, with half the impact in the first year.
Business Rates income (including compensation for not indexing the multiplier)	3,760	3,835	3,911	3,989	Assume 2% inflation

Other funding	898	979	1,049	609	New Homes Bonus and Services Grant (or replacement funding) to continue at current levels. 0% Core Spending Power Guarantee.
Less: Council Tax support to Parishes	(39)	(34)	(28)	(22)	Reduced to maintain funding at same cash level
	18,189	18,189	18,189	18,189	
% Change on previous year (cash terms)	-0.1%	0%	0%	0%	
% Change on previous year (real terms, if inflation is 2%)	-2.1%	-2%	-2%	-2%	

8.8. The numbers in the table above are just estimates, and we will not get any certainty on medium-term funding until at least 2025/26. These will be used for modelling future budget positions and therefore savings requirements, as they provide a realistic scenario. However overall, we will need to be ready to adapt to changes in funding levels.

Specific Funding

8.12 The Council also receives grants and contributions for specific purposes. Generally, these are built in to service budgets and have therefore already been taken in to account when determining spend forecasts, so cannot be used towards funding the base budget. These amounts can be uncertain, and reductions in the amount can result in spending pressures that would need to be met from the General Fund. These have been reviewed and the main risks and opportunities are detailed in table 3 below, noting that this is not an exhaustive list:

Table 3 – Forecasts in relation to grants and other contributions

Grant/ Contribution	Amount in 2023/24 (£000)	Risk/ Opportunity
Healthy Hub funding	35	HCC have confirmed funding for the Healthy Hub Service in 2024/25 of £38.5k. As funding for future years beyond 24/25 has not been confirmed, fixed term staffing contract arrangements have been put in place to deliver the service in 24/25.
Homelessness Prevention Grant	364	Funding has been confirmed from DLUHC of the 2024/25 Homelessness Prevention Grant of £382k. The planned allocation of this grant to finance specific projects in 2024/25 was approved by Cabinet in June 2023.
Rough Sleeping Initiative Grant	189	Funding has been confirmed from DLUHC of the Rough Sleeping Initiative grant of £157k for 2024/25. The planned allocation of this grant to finance specific projects in 2024/25 was approved by Cabinet in December 2022.
Housing Benefit Administration Grant	248	Notification has been received of the provisional Housing Benefit Administration grant for 2024/25 of £244k, which is a £4k reduction from 2023/24. As there is no corresponding reduction anticipated in administering Housing Benefits in the next financial year, the budget pressure from this grant reduction is included in the budget estimates.

Business Rates and Council Tax Collection Funds

8.13 North Herts Council is required to maintain a Collection Fund to account for the income received and costs of collection for Council Tax and Business Rates. Estimates of the net income are made at the start of the year and based on this money is transferred out of the Collection fund to the North Herts Council General Fund and other precepting

bodies. The Fund is required to break even over time and any surplus or deficit is transferred to the North Herts Council General Fund and other precepting bodies. For Business Rates, most of the deficits relate to reliefs introduced by Government. The Council receives funding for these which it holds in a specific reserve. This reserve is then released back to the General Fund as required. The net impact is forecast to be relatively low, and is included in the budget summary in Appendix C.

- 8.14 A Business Rates Pool application for 2024/25 has been accepted for Hertfordshire County Council and three Districts (including North Hertfordshire). The Pool has been formed with the expectation that this will reduce the business rates levy amount otherwise payable at the end of next year, as has been the case in prior years. The achievement of a pooling gain next year is however not guaranteed and will be dependent on the actual value of business rates collected in the year. As the levy payable will be funded from grant held in reserve, any pooling gain that does materialise next year will not increase the General Fund balance, but instead reduce the drawdown on the grant held in reserve. The budget makes the prudent assumption that the pooling gain will be zero.

Review of balances and reserves

- 8.15 In setting its budget, the Council needs to consider the level of its reserves. This determines the extent to which the current budget can be supported by the use of reserves or requires a budget to be set that includes an allowance for increasing reserves. In addition to the General Fund balance, the Council has specific reserves and provisions. Specific reserves are amounts that are set aside for a determined purpose. This purpose can arise from a choice made by the Council, or where it is felt that there is an obligation. Provisions are where there is a requirement on the Council to meet future expenditure, and a reasonable estimate can be made of the amount and timing. In determining the risks that may need to be met from the General Fund, it is important to know which risks will already be covered by amounts that are set aside as a specific reserve or provision.
- 8.16 The Government have referred to Councils having high levels of reserves and that these should be used, rather than asking for more funding. The table below (table 4) demonstrate the reasons why reserves are being held, as well as forecasts of future balances. Apart from the MHCLG (which was created during the time of the Ministry for Housing, Communities and Local Government) Grants reserve, all the balances are held for a specific purpose. The table below already notes that the MHCLG Grants reserve will mainly be used to smooth the impact of funding which has not kept pace with the level of inflation.

Table 4 – Specific Reserves

Name of Reserve	Purpose of Reserve	Balance at 1 April 2023	Estimated Balance at 31 March 2024	Estimated Balance at 31 March 2025
Childrens Services Reserve	Used to help fund Active Communities projects in the district funded from grant income and/or external contributions. Drawdown is expected over the next few years to support the continued operation of the Healthy Hub service.	46	7	0
Churchgate Development Reserve	Additional income over and above that necessary to off-set the treasury income that would have been generated from the capital used to purchase the shopping centre freehold (expected at around £175k per year) will be set aside in a reserve to support the planning and delivery of Churchgate regeneration project. The money will provide necessary professional advice via consultants, architects, quantity surveyors etc.	138	283	294
Climate Change Grant Reserve	Grant awarded to help combat the effect of climate change. Being used for the additional costs (above available establishment) of employing a Trainee Policy Officer working on Climate Strategy.	19	14	9

Name of Reserve	Purpose of Reserve	Balance at 1 April 2023	Estimated Balance at 31 March 2024	Estimated Balance at 31 March 2025
Elections Admin Grant	Holds funding provided from government to support the delivery of the policies of the Elections Act 2022, which focused on the introduction of voter ID and improvements to accessibility for disabled voters. The reserve will be used to fund anticipated additional expenditure associated with the Act in administering future elections	19	42	Unknown
Environmental Health Grants Reserve	Holds funding amounts received for specific initiatives relating to the Council's Environmental Health service, such as air quality and housing checks. The reserve is used to finance the undertaking of the relevant initiatives and to help manage staffing and workload pressures within the service.	84	61	0
Growth Area Fund Reserve	Holds the revenue grant awarded. With the Local Plan now in place, this reserve is anticipated to be drawn down to fund relevant projects and activities.	24	24	0
Homelessness Grants Reserve	To help prevent homelessness in the district. The grant is earmarked for different homelessness projects or resources.	352	453	345
Housing & Planning Delivery	Hold unspent Housing & Planning Delivery grant to fund Cabinet approved spending plans in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose. This has also been previously added to by additional income from 20% increase in statutory planning fees.	887	682	577
Information Technology Reserve	Had been there to support the purchase of hardware and software items when they are required. Now to be covered through revenue and capital budgets.	23	0	0
Insurance Reserve	Used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority. It is good financial management practice to have an insurance reserve. The future balances will depend on the claims received and the level of relevant insurance.	34	Unknown	Unknown
Land Charges Reserve	Reserve originally established to help meet the potential cost should the financial risk of the repayment of personal search fees occur. In recent years some of this has been used for additional administration costs and software upgrades.	12	12	12
Leisure Management Maintenance Reserve	To help cover the cost of any future significant repair liabilities on the leisure facilities. The Leisure Contract (from April 2024) requires a contribution from the Council for maintenance items over £15k, so therefore if funds are not available in the reserve then this would impact on the general fund. Use of the reserve depends on what arises and is therefore unknown.	68	68	Unknown
DLUHC (previously MHCLG) Grants Reserve	Balance of unapplied Section 31 business rate relief grants and pooling gains. Used to fund NNDR Collection Fund deficit contributions and levy payments in future years. As detailed and explained in the MTFs, a total of £3m will be released into the General Fund to help bridge the forecast funding gaps in the coming years. This is included in Appendix C..	4,135	5,092	Unknown
Museum Exhibits Reserve	Funds the purchase of museum exhibits and is funded from donations. Use of reserve will depend on donations and opportunities for acquisitions.	14	14	Unknown
Neighbourhood Plan Reserve	Funds received from Government to support neighbourhood planning have been transferred to reserve. The funding will be needed in future years as neighbourhood plans are developed and public examinations and public referendums are required.	115	130	110
Paintings Conservation Reserve	Used to help restore paintings. This is funded through donations and publication income. To be used against a list of items that require conservation.	11	11	Unknown
Shared Prosperity Fund Grants Reserve	Holds the balance of unspent grant funding received to date to support the Council's delivery of the three-year Investment Plan approved by Government in the autumn of 2022.	17	17	Unknown
Street Name Plates	To fund Street Name Plates as and when required.	16	16	Unknown

Name of Reserve	Purpose of Reserve	Balance at 1 April 2023	Estimated Balance at 31 March 2024	Estimated Balance at 31 March 2025
Syrian Refugee Project	The Council has agreed to house Syrian Refugees under the government's resettlement scheme. The scheme is fully funded by the government based on expected costs and by using Registered Provider housing, the costs incurred are less than the grants awarded. The Council will look to use some of this funding to support linked housing pressures (around £100k per year).	619	706	695
Taxi Reserve	Any surplus from the taxi service will be transferred to the earmarked reserve where it can be used to offset any future deficit or to fund investment in the taxi service.	11	11	Unknown
Town Centre Maintenance	For the implementation of the Town Wide Reviews and ad hoc town centre maintenance.	77	85	93
Traffic Regulation Orders	An audit was done to identify TRO work to be carried out in the district. Amounts will be drawn down as and when the work is done.	376	371	366
Waste Reserve	AFM monies are transferred to help mitigate any potential risk to the waste service and support future service developments. To be spent on various projects., including the new waste contract procurement work and any spend related to options around a new waste depot. There will be no further AFM money after 2023/24.	836	836	Unknown
Waste Vehicles Reserve	As repayment of the finance lease principal embedded within the waste contract is funded from the Council's cash reserves, the saving on the revenue account is transferred to this reserve to fund the purchase of vehicles when they next need to be replaced.	1,850	2,456	3,178
Welfare Reform Grants Reserve	Awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit scheme, and more recently the Business Support and self-isolation grant schemes developed in response to the Covid-19 pandemic. The balance in reserve will be used to develop the service and drawn down when the initiatives or changes are carried out, and therefore the exact timing of usage is unknown.	658	444	342

8.17 As at the 31 March 2023 there was a total of £1.366m held as long-term provisions. These are comprised of:

- Business Rates appeals - £1.348m - the Council's estimated share of outstanding business rates appeals
- Insurance - £18k - covers the uninsured aspect of outstanding insurance claims.

8.18 We do not want to be in a position where we are holding such a high level of provision in relation to Business Rates appeals, but it reflects the number of outstanding appeals which need to be dealt with by the Valuation Office Agency (VOA). Until those appeals are resolved, the Council cannot use these amounts for another purpose, nor can they go back to businesses.

8.19 North Herts Council operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. As net expenditure is anticipated to be around £20million, this means a minimum balance of about £1million. The Council's budget is also reliant on generating income to set a balanced budget, so an additional 3% of budgeted income (excluding Housing Benefit, grants and other contributions) is included in determining the minimum level. Income from fees, charges, interest and rentals is forecast to be around £13.5m and therefore an additional allowance of around £400k is added.

8.20 An assessment of the risks has been compiled for the coming year based on risks identified by each Service Director and cross-referenced to the risk register. The identified areas are where the financial impact is not wholly known, but an estimate can

be made. The amount allocated is based on the forecast likelihood of occurrence. Where there is a high likelihood, 50% of the estimated financial impact is allowed for. For medium likelihood, it is 25%. For low likelihood, it is 0%. Table 5 summarises the risks, the forecast impact and the risk allowance to be made. A full list of these risks is shown in Appendix A.

Table 5- Budget Risks in 2024/25

Category	Number of Risks	Forecast Value of Impact (£000)	Risk Allowance (£000)
Low	14	3,759	0
Medium	14	1,318	330
High	9	1,460	730
Total	37	6,537	1,060

- 8.21 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £2.46million should be maintained. This is what is recommended by the s151 Officer (Chief Finance Officer).

Expenditure Forecasts

- 8.22 The starting point for forecasting net expenditure for future years is the previous year's budget, as set in February 2023. This is then adjusted (where necessary) through the Quarterly budget monitoring reports, which highlight both in-year and ongoing impacts. An additional budget review is carried out at the end of November (month 8). The results of this are detailed in table 7 below. The budgets requested to be carried forward and the ongoing impacts are included in the budget estimates detailed in Appendix C, while the forecast General Fund outturn of £17.28m for 2022/23 informs the opening general fund reserve balance shown in Appendix C.

Table 7- Summary of forecast variances (amounts £000)

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2024/25 Budget impact
Equipment Costs	768	568	(200)	The significant increase in refurbishing and reusing returned alarms has resulted in an underspend in the equipment purchases budget. The underspend value is net of the growth in the establishment required to recruit the necessary engineers. Even though the level of refurbishment is set to continue, it's important to note that this strategy also brings a potential financial risk. If technological advancements necessitate an increase in new equipment purchases, our budget for equipment purchases may need to be adjusted accordingly. A financial risk for 2024/25 is therefore included in the risk listing at Appendix A..	0	(185)
Hertfordshire County Council Careline income	(2,829)	(2,880)	(51)	Additional income received to cover the increased cost of pay inflation above what was budgeted. The pay costs have already been adjusted.	0	(51)
Council Tax Summons Income	(178)	(224)	(46)	Summons income depends on number of summons issued and court hearings that take place, and this can be unpredictable. As at month 8 income has been overachieved by £46,400. With another court date booked for Jan/Feb, which will mean the invoicing of further summons income, it is anticipated that the income budget will be over-achieved.	0	0

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2024/25 Budget impact
Council Tax and NNDR consultants	50	17	(33)	Analyse Local have been employed to check our business rates tax base to make sure we have captured every business that should pay business rates, and that no businesses have been missed or circumstances changed that would result in increased business rates income. Analyse Local will only charge us when their investigations result in an increase in Rateable Value, and then they will charge 10% of the increase. So far there has been spend of £12k. Whilst there are a large number of increases that Analyse Local have notified to the Valuation Office, there is a delay in the Valuation office processing the changes. Analyse Local will not invoice until the changes have been processed. £33k is therefore requested to be carried forward into 2024/25.	33	0
BID levies	0	22	22	The Council needs to pay a Business Improvement District (BID) levy for properties that it owns within the BID areas. The cost has previously been within the main BID accounts that are outside the general fund. However the BID accounts balances should be zero. So this needs to be included within the General Fund budget. This will be an ongoing cost.	0	22
Pay as you use parking income	(1,848)	(1,870)	(22)	Higher than anticipated income from parking up until the end of December has increased the total projection for the year from that forecast at quarter 2, with more than 90% of the original income budget now expected to be achieved. With the recovery in parking activity still ongoing following the pandemic, the estimated impact in future years does assume some further growth in use of the car parks next year but it is not anticipated to be sufficient to meet all of the residual shortfall in income.	0	100
Planning Application Income	(940)	(790)	150	There has been a material reduction in the number of minor applications received, which is a national trend, which has resulted in the forecast income shortfall. This fall in applications is likely to be the result of interest rate increases and increases in the cost of construction materials. Planning fees have increased from the 6th December 2023, and it was anticipated that there would be an increase in major and minor applications before the fee increase date, however this has not materialised. From April - Nov the underachievement of income is £150k, the fee increase means that the income target should be achieved from December to March, however the £150k will not be recovered. The drop in applications is expected to be temporary as interest rates stabilise and the increase to application fees should address this shortfall in fee income in the next financial year.	0	0

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2024/25 Budget impact
Supplementary Planning Documents (SPD) Consultant Costs	87	37	(50)	This budget was approved for the preparation of Supplementary Planning Documents supporting the new Local Plan. A programme of work is ongoing with a draft Sustainability SPD presented to Cabinet in December. This is being prepared in house and, to date, and has not incurred any external costs. External costs will be incurred in relation to the remaining SPDs (Biodiversity SPD and Design Code SPD), these have been delayed due to staffing/capacity issues and also the need to wait for relevant legislation and Government guidance. Subject to the above, it is anticipated that some spend will may be incurred before year end, £80k was carried forward at Qtr2, a further £50k is now requested to be carried forward and this is because of further delays in the resolution/implementation of the above.	50	0
Town Centre Consultants	70	30	(40)	£50k carry forward reported at Qtr2. At the time, retail consultants were being procured to prepare the necessary background evidence for the overarching town centre strategy. These have now been procured and from their work plan its estimated that £30k will be spent in 2023/24 so request to carry forward a further £40k. The procurement was delayed due to inability to recruit to the Town Centre Officer post.	40	0
Local Plan Post Adoption Consultants	56	26	(30)	Budget to support work on an early review of the Local Plan. The narrative supporting the budget bids identified that there maybe year-on-year underspends so carry forwards would be required which would help mitigate or reduce further growth bids as the Plan reaches key points (e.g. pre-submission and examination) which require significant financial resource in terms of a full, up-to-date evidence bases, legal support and inspection costs. There is expected to be some expenditure this financial year, £60k was requested to be carried forward at Qtr2, and now a further £30k is requested to be carried forward. This is because the Levelling Up and Regeneration Act was only published in November 2023 (having been expected earlier in the year). Secondary legislation and Government guidance which will set out how Local Plans should now be prepared are still awaited.	30	0

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2024/25 Budget impact
Housing Services-staffing	488	296	(192)	Agreed at Cabinet in November 23 that £192k of Homelessness Prevention Grant (HPG) will be used to extend two Homelessness advisors posts until March 2027. DLUHC have confirmed that the HPG needs to be fully spent in the 23/24 financial year, so the grant will be used to fund core homelessness provision such as staff salaries. The underspend on this budget will be transferred to the Homelessness earmarked reserve and used to cover the £192k cost of the two posts in future years up to March 2027.	0	0
Housing Services- net transfer reserves to	(96)	96	192			
Environmental Health Stock Condition Survey	20	5	(15)	Request to carry forward £15k budget for stock condition survey. Will be carried out in a framework agreement with neighbouring authorities. The delay in the procurement means that the survey will not be completed until the end of Qtr1 2024/25, however some work will be done in 2023/24.	15	0
Total of Explained Variances	(4,352)	(4,667)	(315)		168	(114)
Other Minor Variances	21,756	21,770	14		0	(1)
Total General Fund	17,404	17,103	(301)		168	(115)

8.23 Budget proposals were put forward for discussion at Group workshops in November. Comments on the proposals made by the Groups were outlined in the draft budget report presented at the December meeting of Cabinet. This has been covered in more detail in paragraphs 8.1 and 8.2 above. The complete final list of savings and investments is included at Appendix B.

Revenue effects of capital

8.24 The Council incurs some interest costs in relation to historic borrowing for capital purposes. The small cost of this is reflected in budget estimates. When the Council uses up its capital reserves then it will have a Capital Financing Requirement (CFR). This means that we will incur revenue costs in relation to funding our capital programme. This includes interest costs and Minimum Revenue Provision (MRP). MRP is explained in the Investment Strategy report. In line with the Prudential Code (and as set out in the Investment Strategy), the Council plan to borrow internally against revenue balances first, and only when those balances are insufficient would we borrow externally. Borrowing internally is generally cheaper as the interest cost is the lost interest that would have been earned, rather than the external borrowing cost. MRP still needs to be applied.

8.25 As identified in the Investment Strategy report, the Council is expected to have a CFR in 24/25. The revenue costs of that borrowing, alongside the impact of using reserves to fund revenue expenditure (i.e. lost investment interest), need to be reflected in the revenue budget. Table 8 shows the amounts that need to be incorporated into revenue spend forecasts:

Table 8- Revenue impacts from the Investment Strategy

£000	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast external borrowing costs (existing borrowing)	36	34	33	32	31
Forecast interest income from investments	(1,150)	(606)	(464)	(265)	(187)
Forecast MRP requirement	0	721	1,163	1,313	1,411
Net budget requirement	(1,114)	149	732	1,080	1,255
Current allocated budget*	(988)	(331)	(244)	(207)	n/a
Change in budget required	(126)	480	976	1,287	

Reliability of estimates

- 8.26 As part of the budget setting process, the Chief Finance Officer is required to comment on budget risks, the reliability of the estimates made and levels of Council reserves. This is known as a section 25 report. Note that this report is required alongside the budget every year, and is very different to a section 114 report. Although failure to take action on any risks highlighted in a section 25 could ultimately end in the need for a section 114 report. Therefore Council should note the contents of the section 25 report which is attached at Appendix D.

Cumulative impact

- 8.27 The cumulative impact of all the estimates described in the previous sections is provided at Appendix C. This shows a forecast of funding and net expenditure for the next five years, including the impact on the General Fund balance.
- 8.28 Appendix C also includes a forecast of the expected minimum level of savings that the Council still needs to deliver by 2028/29. The level of savings is expected to increase significantly when the costs of the new waste and street cleansing contract are known.
- 8.29 The improved position on funding means that the drawdown on reserves will be lower in 2024/25. This supports the approach that the Council can plan to deliver the majority of its savings in later years (which are likely to involve service change and reduction) after the impacts of high inflation have subsided and the cost of the new waste contract is known. There will be a need to make considerable savings before there is certainty over future Government funding, due to the ongoing delays in getting a new funding formula.
- 8.30 This level of savings still required to be identified assumes that the Council will continue to increase Council Tax at the maximum level permitted without the need for a referendum. Any increase in Council Tax below this level would further increase the savings required to balance the budget over the period and require greater drawdown on reserves. The proposal is therefore that Council Tax should be increased by the maximum allowed. It is expected that future Government forecasts of our required funding will assume that we have increased our Council Tax by the maximum amount allowed (without a local referendum).

9 LEGAL IMPLICATIONS

- 9.1 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.
- 9.2 Cabinet's terms of reference at 5.7.39 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 at 4.4.1 (b) include approving or adopting the budget.

- 9.3 Finance, Audit and Risk Committee's terms of reference at 10.1.5 (d) include assisting the Council and the Cabinet in the development of its Budget and Policy Framework process by in-depth analysis of policy issues pertaining to finance, audit and risk.
- 9.4 Members are reminded of the duty to set a balanced budget and to maintain prudent general fund and reserve balances.
- 9.5 Local authorities are required by virtue of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year.
- 9.6 The provisions of section 25 Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (s.151 officer) as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

10 **FINANCIAL IMPLICATIONS**

- 10.1 These are covered in the body of the report.

11 **RISK IMPLICATIONS**

- 11.1 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. When taking decisions, risks and opportunities must be considered.
- 11.2 The budget setting process includes a detailed assessment of financial risks, so these are covered in section 8, appendix A and appendix D.
- 11.3 There are significant uncertainties and risks with regard to the funding of the Council over the medium term. This uncertainty is reflected in a corporate risk of 'Financial Sustainability/Balancing our Budget'.

12 **EQUALITIES IMPLICATIONS**

- 12.1 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.
- 12.2 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**

- 13.1 The Social Value Act and "go local" policy do not apply to this report.

14 ENVIRONMENTAL IMPLICATIONS

- 14.1 The proposal for the decarbonisation of the leisure centres would have a positive environmental impact. Some of the savings and investments identified in Appendix B are put forward to have a positive influence on the Council's environmental impact (i.e. the heat decarbonisation plans and APSE energy membership). For others there may be a low level of indirect negative implications (e.g. recruiting additional staff could require increased travel, redecoration may require contractor travel and use of paint), and for these the impacts will be managed as much as possible. Overall the Council still plans to deliver the commitments contained within its Climate Change Strategy. Some of the specific actions contained within the Climate Strategy will be dependent on opportunities and funding being available. They may not therefore be in this budget, but could be incorporated in future years.

15 HUMAN RESOURCE IMPLICATIONS

- 15.1 Some of the investments relate to additional staffing resource. Depending on the level of additional work that these entail, these may have a positive impact on staffing capacity. Additional HR support will be needed to help recruit to these posts, but this can be absorbed within the existing team.

16 APPENDICES

- 16.1 Appendix A – Financial Risks 2024/25
- 16.2 Appendix B – Revenue Budget Savings and Investments
- 16.3 Appendix C – Budget Summary 2024 – 2029
- 16.4 Appendix D - Section 25 report

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18 BACKGROUND PAPERS

- 18.1 Medium Term Financial Strategy <https://democracy.north-herts.gov.uk/documents/s23527/Appendix%20A%20MTFS%202024-29.pdf>