

<b>Item No</b>	<b>Referred from:</b>	<b>Finance, Audit and Risk Committee</b>
<b>6H</b>	<b>Date:</b>	<b>8 January 2025</b>
	<b>Title of item:</b>	<b>Revenue and Capital Budgets for 2025-26 Onwards</b>
<b>To be considered alongside agenda item:</b>		<b>Agenda Item 18</b>

The report considered by Finance, Audit and Risk Committee at the meeting held on 8 January 2025 can be viewed here: [Agenda for Finance, Audit and Risk Committee on Wednesday, 8th January, 2025, 7.30 pm | North Herts Council](#)

**RECOMMENDED TO CABINET:** The Finance, Audit and Risk Committee commented on the recommendations to Cabinet, which are:

- (1) That Cabinet notes the Council's expected funding for 2025/26.
- (2) That Cabinet confirms (in line with the Medium-Term Financial Strategy) that budget forecasts should be based on increasing Council Tax by 2.99% (the maximum amount allowable without a local referendum). Noting that Government have assumed Council Tax will increase by the maximum allowed in calculating Core Spending Power.
- (3) That Cabinet notes that the Council may see real-term reductions in its funding in future years.
- (4) That, in the context of the above, Cabinet agree which proposals (revenue and capital) should be taken forward as part of the budget-setting process for 2025/26.

**REASON FOR REFERRAL:** To ensure that all relevant factors are considered in arriving at a proposed budget, Investment Strategy and Council Tax level for 2025/26, to be considered by Full Council on 27 February 2025.

*Audio recording – 28 minutes 24 seconds*

The Service Director – Resources presented the report entitled 'Revenue and Capital Budgets for 2025/26 Onwards' and highlighted that:

- The recommendations outlined that this Committee was to comment on the recommendations to Cabinet, having considered the robustness of the process rather than the policy decision.
- The standard approach to budget setting began with Officers and Executive Members looking at proposals around additional spend, additional income streams, potential savings and others.
- These are then presented at the two budget workshops with the administration and opposition parties, which then fed into the Cabinet report. There is then a further report which is referred onto Council in February.
- Since the workshops took place, further information relating to local government funding had been received, which would not increase the core spending power of the Council, as had been estimated. However, there was additional funding from EPR for 2025/26 only.
- There were no long term funding details provided and therefore the funding settlement was still for one year.

- Cabinet are requested to consider the schemes they wish to proceed with next year, noting that in cost terms the proposals would be more expensive than outlined in the Medium Term Financial Strategy and they needed to consider achieving an overall balanced budget.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Dominic Griffiths
- Councillor Ralph Muncer
- Independent Member John Cannon

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

- The commitment from government had always been that authorities would receive new burden funding for ongoing costs of food waste collection, as it would be a statutory requirement.
- It was not always a contractual requirement, with contracted out services, to cover National Insurance rises and the Council was still negotiating this with contractors.
- In terms of the funding the Council may receive to cover increased National Insurance contributions, this would be part of the final settlement. However, concerns had been raised that the pot was too small, and the wrong methodology had been used and would favour some Councils over others.
- The Council would lose some funding with the Business Rates reset. The Council had previously been in a pool for Business Rates, which had resulted in gains of nearly £1m which was put into reserves to support budgets going forward. The Council would not be in a pool next year, so the benefit would be lower.
- This budget would use around £2-2.5million of reserves, from both Business Rates reserves and General Fund reserves, but mostly from the Business Rates reserves. This was around 10% of the overall budget in percentage terms.
- Good budget management over many years meant this Council had a higher level of General Fund reserves compared to some other authorities.
- It was a decision for Council as to whether it uses reserves to balance the budget for a longer period or achieve an in-year balanced budget more quickly.
- If the budget cannot be balanced, then Officers would warn Members of potential issues. The Council currently had reserves, but this needed to be managed by Members.
- There was a need to make changes, and big savings would be required in future budgets. The earlier these savings are made, the more reserves would be retained, which could allow for spend on one-off projects.
- Everything known about the changes to the Public Sector Decarbonisation Scheme project would be included in the budget reports. One option presented to Cabinet would increase spending on this project, if this option was taken it would be referred onto Council immediately for final consideration.
- The list of proposals was for Cabinet to consider and decide which would be in line with their priorities.
- Executive Members speak with Service Directors to understand what is needed in their area and this was fed into the budget workshops process, which allowed Members to challenge and provide feedback on proposals, but it was not formally prioritised.
- It would be possible to provide some commentary around the statutory and non-statutory proposals.
- Prioritisation of proposals by Service Directors would be arbitrary, as there would be no one set of criteria for prioritisation and there would be no comparison of prioritisation between directorates, but some further commentary could be provided.

- He considered proposals in both immediate and 5-year terms and had more concerns for proposals which had a implication in the later years compared to higher implications which only occurred in first two years, as there would be an ongoing impact of those with long term implications.

In response to questions, Councillor Ian Albert, as Executive Member for Finance and IT, advised that:

- The current position on reserves was set out at 8.7 of the report, which were currently healthy, but there would be difficult choices over the period of the Medium Term Financial Strategy (MTFS). This would require cross-party working and engagement with residents.
- The previous government had considered that too much was held in reserves by authorities.
- One risk that cannot be fully reflected were the proposals around devolution. It was possible that this Council may not exist by the end of the MTFS period.
- It was disappointing that opposition groups did not provide feedback after their budget workshop, but he would welcome feedback at a later stage.
- Cabinet would need to consider proposals in terms of what was statutory, or more necessary, for the Council to provide.

Councillors Ruth Brown and Ralph Muncer, as leaders of the Liberal Democrat group and Conservative group respectively, advised that their groups would provide a response once plans had been proposed by the administration.

Councillor Vijaiya Poopalasingham proposed and Councillor Ruth Brown seconded and, following a vote, it was:

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