

**COUNCIL  
7 FEBRUARY 2019**

**PUBLIC DOCUMENT**

**REPORT PRESENTED TO CABINET ON 29 JANUARY 2019**

**TITLE OF REPORT: REVENUE BUDGET 2019/20**

REPORT OF : *SERVICE DIRECTOR- RESOURCES*  
EXECUTIVE MEMBER : COUNCILLOR JULIAN CUNNINGHAM  
COUNCIL PRIORITY : RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

- 1.1 To consider the draft budget for 2019/20 and the main factors which contribute to the determination of the North Hertfordshire District Council (NHDC) Council Tax level. To consider the appropriate level of Council Tax that will be recommended to the meeting of the Council on the 7 February 2019.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet notes the expected Central Government funding levels.
- 2.2 That Cabinet notes the estimated position on the Collection Fund and how this will be funded.
- 2.3 That Cabinet confirms that Council Tax increases for 2019/20 should be in line with the Medium Term Financial Strategy.
- 2.4 That Cabinet notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £1.96 million is recommended.
- 2.5 That Cabinet approves the increase in the 2018/19 working budget of £116k, and to note the expected impact in 2019/20 of a £164k reduction in budget.
- 2.6 That Cabinet notes and comments on the requests for the carry-forward of budget of £41k from 2018/19 to 2019/20.

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| 2.7 | That Cabinet approves the inclusion of the efficiencies and investment proposals at Appendix B in the General Fund budget estimates for 2019/20. |
| 2.8 | That Cabinet notes the savings target in future years.   |
| 2.9 | That Cabinet notes the estimated 2019/20 net expenditure of £15.1 million, as detailed in Appendix A, and recommends this budget to Council.     |

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure that all relevant factors are taken into consideration when arriving at the proposed Council Tax precept for 2019/20.
- 3.2 To ensure that the Cabinet recommends a balanced budget to Council on 7 February 2019.

### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 During the Autumn Political Groups were asked for savings ideas that they wanted Officers to investigate further. These have been combined with ideas generated by Officers. The total value of the ideas presented is less than the funding gap that needs to be met over 4 years. This means that currently there are not any alternative options available.

### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 All Councillors were given opportunity to comment on the efficiency and investment proposals at the Budget Workshops.
- 5.2 The Business Rate Payers Group will be consulted on the proposals in this report in early February 2019, prior to the Council meeting. This is the only statutory consultation that is required.
- 5.3 If any savings were to have an impact on a specific area (or areas) will be referred to that Area Committee(s) during January. This is not considered to be the case for any savings included within the proposals.

### **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 19<sup>th</sup> December 2018.

## **7. BACKGROUND**

- 7.1 The Medium Term Financial Strategy (MTFS), which provides the financial background to the Corporate Business Planning process for 2019-2024, was adopted by Full Council on the 6 September 2018 following recommendation by Cabinet.
- 7.2 The MTFS included a number of assumptions, which have been updated as better information has become available. The final budget still contains some assumptions, and this is why monitoring reports are provided to Cabinet on a quarterly basis.
- 7.3 In anticipation of the decline in future funding, the Council has increased the level of general fund reserves. This allows for some cushioning in the delivery of savings.
- 7.4 Significant savings have been delivered in recent years. This means that the opportunity for savings from being more efficient have now generally all been taken. Instead the focus is now on income generation, service transformation, joint working, making best use of capital assets and justifying delivery of services above statutory levels.
- 7.5 The Council's funding is split between revenue (i.e. the day-to-day running costs) and capital (i.e. creating and improving assets). The general rule is that capital funding can not be used for revenue expenditure. However in the 2015 Spending Review, the Chancellor announced the "flexible use of Capital Receipts direction". Subject to certain conditions this allows Local Authorities to use Capital Receipts to fund the revenue costs of reform projects.

## **8. RELEVANT CONSIDERATIONS**

### **8.1 Central Government funding**

- 8.1.1 On the 29 October 2018, the Chancellor made his Budget Statement. The Budget included an update on the current state of public finances and the latest economic forecasts. None of the announcements provided details of specific impacts on the Council's funding.
- 8.1.2 The Provisional Local Government Finance Settlement was announced on 13 December 2018. The Settlement provided information on funding arrangements for the Council in 2019/20.
- 8.1.3 The Settlement confirmed that Negative Revenue Support Grant (RSG) will not be applied in 2019/20. This increases the funding available to the Council in 2019/20 by just over £1m compared to previous forecasts, which had assumed this reduction in funding. As highlighted in 8.1.6 below, this increase is assumed to be for one year only.

- 8.1.4 It was also announced in the settlement that the New Homes Bonus (NHB) baseline will be retained at 0.4%, when it had been expected to fall. The published allocation for 2019/20 of £984k represents a reduction of £280k on funding received for 2018/19, which is in part due to a smaller increase in properties than forecast. Some reduction (approx. £160k) had been expected as, unless the rate of increase in properties is higher than it has been in recent years, the funding from this source will fall as you swap a year where the baseline was not applied (for example 2015/16, allocation based on October 2013 to October 2014) for one where it is (2019/20, allocation based on October 2017 to October 2018).
- 8.1.5 With the new homes baseline remaining unchanged, a further reduction in New Homes Bonus funding is therefore now expected in 2020/21 as growth in properties for the period October 2018 to October 2019 is expected to be similar to the twelve months prior. An estimated total of £844k is included for 2020/21 in the funding estimates shown in table 1 (£1.1m was included in previous estimates). The same figure is then included for the years beyond 2020/21, with the assumption that growth in properties will offset the impact of the baseline. The latest forecast provided by Planning Services would support this as a reasonable assumption based on current information. There is a risk of significant changes to New Homes Bonus which reduce the funding that it provides.
- 8.1.6 From 2020/21 it is expected that 75% Business Rates Retention and a new Fair Funding Formula will be introduced. In the absence of notification from government, estimates for 2020/21 and beyond assume that the new fair funding formula will build in a reduction equivalent to the amount that the Council was due to lose through the introduction of the negative RSG. Estimates also assume that the Business Rates Baseline total and negative RSG will increase by 3% per year, which is in line with previous totals published by the Ministry for Housing, Communities and Local Government (MHCLG).
- 8.1.7 Based on the above, this gives the following funding estimates:

**Table 1: Estimated Non-specific Funding, excluding Council Tax (All amounts in £000)**

2018/19		2019/20	2020/21	2021/22	2022/23
0	Revenue Support Grant	0	-1,103	-1,136	-1,170
2,622	Business Rates Baseline (share of income less tariff)	2,682	2,763	2,846	2,931
<b>2,622</b>	<b>Funding Assessment</b>	<b>2,682</b>	<b>1,660</b>	<b>1,710</b>	<b>1,761</b>
1,264	New Homes Bonus	984	844	844	844
<b>3,886</b>	<b>Total non-specific funding, excluding Council Tax</b>	<b>3,666</b>	<b>2,504</b>	<b>2,554</b>	<b>2,605</b>
	Change on previous year	-5.6%	-31.7%	+2.0%	+2.0%

**8.1.8 Cabinet is asked in recommendation 2.1 to note the expected Central Government funding levels**

8.1.9 NHDC also receives grants for specific purposes. These grants are built in to service budgets and have therefore already been taken in to account when determining spend forecasts, so can not be used towards funding the base budget. These grant amounts are often uncertain, and reductions in the amount can result in spending pressures that would need to be met from the General Fund. However, as detailed in table 2 below, some of the amounts are uncertain. Therefore any reductions in the amounts received are likely to create a spending pressure that would need to be met from general base budget funding.

**Table 2: Forecasts in relation to Specific Government Grants**

	<b>2018/19 amount £'000</b>	<b>Expectation for 2019/20</b>
Housing Benefit Subsidy	32,158	Initial Estimate will be available late January 2019, so budget expectation for 2019/20 is based on the 2018/19 mid year estimate - £32.158million
Discretionary Housing Payments	260	An announcement is expected in January 2019. Expectation is that the grant level will be similar to 2018/19 - £260k.
Benefits Administration and Fraud Initiative	474	Following recent notifications received from MHCLG, total grant expected for 2019/20 is £430k (reduction of £44k). Housing Benefit admin grant has been confirmed as £311k for 2019/20 (£350k in 2018/19), with the reduction mainly due to the change in the methodology of apportioning the grant, while MHCLG also confirmed a 5% reduction in the Council tax admin grant to a total of £118k.  This funding pressure is reflected in Appendix B.
Section 31 Grants to reimburse the impact of Business Rate reliefs and caps.	1,435	The amount received in 2019/20 will depend on the changes announced in the budget in November 2019. However the current expectation is that the level of grant will be similar to 2018/19.
Waste minimisation – HCC contribution	423	While Hertfordshire County Council (HCC) will again make a deduction of £0.33m from the total

	<b>2018/19 amount £'000</b>	<b>Expectation for 2019/20</b>
via the Alternate Financial Model.		AFM funding allocation for 2019/20, as part of a planned total £1m saving over the three financial years 2017/18 – 2019/20, the actual AFM funding received depends on the annual recycling performance of NHDC relative to the corresponding performance of the other Hertfordshire waste collection authorities. The most recent estimates from HCC, based on performance in the first half of 2018/19, indicates NHDC will be eligible for a similar amount in 2019/20 to the base budget estimate of £395k.
NNDR Administration Grant	184	The cost of collection will not be known until the central government return for business rates (NNDR 1 form) is completed in January 2019. Can assume a similar level to the 2018/19 level of £184k.
Flexible homelessness support grant	141	The 2019/20 allocation for Flexible Homelessness grant is £173k.
Syrian refugee resettlement grant	174	Estimated to be £327k in 19/20, based on North Herts housing 10 families.
Homelessness Reduction Act - New Burdens Funding.	32	The 2019/20 allocation for Homelessness Reduction Act New Burdens Funding is £37k.
<b>Total Revenue Grants</b>	<b>35,281</b>	

## **8.2 Business Rates and Council Tax**

- 8.2.1 NHDC 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 NHDC General Fund and other precepting bodies. The Fund is required to break even over time and any surplus or deficit is transferred to the NHDC General Fund and other precepting bodies.

- 8.2.2 The total amount of Council Tax that is collected is dependent on the actual number of properties, eligibility for paying a reduced amount (Council Tax Reduction Scheme) and the success in collecting what is owed. The amount of Business Rates that are collected is dependent on the number and type of business premises in the area, the success in collecting what is owed, eligibility for relief and the number and value of successful appeals. Assumptions on these factors are made in forecasting the level of income from Council Tax and Business Rates in future years.
- 8.2.3 Current forecasts are that the Business Rates collection fund will have a deficit at the end of the year. This is due to the level of appeals and rate reliefs. NHDC will need to fund its share of the deficit in the following financial year. The section 31 grant that NHDC receives for business rate reliefs and caps will be used for this purpose.
- 8.2.4 It is expected that the Council Tax collection fund will have a surplus recorded at the end of the year of £300k. As highlighted in the revenue monitoring report at quarter two, this total includes the accumulation of annual surpluses recorded for prior financial years. The reason for retaining an annual surplus in the Collection Fund has been that the accumulated surplus could be used to fund / offset collection deficits reported in future years. Annual surpluses have however been recorded for a number of years consecutively and so, as detailed in Appendix A, the surplus will be transferred from the Collection Fund to fund the Council's General Fund activities in 2019/20.
- 8.2.5 **Cabinet is asked in recommendation 2.2 to note the estimated position on the Collection Fund and how this will be funded.**

#### **Business Rates Pilot**

- 8.2.6 It was announced in the Provisional Local Government Finance Settlement that Hertfordshire has been successful in becoming a Business Rate pilot in 2019/20. As highlighted when the application was made, this will hopefully mean that the Council is around £800k better off than the baseline position included in the budget estimates in Appendix A, and £400k better off than being part of a pool. This is dependent on the Business Rates collected in North Hertfordshire and across Hertfordshire during 2019/20. The Council will not see the additional money in the General Fund until 2020/21, so there is no direct impact on the 2019/20 budget.
- 8.2.7 If Business Rates forecasts are looking positive, then it would be possible to spend some of the additional funding in 2019/20, although this should not be planned at this stage. In the Pilot application it was stated that the extra funding would be spent to promote economic growth and stability, which could cover a broad range of new and existing spend. Some of the County-wide surplus will be transferred in to an investment fund. It is forecast that this will be around £2.3m, and the Council would be able to bid for this.

## Council Tax Flexibility

- 8.2.8 The draft Council Tax Referendum Principles, published alongside the Provisional Local Government Finance Settlement, provided confirmation that for 2019/20 Local Authorities can raise Council Tax by up to the greater of 3% or £5 (band D equivalent) without the need for a local referendum. In future years (for 2020/21) onwards it is expected that the limit will return back down to the greater of 2% or £5 (band D equivalent), as the increase to 3% was based on current levels of inflation. The Medium Term Financial Strategy (agreed by Council in September) proposed that the Council should increase Council Tax by as much as it is allowed to without triggering a referendum. Therefore a 2.99% increase is used to forecast Council Tax income in 2019/20, with £5 increases in the following years (£5 is greater than a 2% increase). Table 3 shows the level of Council Tax by year and the forecast level of income to the Council. Cabinet can recommend either a lower or higher rate of Council Tax increase to Full Council. The removal of the negative RSG in 2019/20 means that the Council will be able to provide a contribution to a funding equalisation reserve, which could be used to cushion the impact of future expected funding reductions. Whilst it could be tempting to increase Council Tax by less than the maximum allowed, this would reduce the Council Tax base for future years and therefore increase the expected funding gap in those years. It is therefore not recommended.
- 8.2.9 The Council is required to produce a Council Tax Base estimate in November for the following year, and this has been used for the 2019/20 forecast of Council Tax income. For future years a 1% growth per year in the Council Tax Base is estimated. Based on the above, table 2 provides a forecast of future Council Tax income.

**Table 3: Forecasts of Council Tax level and income**

2018/19		2019/20	2019/20	2020/21	2021/22
223.45	Band D Council Tax (£)	230.13	235.13	240.13	245.13
2.99%	Increase as a %	2.99%	2.17%	2.12%	2.08%
49,119	Estimated Council Tax Base	49,498	49,993	50,493	50,998
1%	Increase as a %	0.8%	1%	1%	1%
10,976	Council Tax income to NHDC (£000)	11,391	11,755	12,125	12,501

8.2.7 It should be noted that this only represents the District Council element of the Council Tax bill for households. Table 3 below shows the constituent elements of the 2018/19 Council Tax bill for a Band D property (excluding any Parish precept).

**Table 4: Band D Council Tax 2018/19 (excluding Parish precepts)**

	<b>2018/19</b>	<b>Share of bill</b>
	<b>£</b>	
District	223.45	13.1%
County Council	1,224.67	71.7%
County Council- Social Care Precept	95.79	5.6%
Police and Crime Commissioner	164.00	9.6%
<b>Total</b>	<b>1,707.91</b>	

**8.2.8 Cabinet is asked in recommendation 2.3 to confirm that Council Tax increases for 2019/20 should be in line with the Medium Term Financial Strategy.**

### **8.3 Balances and Reserves**

8.3.1 In setting its budget, the Council needs to consider the level of its reserves. This consideration includes specific reserves, provisions and general fund 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, NHDC 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. As shown in Appendix A, it is expected that the Council will be able to make a budgeted contribution to a funding equalisation reserve in 2019/20. This is alongside keeping other reserves and provisions at appropriate levels.

8.3.2 A full list of specific reserves and forecast balances is shown in table 5 below.

**Table 5: Specific Reserves**

	<b>Balance at 1 April 2018 £000</b>	<b>Forecast balance at 31 March 2019 £000</b>
Cemetery Mausoleum Reserve	140	140
Childrens Services Reserve	8	7
Climate Change Grant Reserve	30	29
Community Development Reserve	1	0
Community Right to Challenge Reserve	45	45
DCLG Grants Reserve *	868	1,646
DWP Additional Grants Reserve	129	180
Environmental Warranty Reserve	209	209
Growth Area Fund Reserve	53	53
Homelessness Grants Reserve	203	243
Housing & Planning Delivery Reserve	768	763
Information Technology Reserve	82	82
Insurance Reserve	34	34
Land Charges Reserve	104	94
Leisure Management Maintenance Reserve	47	47
Museum Exhibits Reserve	12	12
Neighbourhood Plan Reserve	41	41
Office Move IT Works	7	7
Paintings Conservation Reserve	11	11
Property Maintenance Reserve	62	72
S106 Monitoring Reserve	53	37
Special Reserve	1,720	1,657
Street Furniture	17	21
Street Name Plates	16	16
Syrian Refugee Project	87	172
Taxi Licences Reserve	13	13
Town Centre Maintenance	38	46
Traffic Regulation Orders	296	296
Waste Reserve	585	604
Waste Vehicles	0	500
<b>Total Specific Reserves</b>	<b>5,679</b>	<b>7,077</b>

\* The DCLG Grants reserve will be used to fund the eligible amount of Business Rates levy payable for financial year 2018/19. This will reduce the current forecast reserve balance. As NHDC is a member of the Hertfordshire Business Rates Pool in 2018/19, the levy amount will be calculated by the Pool Lead authority, Hertfordshire County Council (HCC). Notification of the estimated levy amount is awaited from HCC.

8.3.3 As at the 31 March 2018 there was a total of £1.252m held as provisions. These comprised of:

- Business Rates appeals - £1.126m - the NHDC share of outstanding business rates appeals.
- Insurance - £0.026m - covers the uninsured aspect of outstanding insurance claims.
- Restructure costs - £0.100m - set up at the end of 2017/18 for settlement costs relating to the restructure of senior management as part of the Corporate Restructure.

8.3.4 NHDC 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 £15.1 million, this means a minimum balance of about £750k. The minimum figure represents the cushion against totally unforeseen items. When setting the level of balances for any particular year, known risks which are not being budgeted for should be added to this figure, according to risk likelihood.

8.3.5 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. Risks in relation to Brexit have been considered, although in most cases it is not possible to make an estimate of the financial impact. Other risks do include the potential impacts of Brexit where it affects the estimate (e.g. usage of bed and breakfast accommodation for homeless households). 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 6 summarises the risks, the forecast impact and the risk allowance to be made. A full list of these risks is shown in Appendix C.

### 8.3.6

**Table 6: Budget risks 2019/20**

<b>Category</b>	<b>Number of risks</b>	<b>Forecast value of impact £000</b>	<b>Risk Allowance £000</b>
High	9	1,750	875
Medium	17	1,210	328
Low	19	7,499	0
<b>Total</b>	<b>45</b>	<b>10,559</b>	<b>1,203</b>

8.3.7 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £1.96 million should be maintained. This is what is recommended by the s151 Officer (Chief Finance Officer).

8.3.8 **Cabinet is asked in recommendation 2.4 to note the position relating to the General Fund balance and that due to the risks identified a minimum balance of £1.96 million is recommended.**

### **8.4 Month 8 (November) Budget Review**

8.4.1 A review of budgets as at the end of November has been carried out. Table 7 below provides explanations for the variances that are greater than £25k, as well as any budgets where there are carry-forward requests. All other variances are included within the 'other minor variances' line at the bottom of the table.

**Table 7- Summary of forecast variances**

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Carry-forward requested £k	2019/20 Impact £k
Income from paper collected for recycling (sale & HCC recycling credit)	(559)	(476)	+83	The volume of paper collected continues to decline. 221 tons less paper was collected in April to September 2018, compared to the same period in the prior year.	0	83
Area Committee Grants	119	78	(41)	There is expected to be unspent budget following the final Area Committee meetings of the financial year in March 2019. This reflects fewer grant applications than anticipated being received and also includes grants awarded but not yet released pending evidence of certain criteria being met.	41	0
Income from Burials Service	(296)	(227)	+69	Income from the sale of burial plots and interment has been lower than anticipated. This could be a consequence of the opening of the Memoria crematorium in Holwell in June 2017. This provision, together with the Harwood Park Crematorium, has reduced the waiting times for cremation and meant that people are no longer going for full burial as their second option when waiting times have been too long for a cremation.	0	69
HCC contribution via the Alternate Financial Model.	(395)	(423)	(28)	The higher than anticipated AFM receipt follows the improved recycling performance of other Hertfordshire Authorities. This has reduced HCC waste disposal costs and increased the total AFM funding allocation distributed to waste collection authorities.	0	0

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Carry- forward requested £k	2019/20 Impact £k
<b>Total of explained variances</b>	<b>(1,131)</b>	<b>(1,048)</b>	<b>+83</b>		<b>41</b>	<b>152</b>
Other minor variances	16,407	16,440	+33		0	12
<b>Overall total</b>	<b>15,276</b>	<b>15,392</b>	<b>+116</b>		<b>41</b>	<b>164</b>

8.4.2 This has identified a total increase in forecast net spend of £116k against the working budget, with £41k of unspent budget requested to be carried forward into 2019/20. The final column of table 6 details the forecast impact on 2019/20, which is a £164k increase in required budget. These are included in Appendix B.

8.4.3 **Cabinet is asked in recommendation 2.5 to approve the increase in the 2018/19 working budget of £116k, and to note the expected impact in 2019/20 of a £164k increase in budget.**

8.4.4 **Cabinet is asked in recommendation 2.6 to note and comment on the request for the carry-forward of £41k budget from 2018/19 to 2019/20.**

## 8.5 Savings and Investment Proposals

8.5.1 The Medium Term Financial Strategy highlighted the need to find at least £700k of savings within 4 years. However this was dependent on future announcements on funding and also finalising estimates (e.g. Council Tax base and inflation estimates). The £700k is a net total, so any proposals for increased spend (e.g. investments) would increase the amount of savings required.

8.5.2 Budget proposals were put forward for discussion at Group workshops in November. To give the full context, these proposals included both savings and investment proposals. The comments made by the Groups were presented for consideration alongside the budget proposals at the December meeting of Cabinet.

8.5.3 At the meeting in December, Cabinet resolved to make several amendments to the savings and investment proposals. All the changes recommended by Cabinet are included and highlighted in Appendix B.

8.5.4 **Cabinet is asked at recommendation 2.7 to approve the inclusion of the efficiencies and investment proposals at Appendix B in the General Fund budget estimates for 2019/20.**

## **8.6 Overall summary**

8.6.1 Appendix A provides a summary of the forecast General Fund impact of the factors referenced in the previous sections of this report. This includes an increase in Council Tax of 2.99% in 2019/20, the change in the expectation of future New Homes Bonus Funding, confirmation of Housing Benefit and Council Tax administration grants, and the ongoing impact of variances identified in the November monitoring.

8.6.2 Appendix A also includes a forecast of the remaining savings that the Council still needs to deliver by 2022/23. Savings totalling £1.2m are estimated to be required in order for the Council to balance income and expenditure by the end of the period. Furthermore, with the proposed phasing of these savings, there would be a need to use around £600k of reserves. These amounts could also be significantly affected by a number of factors which include:

- Changes to the Fair Funding Formula, which is currently being consulted on by the Department for Communities and Local Government, with any changes likely to be implemented from 2020/21.
- Changes to the way New Homes Bonus is calculated in future years
- The successful delivery of the savings included within the budget forecasts.

**8.6.3 Cabinet is asked at recommendation 2.8 to note the savings targets for future years.**

**8.6.4 Cabinet is asked at recommendation 2.9 to note the estimated 2018/19 net expenditure of £15.1m, as detailed in Appendix A, and recommends this budget to Council.**

## **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 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.

9.3 Members are reminded of the duty to set a balanced budget and to maintain a prudent general fund and reserve balances.

## **10. FINANCIAL IMPLICATIONS**

10.1 As outlined in the body of the report.

## **11. RISK IMPLICATIONS**

- 11.1 As outlined in the body of the report.
- 11.2 There are significant uncertainties and risks with regard to the funding of NHDC over the medium term. In particular the impact from the outcomes of the Fairer Funding review and potential future changes to how the New Homes Bonus Scheme operates.

## **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 The proposals for efficiencies within this report do not unduly disadvantage one individual group within our local community more than another, although proposals relating to the staff, their terms and conditions or future employment will need to be subject to individual equality analysis in due course, as for any organisational or service restructure.
- 12.3 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. HUMAN RESOURCE IMPLICATIONS**

- 14.1 Where efficiency proposals directly affect staff, it is important that all affected staff are consulted and supported at the earliest opportunity and the Council’s HR policies and procedures are followed.

## **15. APPENDICES**

- 15.1 Appendix A – Budget Summary 2019/20 – 2022/23.  
Appendix B – Revenue Efficiencies and Investment proposals.  
Appendix C – Budget Risks for 2019/20.

**16. CONTACT OFFICERS**

- 16.1 Ian Couper, Service Director- Resources, Tel 474243, email: [ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk)
- 16.2 Antonio Ciampa, Accountancy Manager, Tel 474566, email: [Antonio.ciampa@north-herts.gov.uk](mailto:Antonio.ciampa@north-herts.gov.uk)
- 16.3 Rebecca Webb, HR Services Manager, Tel 474481, email: [rebecca.webb@north-herts.gov.uk](mailto:rebecca.webb@north-herts.gov.uk)
- 16.4 Reuben Ayavoo, Senior Policy Officer, Tel 474212, email: [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk)

**17. BACKGROUND PAPERS**

- 17.1 Medium Term Financial Strategy 2019-24.