

Part I  
Item No:  
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All Wards

WELWYN HATFIELD BOROUGH COUNCIL  
COUNCIL – 5 FEBRUARY 2024  
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

## **Budget Proposals and Medium-Term Forecasts 2024/25**

### **1. Executive Summary**

- 1.1. Following the consideration of the 2024/25 budget proposals at Cabinet on 9 and 23 January 2024, the purpose of this report is to present to Council the budget proposals for approval, specifically:
  - Revenue Budgets 2024/25
  - Capital Programme 2024/25 – 2028/29
  - Use of Reserves 2024/25
  - Fees and Charges for 2024/25
  - Medium Term Strategy and Governance Framework 2024/25 – 2027/28
- 1.2. The budget was considered by Overview and Scrutiny Committee (OSC) on 16 January 2024 following the review by a Task and Finish Panel. No recommendations for amendments were made by OSC, which was presented to Special Cabinet on 23 January 2024.
- 1.3. This budget is set in a time of significant uncertainty with the cost of living crises and recently volatile and high levels of inflation. Government funding remains even more uncertain in the medium-term, with a number of one year grant awards, and unlike 2023/24, the 2024/25 settlement provides no policy direction for 2025/26.
- 1.4. The 2024/25 budget proposals and the updated medium-term financial forecasts have been produced to ensure that the Council maintains a sustainable financial position over the planning period to 2027/28. The following Council strategies and policies have informed the budget-setting process:
  - The Council's Vision and Priorities as approved in Q3 2023/24
  - The Medium-Term Financial Strategy (MTFS)
  - The Housing Revenue Account 30-year Business Plan
  - Service Strategies and Plans
- 1.5. The Senior Leadership Team, Cabinet and the Task and Finish Group have met to review and monitor emerging budget proposals throughout the budget preparation period. Budget briefing sessions have been held with Members highlighting some of the key issues and pressures that the council is facing in the medium-term.
- 1.6. This covering report provides members with the details of key assumptions and updates, and is supported by the following appendices:
- 1.7. It should be noted that the Council has not yet received Final Settlement, and that any changes made by the Government between the Provisional Settlement received and

Final Settlement, will be accounted for before the final budget is approved, or if not confirmed by the publication date, as part of the Councils budget monitoring process for 2024/25.

- 1.8. This covering report provides members with the details of key assumptions and updates, and is supported by the following appendices:

### **General Fund**

- Appendix A1 – General Fund Summary 2024/25
- Appendix A2 – General Fund Earmarked Reserves Summary 2024/25 – 2027/28
- Appendix B – General Fund Director/Assistant Director Summaries 2024/25
- Appendix C – General Fund Savings Summary 2024/25 – 2026/27
- Appendix D – General Fund Growth Summary 2024/25 – 2026/27
- Appendix E – General Fund Fees and Charges 2024/25

### **Housing Revenue Account**

- Appendix F – Housing Revenue Account Summary 2024/25
- Appendix G – Housing Revenue Account Summary of Changes 2024/25
- Appendix H – Housing Revenue Account Fees and Charges 2024/25

### **Capital Programme**

- Appendix I – Capital Programme 2024/25 – 2028/29
- Appendix J – Capital Financing Summary 2024/25 – 2028/29
- Appendix K – Capital Reserves Summary 2024/25 – 2028/29

### **Medium Term Financial Strategy and Governance Framework**

- Appendix L – Medium Term Financial Strategy and Governance Framework 2024/25 – 2027/28

### **Other Items**

- Appendix M – Special Expenses 2024/25
- Appendix N – Statement of the Chief Financial Officer

- 1.9. The local government financial position continues to remain unclear beyond the 2024/25 budget. In particular, the council's funding position will be impacted by the future Spending Review, fair funding review, the anticipated business rates reset, and further reform of the business rates retention system, the outcomes of which are all unknown at this stage.

## **2. Recommendations**

- 2.1. That Council note the recommendations from Cabinet, and the Statement of the Chief Financial Officer on the robustness of budgets and adequacy of reserves (appendix N).
- 2.2. That Council also note that the following amounts for the year 2024/25 have been set in accordance with regulations made under Sections 31A and 31B of the Local Government Finance Act 1992:

|                    | <u>100% TAXBASE</u> | <u>99.40% TAXBASE</u> |
|--------------------|---------------------|-----------------------|
| Welwyn Garden City | 17,944.0            | 17,836.3              |
| Hatfield           | 12,547.1            | 12,471.8              |
| Welwyn             | 4,792.6             | 4,763.8               |
| Ayot St Lawrence   | 68.3                | 67.9                  |
| Ayot St Peter      | 112.4               | 111.7                 |
| North Mymms        | 4,478.1             | 4,451.2               |
| Essendon           | 441.4               | 438.8                 |
| Northaw & Cuffley  | 3,148.6             | 3,129.7               |
| Woolmer Green      | 607.6               | 604.0                 |
|                    |                     |                       |
| Total              | 44,140.1            | 43,875.2              |

- 2.3. That Council approve the following budget proposals:
- 2.4. General Fund
- 2.4.1. The proposed General Fund Budget as summarised in Appendix A, and detailed in appendix B.
- 2.4.2. The inclusion of the savings and growth proposals into the budget as detailed in appendices C and D.
- 2.4.3. The fees and charges which have been incorporated into the budget proposals, as set out in appendix E, including a summary of recommendations where fees have not increased in line with our fees and charges policy.
- 2.4.4. The increase in the Council's Band D Tax of £6.84 (2.96%), taking the average Band D Tax to £237.60 for 2024/25.
- 2.4.5. That the Special Expenses Scheme as set out in section 3.5 continue into 2024/25, and the Special Expenses detailed in Appendix M be approved for inclusion in the Council Tax for 2024/25.
- 2.5. Housing Revenue Account (HRA)
- 2.5.1. That dwelling rents are increased by 7.7% in accordance with Government legislation, resulting in an average rent of £132.47 per week.
- 2.5.2. To continue the policy of charging formula rent when vacant properties are re-let.
- 2.5.3. The Housing Revenue Account budget as shown in appendix F.
- 2.5.4. The fees and charges which have been incorporated into the budget proposals, as set out in appendix H.

2.5.5. The Medium-Term Financial Strategy (MTFS) to maintain HRA working balances to a minimum of 5% of rental income.

## 2.6. Capital Programme

2.6.1. The Capital Programme for 2024/25 to 2028/29 as set out in Appendix I.

2.6.2. The Capital Financing for the Capital Programme, for 2024/25 to 2028/29 as set out in Appendix J, and note the forecast capital balances in Appendix K.

## 2.7. Medium Term Financial Strategy

2.7.1. The Medium-Term Financial Strategy and Financial Governance Framework, including all annexes, policies, delegations and prudential indicators for 2024/25 – 2026/27 as set out in appendix L.

# 3. Explanation

## 3.1. General Fund Revenue Account

3.1.1. This budget is being set in extremely uncertain times. For a number of previous years the Government had announced a longer-term settlement, but for 2021/22, 2022/23 2023/24, and now 2024/25 they have announced a single year settlement. All of the funding streams announced have only been committed to for one year and a number of key policy items, such as the review of the business rates retention system, have again been postponed to future years.

3.1.2. These short-term decisions continue to add to the uncertainties for the council in future years and adds further weight to the need for longer term decision making.

3.1.3. The Council continues to see uncertainties and reductions in the grant income from central government, and funding for services is increasingly being derived from local funding (i.e. Council Tax, Business Rates and charges for services); at the same time local demand on Council services has increased.

3.1.4. The requirement to set a balanced budget demands a stringent process to deliver efficiencies, preserve as far as possible the quality of front-line services, and retain the ability to generate income and to recognise the increasing demand on key services.

3.1.5. The proposed net cost of services budget for 2024/25 totals £14.593m which is £0.176m (1.94%) lower than the 2023/24 original budget of £14.769m. The movement between years is summarised in the following table.

|  |               |
|--|---------------|
|  | <b>£'000</b>  |
| <b>2023/24 Original Budget</b>                 | <b>14,769</b> |
| Add: 2022/23 ongoing growth                    | 1,183         |
| Less: 2022/23 efficiencies                     | (2,046)       |
| Add: Inflation and other changes               | 564           |
| Less: Recharge to HRA / Accounting adjustments | 124           |
| <b>2024/25 Original Budget</b>                 | <b>14,593</b> |

- 3.1.6. A breakdown of savings and growth are included in appendices C and D, and are also detailed in the reconciliation of controllable expenditure in the Director/Assistant Director summaries in appendix B.
- 3.1.7. At the time of writing, the council awaits confirmation the final settlement confirmation for 2024/25, which is expected to be announced in February.
- 3.1.8. Since approval at Cabinet for recommendation to Council, the budget proposals have been updated for town and parish precepts (following their return from these councils) and for the Business Rates Retention deficit (as calculated on the NNDR1 form, that has a statutory return date in late January)

#### Funding Settlement

- 3.1.9. Due to the current economic uncertainties, and the prospect of a General Election in 2024, the Government announced that it would be providing a one-year settlement for Councils, rather than the multi-year settlement. It also confirmed further delays to the various funding reviews which were due, such as the fair funding review and business rates retention review.
- 3.1.10. The provisional settlement was eventually announced on 18 December 2022. The key points to note are:
- A further year of the removal of negative Revenue Support Grant for 2024/25 – The Government have continued to fund this from the central share of retained business rates, rather than reducing council funding. If this does get implemented in future years, it would equate to a reduction in funding of around £400k.
  - Several grants were rolled into the Revenue Support Grant allocation in 2023/24 using the allocation methodology prior to consolidation. This grant will continue to be paid in 2024/25.
  - The Funding Guarantee Grant had been extended for one year into 2024/25, to the value of £925k. This is intended to provide a funding floor for all local authorities, so that all local authorities see an increase in Core Spending Power that is at least 3% before taking decisions on council tax and reserve use.
  - The Services Grant which was introduced two years ago, has been continued for one year into 2024/25, but has been reduced further. The funding for 2024/25 has now reduced to £18k.
  - New Homes Bonus Grant - the scheme will continue for another year but with reduced amounts payable, the 2024/25 allocation is £165k. As in the previous two years there is no legacy payment and therefore the value received is reduced.
  - Council Tax referendum limit for Shire Districts has been increased to 3% (previously 2%) or £5, whichever is greater.
- 3.1.11. Although the Government has set a baseline level of income for Business Rates, the amount of funding received will depend on the actual amount billed for Business Rates

which will be influenced by other factors including the collection rate, business growth across the District and the provision for successful appeals.

3.1.12. The business rates revaluation planned for 2023 went ahead, and the government has put measures in place on a 'no worse off' principal, so authorities that see a reduction in rateable value across their area, are not impacted. However, due to the average level of valuations increases in the area, compared to nationally, we are at substantially greater risk of losses on appeals, which are not factored into the "no worse off" principals.

3.1.13. Since the provisional settlement was announced, a further announcement has been made that additional funding will be made available under the Funding Guarantee Grant. At the time of writing it the details of the value of this is unknown. Due to the timing of the announcement, the grant being one off in nature, and the substantial pressures in future years, it is recommended that this be rolled forward to support with closing the budget gap in 2025/26.

#### New Homes Bonus

3.1.14. The Council will receive £0.165m New Homes Bonus grant in 2024/25 and all of the income will be used to support the base budget. The government has indicated again, that this will be reviewed for 2025/26.

#### Collection Fund

3.1.15. The Council's Council Tax requirement for 2024/25 is calculated as £10.425m (exclusive of parish precepts). The taxbase for 2024/25 is 43,875.2.

3.1.16. The income due from Council Tax goes into the Collection Fund. Throughout the year the actual number of properties (as well as allowances for exemptions, discounts or appeals) inevitably varies from the figure estimated at the start of the year. This leads to a change in the amount of Council Tax due, and therefore a surplus or deficit on the Collection Fund.

3.1.17. For 2023/24 there is a forecast deficit position on the council tax element of the Collection Fund. This deficit on the collection fund is shared between the Major Preceptors, i.e. the County, the Police Authority and the Borough, in proportion to their precepts for the year.

3.1.18. The proportion of the deficit that each of the Major Preceptors will contribute to the Collection Fund when calculating the Council Tax is as follows:

|   |                   |
|---|-------------------|
| Welwyn Hatfield Borough Council           | £338,892          |
| Hertfordshire County Council              | £1,963,937        |
| Hertfordshire Police & Crime Commissioner | £291,111          |
| <b>Total Deficit</b>                      | <b>£2,593,940</b> |

3.1.19. The business rates deficit is calculated at the end of January based on the Governments NNDR1 return. Once calculated, the budget will be amended before presentation to Special Cabinet in late January 2024. This deficit will be taken from the business rates earmarked reserve to fund the final year of the spreading adjustment.

3.1.20. The Localism Act 2011 abolished Council Tax capping in England and instead allows local residents to reverse 'excessive' Council Tax increases by means of referendum.

- 3.1.21. The Government has set the 2024/25 referendum threshold for district Council's at the higher of £5 or 3%. It should be noted that this limit is lower than inflation, so whilst the council is facing increasing inflationary pressure on contractual costs, it has limited ability to raise council tax by equivalent percentages, adding pressure to the budget.
- 3.1.22. The proposed increase of 2.96% for Welwyn Hatfield in 2024/25 is therefore within the threshold.

#### Budget Assumptions

- 3.1.23. The 2024/25 budget proposals include the following key assumptions:

|                       |  |
|-----------------------|--|
| Employee Costs        | 3.5% general pay inflation. Actual increases will depend on national pay negotiations<br>19.5% of employer pay as contribution to the pension fund*<br>3.5% Vacancy factor |
| Contractual Inflation | Inflation has been included in line with agreed contractual indices, most generally CPI with some variation to this for certain contracts.                                 |
| Utilities             | Inflation has been included at around 5%   |
| Fees and Charges      | See appendix E (cover sheet outlines principles and policy decisions where the proposals are to move away from the general approach)                                       |
| Council Tax           | 2.96% increase   |

#### Reserves

- 3.1.24. It is important that the Council maintains a reasonable level of reserves to cushion against unanticipated budget pressures. The Council holds two types of reserve:
- Working balances, which are required as a contingency against unforeseen events, and to ensure that the Council has sufficient funds available to meet its cash flow requirements. The Local Government Act 2003 requires the Section 151 Officer to report on the adequacy of financial reserves when setting the General Fund budget requirement for the year.
  - Earmarked reserves, which are funds approved by Members to finance specific items of future expenditure. The Council's Financial Regulations dictate that Earmarked Reserves can be created only with Member approval, and that all subsequent transfers to and from those reserves also require Member approval.
- 3.1.25. The Council's MTFs recommends a minimum working balance of £3.9m. This budget proposal leaves a balance of an estimated £5.1m in working balances, above the requirements of the MTFs.
- 3.1.26. A reserves strategy to make use of some of these reserves over the medium term, in order to smooth the impact of the forecast substantial funding reductions, is included in the Medium-Term Financial Strategy.
- 3.1.27. The Council's Section 151 Officer has reviewed the reserve position and advises that the current anticipated balances, together with the Council's plans for addressing the

on-going and increasing budget gap, are adequate to ensure continued financial sustainability and a protection against unforeseen events (appendix N).

3.1.28. Appendix A2 shows a summary of the earmarked reserves held along with the forecast use and balances for each reserve. The explanation for holding these reserves is shown in the following table:

| <b>Earmarked Reserve</b>  | <b>Purpose of Reserve</b>  |
|---------------------------|--|
| Strategic Initiatives     | For use of one-off specific projects and fixed term growth directly delivering corporate objectives.                     |
| Transformation            | For use on transformation and invest to save projects.   |
| Business Rates Retention  | To manage volatility in Business Rates income and changes to the Business Rates funding.                                 |
| Pensions                  | This reserve is utilised to help mitigate the impact of additional costs arising in the triennial review cycle           |
| Commitments               | These reserves are set aside for committed work from previous years which have not yet been finalised                    |
| Grants and Contributions  | These reserves set aside grants received for specific purposes which will fund future expenditure                        |
| Covid-19 Response         | To support the council with meeting the financial impacts of the covid-19 pandemic                                       |
| Youth Services            | To fund youth diversionary services in order to reduce anti-social behaviour   |
| Climate Change            | To support the council's climate change strategy and action plan.  |
| Housing Conditions Survey | To smooth the impact of the cost associated with undertaking a Private Sector Housing Conditions Survey every five years |
| Local Plan                | To support with the costs associated with the adoption of a Local Plan   |
| Buildings Reserve         | To support the response to any urgent or health and safety work required to the council's buildings                      |
| Disability Access         | To support businesses and the council on disabled access in the borough.   |

## **3.2. Housing Revenue Account Budgets**

3.2.1. The budget and 30-year forecasts have been prepared on the basis of the following high level principles, as detailed in the Council's 30 Year HRA business plan:

- The Council will continue to maintain existing stock to at least decent homes standard.
- The Council will aim to maintain stock levels at around 9,000 dwellings.
- The Council will continue with the Affordable Housing Programme, to fully make use of the retained right to buy receipts available to it.



- The Council will continue to take a balanced approach to reducing its level of Housing debt, whilst ensuring some flexibility is maintained for any future legislative or policy changes.
- 3.2.2. The budget proposal for 2024/25 is a small surplus on the HRA of £0.324m, with working balances forecast at £3.285m at the end of 2024/25. The closing position on the working balances equates to 5% of rental turnover and is within the range of 5%-15% considered to be best practice.
- 3.2.3. Key changes to the budget are set out in Appendix G.
- 3.2.4. The Council's current plans for the HRA, and forecast borrowing, are affordable in the medium to longer which will be shown in the 30-year Business Plan.

### Rent Setting

- 3.2.5. On the 4th October 2017, the Government confirmed its intention to end the rent reduction policy after the fourth year, by stating that "increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020".
- 3.2.6. In November 2022, the Chancellor announced a rent cap of 7% on social rents to protect tenants from exceptionally high increases. No cap has been announced for 2024/25, so rent will rise in line with the standard policy of CPI + 1%, which equates to 7.7%.
- 3.2.7. The introduction of the rent reduction policy, saw not only a reduction in the income for the HRA, but also meant an end to rent convergence. This means that neighbouring tenants, with identical properties, could be paying different rent levels. The legislation did not allow the Council to make changes to current tenancies in order to continue with convergence.
- 3.2.8. The Council may however, change rent levels on when a property becomes vacant, and re-let these at the target rent level. In order for the Council to maximise the income from its assets, and to continue to work towards a fair approach for tenants, it is recommended that the Council continue with the policy to move to formula rent when vacant properties are re-let.

### Universal Credit

- 3.2.9. On 6 December 2017, Universal Credit was rolled out in the Borough for new single claimants, working age claimants with less than three children, and current claimants in these categories will be migrated where there is a change of circumstances.
- 3.2.10. Based on feedback from other Local Authorities, there is evidence that the Council may see an increase in current rent arrears levels. It is expected that this initial increase will be followed by a plateau in arrears levels, creating a new baseline for the rent arrears performance.
- 3.2.11. An exercise was undertaken before the start of 2019/20 to review the provision for bad debts budget in the HRA in light of these changes. Monitoring during 2019/20, 2020/21, 2021/22 and 2022/23 had not highlighted any need to further change these budgets.
- 3.2.12. There has been a very slight rise in rent arrears for those on Universal Credit during 2023/24. This will be closely monitored during 2024/25.

## 30 Year HRA Business Plan

3.2.13. Key assumptions used in the 2024/25 budget, and being incorporated into the business plan are presented in the following table:

| <b>Budget</b>                | <b>Assumptions</b>  |
|------------------------------|---|
|                              |   |
| Pay award                    | 3.5% for 2024/25  |
| Pensions and NI              | Current rates included, assumes increases in line with the general fund assumptions   |
| Rents                        | CPI + 1%  |
| CPI                          | 6.7% 2024/25, reducing over next two years in line with treasury advisor forecasts  |
| Working Balance              | Minimum 5% of turnover  |
| Major Repairs Reserve        | Fully utilised each year to reduce borrowing requirement and avoid additional borrowing costs   |
| Right to Buy                 | 40 each year at the start of the plan, reducing over the life of the business plan  |
| Affordable Housing Programme | Continuation of the Council's existing programme and one for one replacement of units disposed through right to buy. 40% application of receipts to fund capital expenditure. |

### **3.3. Capital Programme**

3.3.1. The Capital Programme has been structured to enable delivery of the Council's Business Plan and the HRA Business Plan over the medium to long term. The Programme includes all of the capital schemes within both the General Fund and the Housing Revenue for 2024/25 to 2028/29, and is detailed in appendix I. The financing of the programme is shown in appendix J. A forecast of the Council's Capital Reserves and Grant Balances is included in appendix K.

3.3.2. The Capital Programme continues to deliver the council's ambition to regeneration our town centres, improvement in our housing stocks as well as the affordable housing programme.

3.3.3. The Council complies with the Prudential Code for controlling Local Government Capital Finance, and the Budget for 2024/25 has been prepared in the context of these plans and controls. The key objectives of the Code are to ensure that:

- Capital Investment Plans are affordable, prudent, and sustainable;
- All external borrowings and other long-term liabilities are within prudent and sustainable levels;
- Treasury Management decisions are taken in accordance with good practice and in a manner that supports prudence, affordability and sustainability; and,
- The Council is accountable for its decisions.

3.3.4. Savings have been included on the General Fund Revenue Account, for reduced borrowing costs. This will be met through the disposal, or transfer to the HRA, of sites up to the value of £3.3m. The amount generated will be used to reduce the Council's Capital Financing Requirement, and therefore, also its debt servicing costs.

3.3.5. Around £1m of receipts have been identified. A short-list of sites is in review, and it is recommended that delegation be given to the Executive Member for Resources in consultation with the Executive Director (Place) and Executive Director (Finance and Transformation) up to the value of £3.3m.

### **3.4. Medium Term Financial Strategy**

3.4.1. The Medium-Term Financial Strategy (MTFS) and Financial Governance Framework, detailed in appendix L, sets out the Council's strategy for maintaining financial sustainability and a commitment to provide the best possible value for money for the community. It also provides a framework for the Council to plan and manage its resources over the current Comprehensive Spending Review period in order to meet the Council's overall corporate objectives.

3.4.2. The Council is currently in a good overall financial position with general fund revenue reserves (non earmarked) estimated at £5.2m at the start of 2024/25 and a housing revenue account (HRA) balance of £3.0m. The council has been able to meet the initial unsupported impacts of the pandemic from reserves and additional grant receipts, and this is a direct result of previously robust financial management and a prolonged period of achieving efficiencies to balance the budget as government funding has reduced.

3.4.3. However, like other local authorities, the Council is facing further severe financial constraints as central government grants continue to reduce. At the same time the demand on some of the Council's services continue to grow and further responsibilities will be transferred from central government.

3.4.4. Forecasts suggest the Council, even with a planned use of reserves, is required to find a further £2.0m of savings on the general fund by 2025/26 in order to live within its means and maintain a reasonable cushion in reserves. This is a significant challenge and whilst the focus remains on safeguarding services it may not be possible to find efficiencies of this magnitude and guarantee no impact upon frontline services.

3.4.5. The MTFS has been written at a time uncertainty in local government funding, particularly with the wider economic uncertainties arising from the cost-of-living crisis. In particular, the Council's forecasts are dependent upon the outcome of the Spending Review, Fair Funding Review and 75% Business Rates Retention system, and a full reset of all the mechanisms within the business rates system. Forecasting the Council's likely level of income over the next four years has required a large degree of judgement and estimation.

3.4.6. The Government has also announced further proposed changes to the New Homes Bonus scheme and there is work continuing on the fundamental review of the Local Government funding regime.

3.4.7. The one off grants provided in 2024/25 provide further uncertainty.

3.4.8. There remain a number of uncertainties and risks to the Council's finances in the medium term, the details of which are contained within this strategy. The Council will continue to experience pressure on services arising from demographic and government policy changes and continued high expectations of service delivery.

3.4.9. In addition, the 2025/26 settlement may include consideration of a new funding stream, subject to successful delivery of the Extended Producer Responsibility for packaging

(pEPR) scheme. Authorities might receive additional income from the scheme and the 2025/26 position of funding for lower tier authorities will be assessed considering the impact of additional pEPR income.

- 3.4.10. The capital forecasts and strategies contained within the MTFs, give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability
- 3.4.11. In accordance with the CIPFA Treasury Management in the Public Services: Code of Practice 2021 and DLUHC guidance on local authority investments, the Council is required to have a Treasury Management Strategy, a copy of the 2024/25 strategy is contained within the MTFs and Financial Governance Framework.
- 3.4.12. Limits on longer term investments are proposed to be reduced, in line with the Council's forecast of reducing cash balances due to an ambitious capital programme use of both internal and external borrowing.
- 3.4.13. The Strategy takes into account all of the Council's capital and revenue forecasts, and reserve balances as set out in this report. It seeks to protect the balances held by the Council whilst generating a return, minimise borrowing costs where possible, and determines the borrowing and lending strategies.

### **3.5. Special Expenses**

- 3.5.1 In 1994/95, the Council, in agreement with Town and Parish Councils, introduced a scheme of Special Expenses, whereby some of the expenses of the Council, are charged specially to certain parts of the Borough. These areas of expenditure include open spaces, playing fields, community centres, allotments and public conveniences.
- 3.5.2 The calculation takes the cost of providing these items of expenditure and apportions the costs to the specific areas where the expenditure is incurred.
- 3.5.3 The recommendation is to continue with this scheme, and the methodology previously agreed for the calculation of the Special Expenses.
- 3.5.4 The proposed amount included in the budget for special expenses is £607,635. Details of this expenditure, and the draft apportionment to the specific areas, which is currently out for consultation with town and parish councils, is included in appendix M.

### **3.6. Consultation**

- 3.6.1 The Council undertook a community survey over the summer in 2023, to consider the communities views on our priorities for the next few years. As part of this we also sought views from the community on our budget.
- 3.6.2 The community clearly stated they felt we should be undertaking more lobbying of the Government for funding, and in response to this the Cabinet wrote to lobby the Government in advance of the autumn statement.
- 3.6.3 The Leader also countersigned a joint-letter submitted by 119 councils to the government, calling for more government support in relation to homelessness,

temporary accommodation and unfreezing the local housing allowance what is a rising pressure for many councils.

- 3.6.4 Feedback on fees and charges has been taken into account when setting our general approach to increases.
- 3.6.5 The community also strongly felt we should be using our reserves to help balance the budget. Reserves can only be used once, so are not a sustainable way to balance the budget. However, our reserves are in excess of our minimum need, so a strategy has been include in the MTFS to make use of some reserves to smooth our savings targets over the coming years, which in turn will spread the impacts on services and on fees and charges increased over that period.

#### **4. Financial Implications**

- 4.1. Financial implications are contained in the recommendations and explanations to this report.

#### **5. Link to Corporate Priorities**

- 5.1. The Council's budget proposals directly support all of the Council's Corporate Priorities.

#### **6. Legal Implication(s)**

- 6.1. The Council is required by the Local Government Finance Act 1992 to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget and Council Tax. The amount of the budget requirement must be sufficient to meet the Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget. The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Tax payers and ratepayers on the one hand and the users of Council services on the other are both taken into account.
- 6.2. Sub-section (1) provides that authorities may "...make such reasonable charges.... as they may determine". This section should be considered with regard to section 76 of the Local Government and Housing Act 1989. This act put a duty on local housing authorities to prevent a debit balance arising in their HRA and also imposed ring-fence restrictions on the use of the account. It is not possible for a local housing authority to subsidise rents from its general fund, or use HRA resources for non-specified activities.
- 6.3. The MTFS sets out the framework for setting future budgets and levels of Council Tax. Members are reminded that Council must take into account the advice of the Head of Resources (Chief Finance Officer) on the robustness of future budget proposals and the adequacy of the proposals for reserves. The Council has a legal duty to set a lawfully balanced budget.
- 6.4. The MTFS sets out how the Council will fulfil its Best Value Duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In doing so the MTFS also acknowledges the Duty to Consult representatives of a wide range of local persons.

- 6.5. The Treasury Management Strategy and prudential indicators have been produced in line with the Local Government Act 2003, and with regards to Section 151 of the Local Government Act 1972 which states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”
- 6.6. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to make a formal report to the Council on the robustness of the budget and the adequacy of reserves (Appendix N).

## **7. Security & Terrorism Implication(s)**

- 7.1. There are no implications for security and terrorism arising from this report.

## **8. Procurement Implication(s)**

- 8.1. There are no direct procurement implications arising from this report. Any procurement implications associated with specific budget proposals will be considered as part of the implementation of those proposals.

## **9. Climate Change Implication(s)**

- 9.1. The budget includes retention of the balance of the Climate Change earmarked reserve which will help the Council to continue to deliver strategic climate change actions.

## **10. Human Resources Implication(s)**

- 10.1. There are no direct Human Resources arising from this report. Any human resources implications associated with specific budget proposals will be considered as part of the implementation of those proposals.

## **11. Communication and Engagement Implication(s)**

- 11.1. A press release is being prepared and will be published alongside the budget.

## **12. Risk Management Implications**

- 12.1. The budget is an important part of the Council’s risk management process. There are always considerable risks to the council’s short and medium-term budget strategies including inflation, changes in the national economy, expenditure exceeding budgets, operational pressures on existing budgets, reductions in grant and legislative changes that require new spend. The budget setting process includes the recognition of these risks in determining the 2024/25 budget and relevant risk provisions are set out in the body of the report.

- 12.2. A working balance is maintained for both revenue accounts to cushion against known and unknown financial risks. Risk management in the financial context is set out in the Medium-Term Financial Strategy set out in appendix L.

## **13. Equality and Diversity**

13.1. Any equality and diversity implications associated with specific budget proposals will be considered as part of the implementation of those proposals, and equalities assessments undertaken as appropriate.

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| Date           | 25 January 2024                                 |