

Part I
Item No:
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All Wards

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 7 JANUARY 2025
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

Budget Proposals and Medium-Term Forecasts 2025/26

1. Executive Summary

- 1.1. The purpose of this report is to present to Cabinet the budget proposals for recommendation to Council in relation to:
 - Revenue Budgets 2025/26
 - Capital Programme 2025/26 – 2029/30
 - Use of Reserves 2025/26
 - Fees and Charges for 2025/26
 - Medium Term Strategy and Governance Framework 2025/26 – 2028/29
- 1.2. This report will go on for consideration by Overview and Scrutiny Committee (OSC) on 9 January 2025. Recommendations made by OSC and any changes will be presented to Special Cabinet on 21 January 2025, in order to recommend the budget proposals to Council at its meeting on 3 February 2025.
- 1.3. This budget is set in a time of uncertainty following the cost of living crises and volatile and high levels of inflation. Whilst the economy appears to be settling compared to more recent years, this remains a risk. Government funding remains uncertain in the medium-term, although consultation has commenced on funding reform, which sets out a possible direction for local government finance.
- 1.4. The 2025/26 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 2028/29. 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 2025/26.

- 1.8. It should also be noted at this stage, the following numbers in the papers are estimates, which will be confirmed prior to the final stage of budget approval:
- Parish Precepts
 - Business Rates Deficit
 - National Insurance Grant
- 1.9. 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 2025/26
- Appendix A2 – General Fund Earmarked Reserves Summary 2025/26 - 2028/29
- Appendix B – General Fund Director/Assistant Director Summaries 2025/26
- Appendix C – General Fund Savings Summary 2025/26 - 2027/28
- Appendix D – General Fund Growth Summary 2025/26 - 2027/28
- Appendix E – General Fund Fees and Charges 2025/26

Housing Revenue Account

- Appendix F – Housing Revenue Account Summary 2025/26
- Appendix G – Housing Revenue Account Summary of Changes 2025/26
- Appendix H – Housing Revenue Account Fees and Charges 2025/26

Capital Programme

- Appendix I – Capital Programme 2025/26 – 2029/30
- Appendix J – Capital Financing Summary 2025/26 – 2029/30
- Appendix K – Capital Reserves Summary 2025/26 – 2029/30

Medium Term Financial Strategy and Governance Framework

- Appendix L – Medium Term Financial Strategy and Governance Framework 2025/26 – 2028/29

Other Items

- Appendix M – Special Expenses 2025/26
- Appendix N – Statement of the Chief Financial Officer

- 1.10. The local government financial position continues to remain unclear beyond the 2025/26 budget. In particular, the council's funding position will be impacted by the future local government finance reforms, the anticipated business rates reset, the outcomes of which are all unknown at this stage.

1.11. The government has issued a white paper on devolution, which also provides some direction for local government reorganisation. This MTFs is prepared on the basis that the council will be ongoing as an organisation, and in any event, even if the council is impacted by reorganisation, we would need to continue to deliver value for money and maintain a sound financial position with reserves to manage any unforeseen events until the point of any reorganisation.

2. Recommendations

2.1. That Cabinet note the Statement of the Chief Financial Officer on the robustness of budgets and adequacy of reserves (appendix N).

2.2. That Cabinet also note that the following amounts for the year 2025/26 have been set in accordance with regulations made under Sections 31A and 31B of the Local Government Finance Act 1992:

	100% TAX BASE	99.40% TAX BASE
Welwyn Garden City	18,089.9	17,981.3
Hatfield	12,726.7	12,650.3
Welwyn	4,823.4	4,794.5
Ayot St Lawrence	68.3	67.9
Ayot St Peter	114.2	113.5
North Mymms	4,496.3	4,469.3
Essendon	436.9	434.3
Northaw & Cuffley	3,139.3	3,120.5
Woolmer Green	622.5	618.8
Total	44,517.5	44,250.4

2.3. That Cabinet approve the following budget proposals and note that any comments from Overview and Scrutiny Committee will be returned to Special Cabinet on 21 January 2025 for consideration, before final recommendations are made to Council:

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 £7.11 (2.99%), taking the average Band D Tax to £244.71 for 2025/26.

2.4.5. That the Special Expenses Scheme as set out in section 3.5 continue into 2025/26, and the Special Expenses detailed in Appendix M be approved for inclusion in the Council Tax for 2025/26.

2.4.6. That delegations be given to the Executive Member for Planning, in consultation with the Executive Director (Place) and Executive Director (Finance and Transformation) to change Planning Fees once the outcome of the Governments consultations on Householder Application Fees is known.

2.5. Housing Revenue Account (HRA)

2.5.1. That dwelling rents are increased by 2.7% in accordance with Government legislation, resulting in an average rent of £134.88 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 2025/26 to 2029/30 as set out in Appendix I.

2.6.2. The Capital Financing for the Capital Programme, for 2025/26 to 2029/30 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 2025/26 – 2027/28 as set out in appendix L.

3. Explanation

3.1. General Fund Revenue Account

3.1.1. This budget is being set in uncertain times. For a number of previous years the Government had announced a longer-term settlement, but for 2021/22 to 2025/26 they have announced a single year settlement. All of the funding streams announced have only been committed to for one year.

3.1.2. It is worth noting however, that the government has made a clear commitment to providing a multi-year settlement from 2026/27, and has already started consultation on funding reform, including business rates reset for 2026/27, a review of the funding formula and transitional arrangements for any impacts to councils.

3.1.3. 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, but a clearer position should be available from next year enabling more robust medium term planning.

- 3.1.4. The Council continues to see uncertainties and reductions in the grant income with this years settlement being flat in cash term, 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.
- 3.1.5. 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.
- 3.1.6. The proposed net cost of services budget for 2025/26 totals £16.107m which is £1.514m (10.4%) higher than the 2024/25 original budget of £14.593m. The movement between years is summarised in the following table.

	£'000
Original Budget	14,593
Net cost of one off items	41
Add: Ongoing growth	2,043
Less: Efficiencies	(1,828)
Add: Inflation and other changes	1,381
Less: Recharge to HRA / Accounting adjustments	(123)
Proposed Budget	16,107

- 3.1.7. 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.
- 3.1.8. Whilst budget proposals are firm for the net cost of services, the Council awaits confirmation on a number of areas that may impact on the overall position:
- At the time of writing, the council awaits confirmation the final settlement confirmation for 2025/26, which is expected to be announced in February.
 - Parish Precept proposals, although these changes will have a net nil impact on the summary shown in appendix A.
 - The team are consulting with town and parish councils on the draft special expenses.
 - The Business Rates Return (the 'NNDR1') is completed in January in line with Government deadlines, at this stage the collection fund deficit has not been included for business rates. Any deficit will be funded through the Business Rates Reserve.
 - The government has not yet confirmed the National Insurance Grant, and this is expected with the final settlement in February.

Funding Settlement

- 3.1.9. Following election, the Government announced that it would be providing a one-year settlement for Councils followed by a multi-year settlement from 2026/27. Consultation has already commenced on Local Government funding reform.
- 3.1.10. The provisional settlement was announced on 18 December 2024. The key points to note are:

- A further year of the removal of negative Revenue Support Grant for 2025/26 – 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.
- The Funding Guarantee Grant had been extended for one year into 2024/25, to the value of £925k, but this grant has now ended.
- The Services Grant which was introduced two years ago, had been continued for one year into 2024/25 worth £18k, but has now ended.
- New Homes Bonus Grant - the scheme will continue for another year and the 2025/26 allocation is £224k. 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.
- A new grant, aimed to ensure councils core spending power is not lower than 2024/25 has been provided, to the value of £574.
- The domestic abuse grant has now been rolled into core spending power, to the value of £39k.
- A National Insurance grant will be paid to the council, but the value is not yet known. Estimates are in the region of £100k.

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 took place in 2023, 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.

New Homes Bonus

3.1.13. The Council will receive £0.224m New Homes Bonus grant in 2025/26 and all of the income will be used to support the base budget.

3.1.14. The government is proposing to continue to incentivise councils for enabling housing growth in their areas, but it will be a revised scheme. A small estimate of £100k has been assumed for future years, until further clarification is received.

Other Grants

3.1.15. In addition to the core funding, three additional grants have been confirmed.

3.1.16. The government has announced a new grant for Extended Producer Responsibilities. This is in effect a share of the levies on businesses collected nationally, for the cost of recycling.

- 3.1.17. There are still many unknowns in relation to this grant, including how it may impact on the recycling credits we receive, how it might impact on the income generated from recycle sales, transport subsidy received and the costs of new burdens (eg flat recycling, food waste at flats and soft plastics). By way of example the council currently receives over £700k of income in relation to subsidies and sales.
- 3.1.18. Until a firmer position on these are known, this grant has been moved into the grants and contributions reserve, and delegations are in place to draw this down once the position is better understood.
- 3.1.19. Another grant announced, is the continuation of the UK Shared Prosperity Fund for one year. The budget includes around £100k of expenditure in relation to this fund, with the balance being moved to the Grants Earmarked Reserve for use during 2025/26.
- 3.1.20. The final grant to highlight to members is the homelessness grant allocation. Some of these funds have been allocated to services to continue with existing staffing levels to support the homeless demand.
- 3.1.21. The balance has been placed into the grants and contributions earmarked reserve, and a report will be presented to Cabinet on proposals for spend. Delegations are in place to ensure the funds can be drawn down from this reserve once Cabinet have proposals for allocations of funds. These grants may help support the council to reduce its reliance on general reserves slightly for 2025/26 if there is capacity to utilise these grants towards the benefits subsidy losses.

Collection Fund

- 3.1.22. The Council's Council Tax requirement for 2025/26 is calculated as £10.829m (exclusive of parish precepts). The taxbase for 2025/26 is 44,250.4.
- 3.1.23. 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.
- 3.1.24. For 2024/25 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.
- 3.1.25. 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	£18,921
Hertfordshire County Council	£110,699
Hertfordshire Police & Crime Commissioner	£16,483
Total Deficit	£146,102

- 3.1.26. 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 2025. This deficit will be taken from the business rates earmarked reserve to fund the final year of the spreading adjustment.

- 3.1.27. 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.
- 3.1.28. The Government has set the 2025/26 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.
- 3.1.29. The proposed increase of 2.99% for Welwyn Hatfield in 2025/26 is therefore within the threshold.

Budget Assumptions

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

Employee Costs	3.0% general pay inflation. Actual increases will depend on national pay negotiations 19.5% of employer pay as contribution to the pension fund 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%, after reductions to the overall budgets to reflect reductions in pricing since the end of 2023
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	2.99% increase

Reserves

- 3.1.31. 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.
- 3.1.32. The Council's MTFs recommends a minimum working balance of £3.9m. This budget proposal leaves a balance of an estimated £5.6m in working balances, above the requirements of the MTFs.
- 3.1.33. 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.

3.1.34. 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).

3.1.35. 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:

Earmarked Reserve	Purpose of Reserve
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 2025/26 is a small surplus on the HRA of £0.02m, with working balances forecast at £3.298m at the end of 2025/26. 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 term. It should be noted that with higher interest rates, and increased demands on the HRA, the borrowing has now been pushed out to year 33. It is recommended that there be a focus on efficiencies in the HRA over the coming year to bring the borrowing back within 30 years where possible.

3.2.5. It should be noted that the government has reduced right to buy discounts back to pre-2012 levels when self-financing was introduced. This is expected to have a large impact on the number of right to buys actioned, which will reduce the level of receipts the council will have in future to fund new developments.

Rent Setting

3.2.6. 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".

3.2.7. In November 2022, the Chancellor announced a rent cap of 7% on social rents to protect tenants from exceptionally high increases.

3.2.8. Since then, the government has returned to the standard rent policy of CPI+1%, which for 2025/26 equates to 2.7%.

3.2.9. 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.

3.2.10. 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

3.2.11. 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.

3.2.12. 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.

- 3.2.13. 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 over the last few years has not highlighted any need to further change these budgets.
- 3.2.14. There has been a very slight rise in rent arrears for those on Universal Credit during 2024/25. This will be closely monitored during 2025/26.

30 Year HRA Business Plan

- 3.2.15. Key assumptions used in the 2025/26 budget, and being incorporated into the business plan are presented in the following table:

Budget	Assumptions
Pay award	3% for 2025/26
Pensions and NI	Current rates included, assumes increases in line with the general fund assumptions
Rents	CPI + 1%
CPI	2.0% 2025/26
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	50 for 2025/26, reducing to 10 per year afterwards
Affordable Housing Programme	Continuation of the Council's existing programme and one for one replacement of units disposed though right to buy. 40% application of receipts to fund capital expenditure on average (each scheme will be assessed individually based upon scheme viability).

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 2025/26 to 2029/30, 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 2025/26 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.

3.4. 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 £6.5m at the start of 2025/26 and a housing revenue account (HRA) balance of £3.2m. 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 have reduced. 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 £1.6m of savings on the general fund by 2026/27 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. In particular, the Council's forecasts are dependent upon the outcome of the local government funding reforms, transition grant and business rates reset. 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. 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.
- 3.4.8. 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
- 3.4.9. 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.

- 3.4.10. 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.
- 3.4.11. 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 £662,653. 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 2024. A letter was also written during 2024.
- 3.6.3 Feedback on fees and charges continues to be taken into account when setting our general approach to increases.
- 3.6.4 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 again 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. A communications plan is also in place to raise awareness on the councils budget, and for communicating fees and charges increases.

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 2025/26 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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