

## **CABINET**

**Date Of Meeting:** 1 February 2024

**Title Of Report:** Draft Budget 2024/2025 And Medium-Term Financial Strategy

**Report of:** Director of Corporate Services and S151 Officer

**Portfolio Holder:** Deputy Leader and Finance

### **Purpose Of Report**

1. The Council must set a balanced budget for 2024/2025. The draft revenue and capital budget proposals are summarised in this report.

### **Recommendation**

2. That Cabinet recommend to Council:
  - i. a 2.99% increase in Hart District Council's Band D Council Tax Charge for 2024/25,
  - ii. changes to fees and charges for 2024/25 in line with the principles set out in this report, with full details being reported to full Council,
  - iii. approval of the draft Revenue Budget for 2024/25 as summarised in paragraph 15 and Appendix 1, incorporating the baseline net service cost variations included at paragraph 17 and Appendix 1,
  - iv. approval of Capital Bids as detailed in Appendix 2,
  - v. approval of the Medium-Term Financial Strategy as set out in Appendix 3,
  - vi. noting the emerging pressures and risks set out in the report and the S151 Officer's intention to undertake a mid-year review of detailed budgets
  - vii. approval of the continuation of the capital receipt flexibility strategy detailed in the report under the Direction issued by the Government early in 2022.
  - viii. agreeing not to change the Council's existing Council Tax Support Scheme other than the required statutory uprating,

### **Local Government Finance Settlement**

3. The proposed budget includes funds from the provisional finance settlement for the year 2024/2025, which was released on December 18, 2023. The final settlement is expected to be confirmed early in 2024. Although it is unlikely to significantly impact the Council's figures, any substantial changes will be reported, and the draft Budget will be updated accordingly.
4. The Government has again only provided a one-year funding settlement which limits accurate financial planning to only one year. The Medium-Term Financial Strategy (MTFS) has made the best estimates of government funding for future years.

5. The key Government principles in the draft Settlement for 2024/25 are:
- Referendum principles of up to 3% for core Council Tax and up to 2% for the Adult Social Care Precept, with additional flexibilities for some authorities. No limit for Town and Parish Councils.
  - A repeat of the one-year funding guarantee ensures all local authorities will see a minimum 3% increase in their Core Spending Power before any local decisions on raising Council Tax.
  - Another round of New Homes Bonus for eligible councils, again with no legacy payments
  - No 'negative' Revenue Support Grant applied in 2024/25

#### Council Tax and Collection Fund

6. As with previous years, the government has set a limit on the amount by which council tax can be increased. For the year 2024/25, the limit is either 3% or £5 on a Band D property (whichever is greater). Any increase above 2.99% will require a local referendum. The government expects that councils will increase council tax up to the limit in order to maintain their budget..
7. The proposed budget therefore assumes a 2.99% increase in 2024/2025, which is higher than £5. This equates to an annual council tax increase of £5.75pa for an average Band D property. This will generate £243,000pa of additional income.

#### New Homes Bonus (NHB)

8. The Council depends on funding from the NHB to support its base budget, with roughly 7% of the net revenue budget being funded by the NHB in 2023/2024. It's worth noting that in 2023/24 and 2024/25, the Government has compensated for the termination of legacy payments by introducing a one-year funding guarantee grant.
9. The provisional Local Government Settlement retains NHB but without the legacy grant. The value for 2024/25 is now only £739k (a reduction of £50k from the 2023/24 settlement and significantly less than the £1.6m received in 2022/23 - the main difference being the ending of legacy payments).
10. There is a significant future risk to the Council of losing this funding, and from 2025/26, there is no certainty as to what amount, if any, will be received.

#### **Summary of Core Government Grant Funding**

11. The 2024/25 Finance Settlement figures for the Council are summarised below compared to the 2023/24 amounts.

	2023/24 £000	2024/25 Provisional £000	Notes
Retained business rates	1,326	1,386	Budgeted at safety net amount
New Homes Bonus	790	739	2024/25 is one year only
Revenue Support Grant	69	73	
Services Grant	54	9	
One-off funding guarantee	1,029	1,285	Repeat of one-year grant to ensure that LAs get at least 3% increase in Core Spending Power overall
<b>Total</b>	<b>3,268</b>	<b>3,492</b>	

Table 1 Core Government Grant Funding

## Reserves and Provisions

12. The S151 Officer reviewed reserves and provisions within the revenue budget and MTFs scope. Purpose, use, and amount held for each reserve were reviewed to ensure justification and flexibility. Changes were then made to align reserves with risks and service needs. These were approved by Council in September 2023.

## Council Tax Support Scheme

13. Local authorities in England have been responsible for running their Council Tax Support schemes since 2013. Pension-age claimants are entitled to a scheme equivalent to the previous council tax benefit scheme by law. For working-age claimants, councils can either reduce the discount paid or find income to make up for the reduction. In previous years, the Council has agreed not to reduce the discount paid to such claimants but to fund the cost from the revenue budget split across all preceptors. The current scheme supports 2,700 low-income households in the district and provides much-needed help for keeping bills down. There is no proposal to change the Hart District Council's scheme for 2024/25, except for the statutory uprating adjustments required by the Government.

## Fees and Charges

14. The budget has been prepared considering the fees and charges in the main service areas.:
- Due to the impact of Covid and a decrease in workplace commuting, car parking income had significantly decreased in recent years. While it is steadily rising, the overall car parking fee income is still below pre-Covid levels. On the other hand, the number of green waste subscriptions is increasing, but Hart's charges are higher compared to other councils in the area. To support local businesses and households facing financial

difficulties, the 2024/25 draft budget does not propose a general increase in car park charges or green waste subscriptions.

- In cases where the Council has the flexibility to set charges, the general approach is to increase them by inflation, typically around 4%, or round them up to the nearest pound if applicable. However, this rule doesn't apply to statutory charges or cases where the service manager has proposed a charge that is more or less than inflation, provided that they can justify it. In such cases, the Council will be informed in February, along with an accompanying explanation.
- The leisure centre charges have increased by August 2023 CPIX as per the operator's entitlement under the contract to apply an inflationary increase.

### Draft Budget 2024/2025

15. The table below summarises the draft budget for 2024/2025 compared to the approved 2023/2024 budget. Full details of the budget and variations compared to the current year are included in Appendix 1.

	Note	Budget		
		2023_24	2024_25	
Net Service Budget		12,149	12,830	See Appendix 1 for breakdown Funded from reserves
SANG Expenditure		571	204	
<b>Net Cost of Service</b>		<b>12,720</b>	<b>13,034</b>	
Treasury Net debt/ investment Interest		107	-205	
MRP		564	630	
<b>Net Expenditure</b>		<b>13,391</b>	<b>13,459</b>	
<b>Financed by:</b>				
Council Tax		- 7,813	- 8,139	Base council tax 24/25 % increase and new dwellings Local Government Settlement Local Government Settlement Local Government Settlement
Council Tax Increase		- 327	- 323	
Business Rates Retained		- 1,326	- 1,386	
New Homes Bonus		- 790	- 739	
Other non-ringfenced grant		- 1,152	- 1,498	
SANG Reserve		- 571	- 204	
Investment property rental income	(i)	- 1,413	- 1,170	
<b>Total Financing</b>		<b>- 13,391</b>	<b>- 13,459</b>	
<b>(Surplus)/Deficit</b>		<b>0</b>	<b>0</b>	

Note (i) - The income from the lease of Edenbrook apartments has been moved from investment income to other income within the net service budget line to reflect its primary service objective.

16. The draft budget has adjustments to align with current and future service needs, including inflationary uplifts. Officers have maintained establishment controls, and year-on-year growth arose only from externally funded short-term positions. Details are in the appendices.
17. The draft revenue budget also includes some Cabinet-introduced proposals to provide additional investment in key priority areas as listed below:

<b>Service</b>	<b>Amount £000</b>	<b>Comments</b>
Community safety	45	Additional staff resources to strengthen the Council's work in this key function
Housing needs	45	Additional staff resources to meet high and growing demands
Car parks	80	Annual contribution to maintenance/improvement sinking fund to reflect the outcome of the medium-term condition survey
CCTV	25	As per CCTV review agreed by Cabinet, continuation of the £15k pa replacement fund plus £10k for potential relocation costs each year
Climate Change – HVO fuel in waste/recycling fleet	35	Additional cost, expected to fall over time. Switch delivers 96% carbon saving and is in line with the approved action plan
Fly Tipping	25	Additional staff resource to increase enforcement activity in this high profile function
Tree work	65	Additional resource to respond to increasing demand and backlogs. To be reviewed in 12 months time.
Planning peer review	18	One-off review follow-up to be undertaken after the efficiency review
Planning resources	80	Earmarking additional resource to reflect pressure on service and new statutory requirements. Release of resources is conditional on a business case arising from the efficiency review.

## **New Bids For Capital Schemes**

18. The new bids for capital schemes in 2024/2025 are summarised in Appendix 2. Significant points to note are:
  - Council has agreed to fund several housing schemes from housing S106 funds to address the shortage of affordable homes in the district. These schemes will be carried out in partnership with RSL partners and will benefit those on the housing register. A survey found that Hart-owned car parks need investment in the short, medium, and long term. A new 'sinking fund' in the revenue budget will provide the necessary funding and smooth the budget impact each year.
  - CCTV camera replacement, continuation of the annual replacement programme, plus purchase of a mobile camera
  - Heathlands Court is being remodelled, but the cost, profile, and approval are yet to be determined. An options appraisal was approved by the Cabinet on January 4th. Car park ticket machines – following the trial, there is a proposal to replace most of the machines with more modern, lower maintenance ones.
  - Under the approved Climate Change Action Plan, a major investment in low carbon boilers at three of Hart's main operational buildings is proposed. The scheme value is £2.2m and is dependent on being successful in a bid to the Government's Public Sector Decarbonisation Scheme for £1.5m.
19. Other approved schemes are not in this report but are in quarterly statements. A review of all capital projects will happen after 23/24 outturn to check the budgets given high inflation on labour and materials in the past two years.

## **Medium Term Financial Strategy 2024-25 – 2027/28**

20. The Medium-Term Financial Strategy (MTFS) is a financial planning document that helps the Council anticipate spending pressures four years ahead. It ensures proper preparation and sufficient funds to meet unexpected costs. The Council updates the MTFS mid-year and sets the budget for 2024/25 based on it.
21. The MTFS
  - Provides a framework for managing resources in the medium term to deliver the corporate plan.
  - Demonstrates that sufficient resources will be available to meet The Council's objectives and priorities, particularly in delivering value for money.
  - Looks ahead to the longer term to protect and help plan sustainable services within an extremely challenging external economic and funding environment.
  - Strengthens The Council's financial resilience and manages volatility and risk, including maintaining adequate reserves.
  - Anticipates financial pressures and identifies potential ways to balance The Council's budget, including efficiency measures.

22. The MTFS ending 2027/28 has been updated to include the latest assumptions and projections and is included in Appendix 3.

### **Flexible Use of Capital Receipts**

23. In 2022, the government issued a new directive under the Local Government Act 2003 which provides flexibility in using capital receipts from the sale of non-housing assets to fund revenue costs of service reform. This directive applies to capital receipts that meet the statutory definition and have been received since April 2016.
24. The Council has £4.3 million in capital receipts, mainly from Housing Right to Buy receipts. To ensure this money can be used if needed, the council should renew the required resolution. The proposed strategy for 2024/25 is to use capital receipts for cost-saving revenue projects such as energy efficiency, asset reconfiguration works, business transformation and collaboration activity, activities.

### **Risks**

25. The MTFS delivery and efficiency programs carry risks, especially due to economic uncertainty. Key risks are summarised below:
- Achieving savings targets when service demand is rising and recruitment and retention is very challenging.
  - Limited ability for further investment in commercial property with new borrowing restrictions in place. Government policy change has affected the Council's ability to undertake prudent 'yield' investments.
  - The impact of the Government's business rate funding review and Fair Funding review is likely to reduce retained business rates and increase risk; negative grants are still on the agenda.
  - Property – this is an increasingly important revenue stream in the Council's budget, so the risk of rent loss due to void periods must be evaluated.
  - Environment Act implications on the cost of the waste contract with uncertainty about government funding.
  - The end of the waste contract and Capita contract within the MTFS period presents risks and opportunities. The Council must plan its lead in times and resources sufficiently.
  - Project management and governance to ensure capital schemes and projects are adequately resourced and overseen. Need to attract external funding where possible.
  - Reliance on Council Tax increase, Planning and Building Control income are set or limited by the Government.
  - The unknown economic impact on inflation and interest rates
  - Cost of living and its economic impact on The Council's community, businesses and residents – this is leading to a higher demand for services, the need for closer monitoring of debts and a greater demand for hardship funds.

- Recruitment and retention – impact on services and cost of agency cover.
- Heightened cybercrime risk with the cost of insuring and defending against the risk materialising.

### **Local Government Act 2003 – Financial**

26. The Local Government Act 2003 formally introduced a number of specific matters that the S151 Officer must comment on in the budget setting report. These are:
- Budget calculations and the robustness of estimates,
  - Adequacy of reserves, and
  - Budget monitoring.
27. The sections were introduced to ensure sound financial management across all local authorities. The council follows good financial management practices in its budget-setting process. The council takes prudent allowance for risks and uncertainties while preparing budgets. Budgets are monitored by officers and are reported to members quarterly, supplemented by monthly exception reports. The council's external auditors have provided favourable comments on its financial management.

#### The Robustness of the Estimates

The draft 2024/25 budget has prepared amidst uncertainty and risk due to the pandemic legacy and economic conditions. However, the Council has made provisions in the budgets to allow for the uncertainty. The Council's Financial Strategy and information presented to members throughout the year demonstrate the financial challenges faced by the Council in the future, including the risks associated with the current economic situation.

The key Financial Strategy issues for the General Fund include:

- Risks associated with declining rateable value and increased appeal risk pose a threat to business rate income. However, the impact on the annual budget has been mitigated by the business rate smoothing reserve, which has been assessed against the risks. No further contribution has been made in 2024/25, but adjustments may be possible in the future based on the outcome of the Government's Fair Funding review and the Council's exposure to appeal risk.
- Keeping the dependency on current and new income from property in proportion to the overall budget and providing sufficiently for void periods and costs.
- Future of Government funding including New Homes Bonus
- Volatile inflation and interest rates.

The draft Budget for 2024/25 is robust, and the Section 151 Officer is satisfied with the estimates presented. The draft budget is considered prudent, and the multi-pronged strategy outlined in the MTFs to address financial challenges is progressing well. Effective monitoring during the year is crucial, and the risks noted in the report must be acknowledged. There is confidence in the delivery



of savings and the successful achievement of additional commercial property income.

### Adequacy of Reserves

Reserves are held for unexpected changes in inflation or interest rates, higher expenditures or loss of income, and unforeseen events. The Section 151 Officer is satisfied that reserves are sufficient to support the budget and underpin the MTFS. The General Fund Working Balance is half the annual net cost of services and meets the Local Government Act 2003 requirements. A prudent minimum balance was approved by Council in September 2023.

The main risks to reserves in 2024/25 are economic conditions, inflation levels and commercial property voids. If costs exceed the available funding, the Council will need to reprioritise funding from other reserves. The combined balances are considered adequate in light of future pressures.

### Budget monitoring

The budget monitoring arrangements in place satisfy the Local Government Act 2003. The Council is on track to stay within budget for 2023/24, with major expenditures being managed effectively. Income forecasts are holding up and the latest monitoring summary will be reported in March. Although the arrangements in place are sound, close monitoring is necessary to avoid any budget variations.

## **Equalities**

28. All activity will comply with the authority's statutory duties.

## **Climate Change**

29. The Council aims to become a carbon-neutral authority by 2035, and the budget and MTFS will support this goal. While the recommendations have no direct environmental impact, £250k was included in the 2022-23 budget for developing the council's agenda towards achieving carbon neutrality. This was repeated in the 2023/24 budget, with an additional £50k transferred to strengthen the staff resource for delivering the Climate Change program. The draft 2024/25 budget allows for the continuation of this budget along with staff costs at current levels.
30. This annual budget will need to remain flexible to ensure sufficient staff and consultant resources to oversee the program and deliver projects. The revenue budget can be utilised for either capital/project expenditure or ongoing running costs. Projects to deliver the plan will be approved by the Cabinet and funded from this budget as the need arises throughout the year.

## **Overview and Scrutiny Review of Budget**

- The level of decrease in parking income from 2019/20 until now. It was established that it had reduced by approximately £150K.
- The increase in green waste subscriptions, and what profit was being made, December year to date subscriptions have increased by 18%. As it is a seasonal service it is difficult to predict.
- Investment property rental income was confirmed as a reclassification of the income to track the reclassification of the asset.
- The cost and timescales of the car park ticket machine rollout. It was confirmed that upgrading 22 of 26 machines for £74K during 2024/25 year
- Clarification of the new roles in Community Services, Community Safety and Housing Needs. It was explained that a new role within the Community Safety Team focusing on antisocial behaviour, crime prevention role and covering statutory safeguarding. The second role was within the Housing Solutions team and focused on the increased use of bread and breakfast, homelessness and keeping residents in their homes.
- Funding for the planning resources, and whether the costs were anticipated to be one-off or ongoing. The 80K set aside for planning resources was dependent on the nature of the business case being recommended from the efficiency review.
- Funding for the peer review was confirmed as a one-off cost and the tree planting work was for backlog clearance.
- Whether it was possible to give an indication of the tests the budget met and whether it was just met or exceeded.
- Were there any other stress tests that could be used above the statutory test listed. It was confirmed that additional tests were available such as sensitivity analysis for income and use of prudential indicators for treasury activity.

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**APPENDICES:**

Appendix 1 – Budget analysis

Appendix 2 – Bids for new capital schemes

Appendix 3 – Medium Term Financial Strategy