

# Public Document Pack



Chairman and Members of the Executive

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Date: 4 December 2022

cc. All other recipients of the Executive agenda

Dear Councillor

## **EXECUTIVE - 6 DECEMBER 2022**

Please find attached the following reports which were marked "to follow" on the agenda for the above meeting:

5. Budget 2023/24 and Medium Term Financial Plan 2023/24 - 2027/28 (Pages 3 - 29)

Please bring these papers with you to the meeting next Tuesday

**MEETING** : EXECUTIVE  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : TUESDAY 6 DECEMBER 2022  
**TIME** : 5.00 PM

# Agenda Item 5

## East Herts Council Report

### Executive

**Date of meeting:** 6 December 2022

**Report by:** Councillor Geoffrey Williamson, Deputy Leader of the Council and Executive Member for Financial Sustainability

**Report title:** Budget 2023/24 and Medium Term Financial Plan 2023 – 2028

**Ward(s) affected:** All

**The special circumstances for: non-compliance with Council Procedure Rule 3.8.5; the use of Access to Information Procedure Rule 12.5.1; and non-compliance with Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the non-availability of ICT systems for 6 days impacted on the ability of officers to compile and check the detailed financial information that is essential to support this report.**

**Summary** – This report sets out the revised Medium Term Financial Plan (MTFP) which is based on the expectation of local government experiencing a further round of austerity. The council's financial position is still uncertain until the Local Government Finance Settlement is published. The date for the Settlement has not been formally announced although the afternoon of 21<sup>st</sup> December has been signalled to officers as the likely date for the Settlement to be announced. Since the last report to Executive in October further spending pressures have emerged from likely increases in the council's business rates bills for offices and multistorey car parks in particular

## **RECOMMENDATIONS FOR EXECUTIVE:**

- a)** Agree that the proposed budget should make use of the flexibility from Government to increase Council Tax by 3%, which will increase Council Tax revenue by £33,813 a year and will result in a Band D Council Tax increase of £5.53 which is 53 pence a year more than the planned £5 increase included in the Medium Term Financial Plan;
- b)** Agree that Leadership Team proceed with the savings plan for 2023/24 for changes under delegated authority and that do not directly impact residents or all of local businesses;
- c)** Request Audit & Governance Committee to consider the savings items reserved for Member decision and to advise Executive of any significant adverse impact on the district of recommending to Council these savings are implemented;
- d)** Agree that in order to smooth the delivery of the substantial savings targets over the Medium Term Financial Plan that the General Reserve and the Interest Equalisation Reserve are used as reported;
- e)** Agree that a temporary use of £400k of the New Homes Priority Spend Reserve, repayable in 2027/28 and 2028/29, may be used to assist with smoothing the delivery of savings as reported;
- f)** Agree the pausing of non-essential capital schemes to prioritise completion of the major projects; provide essential capital financing for the purchase of food waste caddies and changes to Buntingford Depot as part of the new contract fuel and energy strategy;
- g)** Note that the pausing of the £9.6 million of capital spend will reduce revenue costs of Minimum Revenue Provision and interest by £719k per annum on rebased capital financing charges using current interest rates;

**h)** Note that the savings requirements, that will need to be delivered to balance the budget in the Medium Term, the delivery profile of which has been smoothed using earmarked reserves, are:

2023/24	£822k
2024/25	£2,170k
2025/26	£2,192k
2026/27	£2,053k
2027/28	£567k.

**i)** Delegate to the Head of Strategic Finance & Property, in consultation with the Deputy Leader and Executive Member for Financial Sustainability, the ability to amend the budget and Medium-Term Financial Plan to reflect the Local Government Finance Settlement and other emerging information, so that Audit & Governance Committee can consider the most complete and up to date information when they scrutinise the budget at their meeting on 24 January 2023; and

**j)** Note that the level of budget reductions required to balance the budget in the medium term is beyond further efficiency measures alone and instructs Leadership Team to commence preparations for the Reconciling Policy, Performance and Resources exercise that the new Council, elected in May 2023, will need to undertake alongside the new Corporate Plan, to balance the budget over the medium term.

## **1.0 Proposal(s)**

1.1 The Medium Term Financial Plan (MTFP) presented to Council in March 2021 has been updated to reflect the Autumn Statement and the forecast recession. The revised MTFP position is shown in Appendix A. This takes into account the costs of the 2022/23 employer's pay offer to the unions which was £311,860 more than the budget provision in 2022/23 which causes compound increases in future years of the MTFP. Contract inflation was set

at 4% for 2022/23 and actual inflation was much higher and the pressure of £529,632 and compound increases have been built into future years of the MTFP.

- 1.2 A number of key assumptions have been made in refreshing the MTFP and these are detailed in the following paragraphs. .
- 1.3 The Council Tax Base due to be set at Council in December is currently estimated to improve on the current MTFP assumptions and is provisionally 63,891.9. The assumption is that Local Council Tax Support cases will increase by 10% but there has been and is forecast to be additional growth from new properties. These assumptions provide for a prudent level of increase in tax base overall whilst avoiding a potential Collection Fund deficit in 2023/24 should the estimate of new properties fail to materialise or there is an upswing in Working Age Local Council Tax Support claims – the growth built into the taxbase has been suitably reduced to prevent optimism bias in the forecast. The 2008 financial downturn took until 2010 to have a marked effect on council taxbases with 2010 seeing almost zero growth across all of the English taxbases.
- 1.4 The Government announced at the Autumn Statement that they would allow flexibility on Council Tax increases and for referenda purposes with the Council being permitted the higher of £5 or 3%. As 3% is the higher figure the MTFP assumptions are that Council Tax increases will be at the rate of 3% for the MTFP period. This new increase will add 53pence to the planned increase for 2023/24 so that the 2023/24 Band D equivalent Council Tax will now increase by 3% (£5.53) to £189.61 for the year. The additional Council Tax revenue generated is £33,863 which otherwise would be permanently foregone. The previous MTFP plan for Council Tax would have seen an increase of 2.7% (£5) to £189.09 for the year.

- 1.5 Although government have given a strong commitment to update the current local government funding regime, it is becoming increasingly unlikely that reforms will be implemented in 2023/24 due to the lack of time available to undertake a full consultation and implement major funding changes. The MTFP has therefore been updated to reflect the impact of a delay to funding reform to 2024/25 on current grant funding being rolled forward and future implementation proceeding in 2023/24. However, there is a possibility that the Government may no longer proceed with the changes and choose to simply roll forward the old system again and leave any changes to the system until after the next General Election. Such a delay would not greatly benefit the Council and the most optimistic settlement position for 2023/24 and 2024/25 is a settlement figure that is the same cash amount as in 2022/23. This would be, taking into account the effects of inflation, a real terms cut in spending power of around 15 - 20% by the end of the 2024/25 financial year
- 1.6 The current planning assumptions on Revenue Support Grant (RSG) reflect actual inflation reported in September and Spending Review announcements. Ahead of funding reform and a multiyear settlement, the government has compensated for the mechanism which creates negative RSG in some authorities. The current assumption is that government will continue to compensate for negative RSG in the same way it has done in recent years, before the RSG is reviewed as part of funding reform.
- 1.7 As part of the £1.6bn new Government Grant funding announced at SR21, the Council was allocated a one year Services Grant of £411k. The MTFP has been updated to reflect LG Futures advice that in the event of no funding reform this

grant will roll forward (LF Futures is a company from whom all Hertfordshire councils purchase funding, resource forecasting and technical advice, particularly on the operation of business rates retention).

- 1.8 New Homes Bonus (NHB) was due to end in 2021/22. However, in line with funding reform being delayed the cessation of NHB has also been delayed. The MTFP has therefore been updated to assume an additional year in advance of the implementation of funding reform. The forecast is based on a combination of historic average and share of the total anticipated national pot. For this budget
- 1.9 If the new funding settlement system is introduced from 2024/25, in line with expectations around the Fairer Funding Formula, the council's share of business rates are forecast to reduce by £0.050 million per annum as the council is anticipated to be on the floor of the system and protected by transitional protection as it moves towards a lower funding settlement as the system is predicted to treat East Herts as a "wealthy area" which requires less funding to provide services. As stated in paragraph 1.5 this reduction in resources could be replaced with a slightly better frozen cash resources if Government decide not to carry out the changes to the system.
- 1.10 The anticipated cash contribution to pay off the past service deficit arising in the pension fund has been kept at the same amount as the previous MTFP. The Actuary is finalising the triennial revaluation of the fund and the actual deficit cash payment will be fed into the budget and MTFP once it is known.
- 1.11 Pay inflation, already increased by the 2022/23 employer's pay offer was originally set at 2% for 2023/24. In line with inflation forecasts this has been increased to 4% in 2023/24 but remaining at 2% in future years. Contract inflation was set at 4%

in 2022/23 and 2.5% thereafter. Given the actual inflation in 2022/23 the inflation provision has been increased across each year to reflect the compound increase on the base. Contract inflation for 2023/24 has been increased from 2.5% to 4%. A further provision of £180k has been set aside for unavoidable service cost pressures that cannot be absorbed in budgets. For example, the business rates revaluation assessments are starting to arrive, and the council faces substantial increases on rates bills for offices and multi-storey car parks. Pressures from energy cost increases are feeding through from the leisure contractor and we are negotiating ways to mitigate that pressure. Harlow and Gilston Garden Town co-ordination is currently grant funded by DLUHC and there is some doubt that this grant will continue. If the grant ceases partners in the project may need to find up to an additional £50k each to support the co-ordination work.

- 1.12 The delay in Hertford Theatre has meant that the net income stream for the theatre has been moved back to 2025/26. The £1 million additional funding for weekly food collections has been moved from 2024/25 to 2025/26 to reflect the anticipated start of the new refuse, recycling and cleansing contract. In addition, a further £1 million has been added to the budget to meet potential increases in the contract costs going forward.
- 1.13 There has been slippage on the capital programme and therefore the capital programme has been re-phased to reflect this. In addition, priority has been given to: completing the major projects; essential maintenance only on operational assets; essential investment for the new waste contract; and continuing to deliver means-tested statutory housing improvement loans. As a result of the prioritisation exercise £9.560 million of capital expenditure has been paused until such

time as it is affordable for the council to start the projects back up again. The paused projects are shown in Approved but not yet committed section. Should the projects become affordable due to reductions in cost and interest rates then they are easily committed and transferred back to the main programme under delegation. The Elizabeth Road redevelopment will be progressed only as far as planning permission and, should planning permission be granted, officers will undertake a final viability test but on current returns it is anticipated that the best return to the council will be to put it up for sale with planning permission, which will increase the capital receipt to the council. Elsewhere on the agenda is the draft Asset Management Plan which has an emphasis on reviewing land holdings and seeking disposal of land and assets no longer required to maximise capital receipts. Capital receipts will be used to replace borrowing thus reducing revenue costs – for every £100k of borrowing replaced by capital receipt the council avoids £7,503 in revenue costs per year for the next 30 years (borrowing £100k for 30 years costs £225k in total so generating capital receipts and reducing borrowing has both medium and long term advantages for the taxpayer.

- 1.14 The interest rate payable by capital schemes has been increased to the actual loans rates on 2 December 2022 which is an average of 4.17% Officers, on the advice of the Treasury Advisors, anticipate that rates will fall during 2023 and 2024 so it is likely that actual borrowing rates will be less. However, the Council cannot set a budget based on rate expectations and must use actual rates. Using the rate of 4.17% on the reduced capital programme results in an increase on the interest payable budget of £472k and a reduction in Minimum Revenue Provision of £207k resulting in an overall pressure of £265k

- 1.15 The current capital programme has effectively used up the borrowing headroom that the revenue account is able to sustainably resource in the medium term and it is vital that the capital programme is tightly controlled and that any additions should not increase revenue costs. Newly emerging policies and strategies should be framed in the light of capital resources being scarce and not creating a revenue pressure in future years. In the current environment many councils are contemplating cancelling outright capital projects. East Herts has already prioritised and paused a number of projects, but the new Council elected in May will need to consider the capital programme and associated costs as part of the Reconciling Policy, Performance and Resources process alongside the formation of the new Corporate Plan. Members should be aware now that there is absolutely no further capacity for significant additional borrowing for new projects in the medium term and that the affordability of the current programme is being kept under constant review, in line with the Prudential Code, and that sustained upward movements in PWLB interest rates will require further reductions from the programme unless capital receipts can be generated to replace borrowing.
- 1.16 The Transforming East Herts Programme is designed to modernise the council and deliver services that are digital by default ensuring end to end services are available 24/7 on the web. To be clear, there will still be a customer contact centre with members of staff on the telephone for those residents who cannot use digital services and/or need a customer contact agent to deal with complex queries. Adopting hybrid working and adopting modern workspaces should result in space being available in Wallfields to rent out. Given that other authorities have gone further than our 50/50 model and allow staff to work

from home 100% of the time we may have to consider whether to expand the percentage of home working in order to radically reduce the office accommodation requirement to make further savings from additional rental or to enable the Wallfields campus to be sold to generate a capital receipt.

- 1.17 There are two possible significant sources of additional revenue not included in the MTFP due to the fundamental uncertainty of the amounts and timing. The Levelling Up Bill indicates a potential 35% increase in planning application fees that would yield about £460k of additional income. There is no New Burdens Funding in the MTFP for 25/26 onwards for changes to refuse and recycling as part of the Government's requirement that all councils collect the same materials in the same container so that residents are either co-mingling the same materials or source separating the same material so there is a consistent national recycling system. New burdens funding would be due on the introduction of the changed system and any funding would assist to reduce the cost. of the refuse contract.
- 1.18 After the changes to the capital programme and interest rates and increased inflation and other pressures have been reflected in the MTFP the savings requirement increases by £1.769 million. Reductions to the savings target can be achieved through asset sales and replacement of borrowing by capital receipts received on those sales. The savings delivery profile, without smoothing was front loaded almost entirely into 2024/25 and 2025/26. In order to smooth out delivery over the term of the MTFP it is proposed to use:
  - 1.18.1 £800k from the Interest Equalisation Reserve to mitigate against higher borrowing costs;
  - 1.18.2 £700k from the General Reserve to be repaid at £150k a year from 2027/28 onwards; and

1.18.3 £400k from the New Homes Bonus Priority Spend Reserve to be repaid at £200k a year from 2027/28 onwards.

1.18.4 The anticipated News Homes Bonus Grant in 2023/24 will, after £400k is set aside to fund the review of the District Plan, be used to support the budget.

1.18.5 The additional business rates retention from membership of the Hertfordshire Pool in 2022/23 will be used in full to support the budget in 2023/24.

1.19 After the delivery profile has been smoothed the council will need to identify budget reductions as shown in the table below:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Transforming East Herts Savings 2023/24	(822)	(822)	(822)	(822)	(822)
Transforming East Herts Savings 2024/25		(2,170)	(2,170)	(2,170)	(2,170)
Transforming East Herts Savings 2025/26			(2,192)	(2,192)	(2,192)
Transforming East Herts Savings 2026/27				(2,053)	(2,053)
Transforming East Herts Savings 2027/28					(567)
<b>Total Transforming East Herts Savings</b>	<b>(822)</b>	<b>(2,992)</b>	<b>(5,184)</b>	<b>(7,237)</b>	<b>(7,804)</b>

1.20 Leadership Team has been working on proposals to close the budget gap for 2023/24 and the summary in the Table below shows savings that will be implemented by Leadership Team as they affect internal staff structures which are delegated to the Head of Paid Service and there are no impacts on residents and domestic customers from these proposals. Where there are impacts on non-domestic customers these are small and localised to a particular segment, for example the introduction of a charge for Section 61 notices for construction site noise. There are two proposals that require Member decision before they can be implemented and they are shown separately in the table.

Savings Type	2023/24 £(000)
Internal Structural changes	669
Supplies & Services reductions	83
Income generation	55
De-commissioning Charringtons House	29
Capital Financing change	20
Change to use external grant funding instead of council's funds	10
<b>Sub Total</b>	<b>866</b>
<b>For Member decision:</b>	
Increase access to external grants to replace EHC's funds through a 'payment per results' agreement with CVS. As a result, external funding replaces council funding so reduce Community Grants from £94,000 to £40,000	54
Reduce general grants to Citizens Advice and CVS and use more payment by result service level agreements	10
<b>Sub Total</b>	<b>64</b>
<b>Grand total</b>	<b>930</b>

1.21 Internal Structural changes mainly arise from changes in support service functions and expected progress on creating a centralised business support hub to provide administrative and support services for the whole council, replacing business support teams, where they exist, in service areas. As well as delivering a saving this will further embed the One Team ethos within the council.

1.22 Supplies and Services reductions are for small amounts across the Council. One example is Finance ending use of a separate software system by configuring the ledger system to do that work, saving £8k per year in software licence fees.

- 1.23 Income generation proposals are, in the main, new partnerships to share costs of Service Managers with neighbouring authorities who are experiencing difficulties recruiting. Another proposal is that there is a charge to Registered Providers for advertising properties on our Choice Based Lettings system, which will bring us into line with most local authorities.
- 1.24 The saving from the decommissioning of Charringtons house relates to the cost of the customer service centre located there. Due to the infrastructure in Charringtons being time-life expired we would not recover the costs of infrastructure renewal in the months before the building is handed over to CityHeart for redevelopment as part of the Old River Lane renewal project. The main item of concern is the lift which, if it fails is beyond economic repair and would mean that tenants could not have Disability Discrimination Act compliant access and it would mean that moving tenants out would be more difficult and involve extra cost that we as landlord would be liable for. There are also particular issues with the way that mains water is supplied to the building with the pipework designed for a single occupancy building. There are several microfractures in the pipework that involve daily emptying of containers and monitoring of the fractures. In order to repair any leaks, the pipework design means that water is shut off to the whole building and we cannot isolate supply to a floor. Consequently, any repairs have to be at weekends or we have to close the building to tenants whilst repairs are undertaken. The timetable to handover to CityHeart has slipped into Autumn 2023 but Property are continuing to work to having the building vacant by 31 March 2023. Customer Services will be moving to Bishop's Stortford Town Council offices for 1 day a week opening for a trial period beginning in April 2023. Property are in discussions with the emergency

services to take Charringtons for training until the building is required for handover or it is no longer suitable for training purposes. The police would use the building as a training venue to practice anti-terrorist and hostage rescue situations. This will involve using forced entry techniques and potentially explosive charges to effect surprise entry for firearms officers to parts of the building. Due to its age there is asbestos present in the structure of Charringtons and the police officers undertaking these exercises wear respirators at all times and it allows the police to test their decontamination arrangements for dealing with situations in buildings of the same age. Once the emergency services have utilised the building in the way described and there is no further value in the building for training purposes then Environmental Health will be requested to issue a notice to statutorily prevent occupation due to exposed asbestos. This will allow for a Class C exemption from business rates until the building is taken out of rating for demolition.

- 1.25 Capital Financing change relates to historic building loans which are being moved into the authorised but not committed part of the capital programme. When the council switched support from grants to loans, secured by a charge on the property, the number of historic building support applications has dropped to zero. As a result the Head of Planning and Building Control has suggested we do not include this and finance it in the capital programme but move it to authorised and not committed and should an application be received, then committing the funding for an application can be quickly made by the Head of Strategic Finance & Property under delegation.
- 1.26 The final proposal is to apply for external grants and substitute using external funding instead of council taxpayers' funds.

Analysis of funding available for, e.g. air quality projects shows that external funding bids could replace funding and more likely result in more being done via external funding than by being constrained by limited council resources.

- 1.27 The two savings proposals relating to grant changes require a Member decision. The proposals should be read in the context of additional grant being made via the UK Prosperity Fund allocations (which we are waiting for confirmation from DLUHC) which will initially provide an extra source of funding to bid for.
- 1.28 Our Social Value Policy is now in place and several social value priorities that bidders can choose to demonstrate social value are aimed at the voluntary community and social enterprise (VCSE) sector. Contracts over £75,000 must include social value as 10% of the award criteria and the council has listed priorities that bidders can choose to demonstrate social value. The Themes, Outcomes and Measures (TOMS) that relate to the VCSE sector are:
  - 1.28.1 Total amount (£) spent with VCSEs within your supply chain
  - 1.28.2 Provision of expert business advice to help VCSEs and MSMEs achieve net zero carbon
  - 1.28.3 Equipment or resources donated to VCSEs (£ equivalent value)
  - 1.28.4 Percentage of invoices on the contract paid to MSMEs and VCSEs within 30 days
  - 1.28.5 Donations and/or in-kind contributions to specific local community projects (£ & materials)
  - 1.28.6 Support provided internally and to MSMEs and VCSEs within the supply chain to adopt Circular Economy solutions - business case and leadership for circular economy.

- 1.29 In line with other local authorities using the social value portal we will be able to report annually on social value achieved and are confident that the VCSE sector will receive new funding from this source to replace council taxpayer's funds.
- 1.30 The changes to grant funding proposed will form an agreement with CVS for payments by result – CVS will leverage in funding from other external grant sources for community groups which will result in grant payments to CVS related to the amount of external funding achieved. This will speed the transition to community groups not being reliant on East Herts for funding and combined with the expected funding boost from the social value policy, will ensure that funding is secured from diverse sources and over time increases from those other sources ensuring the sustainability of the VCSE sector in East Herts.

## **2.0 Background**

- 2.1 Significant uncertainty continues to dominate the context within which we are working towards delivering a balanced budget over the medium term. The financial outlook remains unclear with a further one-year financial settlement anticipated for 2023/24 and uncertainty whether key national reforms are subject to further delay. The national policy agenda continues to evolve rapidly, with legislative and policy changes that respond to the government's changing position as it seeks to deal with international and national issues as well as backbench MPs seeking to take advantage of the political situation to force policy changes by co-ordinating amendments likely to cause Government defeats or having to rely on opposition votes to pass legislation.
- 2.2 The Council's business and financial planning is underpinned by the Corporate Plan and its four priorities, which provide a clear

focus for decisions about spending and savings and direct activity across the Council.

2.3 The four priorities are:

2.3.1 **S**ustainability at the heart of everything we do;

2.3.2 **E**nabling our communities;

2.3.3 **E**ncouraging economic growth; and

2.3.4 **D**igital by default.

2.4 Officers will continue to explore options to further reduce net cost to meet the savings targets. The new Council which will be elected in May 2023 will set the new Corporate Plan and alongside that undertake a Reconciling Policy, Performance and Resources exercise. This will set out the overall resource envelope and align spending with corporate plan priorities. This will include: examining service provision levels; whether non-statutory services should be provided as part of the council tax or only provided as a charged for service; and reviewing and benchmarking contracts to reflect changes in service delivery and to ensure that prices and methods remain competitive. Given the financial position, which all the districts and boroughs in Hertfordshire are also facing, East Herts Council can no longer seek to protect the service offer to residents and hard decisions lie ahead for Members because of the current economic shocks.

### **3.0 Reason(s)**

3.1 The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with contributions from reserves, in order to determine a net budget requirement to be met by government grant, Business Rates and Council Tax.

## **4.0 Options**

- 4.1 Given the financial outlook the Executive have very few options available to ensure a balanced budget. Any growth the Executive wish to propose must be balanced by reductions elsewhere.
- 4.2 The Executive may propose a lower rate of Council Tax but this will result in additional savings requirements which will require significant changes to the service offer and the compound revenue foregone from Council Tax will be lost in perpetuity.
- 4.3 In order to draw up the detailed budget and MTFP the Executive agreed, as guidance to officers, that the budget proposals should be based on a Council Tax increase of £5, contract inflation up to 4%, no inflation in other goods and services budgets and that the provision for the national pay award will be up to 4%. The Autumn Statement provided a level of flexibility on Council Tax to increase by £5 or 3%, whichever is the greater. The Deputy Leader and Executive Member for Financial Sustainability was consulted and agreed that budget proposals should be brought forward based on full use of that flexibility.

## **5.0 Risks**

- 5.1 Significant uncertainty continues to dominate the context within which we are working towards delivering a balanced budget over the medium term. The financial outlook remains unclear with a further one-year financial settlement anticipated for 2023/24 and key national reforms having been subject to further delay. The national policy agenda continues to evolve rapidly, with legislative and policy changes that respond to the new government's agenda, the impacts of which are not yet fully clear.
- 5.2 The council faces recruitment and retention difficulties, particularly in services where there are national shortages of professionally qualified staff. The council is examining ways to

deal with this which is affordable and sustainable to the council and factors in savings against more expensive agency staffing costs

- 5.3 The adequacy of the General Fund balance to meet unexpected expenditure will be considered by the Head of Strategic Finance and Property and be reported to Council as part of his report under Section 25 Local Government Act 2003 on the robustness of the estimates made in drawing up the budget and the adequacy of the proposed level of reserves.

## **6.0 Implications/Consultations**

- 6.1 The council is required to consult with Business Ratepayers under s.34 Local Government Finance Act 1988.
- 6.2 Consultation with the public will involve asking about perceptions of value for money and the importance of services to them but not specifics of the budget proposals due to the technical nature of the budget papers and resource pressures within the council.

## **Community Safety**

The budget underpins delivery of the Council's policies and priorities in relation to community safety.

## **Data Protection**

No

## **Equalities**

The Council has a statutory duty under the Equalities Act 2010, in particular s149. This includes the requirements on the Council to have due regard to the need to eliminate discrimination and harassment, to advance equality of opportunity, to foster good relations and to remove or minimise disadvantages suffered by persons who share protected characteristics.

Compliance with these duties in the Equalities Act does permit the Council to treat some persons more favourably than others, but only to the extent that such conduct is not otherwise prohibited.

In setting the budget, decisions on some matters may be particularly relevant to the discharge of this duty, particularly fees and charges concessions and an equalities impact assessment will be undertaken to assess and ensure compliance with this duty.

## **Environmental Sustainability**

The budget underpins policies and priorities in relation to the environmental and sustainability areas.

## **Financial**

These are contained in the main body of the report.

## **Health and Safety**

No

## **Human Resources**

The budget will provide a provision for a pay award of up to 3% but the actual award is subject to national NJC negotiations. This provision is set in the light of forward inflation estimates for September 2021 in the Bank of England Monetary Policy Report August 2021.

## **Human Rights**

No

## **Legal**

The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with government grant and contributions from reserves, in order to determine a basic Council Tax Requirement.

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates and adequacy of reserves to the Council when it is considering the budget.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Full Council if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the

resources to meet its expenditure in a particular financial year. The issuing of a Section 114 report requires the Full Council to meet within 21 days to consider the report and during that period the Council is prohibited from entering into new agreements involving the incurring of expenditure.

### **Specific Wards**

No

### **7.0 Background papers, appendices and other relevant material**

Appendix A – Budget and Medium-Term Financial Plan

Appendix B – Capital Programme

**Contact Member**

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**GENERAL FUND REVENUE BUDGET AND MEDIUM TERM FINANCIAL PLAN**

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
£'000		£'000	£'000	£'000	£'000	£'000
378	Chief Executive & PA's	349	359	370	381	393
1,423	Communications, Strategy & Policy	1,457	1,491	1,527	1,563	1,602
534	Human Resources & Org Development	546	531	542	553	564
1,770	Strategic Finance & Property	2,076	2,119	2,163	2,208	2,244
594	Corporate	795	999	1,207	1,421	1,641
1,482	Legal & Democratic Services	1,505	1,545	1,586	1,627	1,671
2,298	Housing and Health	2,270	2,336	2,407	2,481	2,558
238	Capital Expenditure Charged to a Revenue Account	238	3,238	238	238	238
1,945	Planning & Building Control	1,966	2,028	2,091	2,156	2,223
2,277	Operations	1,909	1,396	2,313	2,392	2,555
976	Shared Revenues & Benefits Service	1,021	1,066	1,112	1,160	1,208
2,213	IT Shared service	2,313	2,313	2,313	2,313	2,313
	Pay inflation including 2022/23 award pressure	624	949	1,288	1,642	2,012
	Audit Fee increase	115	117	120	122	124
	Unavoidable service costs pressures	180	180	180	180	180
	Contract inflation including 2022/23 pressure	740	784	830	877	926
	Contract renewal cost pressures	50	100	550	50	-
<b>16,129</b>	<b>Net Cost of Services</b>	<b>18,153</b>	<b>21,551</b>	<b>20,836</b>	<b>21,363</b>	<b>22,451</b>

**Transforming East Herts Savings**

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
£'000		£'000	£'000	£'000	£'000	£'000
	Transforming East Herts Savings 2023/24	(822)	(822)	(822)	(822)	(822)
	Transforming East Herts Savings 2024/25		(2,170)	(2,170)	(2,170)	(2,170)
	Transforming East Herts Savings 2025/26			(2,192)	(2,192)	(2,192)
	Transforming East Herts Savings 2026/27				(2,053)	(2,053)
	Transforming East Herts Savings 2027/28					(567)
	<b>Total Transforming East Herts Savings</b>	<b>(822)</b>	<b>(2,992)</b>	<b>(5,184)</b>	<b>(7,237)</b>	<b>(7,804)</b>

**Corporate Budgets**

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
£'000		£'000	£'000	£'000	£'000	£'000
-	Fees & Charges Annual Review	(100)	(150)	(200)	(250)	(300)
20	Minimum Revenue Provision	614	1,387	1,400	2,128	2,128
459	Interest Payable on Loans	1,199	1,409	2,002	2,272	2,272
(750)	Investment Income	(1,000)	(900)	(800)	(800)	(800)
754	Pension Fund Deficit Contribution	800	800	800	800	800
<b>483</b>	<b>Total corporate budgets</b>	<b>1,513</b>	<b>2,546</b>	<b>3,202</b>	<b>4,150</b>	<b>4,100</b>

**Reserves**

2022/23 £'000		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
438	Contributions to Earmarked Reserves	590	190	490	335	-
(1,555)	Contributions from Earmarked Reserves	(1,585)	(3,300)	(900)		200
-	Planned Use of General Fund Balance	(100)	(300)	(300)		150
1,383	New Homes Bonus Cont to Reserve		250	250	-	-
<b>265</b>	<b>Total reserves</b>	<b>(1,095)</b>	<b>(3,160)</b>	<b>(460)</b>	<b>335</b>	<b>350</b>

**Funding**

2022/23 £'000		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
(150)	Capital Salaries	(150)	(150)	(150)	(150)	(150)
(3,616)	NDR	(5,000)	(4,950)	(4,900)	(4,850)	(4,800)
-	Business Rates Pool 22/23 Pooling Gain	(511)				
(1,900)	Section 31 Grants	-	-	-	-	-
2,386	(Surplus)/Deficit on Collection Fund	1,585	-	-	-	-
(689)	Government Grant	(441)	-	-	-	-
(1,383)	New Homes Bonus	(1,116)	(250)	(250)	-	-
<b>(5,352)</b>	<b>Total Funding</b>	<b>(5,633)</b>	<b>(5,350)</b>	<b>(5,300)</b>	<b>(5,000)</b>	<b>(4,950)</b>

<b>11,526</b>	<b>Net Expenditure financed by Council Tax</b>	<b>12,115</b>	<b>12,595</b>	<b>13,094</b>	<b>13,611</b>	<b>14,147</b>
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(11,526)	Demand on Collection Fund	(12,115)	(12,595)	(13,094)	(13,611)	(14,147)
62,610	Council Taxbase	63,893	64,493	65,093	65,693	66,293
<b>184.09</b>	<b>Council Tax at Band D (£)</b>	<b>189.61</b>	<b>195.30</b>	<b>201.16</b>	<b>207.19</b>	<b>213.40</b>

<b>Percentage Increase in Council Tax</b>	3.00%	3.00%	3.00%	3.00%	3.00%
<b>£ increase in Council Tax</b>	5.52	5.69	5.86	6.03	6.21

## EAST HERTS DISTRICT COUNCIL CAPITAL PROGRAMME 2023/24 TO 2027/28

APPROVED SCHEMES	Major Schemes expenditure to 31/03/22 £000	2022/23 Forecast Outturn £000	2023/24 Original Budget £000	2024/25 Original Budget £000	2025/26 Original Budget £000	2026/27 Original Budget £000	2027/28 Original Budget £000	Scheme Total £000
<b>Land and Buildings</b>								
Investment in operational assets		205	250	250	100	100	100	1,005
Buntingford Depot		-	-	700	-	-	-	700
Hartham Leisure Centre - Extension	4,713	4,280	2,078	-	-	-	-	11,071
Hertford Theatre	2,975	10,572	10,558	-	-	-	-	24,105
Northgate End Regeneration (MSCP, domestic and non-domestic units)	21,820	3,117	-	-	-	-	-	24,937
Old River Lane Regeneration and Arts Centre	2,815	500	2,000	12,000	6,077	-	-	23,392
<b>Total Land and Buildings</b>	<b>32,323</b>	<b>18,674</b>	<b>14,886</b>	<b>12,950</b>	<b>6,177</b>	<b>100</b>	<b>100</b>	<b>85,210</b>
<b>Vehicles and Equipment</b>								
Food Waste Caddies		-	-	910	-	-	-	910
ICT Rolling programme		470	450	450	450	450	450	2,720
<b>Total Vehicles and Equipment</b>		<b>470</b>	<b>450</b>	<b>1,360</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>3,630</b>
<b>Community Assets</b>								
Replacement play equipment across the district		-	50	50	50	50	50	250
Castle Park - HLF - Delivery Phase		1160	2,700	94	-	-	-	3,954
<b>Total Community Assets</b>		<b>1,160</b>	<b>2,750</b>	<b>144</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>4,204</b>

APPROVED SCHEMES	Major Schemes expenditure to 31/03/22 £000	2022/23 Forecast Outturn £000	2023/24 Original Budget £000	2024/25 Original Budget £000	2025/26 Original Budget £000	2026/27 Original Budget £000	2027/28 Original Budget £000	Scheme Total £000
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Revenue Expenditure Funded as Capital Under Statute (REFCUS)								
Home Improvement Loans		20	120	120	120	120	120	620
Community Capital Grants		127	50	50	50	50	50	377
Green Deal Loans		20	20	20	20	20	20	120
Rivers and Watercourse Maintenance		48	48	48	48	48	48	288
Land Management Asset Register & Associated Works		50	50	50	50	50	50	300
								-
<b>Total REFCUS</b>		<b>265</b>	<b>288</b>	<b>288</b>	<b>288</b>	<b>288</b>	<b>288</b>	<b>1,705</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>32,323</b>	<b>20,569</b>	<b>18,374</b>	<b>14,742</b>	<b>6,965</b>	<b>888</b>	<b>888</b>	<b>94,749</b>

**FUNDED BY:**

Borrowing (Internal)		(1,658)	(368)	-	-	-	-	(2,026)
Borrowing (External)		(17,364)	(4,637)	(14,121)	(6,427)	(350)	(350)	(43,249)
Capital Receipts		(425)	(8,060)	(250)	(250)	(250)	(250)	(9,485)
Capital Grants Applied		(857)	(2,021)	(83)	-	-	-	(2,961)
Capital Expenditure Charged to a Revenue Account		(265)	(3,288)	(288)	(288)	(288)	(288)	(4,705)
<b>TOTAL CAPITAL PROGRAMME FUNDING</b>	<b>(32,323)</b>	<b>(20,569)</b>	<b>(18,374)</b>	<b>(14,742)</b>	<b>(6,965)</b>	<b>(888)</b>	<b>(888)</b>	<b>(94,749)</b>

APPROVED BUT NOT YET COMMITTED			2023/24 Original Budget £000	2024/25 Original Budget £000	2025/26 Original Budget £000	2026/27 Original Budget £000	2027/28 Original Budget £000	Scheme Total £000
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Schemes approved not yet committed								
Transformation Programme			1,000	2,000	2,000			5,000
Ward Freman Joint Use Facilities					1,100			1,100
Elizabeth Road Redevelopment				200	1,500			1,700
Historic Building Loans				20	20	20	20	80
Open Space Improvement - The Wash, Hertford			50					50
Open Space Improvement - Cannons Mill Lane, Bishops Stortford			30					30
Historic Building Loans			20	20	20	20	20	100
Capital Contingency - Major Projects			1,500	-	-	-	-	1,500
<b>TOTAL APPROVED BUT NOT YET COMMITTED</b>			<b>2,600</b>	<b>2,240</b>	<b>4,640</b>	<b>40</b>	<b>40</b>	<b>9,560</b>

**Funded by:**

Borrowing			(1,560)	(200)	(2,600)	-	-	(4,360)
Capital Receipts			-	-	-	-	-	-
Capital Grants Applied			-	-	-	-	-	-
Use of Earmarked Reserves			(1,000)	(2,000)	(2,000)			(5,000)
Capital Expenditure Charged to a Revenue Account			(40)	(40)	(40)	(40)	(40)	(200)
<b>TOTAL APPROVED BUT NOT YET COMMITTED</b>			<b>(2,600)</b>	<b>(2,240)</b>	<b>(4,640)</b>	<b>(40)</b>	<b>(40)</b>	<b>(9,560)</b>

**NOTE:**

Schemes Approved but not yet Committed are those schemes where past experience has indicated there are traditionally underspends or there are specific issues with a scheme proceeding that is outside the control of the Council. Approval by Council provides protection for the budgeted scheme for the year(s) indicated. Schemes are Committed by the Head of Strategic Finance in consultation with the Executive Member for Financial Sustainability. Virements are forbidden from these budgets without the authority of Council to prevent these budgets being committed to cover overspends or for immediate transfer to new schemes that do not have Council approval.