Executive

Date of meeting: 19th February 2021

Report by: Councillor Geoffrey Williamson, Deputy Leader & Executive Member for Financial Sustainability

Report title: Budget 2021/22 and Medium Term Financial Plan 2021/22 to 2024/25

Ward(s) affected: ALL

Summary –

The report sets out proposals on the following:

- the Medium Term Financial Plan (MTFP) 2021/22 – 2024/25;
- the savings plan which is the key part of delivering a balanced budget over the medium term;
- the 2021/22 – 2025/26 Capital Programme; and
- the 2021/22 schedule of charges

All decisions and recommendations will be considered within the national context of continued financial uncertainty arising from the pandemic, the lack of a multiple year Comprehensive Spending Review and risks for local government, particularly the impact of Local Council Tax Support on the Council Tax base. Going forward questions remain over the total funding for local government and how this will be shared between authorities including the Fairer Funding review and the review of Business Rates as a tax and its potential replacement.

RECOMMENDATIONS FOR EXECUTIVE:

a) To recommend to Council that:

I. The East Herts share of the Council Tax for a Band D property in 2021/22 be set at £179.09, an increase of £5, the maximum permitted within the Council Tax Referendum principles;
II. The Budget 2021/22 and the Medium Term Financial Plan 2021 – 2024 is approved;
III. The savings plans summarised in Appendix A are approved for implementation and that Council require that compensating savings, delivered to the same timescales, have to be put in place and reported to the next Council meeting should the Executive decide that any savings proposals should not proceed, or are reduced by 10% or more;
IV. The capital programme set out in Appendix E is approved; and
V. The schedule of charges for 2021/22 set out in Appendix F, with an average increase of 2.5%, is approved.

b) Welcome the positive results of the consultation on how the public value services that are provided by the council.

c) Endorse the aims of the Transformation Programme and note that further savings will result from this work.

1.0 Proposal(s)

1.1 The report sets out proposals for East Herts Council's element of the Council Tax for 2021/22 and a balanced four year Medium term Financial Plan (MTFP) for recommendation to Council.

2.0 Background

2.1 The council has undergone significant change over recent years, facing pressures linked to the UK economic and wider global downturns and more recently Brexit uncertainty and Covid19.

2.2 The budget is built around the corporate priorities, which are **S**ustainability, **E**nabling our communities, **E**conomic growth, and **D**igital by design. This underpins the organisation's direction of travel.

2.3 The Executive considered a range of options to reduce net expenditure in November 2020, and this savings plan is included in Appendix A and they have been included in the 2021/22 revenue budget and in the MTFP. The Leadership Team have recommended that the proposals concerning the Emergency Planning Resilience Partnership are now not taken forward and are instead replaced with compensating savings from ending the shared design service with Stevenage Borough Council and no longer producing the print version of the Link magazine. These alternative savings are now included in the current budget and MTFP.

2.4 Budget efficiencies required over the next four years, in addition to those savings proposals compiled by Leadership Team and accepted by Executive to prepare this budget and MTFP, are an additional £3.250 million by 2023/24 although there is some flexibility using reserves to meet this target in 2024/25 at the latest.

2.5 The cumulative total new reduction is in addition to the cumulative savings delivered by this budget and MTFP proposal of £2.983 million by 2023/24. The cumulative required reduction against the 2020/21 budget is £6.233 million which represents a reduction of 40% in day to day running costs.

2.6 The savings target includes a number of new pressures which include the anticipated ending of the Alternative Finance Model (AFM) system after a review by the County Council resulting in a pressure of £0.4 million. The AFM currently rewards Districts and Boroughs for recycling rates by distributing recycling credits.

Hertfordshire is unusual in being one of the few remaining counties to pass on recycling credits in this way.

2.7 As a result of forecasting Business Rates for 2021/22 onwards, the need to increase the provision for bad debts by £1.034 million has been forecast as well as an increase in the appeals provision of £3.4million. The appeals provisions has been increased to take into account a 25% reduction in rates payable for office, retail and leisure businesses as a result of Material Change in Circumstances Appeals being successful. Material Changes in Circumstances covers a temporary environmental change to a business that has a material effect on that business and results in a reduction in rateable value for a period to reflect that change. A simple example would be where access to the road outside a shop is closed for 18 months whilst major highways works are carried out. The reduction would cover the period of works but once completed the rateable value will be reinstated to the previous level. These provisions plus forecasting on outstanding rates has resulted in a forecast Collection Fund deficit of £18.413 million. This deficit is then shared with the government and the County Council with East Herts share being 40% or £7.365 million. A large amount of this deficit is covered by government compensation for irrecoverable losses and then the final figure is recoverable over three years instead of the standard recovery in the next financial year. This is summarised in the table below:

	21/22 £000	**22/23 £000**	**23/24 £000**
EHDC Deficit Share	2,455	2,455	2,455
S.31 Grant	(1,555)	(1,555)	(1,555)
Balance to General Fund	900	900	900

2.8 The grant to compensate for irrecoverable losses is paid as a single payment in January 2022 and will need to be transferred to earmarked reserves to cover the other 2 financial years. In the period 2021/22 to 2023/24, should the appeals and bad debt provisions not be required, they will be reduced and the resulting credit will flow through the sharing system each year and feed into any potential surplus to be shared with the County and government. It is therefore possible that this contribution to the Collection Fund Deficit may be offset by the distribution of a surplus in future years. The government scheme appears to not require any repayment of the irrecoverable loss grant should provisions not be required but, on the flip side, there will be no government grant in future years to offset any emerging losses. Officers have therefore been prudent in estimating losses and potential appeals looking over the medium term and the deficit should **<u>not</u>** be interpreted as resulting from poor collection rates.

2.9 The report contains the following sections and Appendices:

Report Sections	
2.6	Budget Components
2.7	Net cost of services
2.8	Corporate budgets
2.9	Contributions to/from reserves
2.10	External funding
2.11	Council Tax
2.12	2021/22 Revenue budget
2.13	Consultation
2.14	Capital
2.15	2021/22 schedule of fees and charges

Appendices	
A	Savings Plan
B	Medium Term Financial Plan (MTFP)
C	Consultation
D	Reserves
E	Capital Programme
F	Schedule of charges

2.10 <u>Budget Components</u>

The council's revenue budget consists of five major building blocks as follows:

2.10.1 Net Cost of Services: these are the direct costs incurred by the council in delivering services, less any specific income generated. Any use of reserves to fund these services is included in the contributions to and from reserves.

2.10.2 Corporate budgets: these are the costs incurred and income received by the council that are not service specific, for example pension fund deficit contributions, interest income and payments.

2.10.3 Contributions to and from reserves: this represents funding within the revenue budget from earmarked reserves which has been allocated to fund specific purposes and funding received that is to be transferred into reserves. The impact of the use of reserves is a reduction on the total income demand on council taxpayers. Reserves are a finite source of funding and their use should represent value for money.

2.10.4 External Funding: these income budgets are general and non-service specific income sources. They include funding from Central Government and Non Domestic Rates income.

2.10.5 Council Tax: this income is also a general and non-service specific source of income.

2.11 Net Cost of Services

2.11.1 The proposed net cost of services for 2021/22 is £16.391million. All budgets, with the exception of salaries, major contracts and business rate costs, have been capped at 2020/21 levels.

2.11.2 Salary inflation of 2% has been included in the net cost of services. Budgets for contracts have been increased by inflation in line with specific contracts. Business rate costs have been frozen in 2021/22 to reflect the government's decision not to increase the multiplier in 2021/22.

2.11.3 A report detailing net cost reduction proposals was taken to Executive on 24th November 2020 where reductions to budgets of £1.1m to be built were agreed by the Executive for inclusion into the proposed budget and MTFP to be put to Council. These have been built into the net cost of service budgets.

2.11.4 The table below shows the net cost of services broken down by service:

Table1: Net Cost of Services

REVENUE BUDGET - MEDIUM TERM FINANCIAL PLAN				
	2021/2022	2022/2023	2023/24	2024/25
	£'000	£'000	£'000	£'000
Chief Executive & PA's	401	377	348	359
Communications, Strategy & Policy	1,366	1,377	1,418	1,459
Human Resources & Org Development	574	587	600	614
Strategic Finance & Property	1,703	1,729	1,790	1,853
Legal & Democratic Services	1,412	1,442	1,474	1,506
Housing and Health	2,611	2,629	2,651	2,721
CERA	238	238	238	238
Planning & Building Control	1,206	1,269	1,333	1,400
Operations	3,994	4,004	4,110	4,491
Shared Revenues & Benefits Service	695	734	774	815
IT Shared service	2,191	2,299	2,408	2,416
Net Cost of Services	**16,391**	**16,686**	**17,145**	**17,872**

CERA = Capital Expenditure Charged to a Revenue Account

2.12 Corporate budgets

2.12.1 The proposed income and expenditure budgets shown in table 2 cannot be directly attributed to specific services and relate to the authority as a whole.

Table 2: Corporate budgets

	2021/2022 £'000	2022/2023 £'000	2023/24 £'000	2024/25 £'000
Corporate Budgets				
Fees & Charges Annual Review	(17)	(67)	(117)	(167)
NHB Grants to Town & Parish Councils	-	-	-	-
Minimum Revenue Provision	-	-	290	618
Interest Payable on Loans	-	166	334	334
Investment Income	(750)	(750)	(750)	(750)
Pension Fund Deficit Contribution	734	754	976	976
Savings to be identified	-	(2,389)	(3,250)	(3,250)
Total corporate budgets	**(33)**	**(2,286)**	**(2,517)**	**(2,239)**

2.12.2 It is forecast that the proposed 2.5% increase to fees and charges will generate an additional £17k, further details can be found in paragraph 2.17.

2.12.3 New awards of the New Homes Bonus (NHB) were due to have ended but this was given a one year reprieve by government. Given the pressures on the overall budget and the need to protect the council's cash flow it is proposed to end the automatic payment of NHB resources to Town and Parish Councils. Instead an amount equivalent to the 25% normally paid over to Town and Parish Councils will be held in reserves for eligible Town and Parish Councils to bid for. The payments will be conditional on the Town and Parish Council: having local Member endorsement of the bid; that the bid amount is capped at the amount they would have received under the previous arrangement; that they have spent all New Homes Bonus previously received and that the scheme being bid for meets one or more of the council's SEED priorities. Retaining the cash in the council's reserves will provide assistance with cash flow management as the first precept payments to Town and Parish

Councils, representing 6 months' Council Tax receipts have to paid by law by the end of April and are effectively forward funded from the council's cash balances.

2.12.4 The capital programme will be largely funded by external borrowing going forward. Borrowing impacts the revenue account through the requirement to pay interest and also by the requirement to set aside Minimum Revenue Provision (MRP) to meet the repayment of the principal amount of loans. Generally loans are repayable over 30 years so for every £1 million borrowed, the revenue account is charged £33,334 a year as well as the interest at the rate set for the life of the loan by the Public Works Loans Board (PWLB). The new format of the capital programme will enable Members to connect the programme and it's financing explicitly to the impact on the revenue budget.

2.12.5 The £2.3 million savings target in 2022/23 represents the new target to be achieved from new savings proposals, the transformation programme and infrastructure investment. This new savings target has arisen as a direct result of anticipated pressures such as the ending of the AFM recycling credit distribution, funding spread over three years of the Collection Fund Deficit, contract increases as a result of new properties being completed which results in step change cost increases particularly for refuse and recycling, an anticipated overall contract price increase in 2023/24 of £1 million on the refuse and recycling contract to introduce weekly food waste collections and the inclusion of interest and MRP payments required as a result of the capital programme.

2.13 Contributions to/from reserves

2.13.1 The budget process invariably includes items that are not annually re-occurring and that require finance from the council's reserves. The proposed reserves contributions are summarised in the table below and include new movements for the irrecoverable losses in the collection fund grant. See Appendix D for more detail.

Table 3: Reserve contributions

	2021/2022	2022/2023	2023/24	2024/25
	£'000	£'000	£'000	£'000
Reserves				
Contributions to Earmaked Reserves	3,369	262	258	274
Contributions from Earmarked Reserves	(769)	(1,975)	(1,985)	(440)
Planned Use of General Fund Balance	-	-	(305)	135
New Homes Bonus Cont to Reserve	299	-	-	-
Total reserves	**2,898**	**(1,713)**	**(2,032)**	**(32)**

2.13.2 The reserves are an important part of the budget setting process; there are minimum levels of reserves which the section 151 officer sets out in his statutory report on the adequacy of reserves. Authorities are also expected to maintain a level of Earmarked Reserves to fund one-off projects and initiatives. The emphasis for this Medium Term Financial Plan is to protect a healthy minimum reserves position that provides sufficient cover for unforeseen events and provides resources to deliver the transformation programme at the fastest possible speed. Reserves will be subject to a full review as part of the year end closing of accounts. This will include a review of their purpose and whether some consolidation of reserves is possible to provide flexibility to fund the transformation programme and also provide a sufficient buffer in the General Fund Reserve should the phasing of savings delivery not match the target amount. However, it is only prudent to use the balance in a planned way to assist with smoothing delivery of change. The use of the balance simply to avoid making savings decisions will significantly increase the risk that the council does not become financially sustainable in the medium term.

2.13.3 It is anticipated that the New Homes Bonus Grant will cease to exist from 2023/24 and be replaced by a new grant designed to incentivise house building through the planning system. As it is imprudent to anticipate income when there are no proposals from government to model any potential awards, no income has been assumed other than the New Homes Bonus allocations already announced.

2.14 Sources of External Funding

2.14.1 The 2021/22 Provisional Local Government Finance Settlement was published on 17th December 2020, this provides details of provisional grant allocations and baseline figures within the Business Rate Retention scheme. Full details can be found on the MHCLG website. The table below shows the forecast funding.

Table 4: Funding

	2021/2022	2022/2023	2023/24	2024/25
	£'000	£'000	£'000	£'000
Funding				
Capital Salaries	(150)	(150)	(150)	(150)
NDR	(2,721)	(2,716)	(2,770)	(2,868)
Section 31 Grants	(4,666)	-	-	-
(Surplus)/Deficit on Collection Fund	2,455	2,455	2,455	-
Government Grant	(874)	(227)	(223)	(239)
New Homes Bonus	(2,244)	(571)	-	-
Total Funding	**(8,200)**	**(1,209)**	**(688)**	**(3,257)**

2.14.2 The Collection Fund is made up of two elements – Council Tax and Business Rates. Each one of these taxes can make a surplus or deficit for the year and those surpluses deficits are shared between East Herts and Principal Preceptors for Council Tax and the County Council and government for business rates. The deficit shown relates Business Rates. The Collection Fund position on Council Tax was a net break even position as the forecast deficit of £0.111 million for the year was absorbed by the brought forward balance. The Business Rates deficit is covered in paragraphs 2.6 and 2.7 above.

2.14.3 Members should be aware that there is a considerable risk that the Business Rates do not yield the funding level assumed in the budget and MTFP. In a worst case scenario the council could lose up to 7.5% of income below its Baseline Funding Amount within the Rates Retention System. Beyond a 7.5% loss the council is protected by the Safety Net arrangements under which that income level is guaranteed by government. So that Members can appreciate the risk the Business Rate income at the Safety Net level is £2.516 million which is £0.347 million less than the current estimates.

2.14.4 The 2021/22 allocations for New Homes Bonus were announced as part of the provisional finance settlement. These will be paid with the legacy amounts for 2018/19 and 2019/20. Members should note that the 2021/22 new award is a single year payment only and there will be no legacy amount payable in the future. A consultation is expected around reform to the New Homes Bonus scheme in due course.

2.14.5 Using Central Government's New Homes Bonus calculator, it is anticipated that the only payment expected in 2022/23 will be the final year's legacy payment from 2019/20. As shown in the table above.

2.15 Council Tax:

2.15.1 The Spending Review 2020 published in November 2020, set the council tax referendum limit at 2%. The provisional settlement confirmed that district councils will be allowed to apply the higher of the referendum limit of 2% or £5.

2.15.2 In setting the council's proposed budget, the maximum of £5 has been used in all years of the MTFP, giving a band D equivalent Council Tax of £179.09 for 2021/22.

2.15.3 Members have discretion over a number of Council Tax Discounts and a long term empty property premium that can be used to improve Council Tax yields, for example the premium applied to long term empty properties is 100% for properties empty between 2 and 5 years and can be increased to 200% for properties empty for more than 5 years. This premium is in addition to the 100% Council Tax due on the property and would see long term empty properties paying 300% Council Tax after 5 years. Currently the council only applied the 100% uplift. This is a potentially useful policy tool to assist bringing empty properties back into use. The council also has flexibility to set the empty and unfurnished discount which could be reduced to 4 weeks in common with most local authorities and acts as incentive to landlords to reduce void times and increase the supply of rented accommodation. A review of these discounts would also benefit the County, Police and Town and Parish Councils' elements of the total Council Tax charge for the property concerned.

2.15.4 Members have set the Local Council Tax Support Scheme (LCTSS) for working age claimants (pensioners are covered by the MHCLG national scheme which replicates the awards under the old Council Tax Benefit scheme and means that up to 100% of liability is covered). Members should consider whether the LCTSS could be changed over to a scheme using, for example income bands, and other simplifications that would reduce assessment and administration costs. Members will also need to consider in the coming year, especially in the economic climate when the LCTSS comes up for approval at Council in November, whether to change the relatively generous liability covered within the East Herts LCTSS of 91.5% when the national average for Councils in England is 80% of liability is covered.

2.16 2021/22 Revenue Budget

2.16.1 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. The proposed budget for 2021/22 is shown on the next page:

Table 5: 2021/22 Revenue budget

	2021/2022 £'000
Net Cost of Services	**16,391**
Total corporate budgets	**(33)**
Total reserves	**2,898**
Funding	
Capital Salaries	(150)
Non Domestic Rates	(2,721)
Section 31 Grants	(4,666)
(Surplus)/Deficit on Collection Fund	2,455
Government Grant	(874)
New Homes Bonus	(2,244)
Total Funding	**(8,200)**
Demand on Collection Fund	**11,056**

2.17 Consultation

2.17.1 To assist Members with understanding how the public value the services provided by the council, an on-line consultation was undertaken for two weeks closing on 20 December 2020. Details of the questions and the answers are provided in Appendix C

2.17.2 Some 696 members of the public took part and generally they are positive about the way the council is run and provides value for money. Indeed the very satisfied score for value for money is double the average score seen at other local authorities for this question. Services that came out with very positive scores from residents were waste, parks and open spaces and leisure. Parking and dealing with antisocial behaviour came out as broadly neutral. Residents expressed some dissatisfaction with the Planning Service but from comments this appears to a number of people who did not like development in their local area. Questions on housing and support to businesses were answered very heavily with don't know. This is disappointing given the cash passed on to support businesses during the pandemic and the important work the council does to prevent homelessness and ensuring the building of affordable housing for local people.

2.17.3 No consultation has taken place with the public on the overall budget proposals. Individual savings proposals which have a significant impact will be subject to consultation exercises on their implementation as has happened, for example, for garden waste charging.

2.18 Capital Programme

2.18.1 During 2020/21 a review of the major capital projects' business cases has been completed as well as a review of the phasing and financing of the whole programme over five years. The five year Capital programme from 2021/22 can be found in Appendix E and delivers the substantial capital ambitions of the council with major investments in leisure, culture, and the revitalisation of Bishop's Stortford.

2.18.2 Going forward, the capital programme will need to be financed predominately by borrowing with resulting revenue costs in terms of interest and Minimum Revenue Provision (MRP). MRP is a statutory requirement to ensure that the council sets aside revenue to repay the loan principal and Council will be requested to approve the MRP Policy as part of the Capital Strategy. It is proposed that MRP will be on the asset life method which has several advantages. Firstly, MRP is not payable whilst the asset is under construction which can take two to three years. Once the asset is brought into use the asset life must be set and once set it is fixed and cannot be changed. MRP then becomes payable only in the first full year the asset is in service.

Asset lives have to have regard to the statutory guidance and are set by the s.151 officer. We will usually phase loan repayments to utilise the MRP accrued and to create borrowing headroom. Generally the useful asset life will be 30 years for buildings. Whilst this might, on the face of it, seem too short for a building, the various components of the building are likely to need substantial replacement after 30 years (windows, wiring, plumbing, roof, fixtures and fittings and so on.). When undergoing major refurbishment, the building is often stripped back to the core structural elements therefore a useful life of 30 years covering loan debt structured to be paid down over 30 years is a prudent method.

2.18.3 On 25 November 2020 the Government announced changes to borrowing rules to access the Public Works Loans Board (PWLB) lending facility. The PWLB forms part of HM Treasury and provides loans to local authorities at substantially cheaper rates than local authorities could access from the market. The announcement informed local authorities that the government would withhold lending from any local authority that seeks to borrow for investment in "assets primarily for yield". The prohibition will cover all lending even if there is just a single item that is an investment primarily for yield in a three year capital programme, regardless of how that item is financed. It will be for the s.151 officer (Head of Strategic Finance and Property) to certify that no investments fall into the primarily for yield category. This change applied from 9am 26 November 2020.

2.18.4 As a result of the announcement further acquisitions by the Financial Sustainability Committee were halted as their target acquisitions were investments primarily for yield. Acquisition of further properties by Millstream has also been paused for 2021/22 onwards. There is some uncertainty as to whether housing is an investment primarily for yield; as these are complex legal areas and the general power of competency cannot be applied in an unfettered way, in this case the Head of Strategic Finance and Property will seek Counsel's advice on this issue. In order to protect the council's access to PWLB borrowing, Millstream has been asked to bring forward a business plan that holds its current position and does not involve new acquisitions or development until Counsel's advice has been received and considered.

2.18.5 The Financial Sustainability Committee has been provisionally allocated a £6 million budget and this is preserved within the capital programme as the Committee wish to explore a number of infrastructure investments which are not currently being provided by the market (and thus would not be counted as investment in assets primarily for yield) but will also provide an income to the council in the medium term. The types of proposals to be considered are commercially confidential and if Members wish to discuss these then it will be necessary to exclude the press and public from the meeting by virtue of Paragraph 3, Part 1, Schedule 12A of the Local Government Act 1972 . *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

2.18.6 In order to ensure the capital programme at Appendix E remains affordable it has been necessary to make provision for the disposal of all the residential properties at Northgate End (both affordable and market units) with the capital receipt being used to finance the scheme. This is essential to protect the revenue account from further pressure in the medium term.

2.18.7 Members will also note that Revenue Expenditure Funded as Capital Under Statute (REFCUS) is now charged to the revenue account. Borrowing is not a suitable financing method for REFCUS because it results in no asset for the council. In examining the grants in this area it is now proposed that Home Improvement Grants and Historic Building Grants are offered as interest free loans secured against the equity in the property going forward. Where this change has been implemented elsewhere money starts to return to the council after about five years and as they are capital receipts these are then applied to the capital programme providing for revolving funding.

2.18.8 It is also proposed that the home energy improvement grants be rebranded as East Herts Green Deal Loans. The council will provide funding for the installation of ground source or air source heat pumps to replace electric storage heaters, gas or oil fired boilers. This will help homeowners move away from fossil fuel burning heating systems and assist those on low incomes to become carbon neutral. These installations are substantially more expensive than conventional boilers but do result in reductions of around 60% in energy bills. The funding will be in the form of an interest loan secured against the equity in the property. The applicant will have their energy bills examined before and after and asked to pay 50% of the saving to the council to repay the loan.

2.19 Prudential Code implications

2.19.1 The council is required under the Local Government Act 2003 to 'have regard' to the requirements of the CIPFA Prudential Code which requires that certain performance indicators and limits known as Prudential Indicators are calculated.

2.19.2 The Prudential Indicators must be approved by Council before the beginning of each financial year. Their purpose is to help the council ensure that its capital investment plans are affordable, prudent and sustainable.

2.19.3 In the opinion of the Head of Strategic Finance and Property the capital programme being proposed in this budget report is affordable, prudent and sustainable. However, it should be noted that the Minimum Revenue Provision Policy, is subject to validation with the Council's external auditor. The policy contains a proposed treatment of historic set aside capital receipts which can only be utilised for repaying borrowing. The Policy utilises receipts to repay borrowing but there is a risk that if the external auditor does not agree with the treatment of the historic set aside receipts that the council will need to revisit the capital programme and its financing

2.20 2021/22 Revenue schedule of fees and charges

2.20.1 Fees and charges have been increased by an average 2.5%, the estimated impact of this increase is additional income of £17k in 2021/22. Detailed Fees and Charges are shown in Appendix F.

2.20.2 The table below shows the impact of the changes proposed in the schedule of charges to the 2021/22 budget.

Table 6: Fees and charges

Service	**2020/21 budget**	**Impact of proposed average 2.5% charges increase**	**2021/22 budget**
	£	£	£
Env. Heath Promotions	2,100	50	2,150
Env. Health Licences	24,950	550	25,550
Taxi Licensing	290,750	7,200	297,950
Dev & Building Control	132,450	3,300	135,750
Legal fees	33,100	800	33,900
Markets	19,030	500	19,530
Bed & Breakfast	16,100	400	16,500
Residents Parking	141,750	3,500	145,250
Parking – season tickets	33,350	800	34,150
	693,580	**17,150**	**710,730**

2.20.3 A report aligning the Waste shared service pricing structure was approved at Full Council on 16th December 2020. This report included proposals for a common pricing structure for residual commercial and chargeable household waste, to introduce charges for recyclable commercial and recyclable chargeable household waste in line with existing shared waste service charging and to agree to a new pricing structure for chargeable household bulky waste collections. The report forecasts a net positive budget impact of £103k, this has been included in the net cost of services.

2.21 Transformation Programme

2.21.1 The Transformation Programme will be delivered alongside savings plans. Savings from the programme will be calculated and agreed for delivery as the Programme evolves. The aims of the programme are:

- Ensuring our staff teams are resourced appropriately, allowing us to focus on our corporate plan priorities.
- Accelerating a number of operational projects to improve efficiency such as bringing together administrative and business support functions.
- Recognising the need to drive and realise a more commercial approach to how the council operates.
- Ensuring flexibility and collaboration – working across council services and with partners to share expertise, capacity and space.
- Consulting with our residents to understand what services they find most useful and why
- Undertaking an agile working review to:
    - transform existing working practices to ones that are more effective and efficient and ensure that previous investment in technology is being fully utilised to support agile working, starting with the finance system

- create a culture which acknowledges that it is about the work you do not where you do it
- maximise customer self-service and digital engagement
- identify and then deliver new ways of working smarter through IT and technology solutions that will underpin how we collaborate and communicate; and
- review our future office and space needs and ensure that we have the right space of the right size in the right place.

2.21.2 The operational review will allow proposed changes to the way services are delivered to be properly evaluated, costed and delivered over the next three years ensuring that, combined with the income generation proposals, the council's resources are focussed on delivering the new Corporate Plan. Without this review and a transformation programme to deliver these significant changes there is a highly probable risk that in future Members will have to make significant reductions in services so as to operate within a funded budget or risk intervention from central government.

3.0 Reason(s)

3.1 The council is required to set a balanced budget in advance of the beginning of each financial year in accordance with the provision of the Local Government Finance Act 1992.

4.0 Options

4.1 The budget process included consultation and discussion around alternative savings options. This paper presents the recommended options.

5.0 Risks

5.1 The council's Medium Term Financial Plan is a complex model subject to many factors and the forecasts are, by necessity, subject to continuous review and refinement to reflect the latest information as it emerges.

5.2 The budget report considers emerging risks to the funding the council receives and issues are set out in the appropriate parts of the report.

5.3 Section 25 of the Local Government Act 2003 requires the Statutory s151 Officer (Head of Strategic Finance and Property) to give advice to Council on the level of reserves held and the robustness of the budgets of the budgets at the time Council makes its decision on the budget proposals

5.4 COVID-19 – the budget has been produced on the basis that substantial progress will have been made on the roll out of the vaccine nationally and that Government funding will cover quarter 1 lost income. From July 2021the budget assumes a steady return to levels of activity prior to the pandemic. However, we foresee that activity may be different as people work from home two to three days a week with different travel patterns and different demands on services, for example, commuter parking versus shoppers parking. The council continues to monitor service patterns and will be well placed to respond to these changes.

6.0 Implications/Consultations

6.1 Consultation with residents on the satisfaction with services and their perception of the value for money provided by the council has been undertaken and the results have improved the budget proposals put forward. Specific consultation exercises will take place on implementing significant service changes such as the design of the charged for garden waste service.

6.2 The budget and MTFP was subject to scrutiny at a meeting of Joint Scrutiny Committees on 10 February 2021 and there were no recommended amendments to the budget or MTFP.

Community Safety

The budget underpins delivery of the council's policies and priorities in relation to community safety, for example, a previous proposal to withdraw from the Hertfordshire Emergency Planning Resilience Partnership has been put on hold for the time being.

Data Protection

The costs of monitoring and complying with Data Protection regulations are included in the base budget. There are no resources set aside to meet any possible fines and these would have to be funded from reserves.

Equalities

The council has a number of statutory duties under the Equality Act 2010. These 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.

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

Environmental Sustainability

The budget underpins policies and priorities in relation to the environmental and sustainability areas e.g. it provides staffing and capital investment resources.

Financial

All financial implications are included in the report.

Health and Safety

The council's budget provides resources to discharge its health and safety duties in relation to staff as employer and to the public as service users.

Human Resources

The budget will provide a provision for a pay award of up to 1.5% but the actual award is subject to national NJC negotiations. This provision is set in the light of forward inflation estimates consensus contained in the Bank of England Monetary Policy Report November 2020. Progression up the incremental scale has been included in the base budget salary costings.

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

Appendices	
A	Savings Plan
B	Medium Term Financial Plan (MTFP)
C	Consultation
D	Reserves
E	Capital Programme
F	Schedule of charges

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