





Report for:	Cabinet
Title of report:	Budget 2023/24
Date:	14 th February 2023
Report on behalf of:	Councillor Graeme Elliot, Portfolio Holder for Corporate Services
Part:	I
If Part II, reason:	N/A
Appendices:	<p>Corporate view</p> <ul style="list-style-type: none">• Appendix A1 – General Fund Budget Summary 2023/24• Appendix A2 – General Fund MTFS update 2023/24 – 2026/27• Appendix B1 – Budget Change Analysis 2022/2023 – 2023/24• Appendix B2 – Budget Summary by Overview & Scrutiny Committee <p>Finance and Resources</p> <ul style="list-style-type: none">• Appendix C1 – Finance & Resources Budgets Summary 2023/24• Appendix C2 – Finance & Resources Budget Detail 2023/24• Appendix C3 – Finance & Resources Fees and Charges 2023/24 <p>Housing and Community</p> <ul style="list-style-type: none">• Appendix D1 – Housing & Community Budget Summary 2023/24• Appendix D2 – Housing & Community GF Budget Detail 2023/24• Appendix D3a – Housing & Community Fees and Charges 2023/24• Appendix D3b – Housing & Community Fees and Charges (Licensing) 2023/24 <p>Strategic Planning and Environment</p> <ul style="list-style-type: none">• Appendix E1 – Strategic Planning & Environment Budget Summary 2023/24• Appendix E2 – Strategic Planning & Environment Budget Detail 2023/24• Appendix E3 – Strategic Planning & Environment Fees and Charges 2023/24 <p>Housing Revenue Account</p> <ul style="list-style-type: none">• Appendix F – Housing Revenue Account Budget 2023/24• Appendix G – Housing Revenue Account Movements 2023/24 -2023/24 <p>Capital Programme</p> <ul style="list-style-type: none">• Appendix H – Capital Programme Summary of new and amended projects• Appendix I – Capital Programme 2023/24 - 2026/27, by OSC <p>Reserves</p>

	<ul style="list-style-type: none"> • Appendix J – Statement of Earmarked Reserves <p>Treasury Management</p> <ul style="list-style-type: none"> • Appendix K – Treasury Management Strategy Statement 2023/24 <p>Capital Strategy</p> <ul style="list-style-type: none"> • Appendix L – Capital Strategy 2023/24 <p>S151 Officer</p> <ul style="list-style-type: none"> • Appendix M – Statement by the Chief Finance Officer
Background papers:	Joint Overview and Scrutiny Reports: 6 th December 2022, and 1 st February 2023.
Glossary of acronyms and any other abbreviations used in this report:	<p>GF – General Fund Revenue Account</p> <p>HRA – Housing Revenue Account</p> <p>DLUHC- Department of Levelling Up, Housing and Communities</p> <p>MTFS – Medium Term Financial Strategy</p> <p>NHB – New Homes Bonus</p> <p>OSC – Overview and Scrutiny Committee</p> <p>PWLB – Public Works Loan Board</p> <p>RSG – Revenue Support Grant</p> <p>SFA – Settlement Funding Assessment</p>

<p>Report Author</p> <p>Fiona Jump, Head of Financial Services</p> <p> </p> <p>Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)</p> <p>Responsible Officer</p> <p>Nigel Howcutt, Chief Finance Officer</p> <p> </p> <p>Nigel.howcutt@dacorum.gov.uk / 01442 228662 (ext. 2662)</p>

Corporate Priorities	<p>A clean, safe and enjoyable environment</p> <p>Building strong and vibrant communities</p> <p>Ensuring economic growth and prosperity</p> <p>Providing good quality affordable homes, in particular for those most in need</p> <p>Ensuring efficient, effective and modern service delivery</p>

	Climate and ecological emergency
Wards affected	All
Purpose of the report:	<p>To present to Cabinet budget proposals for recommendation to Council in relation to:</p> <ol style="list-style-type: none"> 1. Revenue and Capital Expenditure for 2023/24 together with the potential use of reserves 2. The setting of the Council Tax for 2023/24 3. The Treasury Management Strategy 2023/24 4. The Capital Strategy 2023/24 5. The level of fees and charges for 2023/24 6. Advice to Councillors on the robustness of the Budget proposals and adequacy of balances and reserves as required by the Local Government Act 2003.
Recommendation (s) to the decision maker (s):	<p>It is recommended that Cabinet recommends Council to:</p> <p>General Fund Revenue Estimate</p> <ol style="list-style-type: none"> 1. Set a Dacorum Borough Council General Fund Council Tax requirement of £13.341m, and a provisional amount of £14.574m for the combined Borough Council and Parish Councils' requirement for 2023/24; 2. Approve a Band D Council Tax increase of £6.27 (2.9%) for Dacorum Borough Council; 3. Approve the base estimates for 2023/24, as shown in Appendix A1, and the indicative budget forecasts for 2023/24 – 2026/27, as shown in Appendix A2; 4. Approve the forecast balances of Revenue Reserves as shown in Appendix J, and approve section 11 of this report as the updated Reserves Strategy; 5. Approve increases in Fees and Charges for 2023/24 as set out in Appendices C3, D3, and E3; 6. Approve and adopt the Treasury Management Strategy for 2023/24, attached at Appendix K;

	<p>7. Approve and adopt the Capital Strategy for 2023/24, attached at Appendix L;</p> <p>8. Note that this budget paper, if approved by Council, will form part of the Medium Term Financial Strategy.</p> <p>Capital Programme</p> <p>9. Approve the Capital Programme for 2023/24 to 2027/28, as detailed in Appendix I;</p> <p>10. Approve the financing proposals in Appendix I subject to an annual review of the financing options by the Chief Finance Officer, in consultation with the Portfolio Holder for Finance and Resources, during the preparation of the Statement of Accounts.</p> <p>Housing Revenue Account (HRA)</p> <p>11. Set dwelling rents according to the new DLUHC guidance, which provides for a rent increase of 7%. The average dwelling rent is proposed to be £118.62 in 2023/24 (based on 52 weeks);</p> <p>12. Approve the HRA budget for 2023/24 as shown in Appendix F.</p> <p>Employer Terms and Conditions</p> <p>13. Note that the hourly rate of all Council employees continues to exceed the rate proposed by the rates of the Living Wage Foundation, for 2023/24 (to be reviewed annually thereafter).</p> <p>Statement by Chief Finance Officer</p> <p>14. Approve the statement by the Chief Finance Officer regarding the robustness of the budget estimates and level of reserves as set out in Appendix M.</p>
<p>Period for post policy/project review:</p>	<p>Performance against the approved budget for 2023/24 will be reported to Members on a quarterly basis.</p>

The 2023/24 budget proposal and the updated Medium Term Financial position have been produced to ensure that the Council maintains a sustainable financial position over the planning period to 2026/27. The following Council strategies and policies have informed the budget-setting process:

- The Council's Vision and Priorities, as stated in the Corporate Plan
- The Medium Term Financial Strategy (MTFS)
- Service Strategies and Plans

In accordance with the Medium Term Financial Strategy, a Budget Review Group comprising the Leader, Portfolio Holder for Corporate Services, Chief Executive, Strategic Director Corporate and Commercial and the Chief Finance Officer has met to review and monitor emerging budget proposals throughout the budget preparation period.

There have been a series of budget briefings and planning meetings throughout the budget cycle involving Portfolio Holders and members of the Council's Leadership Team. In addition, there have been combined briefings for Overview and Scrutiny Committees in December 2022 and February 2023, during which Members undertook detailed scrutiny of the budget proposals.

2 The 2023/24 Local Government Finance Settlement

On 12 December 2022 the Department for Levelling Up, Housing and Communities (DLUHC) issued the 'Local government finance policy statement 2023/24 to 2024/25'. The statement was intended to provide councils with 'greater certainty on key aspects of their funding' recognising that 'it is incredibly important for their budget setting process and their ability to plan for the future.

The policy statement confirmed the increased flexibility for Council Tax outlined in the Chancellor's Autumn Statement on 17 November 2022 which increased the referenda limit by one per cent to 2.99% or £5 (whichever is the greater).

The Local Government Finance settlement was announced on the 19th December 2022. The statement set out that there would also be changes to settlement grants. The expected negative RSG element of DBC funding has been removed for 2023/24, and the Services Grant will be reduced from 2022/23 allocations to allow for the previous increase in National Insurance Contributions to be reversed following the mini budget on 23rd September 2022.

As part of the Government's Local Authority assessment of financial need they have previously calculated how much Revenue Support Grant (RSG) authorities require, in the case of Dacorum we are assessed as having to make a contribution to the government called negative RSG. The settlement announced means the contribution is not required in 2023/24.

The Lower Tier Services Grant has also been repurposed to create a new one-off Minimum Funding Guarantee to ensure that all authorities achieve a 3% increase in their Core Spending Power before Council tax increases. This is intended to help authorities manage the current inflationary pressures.

It was also confirmed that there would be a new round of New Homes Bonus (NHB) payments in 2023/24 but that this is a one off allocation and will not attract legacy payments for future years, hence 2023/24 as expected is to be the final year of the current New Homes Bonus scheme.

For 2024/25, the policy statement confirmed that the core settlement will 'continue in a similar manner' with the continuation of major grants, business rates pooling and council tax referendum principles. However, there is no confirmation about the future of Negative RSG, Services Grant or the Minimum Funding Guarantee Grant. The 23/24 budget and current MTFS assumes these settlement decisions are one off funding agreements, whilst the government undertakes a review of future Local Authority funding.

The net impact of these one off funding streams will be allocated to reserves in line with proposals outlined in the MTFS and December and February Scrutiny reports.

3 Dacorum's Key Funding Streams- Settlement Funding Assessment

Historically, the Council has benefitted from two elements of funding within the Local Government Finance Settlement (which together comprise the Settlement Funding Assessment (SFA)):

- Revenue Support Grant (RSG)
- Baseline Funding (the guaranteed element of Business Rates Retention)

Revenue Support Grant is general, unrestricted grant paid by Government to Local Authorities to support the provision of their day-to-day services. RSG is currently being phased out as Government continues to step back from its historical role in the Local Government finance model, instead driving an agenda of Locally Financed Expenditure in which LAs raise all funds locally, primarily through Council Tax and Business Rates growth.

The concept of 'negative RSG' was introduced to enable Government to continue reducing the level of funding paid to an authority when there was no further RSG left to reduce. The idea was that the negative RSG would net off against the Business rates funding to bring total authority funding down to a level, which, in Government's opinion, reflected its level of need.

The Council ceased to receive RSG in 2018/19, and, based on the original 4-year deal, was expected to pay negative RSG of £1.500m in 2023/24.

In December 2022, Government announced that next year, for the fourth consecutive year, negative RSG will be suspended. This means that the Council will receive £1.500m more funding in 2023/24 than was forecast within the MTFS.

It is recommended that the Council continues the strategy of previous years and as outlined in the MTFS, contributes the £1.5m of negative RSG to reserves – in this case, the Inflationary Pressures Reserve (£750k) to support expected inflationary pressures in 2023/24 and beyond and the Savings Efficiency Reserve (£750k).

Baseline Funding is funded by Central Government through redistributed Business Rates, and the amount is determined by Government's assessment of need within Dacorum. The provisional settlement for 2023/24 is £3.1m, in line with the MTFS expectations.

Baseline Funding is part of the Government's Business Rates Retention Scheme, which is designed to incentivise local authorities to grow their local economy by enabling them to share in any increase in Business Rates income (i.e. growth in the tax base). However, under the terms of the Scheme, the reverse is also true, i.e. that local authorities must absorb a portion of the lost business rates income arising from a contraction in the tax base.

Prior to Covid, Dacorum has seen Business Rates growth which has resulted in additional funding to the baseline budget. As this income stream is vulnerable to fluctuations in the local economy, the majority of the income historically has been transferred to reserves each year, so this impact has been minimal on the finances of the Council.

4 Dacorum's Key Funding Streams- New Homes Bonus

The provisional NHB allocation for Dacorum in 2023/24 has been announced as £721k, comparable with 2022/23 allocations and an increase on the projected income in the Medium Term Financial Strategy of £270k. This increase is due to Government including an additional one off allocation for 2023/24, contrary to previous announcements.

Since the introduction of NHB in 2011/12, the Council has recognised its vulnerability as a funding stream and, consequently, rather than become reliant on it to support the delivery of ongoing services, has used the vast majority to support one-off expenditure and capital projects.

In line with previous years' strategies, it is proposed that all NHB funding in 2023/24 be transferred to the Dacorum Development reserve to fund future growth projects across the borough. NHB is expected to cease after 2023/24.

5 Dacorum's Key Funding Streams – Minimum Funding Guarantee and other grants

As part of the provisional settlement, the Lower Tier Services Grant has also been repurposed to create a new one-off Minimum Funding Guarantee to ensure that all Authorities achieve a 3% increase in their Core Spending Power before Council Tax increases. The Services grant received in 2022/23 continues in 2023/24 albeit it at a reduced level. This is intended to help Authorities manage the current inflationary pressures. The 23/24 budget and current MTFs assumes these grants are one off funding agreements, whilst the government undertakes a review of future Local Authority funding. A transfer of £906k associated with grants to the Dacorum Development Reserve is proposed to fund future growth project across the borough.

6 Dacorum's Key Funding Streams – Council Tax

Dacorum's Council Tax requirement for 2023/24 is calculated as £14.574m (provisional, inclusive of provisional parish precepts) and £13.341m (exclusive of parish precepts). The approved tax base for 2023/24 is 59,922.3 based on a collection rate of 99.4%.

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

A surplus position of £429,119.98 on the Collection Fund is forecast for 31 March 2023. This surplus is shared between the Major Preceptors, i.e. the County, the Police Authority and the Borough, in proportion to their precepts for the year.

The proportion of this surplus that each of the Major Preceptors will receive from the Collection Fund when calculating the Council Tax for 2023/24 is as follows:

	£
Dacorum Borough Council	-50,451.32
Hertfordshire County Council	-330,479.06
Police and Crime Commissioner for Hertfordshire	-48,189.60
Total Surplus	-429,119.98

Cabinet approved the Collection Fund surplus in December 2022.

The Localism Act 2011 abolished Council Tax capping in England and instead allows local residents to reverse 'excessive' Council Tax increases by means of referendum. Within the provisional settlement, Government confirmed the referendum threshold for district councils at the higher of £5 or 3%. The proposed increase of £6.27 (2.9%) for Dacorum in 2023/24 is therefore within the threshold. This referendum threshold does not currently apply to Town and Parish Councils. The cost of holding a referendum within Dacorum is estimated to be around £80k.

7 Local Government Accounting Requirements

The budget-setting process for the Council is governed by a number of statutory requirements. Some of the key requirements are explained, below.

Capital Charges

Where a Service benefits from the use of a council-owned asset, the Revenue expenditure budget for that Service includes a nominal charge for the use of that asset. This is in line with standard accounting practices, and the nominal charge is known as a Capital Charge.

Capital Charges ensure that the ‘true’ cost of running a Service is captured in the budget. However, in order to ensure that this nominal charge is not passed onto the Council Tax payer, there is corresponding credit (reversing out the charge), which can be seen in the General Fund Summary (Appendix A1).

A rolling programme of valuations is undertaken by the Council’s valuer, which ensures that the asset register is kept up-to-date, and that capital charges to Services are accurate. The Council’s valuation method and calculation are subject to audit by the Council’s external auditors, Grant Thornton. Any change in the use of assets, or revised valuation, or additional Capital Expenditure will affect the capital charge made to the Revenue Budget.

Prudential Code

The Council complies with the Prudential Code for controlling Local Government Capital Finance, and the Budget for 2023/24 has been prepared in the context of these plans and controls. (More details of the Prudential Code are included within the Treasury Management Strategy in Appendix K.) The key objectives of the Code are to ensure that:

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

8 Budgetary Assumptions 2023/24

The inflationary assumptions used to compile the 2023/24 estimates are set out below.

Inflation Factors	
Average salary Inflation (annual pay settlement) for 2023/24	4%
Business Rates (Multiplier frozen and funded through S31 grant)	2.0%
Fuel	5.0%
Utility Cost increase assumptions:	
Gas	20.0%
Electricity	20.0%
Other Assumptions	
Return on investment	3.3%
Salary Vacancy Factor (excluding front-line Waste services)	5.0%

Growth in numbers of Band D equivalent properties	1.0%
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The salary vacancy factor for the 2022/2023 budget was 5%, excluding front line staff within Waste Services. Analysis of the employee related budget undertaken during the last financial year shows that this level remains appropriate. It is therefore proposed to maintain the vacancy factor at 5% for 2023/24.

9 Revenue Income

In addition to the key funding streams explained in sections 3 - 6 of this report, the Council receives income from a number of sources.

Housing Rents received through the Council's housing stock are ring-fenced within the Housing Revenue Account (HRA) for the administration and maintenance of existing stock, and for the delivery of new buildings. More detail on the HRA budget is covered in section 15 of this report.

Investment Income –the Bank of England base rate 4.0% (as of February 2023), having been raised several times during 2022 after a prolonged period of very low interest rates. As a result the Council is seeing an increase in the returns it receives on the investment of its cash balances in 2022/23. Investment income assumptions for 2023/24 have been increased to reflect expected returns in 2023/24, which are assumed to average at around 3.3%.

Fees and Charges – Service managers have proposed changes to fees and charges for 2023/24 as detailed in Appendices **C3, D3 and E3**. The principle of cost recovery has formed the basis of this review. Fees and charges proposals for 2023/24 reflect expected increase in staffing and other costs, where the Council has the discretion to do so. This approach will support the continued delivery of valued Council services going forward.

10 Reserves Strategy

The Council's Reserves Strategy is reviewed annually, and was most recently approved by Members within Section 12 of the Budget and Council Tax Setting Report (February 2022).

The Council holds two types of reserve, both of which are subject to audit by the Council's external auditors, Grant Thornton, as part of the year-end process. The two types of reserve are:

- **Working balances**, which are required as a contingency against unforeseen events, and to ensure that the Council has sufficient funds available to meet its cash flow requirements. The Local Government Act 2003 requires the Section 151 Officer to report on the adequacy of financial reserves when setting the General Fund budget requirement for the year. This requirement is met within Appendix M.
- **Earmarked reserves**, which are funds approved by Members to finance specific items of future expenditure. The Council's Financial Regulations dictate that Earmarked Reserves can be created only with Full Council approval, and subsequent transfers to and from those reserves require Full Council approval.

In line with the Council's approach in previous years, it is recommended that the **General Fund Working Balance** be maintained at a level between 5% and 15% of Net Service Expenditure. The proposed budget forecasts a General Fund Working Balance of £2.5m by the end of 2023/24, which equates to just over 11% of the Net Cost of Services of £21.4m (as shown in Appendix A1).

The **HRA Working Balance** is maintained by the Council at a level of not below 5% of turnover, as approved by Members as part of the MTFS Reserves Strategy. The proposed budget maintains the HRA Working Balance at £3.2m by the end of 2023/24, which equates to 5% of the £63.9m turnover (as shown in Appendix F).

It is recommended that Council approves the continued use of these parameters for the maintenance of both General Fund and HRA Working Balances.

General Fund Earmarked Reserves

The General Fund budget proposes a Net Cost of Service of £21.4m, as set out in Appendix A1. This includes a net contribution of £2.639m to earmarked reserves. The proposed movements of General Fund earmarked reserves for revenue use in 2023/24 are as follows:

Earmarked Reserve	Net Movement to/(from) Reserves £000
Management of Change Reserve	(103)
Savings Efficiencies Reserve	904
On Street Car Parking Reserve	40
Local Development Framework Reserve	(80)
Dacorum Development Reserve	(447)
Vehicle Replacement Reserve	25
Invest to Save Reserve	(20)
Election Reserve	(120)
Training and Development Reserve	(58)
Housing Conditions Survey Reserve	15
Funding Equalisation Reserve	1,111
Pensions Reserve	600
Maylands Plus Reserve	23
Economic Recovery Reserve	(895)
Inflationary Pressures Reserve	750
Total Net Movement	2,639

Appendix J details the proposed movements on General Fund Earmarked Reserves. All reserves have been reviewed during the preparation of the Budget for 2023/24, and there will be a further review of the reserves position as part of the closure of accounts process for 2022/2023.

The justification for balances currently held by the Council within Earmarked Reserves is shown below.

- **Civic Buildings Major Repairs Reserve**

This reserve was created as the Civic Centre Major Repairs Reserve to cover the costs arising from unplanned repairs to the Civic Centre. A small balance of £60k remains on this reserve for future use.

- **Earmarked Grants Reserve**

This reserve has been set up for unutilised grants from current and prior years. Local authorities are free to use all of this non-ring fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

- **Management of Change Reserve**

To finance any one off costs of projects required to make improvements or significant changes to services for which no budgetary provision exists, including redundancy and pension strain payments.

The following transactions comprise the net draw down from this reserve of £103k in 2023/24:

- A further year of the fixed term Diversity and Inclusion Officer (£53k)
- A further year of a Communications Officer post (£50k)

- **Technology Reserve**

This reserve was set up to be utilised with the Management of Change reserve to invest in technology improvements that will help improve efficiency and resilience.

- **Savings Efficiencies Reserve**

This reserve was created in order to mitigate the risk of the Council's savings initiatives failing to complete on time, and thereby causing an in-year budgetary pressure. There is a net contribution to this reserve of £904k planned in 2023/24. This figure includes the following:

- a contribution to reserves arising from a one-off saving from the upfront payment of pension contributions (£174k).
- a contribution from reserves to support the restructure of the Revenues and Benefits Service, both delayed due to the impact of the pandemic (£110k).
- a contribution from reserves to support income generation within Planning (£110k).
- a one-off contribution following the suspension of negative RSG for 2023/24 (£750k).
- a contribution to reserves resulting from a reduction in interest payments following loan rescheduling in 2022/23 (£200k)

- **On Street Car Parking Reserve**

There are statutory requirements the Council must observe in relation to income derived from certain parking activities, particularly on street car parking and penalty charge notices. Any operating surplus generated from these activities is transferred to this reserve for future re-investment in parking activities. A one-off contribution of £40k is being applied to this reserve to ensure it has capacity to support the additional parking reviews expected in 2023/24.

- **Local Development Framework Reserve**

This reserve was created to support the development and ongoing work associated with the Council's local plan. A draw down of £80k from this reserve to support the Local Plan is proposed.

- **Dacorum Development Reserve**

This reserve was created to support regeneration and economic development initiatives across the Borough. The net contribution of £447k proposed for 2023/24 comprises:

- A contribution of £906k from the additional funds provided by the Local government finance settlement;
- A contribution of £0.721m from New Homes Bonus funding;
- A drawdown of £300k to fund costs associated with the Hemel Garden Communities project to create new housing, jobs and infrastructure within the borough;

- A drawdown of £250k to support the restructure of the Place service.
- A drawdown of £125k to support the second year of the implementation of the Garages Strategy;
- A drawdown of £225k to support the development of a Sustainable Transport Scheme;
- A drawdown of £100k to meet regeneration surveyor costs and a strategic asset review.
- £80k to support a post within the Economic Development team and two posts to deliver Energy Performance Certificate requirements associated with the Council's commercial assets portfolio.
- A drawdown of £50k to deliver Armed Forces day and King's Coronation events.
- A drawdown of £50k to support the delivery of the Light Industrial Unit business, case, part of the Council's Commercial Strategy.

- **Climate Change and Sustainability Reserve**

This reserve was set up in 2020/21 to support initiatives associated with the Council's commitment to addressing climate change and sustainability issues across the borough.

- **Litigation Reserve**

The funds within this reserve are held to support one-off costs associated with the defence against, or settlement of legal claims.

- **Vehicle Replacement Reserve**

This reserve was created to enable the Council to make regular contributions to the capital costs associated with replacing of key fleet vehicles. Funding replacement costs through Revenue Contributions to Capital enables the Council to reduce or avoid the costs associated with borrowing.

- **Invest to Save Reserve**

This reserve was created in 2015/16 to support the one-off costs associated with spend to save initiatives and investing in new ways of working. A draw down of £20k is planned in 2023/24 to support training across the Council.

- **Youth Provision Reserve**

To assist with repairs expenditure of youth facilities and projects providing youth provision.

- **Election Reserve**

This reserve was created to smooth the cost of Borough Elections over a four-year period. A draw down of £120k is proposed for 2023/24 to support the cost of elections.

- **Uninsured Loss Reserve**

To cover potential liabilities which are above the budgeted amount for uninsured losses or those covered by the Council's insurance policy.

- **Training and Development Reserve**

This reserve was created to finance specific development programmes for Council staff. It complements the Management of Change reserve and ensures that Officers are able to access the training required to deliver services more efficiently. A draw down of £58k from the reserve is proposed to continue support of the costs of the first cohort of the Graduate Programme.

- **Housing Conditions Survey Reserve**

This reserve was created to smooth the costs associated with periodic Council inspections of private dwellings. A top up of the reserve of £15k to support pressures relating to work on the private rented sector across the borough is proposed.

- **Funding Equalisation Reserve**

Funded through annual surpluses on the Collection Fund, this reserve is essentially a means of making the necessary accounting adjustments that arise when actual collection rates differ from forecast collection rates. It also contains previous years' growth in Business Rates in order to fund potential shortfalls in future years' funding. The surpluses in this reserve will be reviewed at the point Baseline Funding is reset, following the implementation of the Fair Funding Review. A contribution of £1.111m is proposed, funded by the forecast business rates surplus in 2023/24.

- **Pensions Reserve**

This reserve was created in 2012/13 in order to fund potential costs to the Council arising from the statutory triennial reviews of the pension scheme. A total contribution of £600k to this reserve is proposed in 2023/24. This comprises the following:

- A one off contribution of £400k following the review of the pension scheme during 2022/23. A reduction in expected pension contributions due from the Council to the pension fund is expected. It is proposed this be transferred to the reserve, to support costs that may arise as part of future reviews.
- It is recommended that the Council continues make a further annual contribution of £200k to this reserve, to be reviewed at the next actuarial valuation in 2025/26.

- **Maylands Plus Reserve**

This reserve was created in 2013/14 to set aside surpluses generated at Maylands Business Centre for re-investment into Economic Development across the Borough. A contribution of £23k in 2023/24 is forecast.

- **Economic Recovery Reserve**

This reserve was created in 2020/21 to support the continued provision of Council services throughout the impact of, and recovery from the expected Covid-driven recession. A drawdown from the reserve of £895k is planned for 2023/24, in line with previous recommendations.

- **Inflationary Pressures Reserve**

This reserve was created at the end of 2021/22 to support inflationary pressures to the Council. A contribution of £750k is proposed to be made to this reserve in 2023/24, funded from amounts set aside to cover negative RSG that are no longer required.

- **Leisure Reserve**

A request to create a new Leisure reserve will be taken before Members in 2022/23. A contribution of £300k is expected in 2022/23 as income due to the Council under its leisure management arrangement is expected to exceed budget. The contract is currently under review with the third party and the purpose of this reserve is to smooth the impact of any potential risk to income.

Earmarked Reserves future priority areas

Priority areas that Members may wish to consider for future contributions to Earmarked Reserves, subject to outturn, include:

- **Management of Change Reserve**

This reserve has been used to fund a range of transformational projects over the last few years, as the Council seeks to deliver its services more efficiently. The continued reductions in grant from central Government continue to underline the need for the Council's transformation agenda. Key Council projects continue to evolve, including the Commercial Strategy, Digital agenda, and People Strategy.

- **Capital Receipts Reserve**

This reserve is utilised to finance the Capital Programme. The balance brought forward to 2022/23 contains receipts from the sale of HRA properties under the Right-to-Buy scheme, along with the associated 1-4-1 receipts. It also contained General Fund capital balances arising from asset sales. It is estimated that the HRA capital balances will be £11.7m as at 1st April 2023, and £2.3m as at 31st March 2024. It is estimated that the GF capital balances will be £19.9m as at 1st April 2023, and nil as at 31st March 2024.

Budgetary risks

Appendix J shows expected reserve balances to 31st March 2027. Reserve balances are increasing over this period as part of a prudent approach to manage potential risks present over the course of the MTFs.

As part of the Council's Commercial Strategy, revenue raising activities available to the Council have been considered and estimates incorporated into budget proposals, Full Business Cases to be reviewed by members in the spring. The early stage of planning for potential activities and current cost of living pressures represent a potential risk to increased income generation.

The cyclical revaluation of business rates for 2023 undertaken by the Valuation Office Agency (VOA) has seen a significant increase in business rates. Dacorum has seen a significant higher increase in business rates compared to the national average. Without a proportionate increase in the level of business rates that can be retained by the Council and an increased likelihood that increases will be challenged by local businesses, the Council may see a reduction in income from this source.

The financial benefits of further key corporate strategies have been reflected in the MTFs: Waste Transformation and Customer Services being two examples. Delivery of these strategies will be monitored and managed over the course of the MTFs.

The 23/24 budget has increased risk in delivery due to a combination of internal transformation and commercial activity and external macro economic pressures such as the current cost of living pressures being experienced. In response to these potential risks, an additional contribution to reserves has been made as part of the 23/24 budget proposals to support any short term investment to support delivery.

11 Capital Programme

The Capital Programme has been structured to enable delivery of the Council's Corporate Plan over the medium- to long-term, and the detailed capital strategy is attached in Appendix M. The Programme includes all of the capital schemes within both the General Fund and the Housing Revenue Account (HRA).

The recommended Capital Programme detailed in Appendix I is a 5-year programme encompassing £338.7m of capital investment across the borough. The Capital Programme in 2023/24 is £113.7m of which £81.2m is the HRA and £32.4m is the General Fund.

Areas of major investment within the 5-year programme include:

General Fund

- £8.9m investment in a 5-year programme of fleet replacement.
- £28.8m capital investment to the leisure and sports premises.
- £4.5m capital investment to deliver key projects as part of the Council's Commercial Strategy.

- £4.7m to deliver key community facilities and infrastructure, including the creation of a new community facility and foodbank.
- £3.7m Disabled Facility Grants. It should be noted that the Council has no discretion over the payment of Disabled Facility Grants, which are mandatory.
- £6.9m to deliver the Council's Place Strategy.

Housing Revenue Account

- £120.6m for major capital repairs and replacements of components of the Housing Stock (such as bathrooms, roofs, windows, kitchens); and,
- £147.4m for the New Build programme.

Financing the Capital Programme

It is recommended that the Capital Programme for 2023/24 be financed as per the table below.

Proposed Financing Source Capital Programme 2023/24	HRA £m	GF £m	Total £m
Capital Receipts and Reserves	36.6	19.9	56.5
Grants and External Funding	6.7	0.7	7.4
Revenue Contribution	2.5	0	2.5
Borrowing*	35.4	11.8	47.2
Total Indicative Funding	81.2	32.4	113.6

*GF borrowing is expected to be 100% internal borrowing. HRA borrowing is expected to involve a combination of internal and external borrowing.

Key assumptions around the Capital Programme's primary financing streams are detailed below:

- **Capital Receipts and Reserves**

In accordance with the Council's Medium Term Financial Strategy, estimates of the likely Capital Receipts to be generated during 2023/24 and subsequent years have been made based on the Council's asset management intentions and the current economic climate. The level of receipts and anticipated to be utilised in 2023/24 is £39.7m.

The level of reserves expected to be utilised is £16.8m. The entire balance is from the Major Repairs Reserve, which is funded from the depreciation on the Council's housing stock.

- **Grants and External Funding**

£7.4m of capital expenditure will be funded from grants and s106 contributions.

- **Revenue Contribution to Capital**

This refers to charges on revenue budgets in order to finance capital projects. In 2023/24 the budget assumes the HRA will be contributing £2.5m.

The HRA 'Self-Financing' regime was introduced under the Localism Act in April 2012. It replaced the previous HRA subsidy arrangements and required the Council to make a settlement payment to the Government of £354.015 million.

The Council has a duty to budget under Section 76 of the Local Government and Housing Act 1989 'to prevent a debit balance on the HRA'. The Council sets its own target balance at a minimum of 5% of total income, which for 2023/24 equates to £3.2m. The Council keeps the medium and long-term funding of housing services under regular review through updates to the HRA Business Plan.

HRA Business Plan update

The HRA Business Plan is a thirty-year plan, which encompasses both the financial and service related objectives. The long-term perspective is crucial to ensure that the service and its primary asset, the housing stock, is projected to be 'fit for purpose' throughout the whole period.

As the business plan projects forward thirty years, there will inevitably be opportunities and pressures that are difficult to predict. However, as it forms the basis of service delivery and asset management strategy, it will be regularly updated to take account of changed circumstances, tenant and Member priorities.

HRA Financial assumptions for 2023/24

The HRA budget for 2023/24 incorporates the following key financial assumptions, based on the draft 2022/23 HRA budget:

Budget	Assumptions
HRA Working Balance	Minimum 5% of turnover.
Major Repairs Reserve (MRR) Balance	Nil – to be fully utilised each year to fund capital works and new build
Rent	Rents for 2023/24 have been set Secretary of State direction, which make the DLUHC Rent Standard annual rent increase of CPI+1% subject to a 7% cap. The proposed increase in rents is 7%. New tenancies re-let at (social) formula rent.
Inflation	RPI 12.6% 2023/24. CPI 10.1% 2023/24. Repairs and Maintenance assumes an increase of 25% in 2023/24.
Void and Bad Debts	Void: 0.8% of gross income Bad Debts: 1.21%
Right to Buy	Assumption of 24 per year.

13 Staff Terms and Conditions

Within the 2015/16 Budget, the Council introduced a Living Wage supplement for all affected employees, in accordance with the Living Wage Foundation. Council agreed to review the Living Wage annually thereafter, but did not seek accreditation thereby avoiding the loss of autonomy that might entail.

The Living Wage is announced each year by the Living Wage Foundation based on a calculation by the Centre for Research in Social Policy at Loughborough University. It reflects the costs of those items identified by the University's consultation groups as necessary for a minimum acceptable standard of living.

The current 'out of London' living wage, which would apply to the Council, is £10.90 per hour. All Council staff are paid in excess of the living wage for 2023/24.

14 Financial and value for money implications:

Contained within the body of the report. A combination of the budget setting process, supported by the corporate governance arrangements and strong financial and procurement controls support a robust framework of processes that strive to achieve value for money in the delivery of Council services.

15 Legal Implications

The Council is required to set a balanced budget.

16 Risk implications:

Budget proposals has been through a scrutiny process, including consideration of associated risks.

17 Equalities, Community Impact and Human Rights:

Where appropriate, Community Impact Assessments for proposed budgets amendments have been undertaken by relevant service areas. There are no direct implications arising in respect of Human Rights.

18 Sustainability implications (including climate change, health and wellbeing, community safety)

The individual budget proposals will be delivered through the council's project management and delivery framework where appropriate. This process includes assessing the impact on sustainability.

19 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

There are no direct infrastructure implications arising from the report. Council services will address any infrastructure arrangements associated with budget proposals as part of service planning and implementation.

20 Statutory Comments

Monitoring Officer:

In accordance with the Council's Constitution, it is the responsibility of the Cabinet to agree proposals for the Budget, and to present those proposals to the full Council for approval. Once full Council approve the Budget it is the responsibility of Cabinet to implement it.

S151:

This is a s151 Officer report.

21 Conclusions

This report sets out how the Council will provide the financial resources required to achieve its priorities during the next financial year. It assumes that planned savings will be achieved and that the Capital Programme will be delivered on time and to budget.

The statement from the Chief Finance Officer at Appendix M provides assurance regarding the robustness of the 2023/24 budget and the level of the Council's reserves.