







<b>Report for:</b>	Cabinet
<b>Title of report:</b>	Budget 2024/25
<b>Date:</b>	13 <sup>th</sup> February 2024
<b>Report on behalf of:</b>	Councillor Ron Tindall, Leader & Interim Portfolio Holder for Corporate Services
<b>Part:</b>	I
<b>If Part II, reason:</b>	N/A
<b>Appendices:</b>	<p><b>Corporate view</b></p> <ul style="list-style-type: none"><li>• Appendix A1 – General Fund Budget Summary 2024/25</li><li>• Appendix A2 – General Fund MTFS update 2024/25 – 2027/28</li><li>• Appendix B1 – Budget Change Analysis 2023/2024 – 2024/25</li><li>• Appendix B2 – Budget Summary by Overview &amp; Scrutiny Committee</li></ul> <p><b>Finance and Resources</b></p> <ul style="list-style-type: none"><li>• Appendix C1 – Finance &amp; Resources Budgets Summary 2024/25</li><li>• Appendix C2 – Finance &amp; Resources Budget Detail 2024/25</li><li>• Appendix C3 – Finance &amp; Resources Fees and Charges 2024/25</li></ul> <p><b>Housing and Community</b></p> <ul style="list-style-type: none"><li>• Appendix D1 – Housing &amp; Community Budget Summary 2024/25</li><li>• Appendix D2 – Housing &amp; Community GF Budget Detail 2024/25</li><li>• Appendix D3 – Housing &amp; Community Fees and Charges 2024/25</li></ul> <p><b>Strategic Planning and Environment</b></p> <ul style="list-style-type: none"><li>• Appendix E1 – Strategic Planning &amp; Environment Budget Summary 2024/25</li><li>• Appendix E2 – Strategic Planning &amp; Environment Budget Detail 2024/25</li><li>• Appendix E3 – Strategic Planning &amp; Environment Fees and Charges 2024/25</li></ul> <p><b>Housing Revenue Account</b></p> <ul style="list-style-type: none"><li>• Appendix F – Housing Revenue Account Budget 2024/25</li><li>• Appendix G – Housing Revenue Account Movements 2023/24 -2024/25</li></ul> <p><b>Capital Programme</b></p> <ul style="list-style-type: none"><li>• Appendix H – Capital Programme Summary of new and amended projects</li><li>• Appendix I – Capital Programme 2024/25 - 2027/28</li></ul>

	<p><b>Reserves</b></p> <ul style="list-style-type: none"> <li>• Appendix J1 – Statement of Reserves</li> <li>• Appendix J2 – General Fund Working Balance Risk Assessment</li> </ul> <p><b>Treasury Management</b></p> <ul style="list-style-type: none"> <li>• Appendix K – Treasury Management Strategy Statement 2024/25</li> </ul> <p><b>Capital Strategy</b></p> <ul style="list-style-type: none"> <li>• Appendix L – Capital Strategy 2024/25</li> </ul> <p><b>S151 Officer</b></p> <ul style="list-style-type: none"> <li>• Appendix M – Statement by the Chief Finance Officer</li> </ul>
<b>Background papers:</b>	Joint Overview and Scrutiny Reports: 6 <sup>th</sup> December 2023, and 7 <sup>th</sup> February 2024.
<b>Glossary of acronyms and any other abbreviations used in this report:</b>	<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><b>Report Author</b></p> <p><b>Fiona Jump, Head of Financial Services</b></p> <p> </p> <p>Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)</p> <p><b>Responsible Officer</b></p> <p>Nigel Howcutt, Chief Finance Officer</p> <p> </p> <p>Nigel.howcutt@dacorum.gov.uk / 01442 228662 (ext. 2662)</p>
---

<b>Corporate Priorities</b>	<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> <p>Climate and ecological emergency</p>
<b>Wards affected</b>	All
<b>Purpose of the report:</b>	<p>To present to Cabinet budget proposals for recommendation to Council in relation to:</p> <ol style="list-style-type: none"> <li>1. Revenue and Capital Expenditure for 2024/25 together with the use of reserves.</li> <li>2. The setting of the Council Tax for 2024/25</li> <li>3. The Treasury Management Strategy 2024/25</li> <li>4. The Capital Strategy 2024/25</li> <li>5. The Fees and Charges for 2024/25</li> <li>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.</li> </ol>
<b>Recommendation (s) to the decision maker (s):</b>	<p>It is recommended that Cabinet recommends Council to:</p> <p><b>General Fund Revenue Estimate</b></p> <ol style="list-style-type: none"> <li>1. Set a Dacorum Borough Council General Fund Council Tax requirement of £13.821m, and a provisional amount of £15.144m for the combined Borough Council and Parish Councils' requirement for 2024/25;</li> <li>2. Approve a Band D Council Tax increase of £6.66 (2.99%) for Dacorum Borough Council;</li> <li>3. Approve the base estimates for 2024/25, as shown in Appendix A1, and the indicative budget forecasts for 2024/25 – 2027/28, as shown in Appendix A2;</li> <li>4. Approve the forecast balances of Revenue Reserves as shown in Appendix J, and approve section 10 of this report as the updated Reserves Strategy;</li> <li>5. Approve increases in Fees and Charges for 2024/25 as set out in Appendices C3, D3, and E3;</li> </ol>

6. Approve and adopt the Treasury Management Strategy for 2024/25, attached at Appendix K;
7. Approve and adopt the Capital Strategy for 2024/25, attached at Appendix L;
8. Note that this budget paper, if approved by Council, will form part of the Medium Term Financial Strategy.

#### **Capital Programme**

9. Approve the Capital Programme for 2024/25 to 2028/29, as detailed in Appendix I;
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.

#### **Housing Revenue Account (HRA)**

11. Set dwelling rents according to DLUHC guidance, which provides for a rent increase of CPI plus 1% which equates to 7.7%. The average dwelling rent is proposed to be £127.73 per week in 2024/25 (based on 52 weeks);
12. Approve the HRA budget for 2024/25 as shown in Appendix F.

#### **Employer Terms and Conditions**

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 2024/25 (to be reviewed annually thereafter).

#### **Statement by Chief Finance Officer**

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.

**Period for post policy/project review:**

Performance against the approved budget for 2024/25 will be reported to Members on a quarterly basis.

## 1 The Budget- Setting Process

The 2024/25 proposed budget and the updated Medium Term Financial position have been produced to ensure that the Council maintains a sustainable financial position over the Medium Term planning period to 2027/28. The following Council strategies and policies have informed the budget-setting process:

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

In accordance with the Medium Term Financial Strategy, a Budget Review Group comprising the Leader, Deputy Leader, Portfolio Holder for Corporate Services, Chief Executive, Strategic Director Corporate and Commercial and the Chief Finance Officer has met regularly 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 Political groups, Portfolio Holders and members of the Council's Leadership Team. In addition, there have been combined briefings for Overview and Scrutiny Committees in December 2023 and February 2024, during which Members undertook detailed scrutiny of the budget strategies and proposals.

## 2 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. Due to the impact of Covid and wider economic pressures this policy has been paused annually since its introduction in 2020.

## 3 The 2024/25 Local Government Finance Settlement

On 18th December 2023 the Department for Levelling Up, Housing and Communities (DLUHC) issued the draft Local government finance policy statement 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'. This was followed up with an additional secretary of state announcement on the 24<sup>th</sup> January announcing an additional £600m of national funding for 2024/25.

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

The draft Local Government Finance settlement sets out the overall funding schedule for Local Authorities based on key policies such as;

- Council Tax policy is to set the limit at 2.99% or £5 (whichever is the greater)
- The policy of Negative Revenue Support Grant (RSG). *"We are confirming that we have no plans to introduce 'negative Revenue Support Grant'".*
- Local Government Core Spending Power (Council Tax and total Grant funding), will on average increase nationally by 6.5% in cash terms year on year. Overall Core spending power for Dacorum has increased in cash terms by 5.1%. The majority of this is related to council tax increases and one off supplementary grants.

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 were assessed as having to make a contribution to the government called negative RSG. The settlement announcement means the contribution is not required in 2024/25 and nor in the medium term. The 2023 MTFS included the removal of £2.3m of negative RSG over the medium term period. Following the local government finance settlement confirming the government has no indication of utilising the negative RSG policy the residual negative RSG for 24/25 and 25/26 has been now removed.

It was also confirmed as part of the settlement that there would be an additional year of the New Homes Bonus (NHB) payments in 2024/25. This is yet again, a one off allocation and will not attract legacy payments for future years, hence 2024/25 is expected to be the final year of the current New Homes Bonus scheme.

The 2024/25 settlement provided no medium term funding confirmations and as such there remains uncertainty over the medium term funding projections. Future decisions are expected to be decided by a new government elected in 2024. This leaves uncertainty in regards to the assessment of local government resource requirements, Council Tax policy, Business rates retention or the Minimum Funding Guarantee. The 24/25 budget and current MTFS assumes the 2024/25 settlement decisions are one off funding agreements, whilst the government undertakes a review of future Local Authority funding during 2024/25.

Overall baseline government funding set out in the settlement is in-line with MTFS expectations in 2024/25, with the addition of the new homes bonus that is referred to in section 4 below.

### **Business Rates Retention / Baseline Funding**

This is funded by Central Government through redistributed Business Rates, Dacorum collects circa £67m of business rates, and the amount retained is determined by Government's assessment of need. The provisional minimum (safety net) settlement for 2024/25 is £3.04m, circa £100k greater than the MTFS projections.

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.

Dacorum has provisionally agreed to be a member of the 2024/25 Hertfordshire Business Rates Pool with partners Hertfordshire County Council, Hertsmere and North Hertfordshire. The creation of a Hertfordshire Pool is a policy set up by DLUHC that allows pools to retain up to 20 % more

growth than if the LA's were not pooled. Any additional growth achieved would be split 70% district authorities (In the pool), 15% HCC and 15% the Herts Growth fund.

The creation of the Hertfordshire business rates pool is assessed annually across all Hertfordshire districts by external adviser LG Futures, to assess the best potential financial outcome for Hertfordshire. Due to the technical nature of the government policy not all districts can be part of the pool and it is estimated that the greatest growth would be provided by a smaller pool of authorities, formed of 3 district councils and HCC.

The performance of the pool will be monitored by the Hertfordshire Chief Finance Officers. The modelling and performance of business rates is extremely complex and the outcomes of pooling are unlikely to be reported until the final quarter of 2024/25 and will not crystallise until closing of the pool partner's accounts mid-way through 2025/26. The performance of the pool will be reported as part of the existing Corporate Financial reporting framework.

#### **4 Dacorum's Key Funding Streams- New Homes Bonus**

The provisional NHB allocation for Dacorum in 2024/25 has been announced as £1.16m, an increase of over £400k year on year. This was not projected in the MTFS or the 2024/25 draft budget proposals as this policy was due to end in 2023/24.

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 these one off funds to support one-off expenditure and capital projects.

In line with previous years' strategies, it is proposed that all NHB funding in 2024/25 be transferred to reserves. It is recommended that in 2024/25 this allocation is used to set up a Climate Change and Ecological Emergency Reserve, the use of these funds will be managed through the usual corporate governance and cabinet approval process to support delivery of the key corporate objectives of achieving net zero by 2030/2050.

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

As part of the provisional settlement the Minimum Funding Grant has continued for one more year with the Council to receive £871k in 2024/25.

#### **6 Dacorum's Key Funding Streams – Council Tax**

Dacorum's Council Tax requirement for 2024/25 is calculated as £15.144m (provisional, inclusive of provisional parish precepts) and £13.821m (exclusive of parish precepts). The approved tax base for 2024/25 is 60,276.5 based on a collection rate of 98.5%.

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 £0.665m on the Collection Fund is forecast for 31 March 2024. 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 2024/25 is as follows:

	£
Dacorum Borough Council	-77,517.77
Hertfordshire County Council	-511,742.74



Police and Crime Commissioner for Hertfordshire	-75,854.82
<b>Total Surplus</b>	<b>-665,115.33</b>

Cabinet approved the Collection Fund surplus in December 2023.

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 2.99%. The proposed increase of £6.66 (2.99%) for Dacorum in 2024/25 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 £100k.

## 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, KPMG. 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 2024/25 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 2024/25

The inflationary assumptions used to compile the 2024/25 estimates are set out below.

<b>Inflation Factors</b>	
--------------------------	--

Average salary Inflation (annual pay settlement) for 2024/25	5%
Business Rates (Multiplier frozen and funded through S31 grant)	2.0%
Supplies and Services Growth	5.0%
Fuel	5.0%
Utility Cost increase assumptions:	
Gas	20.0%
Electricity	20.0%
<b>Other Assumptions</b>	
Return on investment	3.3%
Salary Vacancy Factor remains consistent (excluding front-line Waste services)	5.0%
Growth in numbers of Band D equivalent properties	1.5%

The salary vacancy factor for the 2023/2024 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 2024/25.

## 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 – This relates to the financial returns the council makes on investing its cash balances. The Bank of England base rate currently stands at 5.25% which is an increase of 1.25% year on year. As a result the Council is seeing an increase in the returns it receives on the investment of its cash balances in 2023/24.

Although interest returns are expected to remain higher in early part of 2024/25 the current capital investment proposals will lead to a reduction in the councils cash balances and therefore the council will have less investment potential in 2024/25. So although investment returns in 2024/25 are expected to average circa 3.3% there is not any expected growth in overall investment returns. This will be monitored and reported in the quarterly financial reports and also in the mid-year and end of year treasury management reports to cabinet.

Fees and Charges – Service managers have proposed changes to fees and charges for 2024/25 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 2024/25 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 2023).

The Council holds two types of reserve, both of which are subject to audit by the Council's external auditors, KPMG, 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 £23.4m, as shown in Appendix A1. Included in the appendices is Appendix J2 which is an overall risk assessment of the current working balance undertaken to assess the working balance appropriateness and suitability to support potential short term financial issues that may arise.

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 sets the HRA Working Balance at £4.9m by the end of 2024/25, which equates to 7% of the £71.5m 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 £23.4m, as set out in Appendix A1. This includes a net allocation of £0.023m to earmarked reserves. The proposed movements of General Fund earmarked reserves for revenue use in 2024/25 are as follows:

<b>Earmarked Reserve</b>	<b>Net Movement to/(from) Reserves  £000</b>
Management of Change Reserve	(166)
Savings Efficiencies Reserve	50
On Street Car Parking Reserve	40
Local Development Framework Reserve	(130)
Dacorum Development Reserve	(1,114)
Vehicle Replacement Reserve	25
Election Reserve	40
Housing Conditions Survey Reserve	15
Maylands Plus Reserve	23
Climate Change and Sustainability Reserve	1,160

Reserves are held for specific purpose and are held to manage and mitigate against key strategic risks in the organisation.

Appendix J details the proposed movements on General Fund Earmarked Reserves. All reserves have been reviewed during the preparation of the Budget for 2024/25, and there will be a further review of the reserves position as part of the closure of accounts process for 2023/2024.

The movement in the balances currently held by the Council within Earmarked Reserves is shown below.

### **Reserve classification- Ensuring compliance with statutory and legislative requirements.**

Reserves included within this reserve classification are:

- **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 draw down from this reserve of £166k in 2024/25:

- Funding for a Customer Services Team Training Officer (£50k)
- Funding to support the Strategic Asset Review (£116k)

- **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. An annual contribution of £40k is being applied to this reserve to ensure it has capacity to support future service reviews and investment.

- **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 key fleet vehicles. Funding replacement costs through Revenue Contributions to Capital enables the Council to reduce or avoid the costs associated with borrowing.

- **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.

### **Reserve classification- Supporting Financial 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 £50k planned in 2024/25. This figure includes the following:

- A draw down from reserves of £150k to support a delay in the expected income from changes to parking fees and charges, to allow for the conclusion of the statutory obligations associated with these changes.
- A transfer of £200k relating to reduced interest payments following earlier repayment of General Fund loans during 2022/23.

- **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.

- **Youth Provision Reserve**

This reserve is held 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 contribution of £40k is proposed for 2024/25, to support the costs of future Borough Elections.

- **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.

- **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.

- **Covid- 19 Hardship Fund**

This reserve was created during 2020/21 from balances received to support vulnerable residents with their Council Tax bills.

- **Inflationary Pressures Reserve**

This reserve was created at the end of 2021/22 to support inflationary pressures.

### **Reserve classification- Place Shaping and Regeneration**

- **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 £130k 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 draw down from this reserve of £1.114m proposed for 2024/25 comprises:

- 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 £125k to support the implementation of the Garages Strategy;
  - A drawdown of £65k to support the delivery of the Light Industrial Unit business, case, part of the Council's Commercial Strategy.
  - £264k to support the restructure of the Place service.
  - £300k to support lost rental income for the Forum.
  - £60k to support the costs of an Urban Designer within the Planning service.
- **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.

- **Suitable Alternative Natural Greenspace (SANG) reserve**

This reserve was created during 2022/23 to support the provision of Suitable Alternative Natural Greenspace (SANG) as part of the Chilterns Beechwoods Special Area of Conservation Mitigation Strategy. Balances are held are made up of contributions from developers specifically for the provision of SANG.

#### **Reserve classification- Digital investment**

- **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.

#### **Reserve classification- Supporting recruitment and retention to deliver excellent customer services**

- **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.

#### **Reserve classification- Delivery of safe and good quality, affordable homes (General Fund)**

- **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.

There are further reserves held to support delivery of the Council's Housing Revenue Account Landlord function.

#### **Reserve classification- Strategic partnership working**

- **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 2024/25 is forecast.

- **Leisure Reserve**

This reserve was created in 2022/23 from income due to the Council under its leisure management arrangement received in excess of budget. The purpose of this reserve is to smooth the impact of any potential risk to income from the Council's leisure management arrangements.

### **Reserve classification- Climate Change**

- **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. A contribution of £1.160m is proposed for 2024/25, funded by a further year of New Homes Bonus the Council expects to receive in 2024/25.

### **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; Place, Commercial, Digital and People Strategies.

- **Capital Receipts Reserve**

This reserve is utilised to finance the Capital Programme. The balance brought forward to 2023/24 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 £16.5m as at 1<sup>st</sup> April 2024, and £11.7m as at 31<sup>st</sup> March 2025. It is estimated that the GF capital balances will be £17.8m as at 1<sup>st</sup> April 2024, and £8.4m as at 31<sup>st</sup> March 2025.

## **11. 2024/25 Budgetary risks**

As part of the budget setting process, and through the service planning phase the inherent and potential financial risks are assessed and mitigations applied to the budget where required. These risks require ongoing monitoring and reporting as part of the ongoing corporate financial reporting processes.

The most significant risk to Dacorum's budget setting would be if approved government funding did not meet the budgeted expectations. This risk is considered low following the draft financial settlement and the Autumn Spending review announcements. The Council's projected core government funding levels for 24/25 have increased marginally year on year but not in line with real term cost increases. The implementation of the Minimum funding guarantee, and the removal of negative RSG have assisted in easing the financial pressures the council is facing in the short term. A medium term funding commitment would be the ideal solution going forward to support strong council financial planning.

At present, the Council faces uncertain economic times and hence projections are more open to challenge and change than in previous years. As a result, there are a number of service risks where financial performance and service development processes remain under careful scrutiny and monitoring and will be reported back to Members if performance differs from expectations. The high risk areas include;

- The impact of the wider economic pressures on demand for Council services. Due to a combination of the impact of the current cost of living pressures and the ongoing slow economic recovery from Covid.

- Income generating services. Since Covid there have been shortfalls in income in several discretionary services including car parking income, commercial waste and planning income. The 2023/24 and 2024/25 budgets have provided growth to mitigate this risk, and this continues to be monitored.
- Waste/Refuse Service. There are a multitude of pressures in the refuse service including increased demand for waste routes, increased volumes of waste collection/disposal and the ongoing issues around growing staffing costs. The service is in the second phase of the transformation programme to reduce ongoing waste revenue pressures and deliver improvements and expansion of the commercial waste service.
- Impact of increasing cost on Supplies and Services. The budget proposals include a number of inflationary budget increases, but prices are expected to continue increasing in the short term and hence these cost pressures will be monitored.

## 12 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 £252.4m of capital investment across the borough. The Capital Programme in 2024/25 is £89.4m of which £59.5m is the HRA and £29.9m is the General Fund.

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

### General Fund

- £16.1m investment in a 5-year programme of fleet replacement.
- £28.5m capital investment to the leisure and sports premises.
- £4.5m capital investment to deliver key projects as part of the Council's Commercial Strategy.
- £4.1m 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.
- £7.1m to deliver the Council's Place Strategy.

### Housing Revenue Account

- £124.4m for major capital repairs and replacements of components of the Housing Stock (such as bathrooms, roofs, windows, kitchens); and,
- £57.0m for the New Build programme.

### Financing the Capital Programme

It is recommended that the Capital Programme for 2024/25 be financed as per the table below.

<b>Proposed Financing Source Capital Programme 2024/25</b>	<b>HRA £m</b>	<b>GF £m</b>	<b>Total £m</b>
Capital Receipts and Reserves	24.5	9.8	<b>34.3</b>
Grants and External Funding	7.4	0.8	<b>8.2</b>



Borrowing*	28.3	0	<b>28.3</b>
<b>Total Indicative Funding</b>	<b>60.2</b>	<b>10.6</b>	<b>70.8</b>

\*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 2024/25 and subsequent years have been made based on the Council's asset management intentions and the current economic climate. The level of capital receipts anticipated to be utilised in 2024/25 is £20.1m.

The level of capital reserves expected to be utilised is £14.2m. 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.

### 13 Housing Revenue Account 2024/25

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 2024/25 equates to £3.5m. 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 2024/25

The HRA budget for 2024/25 incorporates the following key financial assumptions, based on the draft 2024/25 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 2024/25 - Following DLUHC Rent increase expectations - Annual rent increase of CPI+1% equates to 7.7% cap. New tenancies re-let at formula rent.

Inflation	RPI 6% 2024/25. 3.5% 25/26. 3% for the remainder of the business plan.
Void and Bad Debts	Void: 0.95% of gross income Bad Debts: 0.79%
Non- Right to Buy Sales	Assumes 12 in 24/25 and a further 12 in 25/26
Right to Buy Sales	Assumption of 24 per year.

#### **14 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 £11.44 per hour. All Council staff are paid in excess of the living wage for 2024/25.

#### **15 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.

#### **16 Legal Implications**

The Council is required to set a balanced budget.

#### **17 Risk implications:**

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

#### **18 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.

#### **19 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.

#### **20 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.

#### **21 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 Officer:**

This is an s151 Officer report.

**22 Conclusions**

This report sets out how the Council will provide the financial resources required to achieve its Corporate priorities and Statutory requirements 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 2024/25 budget and the level of the Council's reserves.