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# Finance and Resources

## Overview and Scrutiny Committee

<b>Report for:</b>	Finance and Resources Overview and Scrutiny Committee
<b>Title of report:</b>	Local Government Provisional Finance Settlement Update
<b>Date:</b>	
<b>Report on behalf of:</b>	Cllr William Allen, Portfolio Holder for Corporate and Commercial Services
<b>Part:</b>	I
<b>If Part II, reason:</b>	N/A
<b>Appendices:</b>	N/A
<b>Background papers:</b>	Draft 2025/26 budget proposals - December 2024 Budget OSC.
<b>Glossary of acronyms and any other abbreviations used in this report:</b>	

### Report Authors/ Responsible Officers

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<b>Corporate Priorities</b>	Community Engagement Service Improvement and Delivery Vibrant Communities Sustainable Future Proud and Thriving Borough
<b>Wards affected</b>	All
<b>Purpose of the report:</b>	To provide Members with an update of the provisional local government finance settlement. To inform members of the current financial planning proposals prior to final 2025/25 budget approval in February 2025
<b>Recommendation (s) to the decision maker (s):</b>	That Members note the report.
<b>Period for post policy/project review:</b>	2025/26 Budget Proposals – February 2025 Cabinet & Council.

## Local Government Finance Settlement Briefing Update.

### 1. Introduction

1.1. The purpose of this note is to update Budget Review Group on the final 2025/26 Budget Proposals following the release of the provisional local government Finance Settlement (LGFS) on December 18<sup>th</sup>.

1.2. The LGFS has detailed the overall funding for Dacorum MTFs, and this paper outlines any variances to the draft 2025/26 budget and proposals as to how to respond to these variances.

### 1.3. Table 1: Summary of Differences in Government Funding

Description	2024/25 £'000's	LGFS £'000's	Draft 2025/26 Budget Proposals £'000's	Variance £'000's	Treatment £'000's
Core Funding – CT and Core Govt funding	£14,900	£15,100	£14,800	£300	Core Funding.
<b>GF Budget Changes</b>				<b>£300</b>	<b>Funding Growth of £300k to be allocated to Temporary Accommodation budget.</b>
Retained Business Rates	£3,000	£3,500	£3,550	-£50	Utilise the Funding Equalisation Reserve to smooth this variance, no bottom-line impact.
New Homes Bonus	£1,200	£434	£500	-£66	Reduce the proposed Allocation to reserves to £434k. No bottom-line impact
<b>Specific Grants</b>					
Homelessness Prevention	£929	£1,438	£929	£509	£929k is in the current 24/25 base budget. Allocate the residual £509k to reserves, to be drawn down in year in line with service pressures and grant conditions.
Rough Sleeping	£321	£321	£321	£0	Allocate to reserves, draw down in line with grant conditions
Domestic Abuse Safe Accommodation Grant	£0	£37	£0	£37	A new grant to be utilised in line with the grant conditions, once the service
National Insurance	0	TBC		TBC	Allocate to reserve to specifically support NI pressures. Projected funding £160k - £180k.

## **2. Detail of the Local Government Finance Settlement variances.**

### **2.1. Core Funding Changes**

Core funding is expected to be circa £300k (2%) greater than previously projected. It is proposed to utilise these funds to support the pressures in on-going financial pressures in the Temporary Accommodation service reported at Quarter 2 financial performance report. Following a further in-depth service review this pressure is projected to continue into the medium term with the service requiring an addition circa 200 properties to ensure short and medium-term demand projections can be supported.

### **2.2. New Homes Funding**

The New Homes Funding grant is confirmed of £434k, £66k less than projected and a reduction year on year of circa £800k. These funds will continue to be allocated to the Dacorum Development Reserve to support new house building projects in the future.

### **2.3. Retained Business Rates**

The level of retained business rates is projected to be circa £50k below prior budget projections, but the actual retained business rates is uncertain until later in the financial year so at this point it is recommended that any shortfall is financed through use of the Funding equalisation reserve as and when this £50k shortfall crystallises.

### **2.4. Other Funding/Grants**

#### **2.4.1. Extended Producer Responsibility - £1.4m One Off Grant**

The Extended Producer Responsibility (EPR One-off Grant) of £1.4m, will be allocated to a Waste reserve to support the 2025/26 implementation and future investment requirements of the EPR New Burdens policy. Future reports will be presented to members when and if funding is required to meet the new statutory requirements. The Government have only guaranteed this funding stream for 2025/26, future funding policy for this policy is unclear at present.

The EPR policy will potentially impact both the cost of collecting waste and the cost of disposing waste, with additional government targets expected to be brought in over time.

The EPR policy requires the service initially to undertake a review of how we collect and dispose of recyclable materials and additional collection services may be required, increasing service provision costs. It is suspected that over time increases in costs of disposal will result due to target setting and changes to recycling credit.

#### **2.4.2. Homelessness Prevention Grant - £1.5m One off grant**

This has uncharacteristically been announced as part of the provisional LGFS, it is recommended that this grant is treated as per usual and is allocated to reserves until the service complete a spending plan in line with the grant conditions, as per previous years.

#### **2.4.3. National Insurance**

The actual funding levels for National Insurance pressures has **not** been announced as part of the provisional local government finance settlement but will be announced as a one-off grant in the final Local Government Finance Settlement in January 2025.

The formula for the funding calculation has been shared and funding will be based on an authorities' net cost of service as a proportion of the national authorities net cost of services. This approach is not linked to the actual direct cost of NI increases and is likely to lead to smaller authorities like Dacorum receiving less proportionate funding than the impact of the NI increase. The LGA had already reported, prior to the formula details being shared, that the £515m allocated was over 20% short of the true cost of direct NI impact.

Future NI funding will be rolled into the Local Government Fair Funding review in the spring of 2025, and hence is expected to be a one-off grant. It is proposed that any Dacorum NI funding confirmed by government is allocated initially to a specific National Insurance Pressure reserve to be allocated as contract pressures are finalised over the next 3 months. Early calculations of projected funding are in the region of £160 - £180k.

### **3. Impact of these Proposals.**

- These proposals do not impact on the bottom line of the 2025/26 draft budget proposals and a balanced budget is still proposed.
- A change to core funding of £300k that will be utilised to support the ongoing financial pressures resulting from the demand in Temporary Accommodation.
- The creation of a National Insurance Pressure reserve.
- The creation of a new Extended Producer Responsibility Reserve (EPR) with an allocation of £1.4m, a proposal raised at budget OSC.