







Finance and Resources

Overview and Scrutiny Committee

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| Report for: | Finance & Resources Overview and Scrutiny Committee |
| Title of report: | Budget 2025/26 |
| Date: | 5 th February 2025 |
| Report on behalf of: | Councillor William Allen Portfolio Holder for Corporate and Commercial 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 2025/26• Appendix B1 – Budget Change Analysis 2024/2025 – 2025/26• 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 2025/26• Appendix C2 – Finance & Resources Budget Detail 2025/26• Appendix C3 – Finance & Resources Fees and Charges 2025/26 <p>Housing and Community</p> <ul style="list-style-type: none">• Appendix D1 – Housing & Community Budget Summary 2025/26• Appendix D2 – Housing & Community GF Budget Detail 2025/26• Appendix D3 – Housing & Community Fees and Charges 2025/26 <p>Strategic Planning and Environment</p> <ul style="list-style-type: none">• Appendix E1 – Strategic Planning & Environment Budget Summary 2025/26• Appendix E2 – Strategic Planning & Environment Budget Detail 2025/26• Appendix E3 – Strategic Planning & Environment Fees and Charges 2025/26 <p>Housing Revenue Account</p> <ul style="list-style-type: none">• Appendix F – Housing Revenue Account Budget 2025/26• Appendix G – Housing Revenue Account Movements 2024/25 -2025/26 <p>Capital Programme</p> <ul style="list-style-type: none">• Appendix H – Capital Programme Summary of new and amended projects• Appendix I – Capital Programme 2025/26 - 2028/29 <p>Reserves</p> <ul style="list-style-type: none">• Appendix J1 – Statement of Reserves• Appendix J2 – General Fund Working Balance Risk Assessment |

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| | <p>Capital Strategy</p> <ul style="list-style-type: none"> Appendix L – Capital Strategy 2025/26 <p>Budget Consultation</p> <ul style="list-style-type: none"> Appendix M – Budget Consultations Results Summary |
| Background papers: | Joint Overview and Scrutiny Reports: 4 th December 2024, |
| 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> |

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| Corporate Priorities | <ul style="list-style-type: none"> Community engagement Service improvement and delivery Vibrant communities Sustainable future Clean, safe and green Homes to be proud of Proud and thriving borough |
| Wards affected | All |
| Purpose of the report: | To provide Members with an overview of proposed draft budget and provide the opportunity to scrutinise and provide feedback to Cabinet. |

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| Recommendation (s) to the decision maker (s): | That the Scrutiny Committee review and scrutinise the draft budget proposals for 2025/26 and provide feedback, to be considered by Cabinet. |
| Period for post policy/project review: | Performance against the approved budget for 2025/26 will be reported to Members on a quarterly basis. |

1. The Budget- Setting Process

1.1 The 2025/26 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 2028/29. The following Council strategies and policies have informed the budget-setting process:

- The Council's Vision and Priorities, as outlined in the 2024 Corporate Plan
- The Medium-Term Financial Strategy (MTFS)
- Service Strategies and Planning

1.2 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.

1.3 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 was a joint budget Overview and Scrutiny Committee in December 2024, during which Members undertook detailed scrutiny of the budget strategies and proposals.

2. The 2024 Autumn Statement

2.1 On 30th October 2024, the Chancellor of the Exchequer presented her Autumn Budget and Spending Review to the House of Commons, alongside the publication of the Office for Budget Responsibility's new set of Economic and Fiscal Outlook forecasts.

2.2 The Budget responds to the Office for Budget Responsibility (OBR) forecasts and sets out the medium-term path for public finances, accompanied by a one-year Spending Review covering departmental settlements for 2025/26. A further stage of the Spending Review will conclude in late spring 2025, most likely covering at least two more financial years.

2.3 The key announcements in relation to local government that are most significant for Dacorum are in relation to.

- Core Spending Power (CSP). There will be a real terms national increase in core spending power of around 3.2% in 2025/26, including at least £1.3 billion of new grant funding, of which at least £600 million will be new grant funding to support social care.
- Extended Producer Responsibility: local authorities are expected to receive around £1.1 billion of new funding in 2025/26 through the implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025.

- **Funding Reform:** The government is committed to reforming the approach to funding allocations within the Local Government Finance Settlement by redistributing funding to ensure that it reflects an up to-date assessment of need and local revenues. This will start with a targeted approach to allocating additional funding in 2025/26, ahead of a broader redistribution of funding through a multi-year settlement from 2026/27.
- **UK Shared Prosperity Fund:** The Shared Prosperity Fund will continue for a further year and be worth £900 million, in advance of wider funding reforms.
- **Homelessness:** The Government will provide £233 million of additional spending in 2025/26 to prevent homelessness.
- **Business Rates:** The Chancellor announced the following measures:
 - 40% business rates relief for retail, hospitality and leisure businesses, up to a total relief of £110,000 per business, in 2025/26.
 - freezing the small business multiplier in 2025/26, with a full CPI increase to the standard multiplier; and
 - an intention to introduce new, permanently lower multipliers for retail, hospitality and leisure properties with a rateable value under £500,000, funded by a new higher multiplier on all properties with a rateable value of £500,000 and above, which includes the majority of large distribution warehouses including those used by large online retailers.

3. Local Government Provisional Finance Settlement 2025/26

3.1 On 28th November 2024, the Minister of State for Local Government and English Devolution published a written ministerial statement which was accompanied by a policy statement on the 2025/26 local government finance settlement. This note seems now to be a regular feature of the annual settlement process, providing some advance notice of consultation proposals in December's provisional settlement.

3.2 On 18 December 2024, the Minister of State for Local Government and English Devolution, released a written statement to Parliament on the provisional local government finance settlement 2025/26.

3.3 The 2025/26 local government finance settlement is for one year only (the seventh successive one-year settlement) and is based on the 2024 Autumn Budget & Spending Review amounts and the 28th November Policy Statement.

3.4 The key points of the settlement that impact Dacorum are as follows:

- **Council Tax:** The council tax principles have remained broadly the same whereby the referendum limit will be 2.99% for local authorities, with social care authorities allowed an additional 2% social care precept, albeit these two elements will no longer be shown separately on Council Tax bills. The provisional settlement confirmed that districts will be allowed to apply the higher of the referendum limit or £5, for Dacorum the higher level is 2.99%.

- **Local Government Funding Reform:** The government have published a consultation paper – Local Authority Funding Reform: Objectives and Principles. The intention of the government is to progress with funding reforms across local government with a phased implementation beginning with the first year of the multi-year Settlement in 2026/27. The planned reform will also include a reset of the Business Rates baseline funding need.

- **National Insurance:** The government are to provide £515m to English councils to offset the increase to employer NICS. A methodology note has been published, but individual authority allocations

will not be published until the final settlement, because the Revenue Outturn (RO) data is not yet complete to enable allocations to be calculated.

N.B. Initial calculations indicate that the funding will be insufficient to fully cover the additional costs. The Dacorum NI liability is expected to be circa £600k, and a shortfall in excess of £400k is expected.

Specific Grants

- **New Homes Bonus:** The 2025/26 allocations have been announced at £290m (£291m in 2024/25). This will be the final year for this funding stream.

- **Funding Guarantee:** This is now being shown as “Funding Floor” and with a less generous protection, now 0% (3% in 2024/25). The resources provided by government to support this scheme have reduced from £269m in 2024/25 to £121m for 2025/26.

- **Services Grant:** This grant has been discontinued (£87m in 2024/25).

3.5 Whilst the provisional settlement also included new and additional funding for Social Care as well as the new Recovery Fund targeted for areas of deprivation and some Council Tax equalisation, Dacorum did not receive any of this new funding.

3.6 Whilst the Government committed to additional funding for local government with Core Spending Power set to increase by an average 3.2%, much of the new funding was aimed at social care and has therefore been directed towards upper tier and single tier authorities. Dacorum along with many other districts have therefore not fared well under the provisional settlement, especially due to the Funding Floor mechanism (Previous Minimum Funding Guarantee) for 2025/26 only guaranteeing a 0% uplift in CSP compared to 3% in 2024/25.

3.7 The provisional settlement showed Dacorum’s Core Spending Power (CSP) to be £20,008, the same as for 2024/25. However, it should be noted that the CSP assumptions allow for Council Tax income also and the base growth which for Dacorum has been assumed as 1% which is above Dacorum’s actual tax base growth for 2024/25 which shows an increase of only 0.4% which equates to an annual funding/CSP reduction year on year. As a result of this shortfall actual core funding in Cash terms for Dacorum has reduced by £200k, and in real terms it has reduced by circa 3.5%, £700k based on current inflationary levels.

4. Business Rates Retention / Baseline Funding

4.1 This is funding from Central Government financed through the redistributed Business Rates, Dacorum’s business rates baseline is circa £78m, and the amount retained is determined by Government’s assessment of need. The provisional settlement for 2025/26 means Dacorum will retain circa £3.5m, which is as was expected in the MTFs and initial budget setting projections, but significantly below the amount collected.

4.2 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.

4.3 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.

4.4 Dacorum was provisionally 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.

4.5 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.

4.6 The performance of the pool in 2024/25 is expected to provide an additional £500k in funding to Dacorum that has been included as part of the business rates income projections for 2025/26. Dacorum is not included in the Hertfordshire Business Rates Pool in 2025/26, and the government is due to reset business rates for 2026 financial year so there is at present no growth expected in 2026/27 as result of the government resetting of the baseline removing all existing growth achieved over the last 4 years.

5. Funding Outside of Core Spending Power

5.1 Whilst Core Spending Power (CSP) falls short of fully funding Dacorum's Net Budget Requirement, the Autumn Budget did include additional funding of £1.3Bn for Local Government outside of CSP.

5.2 A significant amount of this additional funding was for social care, however it also included additional funding for homelessness which for Dacorum is an increase in the Homelessness Prevention Grant of circa £509k from £929k to £1,438k. This grant is ring-fenced, the Council's 2025/26 budgeted spend for Homelessness already includes £929k and an investment plan for the additional £509k grant to be utilised in 2025/26 is being developed.

5.3 Dacorum have also received a grant allocation under the "Extended Producer Responsibility Scheme" whereby producers will pay a levy on packaging. This levy, which is to be introduced from April 2025, will be distributed to waste collection and disposal authorities to contribute towards waste and recycling costs and to implement "Simpler Recycling". Dacorum's allocation for 2025/26 has been guaranteed to be at least £1.4m.

5.4 This new funding stream is set up to finance the Simpler Recycling scheme which may require further investment and could incur additional ongoing cost, at present we await further guidance on this. It is proposed that these funds allocated to a specific EPR reserve to finance future waste initiatives.

5.5 Following the announcement of the Provisional Financial Settlement on 18th December, we are now in a 30-day period of consultation with the Final Settlement expected in early February.

6. Council Tax

6.1 Dacorum's Council Tax requirement for 2025/26 is calculated as £15.548m (provisional, inclusive of provisional parish precepts) and £16,925m (exclusive of parish precepts). The approved tax base for 2025/26 is 60,009 based on a collection rate of 98.5%.

- 6.2 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.
- 6.3 A surplus position of £220,092.83 on the Collection Fund is forecast for 31 March 2025. 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.
- 6.4 The proportion of this surplus that each of the Major Preceptors will receive from the Collection Fund when calculating the Council Tax for 2025/26 is as follows:

Table 1 Estimated Council Tax Surplus 31st March 2026 – Preceptor Shares

| | £ |
|---|--------------------|
| Dacorum Borough Council | -25,272.97 |
| Hertfordshire County Council | -169,571.49 |
| Police and Crime Commissioner for Hertfordshire | -25,248.37 |
| Total Surplus | -220,092.83 |

- 6.5 Cabinet approved the Collection Fund surplus in December 2024.
- 6.6 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 £6.86 (2.99%) for Dacorum in 2025/26 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 £150k.

7. Local Government Accounting Requirements

- 7.1 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

- 7.2 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.
- 7.3 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 Taxpayer, there is corresponding credit (reversing out the charge), which can be seen in the General Fund Summary (Appendix A1).
- 7.4 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

7.5 The Council complies with the Prudential Code for controlling Local Government Capital Finance, and the Budget for 2025/26 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.

Budgetary Assumptions 2025/26

7.6 The inflationary assumptions used to compile the 2025/26 estimates are set out below.

| Inflation Factors | |
|--|-------|
| Average salary Inflation (annual pay settlement) for 2024/25 | 3.5% |
| Supplies and Services Growth | 3.1% |
| Fuel | 5% |
| Utility Cost increase assumptions | 5% |
| Other Assumptions | |
| Return on investment | 4.5% |
| Salary Vacancy Factor remains consistent (excluding front-line Waste services) | 5% |
| Numbers of Band D equivalent properties | -0.4% |

7.7 The salary vacancy factor for the 2024/2025 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 2025/26.

7.8 As overall Core funding including council tax is relatively unchanged, and the council's strategic ambitions and core delivery plans are consistent for 2025/26, the 2025/26 proposed budget has very few major changes overall, with the continuation of utilising additional income generation to net off service demand pressures and inflationary impact.

The table below summarises the major movements in the budget year on year for 2025/26, the details are included in the budget appendices.

| Description | Financial Value | |
|----------------------------------|------------------------|---|
| Pay Inflation | £800k | Average of 3.5% Assumed |
| National Insurance Pressure | £600k | Aligned to Govt Policy change |
| Temporary Accommodation Pressure | £300k | Growth for current financial pressure. |
| Commercial Rent Income | (£400k) | Annual Uplift |
| Garages | (£370k) | New Pricing Strategy |
| Car Parking | (£600k) | New Parking Tariffs |
| Waste Services | (£200k) | Green and Commercial Waste income increase. |

8. Revenue Income

- 8.1 In addition to the Core government funding streams explained in sections 3 - 6 of this report, the Council receives income from a number of other sources.
- 8.2 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 housing. More detail on the HRA budget is covered in section 12 of this report, and in the HRA 30 Year Business Plan presented to cabinet in February.
- 8.3 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 4.75% which is a decrease of 0.5% year on year. Although rates have reduced the cash balances have remained higher than expected and the Council is seeing greater return on the investment of its cash balances in 2024/25.
- 8.4 Interest rates are expected to reduce further in 2025/26, but current market forecasts are variable, there is wider economic concerns with regards to US economic and foreign policy as well as UK economic growth and government borrowing costs. The current capital investment programme is projected to lead to further reductions in the council's cash balances and therefore the council will have less investment potential in 2025/26.
- 8.5 Investment returns in 2024/25 are expected to average circa 3.3% and is above budgeted expectations and hence the 2025/26 is projecting an increase in budgeted investment returns of £200k year on year. 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.
- 8.6 Fees and Charges - The proposed fees and charges for 2025/26 are detailed in Appendices **C3, D3 and E3**. The principle of commerciality and cost recovery has formed the basis of the annual review. Fees and charges proposals for 2025/26 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.

9. Reserves Strategy

- 9.1 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 2024), all in year requests or movements in reserves are presented and approved by cabinet in line with the Council's Financial regulations.
- 9.2 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.

- 9.3 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 2025/26, which equates to just over 10% of the Net Cost of Services of £24.6m, 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.
- 9.4 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 £3.7m by the end of 2025/26, which equates to 5% of the £74.46m turnover (as shown in Appendix F).
- 9.5 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

- 9.6 The General Fund budget proposes a Net Cost of Service of £24.6m, as set out in Appendix A1. This includes a net allocation of £1.22m to earmarked reserves, driven predominantly by contributions of specific grants including Extended Producer Responsibility £1.4m and the National Insurance £180k. The proposed movements of General Fund earmarked reserves for revenue use in 2025/26 are as follows:

| Earmarked Reserve | Net Movement to/(from) Reserves |
|--|--|
| | £000 |
| Savings Efficiencies Reserve | 120 |
| On-Street Car Parking Reserve | 40 |
| Dacorum Development Reserve | (746) |
| Vehicle Replacement Reserve | 25 |
| Election Reserve | 40 |
| Technology Reserve | (378) |
| Housing Conditions Survey Reserve | 15 |
| Maylands Plus Reserve | 23 |
| Temporary Accommodation Reserve (New Reserve) | 500 |
| National Insurance reserve (New Reserve) | 180 |
| Extended Producer Responsibility Reserve (New Reserve) | 1,400 |
| Total Net Movement | 1,220 |

- 9.7 Reserves are held for specific purpose and support a combination of corporate delivery and to mitigate against key strategic risks in the organisation.

9.8 All reserves have been reviewed during the preparation of the Budget for 2025/26, and there will be a further review of the reserves position as part of the closure of accounts process for 2024/2025. Appendix J details all council reserves.

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 £20k 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.

- **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 partly through Revenue Contributions to Capital enables the Council to reduce or avoid the costs associated with borrowing, there is annual contribution of £25k.

- **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 £120k planned in 2025/26. This figure includes the following:

- A draw down from reserves of £50k to finance the Commercial Development Support Officer post.
- A draw down of £30k to finance a payroll apprentice post

- A contribution 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 2025/26, to support the costs of future Borough Elections.

- **Funding Equalisation Reserve**

This reserve is in place to smooth out any variations in the Collection fund. It is funded through annual surpluses on the Collection Fund, this reserve is essential in making the necessary accounting adjustments that arise when actual collection rates differ from forecast collection rates, without impacting on the medium-term financial planning.

This reserve contains previous years' growth in Business Rates, that are in excess of projected growth, in order to fund potential shortfalls in future years' funding. The reserve will be reviewed in 2025 as part of the combination of the Fair Funding Review and the Business Rates Baseline reset for 2026/27.

- **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, the next triennial review is due in 2025.

- **Covid- 19 Hardship Fund**

This reserve was created during 2020/21 in response to the pandemic to support vulnerable residents with their Council Tax bills, this reserve is no longer required for the purpose it was intended, and it is proposed that the residual £133k is moved to the Inflationary Pressures Reserves to support the impact of unexpected inflationary pressures.

- **Inflationary Pressures Reserve**

This reserve was created at the end of 2021/22 to support the risk of in year inflationary pressures as a result of inflation uncertainty. It is proposed to transfer the existing £133k in the now outdated Covid reserve to the inflationary reserve.

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.

- **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 £746k proposed for 2025/26 comprises:

- £250k drawdown to fund costs associated with the Hemel Garden Communities project to create new housing, jobs and infrastructure within the borough;
- £200k drawdown to support the strategic planning for the health campus;

- £122k drawdown to support a review on the council's trees and to develop a future Tree management strategy.
- £50k to support community events
- £124k to support fixed term Place posts following the 2024 restructure

- **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. This reserve was set up to finance reductions in income generating services from 2021 to 2024/25. This period has ended, and the base budget is no longer supported from reserve draw downs from this reserve from 2025/26. This reserve therefore no longer required, and it is proposed to allocate the residual £187k to the Management of Change reserve for 2025/26.

- **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 that 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. In 2025/26 it is proposed that £378k will be drawn down to support the wider Digital change programme this includes;

- £228k to fund one off cost resulting from the digital restructure
- £150k to fund the one-off costs to transfer the finance system to a cloud-based solution

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 a further reserve 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 funds generated at Maylands Business Centre for re-investment into Economic Development across the Borough. A contribution of £23k in 2025/26 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. There are no proposed draw downs on this reserve at present but there is an expectation that a one-off loss of income payment to the leisure provider will be required following the 2024 closure of the Berkhamsted pool.

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. This reserve was funded predominantly by a 2024/25 contribution of £1.160m, funded by New Homes Bonus receipts, and there are plans to seek cabinet and council approval to utilise the majority of these funds in 2025/26, in support of the CEE programme.

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. It is proposed to re allocate the residual £187k from the Economic Recovery Reserve at the end of 2024/25 to this reserve.

- **Capital Receipts Reserve**

This reserve is utilised to finance the Capital Programme. The balance brought forward to 2024/25 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 £11.4m as at 1st April 2025, and £6.0m as at 31st March 2026. It is estimated that the GF capital balances will be £14.2m as at 1st April 2025, and £1.2m as at 31st March 2026.

10. 2025/26 Budgetary risks & Opportunities

- 10.1 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.
- 10.2 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 Autumn spending review and the issuing of the draft financial settlement. A medium-term funding commitment would be the ideal solution going forward to provide certainty to financial planning, central government are planning on completing the fair funding review in the spring, and will then be able to provide medium term funding settlements.
- 10.3 At present, the wider economy is struggling with inflation and interest rates variable/uncertain and recent unemployment rates increasing. This uncertainty makes budget projections 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 broader high risk/opportunity 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 growth.

- Income generating services. Income generating services provide in excess of £20m towards the costs of serviced delivery for the council and some of these services have struggled to meet budgeted expectations in recent years such as discretionary services including commercial property income, car parking income, commercial waste and planning income. The 2024/25 financial performance has been good in these service areas, but the risk is carefully 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 Government's simpler recycling policy will also no doubt bring challenges and service pressures. The service is under constant review and transformation to reduce ongoing waste revenue pressures and deliver improvements and expansion of the commercial waste service.
- Temporary Accommodation is a growing pressure with the service projecting a potential requirement of an additional 200 units going forward to meet future demand. In year the service is projecting a circa £400k financial pressure and hence £300k growth has been applied to this budget with both additional reserves set aside to support service improvements, and additional homelessness prevention grant available to support the service requirements.

11. Capital Programme

- 11.1 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 the capital schemes within both the General Fund and the Housing Revenue Account (HRA).
- 11.2 The recommended Capital Programme detailed in Appendix I is a 5-year programme encompassing £236.0m of capital investment across the borough. The Capital Programme in 2025/26 is £80.4m of which £48.4m is the HRA and £32.0m is the General Fund.
- 11.3 During 2025/26 several key strategic milestones as part of the Place Strategy and SAR Programme are expected to be completed and the outcome of those reviews is likely to impact on future capital strategies and the Medium-Term Capital Programme. Any significant updates to the Capital Strategy will be updated and reported accordingly. A
- 11.4 Areas of major investment within the 5-year programme include:

General Fund

- £15.2m investment in a 5-year programme of fleet replacement.
- £30.5m capital investment to the leisure and sports premises.
- £2.9m 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 Capital

- 11.5 £135.8m for major capital repairs and replacements of components of the Housing Stock (such as bathrooms, roofs, windows, kitchens) and £27.4m for the New House Build programme.

11.6 Financing the Capital Programme

It is recommended that the Capital Programme for 2025/26 be financed as per the table below.

| Proposed Financing Source Capital Programme 2025/26 | HRA £m | GF £m | Total £m |
|--|---------------|--------------|-----------------|
| Capital Receipts and Reserves | 16.8 | 13.0 | 29.8 |
| Grants and External Funding | 12.0 | 0.9 | 12.9 |
| Borrowing* | 19.6 | 18.1 | 37.6 |
| Total Indicative Funding | 48.4 | 32.0 | 80.4 |

*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 2025/26 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 2025/26 is £18.4m.

The level of capital 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.

12. Housing Revenue Account 2025/26

12.1 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.

12.2 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 2025/26 equates to £3.7m. 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

12.3 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.

12.4 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 2025/26

- 12.5 The HRA budget for 2025/26 incorporates the following key financial assumptions, based on the draft 2025/26 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 2025/26 - Following DLUHC Rent increase expectations - Annual rent increase of CPI+1% equates to 2.7% cap. New tenancies re-let at formula rent. |
| Inflation | RPI 1.7% 2025/26. 2% for the remainder of the business plan. |
| Voids and Bad Debts | Voids: 0.74% of gross income Bad Debts: 0.73% |
| Non- Right to Buy Sales | Assumes 12 per year |
| Right to Buy Sales | Assumption of 25 per year. |

13. Staff Terms and Conditions

- 13.1 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.
- 13.2 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.
- 13.3 The current 'out of London' living wage, which would apply to the Council, is £12.60 per hour. All Council staff are paid in excess of the living wage for 2025/26.

14. Financial and value for money implications

- 14.1 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 an s151 Officer report.

21. 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 2025/26 budget and the level of the Council's reserves.