

Part A

Report to: Council

Date of meeting: Tuesday, 30 January 2024

Report author: Chief Finance Officer

Title: Budget and Council Tax Resolution 2024/25

1.0 Summary

- 1.1 The purpose of this report is to enable the Council to set the 2024/25 budget and pass the statutory Council Tax Resolutions for 2024/25 in relation to Watford Borough Council's Council Tax Requirement (CTR).
- 1.2 At the time of writing this report, the precept demand from both Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire have not been set. A report will be submitted to the Functions Committee on 21 February 2024 to set the overall Council Tax, which will include these precepts.
- 1.3 Copies of the Budget Report to the Cabinet meeting on 15 January 2024 are published alongside this report as they contain information relevant to the recommendations.

2.0 Chief Finance Officer's Statutory Report

- 2.1 Under Section 25 of the Local Government Act 2003, the Council's Chief Finance Officer (designated officer under section 151 of the Local Government Act 1972) must report to Council on the following matters:
 - a. the robustness of the estimates made for the purposes of the calculations, and
 - b. the adequacy of the proposed financial reserves
- 2.2 The full report was provided to Cabinet on 15 January 2024 and is included at Annex C.

3.0 Recommendations

3.1 To agree proposals recommended by Cabinet on 15 January 2024 that Council:

- a) Resolves in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, the amount calculated by Watford Borough Council as its Council Tax Base for the year 2024/25 is **35,532.1** as outlined in the report.
- b) Approves the budget (Attachment 1) as laid out in the report, including:
 - the revenue budget for 2024/25
 - the Capital Investment Programme 2023/24 to 2026/27
- c) Approves the Capital Strategy for 2024/25, and delegates to the Chief Finance Officer in consultation with the Portfolio Holder for Property, Resources and Customer Services responsibility for agreeing and maintaining the Treasury Management Strategy Statement. (Attachment 2)
- d) Agrees to increase the annual Council Tax for a Band D property 2024/25 by 2.99%. This will apply to all other bands.
- e) Agrees to the creation of a Redundancy Reserve and to rename the Riverwell Project Reserve to Commercial Risk Reserve
- f) Notes the key risks identified and approves their proposed mitigations as set out in Appendix 11 to Attachment 1 – Budget Setting Report.
- g) Notes the advice provided by the Chief Finance Officer on the robustness of estimates and the adequacy of reserves at Annex 3.
- h) Notes the indicative budgets for 2025/26 and 2026/27 as set out in Attachment 1 and Attachment 3.
- i) Approves the revenue virements for 2023/24 set out in Annex 4 (as noted by Cabinet on 15 January 2024 after consideration of the Financial Monitoring Report 2023/24 to Period 8).

3.2 Setting the Council Tax Requirement for Watford Borough Council:

- a) That the Council's net General Fund expenditure for 2024/25 shall be **£14.626m**.
- b) That the 2024/25 band D precept is set at **£299.55** and other bands and amounts are set in accordance with the table at paragraph 3.2 (E)
- c) That Watford Borough Council's Council Tax Base for 2024/25 has been calculated at 35,532.1 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 made under Section 31B (1) of the Local Government Finance Act 1992, as amended.
- d) That the following amounts be now calculated by the Council for the year 2024/25 in accordance with Sections 31A to 36 of the Local Government Finance Act 1992:
 - (A) *Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act. (Effectively the gross expenditure and transfers to reserves) **£94,166,929***
 - (B) *Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act. (Effectively the gross income and transfers from reserves) **£85,523,288***
 - (C) *Being the amount by which the aggregate at 2.5 (A) above exceeds the aggregate at 2.5 (B) above calculated by the Council in accordance with Section 31A (4) of the Act as its Council Tax Requirement for the year **£10,643,641***
 - (D) *Being the amount at paragraph 2.5 (C) divided by amount at 2.4 above, calculated by the Council, in accordance with Section 33 (1) of the Act as the basic amount of its Council Tax for the year (at Band D) **£299.55***

(E)

Council Tax Valuation Band	Conversion Factor to Band D	Watford's Share £
A	6 / 9	199.70
B	7 / 9	232.98
C	8 / 9	266.27
D	1	299.55
E	11 / 9	366.12
F	13 / 9	432.68
G	15 / 9	499.25
H	2	599.10

Being the amounts given by multiplying the amount at paragraph 3.2 (D) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36 (1) of the Act, as the amounts to be taken into account for the year 2024/25 in respect of categories of dwellings listed in different valuation bands.

- e) That a report including precepts of both the Hertfordshire County Council and the Police & Crime Commissioner for Hertfordshire be presented to the Functions Committee on 21 February 2024 to set the total Council Tax.

Further information:

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Report approved by: Hannah Doney, Chief Finance Officer and Section 151 Officer

4.0 Budget Process

- 4.1 At its meeting on the 15 January 2024 the Cabinet approved the budget proposals for 2024/25. The decisions made by Cabinet are reflected in the formal resolutions set out above.
- 4.2 The Council is recommended to approve Cabinet's budget proposals, as set out in in the agenda, and to make the necessary formal resolutions to set the level of Council Tax.

- 4.3 Members are required to have regard to the Chief Finance Officer's assessment of risks and the adequacy of balances as set out in this report.
- 4.4 Finance Scrutiny Committee considered Cabinet's proposals at its meeting on 10 January 2024 and its minutes were circulated to Cabinet prior to any decisions being taken.
- 4.5 The precepts for Hertfordshire County Council and The Police and Crime Commissioner for Hertfordshire have not yet been notified to the Council. A report will be submitted to the Functions Committee on 21 February 2024 detailing the tax requirement for Watford Borough Council's own purposes with those of the preceptors, to formally set the overall level of Council Tax.
- 4.6 Watford's net revenue expenditure for 2024/25 is forecast to be £14.626m. Council tax is estimated to be the band D charge multiplied by the tax base (adjusted for the collection rate) which gives an estimated Council tax precept of £10.644m. Other funding is £4.266m. The budget includes a contribution of £0.285m to the general fund to return it to the risk assessed level. The council tax base for 2024/25 is 35,532.1 (Band D equivalents).
- 4.7 This results in a council tax for Band D of £299.55. Watford Borough Council's Council Tax has increased by £8.70 from the precept set in 2023/24.
- 4.8 Virements are requested for the 2023/24 revenue budget at Annex 4. Details of the virement requests are included in the Financial Monitoring Report 2023/24 to Period 8 reported to Cabinet on 15 January 2024. The impact of these virements is included within the forecast for Earmarked Reserves and General Balances.
- 5.0 **Implications**
- 5.1 The implications are set out in full in the report to Cabinet on 15 January 2024 and accompanying attachments. Members are invited to refer to these papers.

Background papers

Report to Cabinet of 15 January 2024

MTFS Changes, as recommended by Cabinet 15 January 2024

MTFS Changes Summary	2024/25	2025/26	2026/27
	£m	£m	£m
Gap in MTFS at 1 April (approved in January 2023)	0.081	0.510	0.510
Changes to Net Expenditure:			
Growth, Savings & Efficiencies	4.894	2.072	0.871
Changes to Use of Earmarked Reserves	(4.996)	(2.772)	(1.066)
Net changes	(0.103)	(0.700)	(0.194)
Revised gap	(0.022)	(0.190)	0.316
Funding Changes:			
Council tax	0.341	0.104	(0.401)
Business Rates	0.000	0.000	0.000
Collection Fund	0.099	0.000	0.000
Additional Government Funding	(0.703)	0.086	0.086
Total Funding Changes	(0.263)	0.190	(0.315)
Contribution to General Fund	0.285	0.000	0.000
Final gap	0.000	0.000	0.000

Medium Term Financial Strategy (MTFS) 2024/25 to 2026/2027

 WATFORD BOROUGH COUNCIL BE BOLD	Medium Term Financial Strategy		
	2024/25 Draft £m	2025/26 Draft £m	2026/27 Draft £m
Current MTFS			
Corporate, Housing & Wellbeing Place	6.030 (0.322)	5.985 (0.514)	
Corporate Strategy & Comms	1.363	1.344	
Democracy & Governance	2.078	2.089	
Human Resources	0.596	0.597	
Strategic Finance	4.984	5.903	
Net cost of services	14.728	15.404	0.000
Financial Planning			
Additional Year			15.404
Salary Changes	0.338	0.301	0.343
Pressures, Growth and Other Variances	2.442	1.814	1.745
Timing of income from Joint Ventures and Croxley Park	4.392	2.755	1.779
Changes to use of Earmarked Reserves	(4.996)	(2.772)	(1.066)
Efficiency Savings and Service Changes	(2.238)	(2.691)	(3.080)
Fees & Charges	(0.294)	(0.358)	(0.358)
Contingency for Pay and Other Inflation	0.253	0.251	0.442
Sub-Total	(0.103)	(0.700)	15.209
Total Net Cost of Services	14.626	14.704	15.209
Proposed MTFS			
Corporate, Housing & Wellbeing Place	7.147 0.235	6.747 (0.214)	6.802 0.112
Corporate Strategy & Comms	1.458	1.425	1.449
Democracy & Governance	2.168	2.162	2.167
Human Resources	0.591	0.556	0.557
Strategic Finance	3.027	4.029	4.122
Net cost of services	14.626	14.704	15.209
Use of Corporate Reserves			
Contribution to General Fund	0.285		
Sub-Total	0.285	0.000	0.000
Funding			
Council Tax	(10.644)	(11.127)	(11.632)
Collection Fund (surplus) / deficit	0.099	0.000	0.000
Business Rates	(3.002)	(3.002)	(3.002)
New Homes Bonus	(1.238)	(0.450)	(0.450)
Additional Government Funding	(0.125)	(0.125)	(0.125)
Sub-Total	(14.911)	(14.704)	(15.209)
Total Funding & Use of Reserves	(14.626)	(14.704)	(15.209)
Council Tax Rate Calculation			
Council tax base	35,532.1	36,420.4	37,330.9
Council tax charge for band D	£299.55	£305.51	£311.59
Council Tax Requirement	10,643,641	11,126,797	11,631,926

Chief Finance Officer's Statutory Report

Introduction

1. Under Section 25 of the Local Government Act 2003 I am required, as the designated Chief Financial Officer, to report on the following matters to members when agreeing its annual budget and council tax requirement:
 - a) the robustness of the estimates made for the purposes of the budget calculations, and
 - b) the adequacy of the proposed financial reserves
2. Under the law, the Council is required to have due regard to this report when making decisions on the budget.
3. In making this report, I have considered the governance and financial management arrangements in place and the adequacy of the budget planning process.

Governance and control frameworks

4. The Council has good governance arrangements in place as set out in the Annual Governance Statement and supported by the Internal Audit Annual Statement of Assurance.
5. The external audit of the Statement of Accounts is outstanding for 2021/22 and 2022/23 and the 2020/21 audit is due to be concluded shortly with an unqualified opinion as set out in the External Auditor's Draft Audit Results Report to Audit Committee. Adjustments arising from the audits could result in changes to the draft accounts, however these are most likely to be technical accounting adjustments that will not have an impact on the general fund balance.
6. The recent LGA Corporate Peer challenge found that Watford has a 'good record of financial stewardship and has a clear understanding of its financial position.' The report highlighted that the recommendations made by the peer challenge team are 'designed to assist the council in its journey to achieving continuous improvement and excellence in financial management.'
7. Alongside taking forward the peer challenge recommendations, we will continue to embed a finance business partnering approach to enhance our already good budget management. This will ensure that we have early notice of emerging pressures and risks, so these can be managed in a planned way, reducing the need to call on reserves.
8. The savings within the draft budget are significant. Therefore, appropriate governance arrangements have been put in place to oversee the delivery.
9. The Budget Delivery Programme Board has been established, chaired by the Executive Director of Place, to oversee the implementation of agreed savings. The board is an internal officer board that reports into the Corporate Management Board, Portfolio Holders and Elected Mayor, monitoring key milestones and risks.
10. The delivery of savings will also be reported to Finance Scrutiny Committee and Cabinet through the financial monitoring report as is already done for savings within the current MTFs.

Budget Planning Process

11. There has been a robust budget planning process for 2024/25 with budget proposals considered in detail by the Corporate Management Team and Portfolio Holders and subject to peer challenge. All budget proposals have been supported by impact assessments which set out the risks and mitigations associated with the delivery of savings.
12. The Finance Scrutiny Committee provides challenge to financial forecasts throughout the year through scrutiny of the in-year financial monitoring reports. Finance Scrutiny Committee will consider the draft budget, including assumptions used to set the budget at the meeting on 10 January 2024 and these comments will be available to Cabinet and Council when considering recommendation and approval of the budget.

Robustness of Estimates

Government Funding:

13. 'Uncertainty' has been a recurring theme for local government and local government finance over the last few years as the sector has responded to emerging financial challenges as a result of COVID-19, high inflation and the impact they have had on the economic environment, our residents, and directly on our own budgets. The Local Government Association (LGA) estimates that there is £4 billion funding gap across English Councils over the next two years.
14. In addition to this uncertainty around cost pressures, there has also been uncertainty about the level of funding available from one year to the next as a result of one-year finance settlements.
15. The 2024/25 settlement is the sixth consecutive one-year settlements with 2019/20 being the final year of the last multi year settlement. Over that period, there has been an expectation that funding reform would take place including implementation of a review of relative needs and resources and resetting the base line for accumulated business rate growth. The 2024/25 Local Government Finance Policy Statement issued by the Department for Levelling Up, Housing and Communities (DLUHC) confirmed that government 'remains committed to improving the local government finance landscape in the next Parliament.'
16. The Chair of the Local Government Association (LGA), Cllr Shaun Davies has said that:
"No council is now immune to the growing risk to their financial sustainability. The Government urgently needs to address the growing financial crisis facing councils and come up with a long-term plan to sufficiently fund local services through multi-year settlements."
17. Given that there will be a general election during 2024/25, it is highly likely that the 2025/26 settlement will also be a one-year settlement as there will not be time for the implementation of meaningful reform with appropriate transition arrangements. However, there is no certainty that the Services Grant, New Homes Bonus, or Funding Guarantee grant streams will remain for 2025/26 or beyond.
18. For the purposes of setting the MTFs, it is assumed that government grant funding will continue in 2025/26 and 2026/27 but at a reduced rate with New Homes Bonus forecast to reduce from £1.238m to £0.450m. This is a prudent position on the basis that:
 - New Homes Bonus is a variable funding stream,
 - there is no commitment to continuing the Funding Guarantee Grant which would otherwise offset reductions in New Homes Bonus,
 - government has previously consulted on ending New Homes Bonus, and
 - there is no clarity on the allocation methodology for a replacement grant stream.

Other areas that require significant estimation or carry inherent risk:

19. Forecasts for commercial investment income are based on known information about lease events and estimates for void periods, market rents and lease incentives. In arriving at these estimates we utilise expert advice from external advisors and consider risk appetite, ensuring that a prudent forecast is set.
20. Capital financing costs are subject to three main variables:
 - delivery of the capital programme,
 - core cash balances, and
 - interest rates
21. The forecast is based on delivery of the capital programme as per the budgeted capital investment programme, core cash balances reducing as reserves and capital contributions are utilised, and PWLB interest rates reducing from 5% to 3.8% over the MTFS. Interest rate forecasts are arrived at utilising forecasts provided by our external Treasury Management Advisors and other market information and projections including the Bank of England Monetary Policy Committee reports.
22. The proposed MTFS is balanced based on the delivery of service redesign savings totalling £1.346m by the end of the MTFS period. The budget includes the creation of a redundancy reserve which will fund the cost of redundancy and enable savings to be delivered to the revenue budget in full without a payback period.
23. In identifying how these savings will be delivered, we will be mindful of the recommendation from the LGC Corporate Peer Challenge that, 'implementation of 2025/26 savings during 2024/25 would further reduce revenue pressures and provide a contingency against unforeseen budget issues.'
24. Whilst there is a risk that the savings target will not be achieved, the governance arrangements that have been put in place will ensure that there is early visibility and enable this risk to be managed.

Adequacy of Reserves

25. CIPFA define financial resilience as the ability to respond to changes in delivery or demand without placing the organisation at risk of financial failure. Reserves are critical to a local authority being able to achieve this as they enable authorities to manage one off financial pressures or provide space and time to find effective long term solutions to issues by providing short term funding.
26. The Council holds a General Fund which is set at a risk assessed level of £2.000m across the MTFS to manage unexpected cost pressures. This is 13.7% of the net revenue budget and is sufficient to manage in year overspends across the MTFS accepting that, if drawn upon, the MTFS will have to be replenished in future years.
27. In addition to the General Fund, Watford has a good level of Earmarked Reserves which are forecast to be £28.792m at 31 March 2024 which is 197% of net revenue expenditure for 2024/25.
28. The CIPFA Financial Resilience index identifies the use of reserves as a risk factor. However, depletion of reserves is not of itself an indicator of financial stress provided that the use of reserves is in line with the purpose that the reserves are held for and are available over the time frame required.
29. The MTFS includes planned use of earmarked reserves of £10.123m which is a 35.2% reduction. Of this, £7.453m relates to the Croxley Park Reserve which is forecast to reduce from £11.357m at 31 March 2024 to £3.904m at 31 March 2027. This forecast is in line with the Croxley Park financial

model which currently shows that the reserve will remain at a sufficient level to manage fluctuations in income over the life of the finance lease.

Summary Statement

30. It is my opinion that the budget for 2024/24 has been prepared based on reasonable and prudent estimates and that the level of reserves is sufficient to meet the financial risks that the Council faces.
31. I can therefore confirm that:
 - a) the estimates made for the purposes of the calculation of the Council's budget requirement under Section 32 of the Local Government Finance Act 1992, contained in this report, are robust in the context of information available,
and
 - b) the financial reserves that will remain available to the Council as a result of agreeing the proposals contained in this budget are adequate to enable the setting of a lawful budget for 2024/25

Hannah Doney
Chief Finance Officer and Section 151 Officer

Revenue Budget Virements for approval by Council

Reference	Budget	Income / Expenditure	In year or permanent?	Amount £	Virement Description
009-2023/24	Place General Funding	Expenditure Income	In Year	598,000 (598,000)	Utilization of the Riverwell Reserve to support short term shortfall in commercial income on a one-off basis.
010-2023/24	Place General Funding	Income Expenditure Income	In Year	(9,714,829) 13,220,364 (3,505,535)	Creation of Budgets for Croxley Business Park
011-2023/24	Strategic Finance Place Corporate, Housing and Wellbeing Democracy and Governance Corporate Strategy and Comms Human Resources	Expenditure	In Year	(779,973) 303,663 274,803 110,981 48,056 42,470	Allocation of Budgets for 2023/24 Pay Award
Total Virement				0	

In year virements apply only to the current financial year.
Permanent virements create an ongoing budget change.