

Report to: Council
Date of meeting: 24 January 2022
Report of: Director of Finance
Title: Budget and Council Tax Resolution 2022/23

1.0 SUMMARY

- 1.1 The purpose of this report is to enable the Council to set the 2022/23 budget and pass the statutory Council Tax Resolutions for 2022/23 for Watford Borough Council's own tax requirements.
- 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 22 February 2022 to set the overall Council Tax, which will include these precepts.
- 1.3 Copies of the Budget Report to the Cabinet meeting on 17 January 2022 were circulated separately to all councillors as they contain information relevant to the recommendations.
- 1.4 The Director of Finance confirms the estimates have been correctly calculated under the assumptions used. The council would have sufficient balances to fund the 2022/23 budget, including the gap for the remaining period of the MTFS, recognising that work will continue during 2022/23 to close the gap in future years.

2.0 RECOMMENDATIONS

- 2.1 **To agree proposals recommended by Cabinet on 17 January 2022 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 2022/23 is 33,891.3 as outlined in the report.
 - b) Approves the continuation of the Local Council Tax Reduction Scheme for 2022/23.
 - c) Approves the budget (Attachment 1) as laid out in the report, including:
 - o the budget for 2022/23
 - o the Capital Investment Programme 2021/22 to 2024/25
 - d) Approves the schedule of fees and charges & income charging policy (Attachment 2)
 - e) Approves the Capital Strategy for 2022/23, amended as necessary for the decisions of Cabinet on 17 January 2022, and delegates to the Director of Finance and Portfolio Holder Resources responsibility for agreeing and maintaining the Treasury Management policy. (Attachment 3)
 - f) Agrees to increase the annual Council Tax for a Band D property 2022/23 by 1.5%. This will apply to all other bands.

- g) Notes the key risks identified and approves their proposed mitigations.
- h) Notes the advice provided by the Director of Finance on the robustness of estimates and the adequacy of reserves.
- i) Notes the indicative budgets for 2023/24 and 2024/25.

2.2 Setting the amount of Council Tax for Watford Borough Council:

- a) That the Council's net General Fund expenditure for 2022/23 shall be **£13.734** million.
- b) That the 2022/23 band D precept is set at **£282.41** and other bands and amounts are set in accordance with the table at paragraph 2.5 (E)
- c) That Watford Borough Council's Council Tax Base for 2022/23 has been calculated at 33,891.3 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 2022/23 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) **£78,016,111***

(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) **£68,444,869***

(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 **£9,571,242***

(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) **£282.41***

(E)

Council Tax Valuation Band	Conversion Factor to Band D	Watford's Share £
A	6 / 9	188.27
B	7 / 9	219.65
C	8 / 9	251.03
D	1	282.41
E	11 / 9	345.17
F	13 / 9	407.93
G	15 / 9	470.68
H	2	564.82

Being the amounts given by multiplying the amount at paragraph 2.5

(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 2021/22 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 22 February 2022 to set the total Council Tax.

2.3 Appointment of External Auditors

- (a) Agrees to opt in to the national scheme for auditor appointments from April 2023

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3.0 BUDGET PROCESS

- 3.1 At its meeting on the 17 January 2022 the Cabinet approved the budget proposals for 2022/23. The decisions made by Cabinet are reflected in the formal resolutions set out above.
- 3.2 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.
- 3.3 Members are required to have regard to the Director of Finance's assessment of risks and the adequacy of balances as set out in this report. This updates the assessment set out in the 17 January 2022 Cabinet report and concludes that the level of balances should be adequate.
- 3.4 Finance Scrutiny Committee considered Cabinet's proposals at its meeting on 10 January 2022 and its minutes were circulated to Cabinet prior to any decisions being taken.
- 3.5 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 22 February 2022 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.
- 3.6 Watford's net revenue expenditure for 2022/23 is forecast to be £13.734 million. 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 £9.571 million. Other funding is £4.114 million and the balance will be met

from the Council's reserves. The council tax base for 2021/22 is 33,891.3 (Band D equivalents).

- 3.7 This results in a council tax for Band D of £282.41 and the Watford Borough Council's Council Tax has increased by £4.17 from the precept set in 2021/22.

4.0 APPOINTMENT OF EXTERNAL AUDITORS

- 4.1 The Local Audit and Accountability Act 2014 set out the framework for the audit, including the general powers and duties of auditors, and the process for the appointment of auditors of local government accounts following the abolition of the Audit Commission. The Act made provision for the Secretary of State to legislate in order to be able to specify an 'appointing person' who would be able to act to appoint auditors for bodies covered by the Act.
- 4.2 The Local Audit (Appointing Person) Regulations 2015 made provision about the persons that may be specified as an appointing person.
- 4.3 The Public Sector Audit Appointments Ltd (PSAA) is an appointing person under the Local Audit Regulations. As an 'appointing person' the PSAA is responsible for the procurement and appointment of external auditors and for setting the fee scale.
- 4.4 The PSAA operate a national scheme for the appointment of auditors. Auditors are appointed on a five year basis. Watford opted into the scheme for appointments covering the financial years 2018/19 to 2022/23 which resulted in the appointment of the Council's current auditors, Ernst Young.
- 4.5 The invitation to opt into the PSAA national scheme for the five year period beginning in 2023/24 is at appendix 1. This sets out the timeline for opting into the national scheme, the benefits of opting into the scheme and the expected procurement timeline.
- 4.6 The PSAA expects to commence the procurement of audit services in early February 2022. All opted-in bodies will have the opportunity to view the procurement documentation.
- 4.7 The invitation to opt into the national scheme must be confirmed by 11 March 2022. The decision to opt into the scheme must be taken by full Council. It is recommended that the council continues to opt in to the national scheme.

5.0 IMPLICATIONS

- 4.1 The implications contained in the report to Cabinet on 17 January 2022 are equally applicable to this report and Members are invited to refer to them to avoid unnecessary duplication.

Background Papers

Report to Cabinet of 17 January 2022

Table 1 – Budget Gap, as recommended by Cabinet 17 January 2022

Revenue Account - MTFS	2021/22	2022/23	2023/24	2024/25	Total Gap Over MTFS 3 Years
	£000	£000	£000	£000	£000
Gap in MTFS at 1 April (approved in January 2021)	513	485	(521)	(521)	(557)
In year changes through budget monitoring	1,434	171	171	171	513
Budget carry Forward	(342)	342			342
Other Changes					
Changes to fees & charges		19	19	19	57
Changes to Staff Costs		91	108	139	338
Growth and Efficiencies		(405)	(424)	(425)	(1,253)
Use of Renewal Recovery Fund		631			631
Contingency - Inflationary costs		394	1,007	1,253	2,655
Net changes	1,092	1,244	882	1,157	3,283
Revised gap	1,605	1,729	361	636	2,726
Funding Changes					
New Homes Bonus	0	(141)	127	127	113
Business rates	0	(71)	0	0	(71)
Council tax	0	(179)	(386)	(582)	(1,147)
Additional Government Funding	0	(201)	122	122	43
Sub Total	0	(592)	(137)	(333)	(1,062)
Change in planned use of reserves	(1,527)	(1,048)	(75)	(75)	(1,198)
					0
Revised gap	78	89	149	228	466

**Medium Term Financial Strategy (MTFS) 2021/22 to 2024/25, as recommended
by Cabinet 17 January 2022**

 WATFORD BOROUGH COUNCIL BE BOLD	2021/22 Original	2021/22 Revised £000s At November	2022/23 Draft	2023/24 Draft	2024/25 Draft
	£000s	£000s	£000s	£000s	£000s
Service Transformation	2,989	3,718	3,648	3,614	3,614
Community & Environmental	9,412	11,062	8,706	8,351	8,351
Democracy & Governance	2,085	2,307	1,933	1,936	1,936
Place Shaping & Performance	(6,238)	(6,155)	(6,961)	(6,945)	(6,945)
Corporate Strategy & Comms	757	(44)	1,303	1,309	1,309
Human Resources	619	618	597	598	598
Strategic Finance	4,059	3,586	3,265	3,273	3,273
Net cost of services	13,684	15,092	12,490	12,136	12,136
Financial Planning					
Salary Changes (Including Employers Lump Sum)	0	0	91	108	139
Growth	0	0	115	163	191
Income & Efficiencies	0	0	(520)	(586)	(616)
In year Monitoring Changes	0	300	171	171	171
Net effect of Fees & Charges	0	0	19	19	19
Use of Renewal Recovery Fund	0		631	0	0
Budget Carry Forward	0	(342)	342	0	0
Contingency - Inflationary costs	0	0	394	1,007	1,253
Sub-Total	0	(42)	1,244	882	1,157
Total Net Expenditure	13,684	15,050	13,734	13,018	13,293
Planned Use of Reserves					
Contributions to reserves	628	342	1,288	621	621
Contributions from reserves- including Carry forward Reserve	(885)	(2,399)	(1,248)	(275)	(275)
Sub-Total	(257)	(2,057)	40	346	346
Funding					
Council Tax	(9,122)	(9,122)	(9,571)	(9,764)	(9,960)
Business Rates	(3,002)	(3,002)	(3,073)	(3,002)	(3,002)
New Homes Bonus	(480)	(480)	(718)	(450)	(450)
(Surplus)/Deficit on collection fund	(122)	(122)	0	0	0
Additional Government Funding	(188)	(188)	(323)		0
Sub-Total	(12,914)	(12,914)	(13,685)	(13,215)	(13,411)
Total Funding & Use of Reserves	(13,171)	(14,971)	(13,645)	(12,869)	(13,065)
Gap	513	78	89	149	228
Reserves - opening balances	(16,036)	0	0	49	(148)
Planned use of reserves	257	2,057	(40)	(346)	(346)
Gap funded from reserves	513	78	89	149	228
Reserves - closing balances	(15,266)	2,135	49	(148)	(266)
Council Tax Rate Calculation					
<i>Council tax base</i>	32,786.1	32,786.1	33,891.3	34,060.8	34,231.1
<i>Council tax charge for band D</i>	£ 278.24	£ 278.24	£ 282.41	£ 286.65	£ 290.95
<i>£'000</i>	9,122.40	9,122.40	9,571.24	9,763.52	9,959.53