

## PART A

**Report to:** Council

**Date of meeting:** 31 January 2023

**Report of:** Director of Finance

**Title:** Budget and Council Tax Resolution 2023/24

### **1. Summary**

- 1.1 The purpose of this report is to enable the Council to set the 2023/24 budget and pass the statutory Council Tax Resolutions for 2023/24 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 Council Functions Committee on 22 February 2023 to set the overall Council Tax, which will include these precepts.
- 1.3 Copies of the Budget Report to the Cabinet meeting on 16 January 2023 were circulated separately to all councillors as they contain information relevant to the recommendations.

### **2. 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 Director of Finance confirms the estimates have been correctly calculated under the assumptions used. The council would have sufficient balances to fund the 2023/24 budget, including the gap for the final year of the MTFs, recognising that work will continue during 2023/24 and 2024/25 to close the gap in future years.
- 2.3 There remains considerable uncertainty around the macro-economic climate and its impact on the Council's MTFs, especially in future years. Key uncertainty includes:

- The ongoing level of inflation and the impact of inflation on underlying budgets, including next year's local government pay award and the impact of inflation on our key contracts. Continued high inflation is also likely to increase demand for some key services and impact on council tax revenues;
- The Council has a significant level of commercial income and income from its joint ventures, risks around income from Croxley Park and joint ventures are managed through specific earmarked reserves.
- The Council remains at the floor in respect of Business Rate Income so whilst a fall in business rate income would affect the timing of resources, over time the impact is recovered.
- Future interest rate levels which impact on the Council's cost of borrowing;
- Affordability of the Capital Programme due to inflationary cost pressures and uncertainty about external grant funding, particularly on major schemes;
- The impact of national changes to waste collection and waste disposal, including the introduction of the 'producer pays' charges and associated additional funding source.

2.4 The Council will continue to manage the risks within its budget through active budget monitoring, taking steps in year to address any pressures, and through the use of the Economic Impact Reserve and ultimately General Balances.

2.5 Resources beyond 2023/24 remain uncertain. Whilst the Government's policy statement on local government finance gave some detail on 2024/25, it also committed to a review of lower tier funding in light of the additional resources coming to district councils through 'producer pays' funding in waste. Fair funding and the reset of the business rates base will not take place in 2024/25 with changes due to be introduced in the next Parliament.

### **3. Recommendations**

**3.1 To agree proposals recommended by Cabinet on 16 January 2023 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 2023/24 is **35,532.1** as outlined in the report.

- b) Approves the continuation of the Local Council Tax Reduction Scheme for 2023/24 incorporating updates for changes to legislative requirements.
- c) Approves the budget (Attachment 1) as laid out in the report, including:
  - the budget for 2023/24
  - the Capital Investment Programme 2022/23 to 2025/26
- d) Approves the income charging policy and schedule of fees and charges effective from 1 April 2023 with the exception of charges for building control which are effective from 1 February 2023 (Attachment 2a and Attachment 2b).
- e) Approves the Capital Strategy for 2023/24, amended as necessary for the decisions of Cabinet on 16 January 2023, 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 2023/24 by 2.99%. 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 2024/25 and 2025/26.

### 3.2 **Setting the amount of Council Tax for Watford Borough Council:**

- a) That the Council's net General Fund expenditure for 2023/24 shall be **£14.962m**.
- b) That the 2023/24 band D precept is set at **£290.85** 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 2023/24 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 2023/24 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)*  
**£76,285,592**
- (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)*  
**£65,951,081**
- (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* **£10,334,511**
- (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)* **£290.85**

(E)

Council Tax Valuation Band	Conversion Factor to Band D	Watford's Share £
A	6 / 9	193.90
B	7 / 9	226.22
C	8 / 9	258.53
<b>D</b>	<b>1</b>	<b>290.85</b>
E	11 / 9	355.48
F	13 / 9	420.12
G	15 / 9	484.75
H	2	581.70

*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 2023/24 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 2023 to set the total Council Tax.

**Contact Officers:**

Alison Scott, Shared Director of Finance, telephone extension 7188, email [alison.scott@threerivers.gov.uk](mailto:alison.scott@threerivers.gov.uk)

Hannah Doney, Head of Finance, telephone extension 7131, email [hannah.doney@threerivers.gov.uk](mailto:hannah.doney@threerivers.gov.uk)

**4. Budget Process**

- 4.1 At its meeting on the 16 January 2023 the Cabinet approved the budget proposals for 2023/24. 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 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 16 January 2023 Cabinet report and confirms that the level of balances over the MTFs should be adequate.
- 4.4 Finance Scrutiny Committee considered Cabinet's proposals at its meeting on 9 January 2023 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 Council Functions Committee on 22 February 2023 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 2023/24 is forecast to be £14.962m. 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 £10.335m. Other funding is £3.925m and the balance will be met from the Council's reserves. The council tax base for 2023/24 is 35,532.1 (Band D equivalents).
- 4.7 This results in a council tax for Band D of £290.85. Watford Borough Council's Council Tax has increased by £8.44 from the precept set in 2022/23.

## **5. Implications**

- 5.1 The implications contained in the report to Cabinet on 16 January 2023 are equally applicable to this report and Members are invited to refer to them to avoid unnecessary duplication.


### Background Papers

Report to Cabinet of 16 January 2023

**Budget Gap, as recommended by Cabinet 16 January 2023**

<b>MTFS Changes Summary</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Total Gap Over MTFS</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gap in MTFS at 1 April (approved in January 2022)	149	228	228	605
<b>Changes to Net Expenditure:</b>				
Growth, Savings & Efficiencies	533	(218)	(525)	(210)
Contingency	65	493	816	1,373
Specific Grants rolled into Revenue Support Grant	92	92	92	276
Capital Financing Charges	1,254	1,852	1,981	5,086
Net changes	1,944	2,218	2,363	6,525
<b>Revised gap</b>	<b>2,093</b>	<b>2,446</b>	<b>2,591</b>	<b>7,130</b>
<b>Funding Changes:</b>				
Council tax	(571)	(1,025)	(1,270)	(2,866)
Business Rates	278	0	0	278
Collection Fund	15	0	0	15
Additional Government Funding	(767)	(211)	(211)	(1,189)
Total Funding Changes	(1,045)	(1,236)	(1,481)	(3,762)
Change in planned use of reserves	(978)	(1,130)	(600)	(2,707)
<b>Final gap</b>	<b>70</b>	<b>81</b>	<b>510</b>	<b>660</b>

Medium Term Financial Strategy (MTFS) 2022/23 to 2025/26, as recommended by Cabinet  
16 January 2023

 <b>WATFORD BOROUGH COUNCIL</b> BE BOLD	2022/23	2022/23	2023/24	2024/25	2025/26
	Original	Revised at Period 8	Draft	Draft	Draft
	£000	£000	£000	£000	£000
Corporate, Housing & Wellbeing Place	5,538	5,139	5,682	5,693	5,693
Democracy & Governance	(51)	2,200	(879)	(876)	(876)
Corporate Strategy & Comms	1,998	2,029	2,017	2,028	2,028
Human Resources	1,438	1,469	1,652	1,655	1,655
Strategic Finance	525	512	481	482	482
<b>Net cost of services</b>	<b>4,287</b>	<b>3,822</b>	<b>4,065</b>	<b>4,312</b>	<b>4,312</b>
<b>Net cost of services</b>	<b>13,734</b>	<b>15,171</b>	<b>13,018</b>	<b>13,293</b>	<b>13,293</b>
<b>Financial Planning</b>					
Growth & Savings and Income Generation			533	(218)	(252)
Specific Grants rolled into Revenue Support Grant			92	92	92
Contingency			65	493	816
Capital Financing Charges			1,254	1,852	1,981
<b>Total Financial Planning</b>			<b>1,944</b>	<b>2,218</b>	<b>2,363</b>
<b>Total Net Expenditure</b>	<b>13,734</b>	<b>15,171</b>	<b>14,962</b>	<b>15,512</b>	<b>15,657</b>
<b>Planned Use of Reserves</b>					
Contributions to reserves	1,288	1,288	200	240	280
Contributions from reserves	(1,248)	(2,685)	(832)	(1,023)	(533)
<b>Total Planned Use of Reserves</b>	<b>40</b>	<b>(1,397)</b>	<b>(632)</b>	<b>(783)</b>	<b>(253)</b>
<b>Funding</b>					
Council Tax	(9,571)	(9,571)	(10,335)	(10,984)	(11,231)
Collection Fund (surplus) or deficit	0	0	15	0	0
Business Rates	(2,473)	(2,473)	(2,724)	(3,002)	(3,002)
New Homes Bonus	(718)	(718)	(1,006)	(450)	(450)
Additional Government Funding	(923)	(923)	(211)	(211)	(211)
<b>Sub-Total</b>	<b>(13,685)</b>	<b>(13,685)</b>	<b>(14,260)</b>	<b>(14,647)</b>	<b>(14,894)</b>
<b>Total Funding &amp; Use of Reserves</b>	<b>(13,645)</b>	<b>(15,082)</b>	<b>(14,892)</b>	<b>(15,431)</b>	<b>(15,147)</b>
<b>Gap</b>	<b>89</b>	<b>89</b>	<b>70</b>	<b>81</b>	<b>510</b>
<b>Reserves - opening balances</b>	<b>(16,036)</b>	<b>(45,356)</b>	<b>(43,870)</b>	<b>(43,168)</b>	<b>(42,303)</b>
Planned use of reserves	257	1,397	632	783	253
Gap funded from reserves	513	89	70	81	510
<b>Reserves - closing balances</b>	<b>(15,266)</b>	<b>(43,870)</b>	<b>(43,168)</b>	<b>(42,303)</b>	<b>(41,541)</b>
<b>Council Tax Rate Calculation</b>					
Council tax base	33,891	33,891	35,532	36,669	36,761
Council tax charge for band D	£282.41	£282.41	£290.85	£299.55	£305.51
<b>£'000</b>	<b>9,571</b>	<b>9,571</b>	<b>10,335</b>	<b>10,984</b>	<b>11,231</b>