



<b>Report for:</b>	<b>Joint Overview &amp; Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>5 December 2017</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>BUDGET PREPARATION 2018/19</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources James Deane, Corporate Director (Finance & Operations)
Purpose of report:	To provide Members with an overview of the draft budget and provide the opportunity to scrutinise and provide feedback to Cabinet.
Recommendations	That Scrutiny Committees review and scrutinise the draft budget proposals for 2018/19 and provide feedback, to be considered by Cabinet, for each Committee's specific area of responsibility.
Corporate Objectives:	Setting a balanced budget to support the Council's corporate objectives.
Implications:	The financial and value for money implications are set out in the body of the report.
Risk Implications	The Council is required to set a balanced budget and scrutiny of the overall budget proposals will assist in the challenge process required.
Equalities Implications	Equality Impact Assessments are carried out in service areas when preparing individual budgets.
Health And Safety Implications	None.
Consultees:	Budget Review Group; Portfolio Holders; Corporate Management Team; Group Managers.
Background	Medium Term Financial Strategy 2017/18 – 2021/22

Papers:	
Key Terms, Definitions & Acronyms	GF – General Fund HRA – Housing Revenue Account MTFS – Medium Term Financial Strategy OSC – Overview and Scrutiny Committee RSG – Revenue Support Grant

## Introduction

1. The purpose of this report is to present for scrutiny and review the draft budget proposals for 2018/19.
2. Budget detail for every area of the Council has been made available to all Members. A glossary of what is grouped under headings is set out in section 21.
3. With the exception of the Finance & Resources committee, which scrutinises all budgets, individual Overview and Scrutiny Committees should focus only on those appendices and that portion of the Capital Programme that relate directly to their remit.
4. A senior Finance Officer will be present in each of the committees to support the Chair.
5. The following appendices are attached:

### **Corporate view**

- Appendix A – General Fund Budget Summary 2018/19
- Appendix Bi – Budget Change Analysis 2017/18 – 2018/19
- Appendix Bii – Summary by Committee

### **Finance & Resources**

- Appendix Ci – Finance & Resources Budgets Summary 2018/19
- Appendix Cii – Finance & Resources Budgets Detail 2018/19

### **Housing & Community**

- Appendix Di – Housing and Community Budgets Summary 2018/19
- Appendix Dii – Housing and Community GF Budgets Detail 2018/19

### **Strategic Planning & Environment**

- Appendix Ei – Strategic Planning & Environment Budgets Summary 2018/19
- Appendix Eii – Strategic Planning & Environment Budgets Detail 2018/19

### **Housing Revenue Account**

- Appendix F – Housing Revenue Account Budget 2018/19
- Appendix G – Housing Revenue Account Movements 2017/18 – 2018/19

### **Capital Programme**

- Appendix H – Capital Programme: Summary of new and amended projects
- Appendix I – Capital Programme 2017/18 - 2022/23, by OSC

### **Reserves**

- Appendix J – Statement of Earmarked Reserves

## **Medium Term Financial Strategy (MTFS)**

6. The current MTFS was approved by Council in July 2017 and contained the following key decisions which have informed the budget-setting process for 2018/19:
  - A General Fund savings target of £1.59m for 2018/19
  - A General Fund savings target of £3.7m over the duration of the MTFS period
  - A General Fund balance of between 5% and 15% of Net Service Expenditure
  - A minimum HRA working balance of 5% of turnover
7. Council has delegated authority to the S151 Officer to revise the MTFS if material changes to forecasts are required as a result of future government announcements.
8. Prior to seeking Member approval for the budget in February 2018, further consultation and communication will be undertaken, including the following:
  - Briefings to Town and Parish Clerks and Parish Councillors
  - Use of the Council's web site
  - Social Network Media
  - Citizen Forum events

## **Key Assumptions included in draft General Fund Budget**

9. The following assumptions are incorporated within the draft budget:
  - £5 increase in Council Tax (as per MTFS)
  - 1+1% pay settlement
  - Vacancy factor of 5% for non-front-line services
  - Revenue Support Grant reduction of 100% (£105k)
  - New Homes Bonus reduced by 33% (£1m)
  - Inflation freeze on Supplies and Services and Transport (£194k)
10. The draft budget for 2018/19 assumes that the level of government funding will remain as modelled within the MTFS approved by Council in September 2017. This reflects the four year deal accepted by the Council as part of the Local Government Settlement in November 2015. Any changes to the 2018/19 funding levels that may be announced within the Local Government Finance Settlement in December 2017 will be incorporated within the second draft budget brought for Members' scrutiny in February 2018.

## **Key General Fund budget savings since last year**

11. Detailed budget changes between 2017/18 and 2018/19 are shown in Appendix B. Key items include:
  - £405k total staff efficiency savings
  - £47k efficiency savings on transport
  - £316k efficiency reductions in expenditure on Supplies & Services
  - £140k reduction in contract costs
  - £734k increase in income generated
  - £127k increase in recharge to the HRA

### **Key General Fund budget growth since last year**

12. Detailed ongoing growth areas (i.e. not one-off items of expenditure to be funded from reserves) are shown in Appendix B. Key items include:
- £214k staffing
  - £50k of premises increases
  - £140k of increases to supplies and services
13. In order to assist Members in their scrutiny, the draft budget is set out at a detailed Service level in appendices C - E.

### **Housing Revenue Account**

14. The draft HRA Budget for 2018/19 is attached at Appendix F, with explanations of major movements between the Original Budget 2017/18 and Draft Budget 2018/19 shown in Appendix G.
15. Key assumptions incorporated into the draft budget are:
- Rent reduction of 1% on all properties, in line with Government legislation
  - Increase in bad debt provision (£400k) to reflect the impact of the roll out of Universal Credit
  - Increase in the costs of funding the pensions deficit (£391k)
  - 1+1% pay settlement
  - Reduction in utilities contribution (£210k)
  - Increase in depreciation (£360k)

### **Capital Programme**

16. The draft Capital Programme is set out at Appendix I.
17. There have been a number of bids for new capital projects from across the Council's services. The financial implications of the new bids are summarised in Appendix H.

### **Reserves**

18. The proposed movements in General Fund reserves are set out in Appendix J.
19. The following reserve movements are proposed for inclusion within the 2018/19 budget:
- Release of £152k from the Management of Change Reserve to cover Flat Recycling Project (£81k), Dacorum Get Set Go (£25k), Web Developer costs (£46k)
  - Contribution to the Management of Change Reserve (£212k) for future funding requirements

- Release of £70k from the Dacorum Development Reserve in order to fund the likely costs associated with hosting the Armed Forces Day (£20k) and improvements to Leys Road Hostel (£50k)
- Contribution of £350k to the Vehicle Replacement Reserve for the ongoing programme of updating refuse collection vehicles.
- Contribution of £200k to the Pensions Reserve for the triennial payment due in 2020/21
- Contribution to the Technology Reserve (£200k) to support upgrades to key operating systems Agresso/Flare
- Contribution to the Savings Efficiencies Reserve (£604k) to smooth the impact of the MTFS savings requirements

### **Next Steps**

20. Members of the individual OSCs are asked to review and scrutinise the draft budget proposal for 2018/19, and to provide feedback for Cabinet to consider ahead of the next Joint OSC, in February 2018.

### **Explanation of expenditure categories used in appendices**

21. Budget Categories Glossary

#### **Employees**

This group includes the cost of employee expenses, both direct and indirect, for example:

- Salaries
- Employer's National Insurance and pension contributions
- Agency staff
- Employee allowances (not including travel and subsistence)
- Training
- Advertising
- Severance payments

#### **Premises**

This group includes expenses directly related to the running of premises and land:

- Repairs, alterations and maintenance
- Energy costs
- Rent
- Business Rates
- Water
- Fixture and fittings
- Premises insurance
- Cleaning and domestic supplies
- Grounds maintenance

### **Transport**

This group includes all costs associated with the hire or use of transport, including travel allowances:

- Repair and maintenance of vehicles
- Vehicle licensing
- Fuel
- Vehicle hire
- Vehicle insurance
- Employee mileage

### **Third Party Payments**

Third party payments are contracts with external providers for the provision of a specific service. Examples for the Council include the Call Centre, Payroll Services, and Parking Enforcement.

### **Supplies & Services**

This group includes all direct supplies and service expenses to the authority:

- Equipment, furniture and materials
- Catering/Vending
- Clothing and uniforms
- Printing, stationery and general office expenses
- External services (consultancy, professional advisors)
- Communications and computing (eg software maintenance, telephones and postage)
- Members allowances
- Conferences and seminars
- Grants and subscriptions

### **Capital Charges**

These statutory accounting adjustments reflect a notional charge to the service for the use of a Council's asset. An example is Cupid Depot, for which a charge is made to Waste Services, for as long as the service uses the asset. These charges are reversed out centrally and do not impact on Council Tax.

### **Transfer Payments**

This includes the cost of payments to individuals for which no goods or services are received. For the Council this only relates to Housing Benefit payments.

### **Income**

This group includes all income received by the service from external users or by way of charges:

- Rental income
- Sales of goods or services (eg the sale of recyclables and waste sacks)
- Fees and charges (eg Planning, Parking and Burials)

### **Grants and Contributions**

This group includes all income received by the service from external bodies:

- Specific Government grants
- Income for jointly run projects/services
- Reimbursement of costs (eg recovery of legal costs)
- Other contributions (eg recycling credits from Herts County Council)

### **Recharges**

This statutory accounting adjustment charges out the back office functions (such as Finance and Legal) to the front line services. These adjustments are based on timesheet information provided by Group Managers and are subject to changes each year. The recharges overall will come back to zero, with the only impact on Council Tax being the overall charge to the Housing Revenue Account, as shown in Appendix A.