



AGENDA ITEM:

SUMMARY

Report for:	Joint Overview & Scrutiny Committee
Date of meeting:	6 February 2018
PART:	1
If Part II, reason:	

Title of report:	BUDGET PREPARATION 2018/19
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources Fiona Jump, Group Manager (Financial Services) James Deane, Corporate Director (Finance & Operations)
Purpose of report:	To provide Members with an overview of the draft budget for 2018/19 and forecast outturn for 2017/18 and provide the opportunity to scrutinise and provide feedback to Cabinet.
Recommendations	That Scrutiny Committees review and scrutinise the draft budget proposals and fees and charges for 2018/19 and provide feedback, to be considered by Cabinet, for each Committee's specific area of responsibility. To note the following as at Quarter 3 2017/18: <ul style="list-style-type: none"> • General Fund Revenue forecast revenue outturn • Housing Revenue Account forecast outturn • General Fund Capital position • Housing Revenue Account Capital position
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:	Overview & Scrutiny Committees; Budget Review Group; Portfolio Holders; Corporate Management Team; Group Managers.
Background Papers:	Medium Term Financial Strategy 2016/17 – 2020/21
Historical background	An update to the financial information presented to Joint Overview and Scrutiny Committee 5 th December 2017.
Key Terms, Definitions & Acronyms	GF – General Fund HRA – Housing Revenue Account MTFS – Medium Term Financial Strategy OSC – Overview and Scrutiny Committee

Introduction

1. The purpose of this report is to present for scrutiny and review the final draft budget proposals for 2018/19 as well as the forecast outturn for 2017/18 as at Quarter 3. The attached budget pack, subject to any further changes, is intended for use by Members throughout financial year 2018/19, and comprises the following:
 - Appendix A – General Fund Budget Summary 2018/19
 - Appendix B1 – Budget Change Analysis 2017/18 – 2018/19
 - Appendix B2 – Summary by Scrutiny Committee
 - Appendix C1 – Finance & Resources Budgets Summary 2018/19
 - Appendix C2 – Finance & Resources Budgets Detail 2018/19
 - Appendix C3 – Finance and Resources Fees and Charges 2018/19
 - Appendix D1 – Housing and Community Budgets Summary 2018/19
 - Appendix D2 – Housing and Community GF Budgets Detail 2018/19
 - Appendix D3 – Housing and Community Fees and Charges 2018/19
 - Appendix E1 – Strategic Planning & Environment Budgets Summary 2018/19
 - Appendix E2 – Strategic Planning & Environment Budgets Detail 2018/19
 - Appendix E3 – Strategic Planning & Environment Fees and Charges 2018/19
 - Appendix F – Housing Revenue Account Budget 2018/19
 - Appendix G – Summary of Major Movements HRA Budget 2017/18 -2018/19
 - Appendix H - Summary of New and Amended Capital Bids 2017/18-2022/23
 - Appendix I - Capital Programme 2017/18 - 2022/23, by OSC
 - Appendix J – Statement of Earmarked Reserves

Changes to 2018/19 budget proposals since December Joint OSC meeting

2. There have been some changes to the draft budgets since the meeting of Joint OSC on 5 December 2017. Further detail on the General Fund changes is included in sections 5 - 14 of this covering report.

3. The changes set out in Table 1 highlight the changes in the General Fund arising from the Provisional Local Government Finance Settlement released on 19 December 2017, some additional pressures, and additional income that had not been confirmed at the time of the Joint OSC in December.

Table 1

Position at Joint OSC, December 2017: Net use of General Fund Reserves		18
Changes following Finance Settlement		
Change to Settlement Funding Assessment	-47	
Additional Council Tax flexibility	-38	
Amended Savings target after Settlement changes		-67
Additional pressures since December OSC		
Revised calculation of 2% pay award and Living Wage	27	
Lead Safeguarding Officer	50	
Additional Planning posts (funded by govt-approved fee increase)	180	
Private Sector Housing Enforcement	75	
Council support for Ambassadors programme (reserve funded)	40	
Leisure contract one-off year one costs (reserve funded)	375	
Homelessness Prevention (grant funded)	51	
Total new pressure		798
Amended savings target after additional pressures		731
Additional income since December OSC		
Additional net movement from earmarked reserves	-328	
Planning fees 20% increase	-165	
Investment property income	-160	
Benefits Admin Subsidy grant	-28	
Finalised recharge to the HRA	-41	
Other minor items- inflationary changes and transport	-14	
Total favourable adjustments		-736
Revised net use of General Fund Reserves		-5

4. In order to assist Members with their scrutiny, the major proposed changes are detailed below, by OSC.

Finance & Resources OSC

5. Government Funding (General Fund) £67k additional income

The Provisional Settlement has been received since the December meeting. Inflationary changes have resulted in a net increase in available resources of £47k in 2018/19.

Prior to the Provisional Settlement, District Councils were able to increase Council tax by the greater of £5 or 1.99% without triggering a referendum. This trigger

point has been raised to the greater of £5 or 2.99%. The new flexibility is expected to generate an additional £38k of Council Tax revenue in 2018/19.

6. Investment Property Income (General Fund) £160k additional income

The Council leases 39-41 The Marlowes to an external tenant. The rent free period associated with this property ends during 2018/19. The Council can expect to receive six months of rent on this property, representing £160k of additional income.

Strategic Planning & Environment OSC

7. Extension of the Ambassadors programme (General Fund) £40k pressure

Continuation of the Council's financial support for the Ambassadors programme for an additional year is expected to have a net cost of £40k to the Council.

8. Increase in statutory planning fees (General Fund) £165k additional income

Confirmation of an increase in statutory planning fees from January 2018 is expected to generate additional income of £165k in 2018/19.

Housing & Community OSC

9. Lead Safeguarding Officer (General Fund) £50k pressure

The establishment of this post is required to support effective management of the Council's responsibilities for safeguarding adults and children.

10. Private Sector Housing Enforcement (General Fund) £75k pressure

Investment in the private sector housing team is requested to enable the team to deliver service and statutory requirements.

11. Dwelling Rents (Housing Revenue Account) £245k additional income

A reduction in expected Right to Buy sales from c100 pa to 55 suggests that full-year rental income for HRA properties is likely to be c£245k higher than previously forecast.

12. Tenant Service Charges (Housing Revenue Account) £70k pressure

A reduction in grant funding and a revised estimate for inflation on service charges gives rise to a £70k reduction in expected income against Tenant Service charges.

13. Interest and Investment Income (Housing Revenue Account) £184k additional income

Reserve balances are higher than anticipated due to slippage on the capital programme. The additional funds available for investment will generate higher investment returns than previously forecast.

14. Leisure Management Contract One-Off Year One Costs

The re-let of the Council's leisure management contract will result in one-off costs of £375k in 2017/18 before generating an income stream in subsequent years. This payment will be funded from the Management of Change reserve.

Forecast General Fund Revenue Outturn 2018/19 Quarter 3

15. The forecast outturn position for 2017/18 as at Quarter 3 (end of December) has been included in this report for the first time. This provides Members with the most up-to-date financial comparators in support of their consideration and scrutiny of the 2018/19 budget proposals.
16. Tables 2, 3 and 4 summarise the movement between the forecast outturn at Quarter 2 2017/18 and the forecast outturn at Quarter 3 2017/18 for General Fund Revenue, by Overview and Scrutiny Committee:

Table 2

Finance & Resources Forecast Outturn 2017/18	£'000
Forecast Outturn Q2 2017/18	2,868
Increased car parking income from Council owned car parks	(70)
Increased income from commercial property from successful completion of rent reviews	(70)
Other minor items	(31)
Forecast Outturn Q3 2017/18	2,697

Table 3

Housing & Community Forecast Outturn 2017/18	£'000
Forecast Outturn Q2 2017/18	3,791
Minor variances	(38)
Forecast Outturn Q3 2017/18	3,753

Table 4

Strategic Planning & Environment Forecast Outturn 2017/18	£'000
Forecast Outturn Q2 2017/18	11,234
Requirement for temporary staff in Environmental and Community Protection during restructure of service.	50
Reduction in Environmental Services staffing underspend	40
Commercial Waste reduction in forecast income due to lower number of customers	30
Building Control and Land charges reduction in income	30
Other minor items	14
Forecast Outturn Q3 2017/18	11,398

Forecast Housing Revenue Account Outturn 2018/19 Quarter 3

17. Table 5 summarises the movement between the forecast HRA surplus at Quarter 2 and the forecast HRA surplus at Quarter 3:

Table 5

Housing Revenue Account Forecast Outturn 2017/18	£'000
Forecast Outturn Q2 2017/18 - Deficit on HRA balances	431
Dwelling rents - increase to forecast following reduction in number of Right to Buy sales in year and other minor adjustments.	(480)
Non-Dwelling income - increased aerial income following lease renegotiations	(130)
Minor variances	1
Forecast Outturn Q3 2017/18 - Surplus on HRA balances	(178)

General Fund Capital Programme 2017/18

18. The reported position at Quarter 2 was an underspend of £731k on the General Fund capital programme, which was made up of £134k forecast slippage and underspend of £597k. A summary of the changes between Quarter 2 and Quarter 3 is as follows:

Table 6

	Rephasing £'000	Variance £'000
Budget Monitoring Quarter 2 - GRF Capital variance against budget	(134)	(597)
Demolition of Hemel Civic Centre - complex asbestos removal will push back the completion date of the overall project.	(740)	
Tring Swimming Pool - discussions are currently taking place with Tring School concerning the works to take place	(338)	
Berkhamsted Multi-Storey car park - complexities in the tender process have resulted in a revised start date in late 2018.	(492)	
Gadebridge Park Splash Park - this project will be completed in advance of previous expectations	200	
Other changes	(152)	(56)
Budget Monitoring Quarter 3 - GRF Capital variance against budget	(2,435)	(653)

HRA Capital Programme 2017/18

19. The reported position at Quarter 2 was an underspend of £114k on the HRA capital programme. A summary of the changes between Quarter 2 and Quarter 3 is as follows:

Table 7

	Rephasing £'000	Variance £'000
Budget Monitoring Quarter 2 - HRA Capital variance against budget	(603)	(114)
Planned Fixed Expenditure - reprioritisation of work to safeguard ongoing compliance work	(2,245)	
New Build General - this budget is set aside for the purchase of land and will be spent in 2018/19 now	(4,087)	
Stationers Place - ongoing issues with the site are being worked through	(1,064)	
Other changes	285	114
Budget Monitoring Quarter 3 - HRA Capital variance against budget	(7,714)	0