



AGENDA ITEM:

SUMMARY

Report for:	Joint Overview & Scrutiny Committee
Date of meeting:	5th February 2019
PART:	1
If Part II, reason:	

Title of report:	BUDGET PREPARATION 2019/20
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources James Deane, Corporate Director (Finance & Operations) Nigel Howcutt, Assistant Director (Finance & Resources)
Purpose of report:	To provide Members with an overview of the draft budget for 2019/20 and provide the opportunity to scrutinise and provide feedback.
Recommendation	That Scrutiny Committees review and scrutinise the draft budget proposals, fees, and charges for 2019/20 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:	Overview & Scrutiny Committees; Budget Review Group; Portfolio Holders; Chief Officer Group; Corporate Management Team; Group Managers.

Background Papers:	Budget Preparation 2019/20 – presented to Joint Overview and Scrutiny Committee 4 December 2018 Medium Term Financial Strategy 2018/19 – 2022/23
Key Terms, Definitions & Acronyms	GF – General Fund HRA – Housing Revenue Account MHCLG – Ministry of Housing, Communities & Local Government 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 final draft budget proposals for 2019/20. Members are asked in particular to review those changes since the proposals presented to Joint OSC in December 2018, which are highlighted from paragraph 4 onwards.
2. With the exception of the Finance & Resources Committee, which scrutinises all budgets, individual Scrutiny Committees should focus only on those appendices and that portion of the Capital Programme that relates directly to their remit.
3. The following appendices are attached:

Corporate view

- Appendix A – General Fund Budget Summary 2019/20
- Appendix Bi – Budget Change Analysis 2018/19 – 2019/20
- Appendix Bii – Summary by Committee

Finance & Resources

- Appendix Ci – Finance & Resources Budgets Summary 2019/20
- Appendix Cii – Finance & Resources Budgets Detail 2019/20
- Appendix Ciii – Finance & Resources Fees and Charges 2019/20

Housing & Community

- Appendix Di – Housing and Community Budgets Summary 2019/20
- Appendix Dii – Housing and Community GF Budgets Detail 2019/20
- Appendix Diii – Housing and Community Fees and Charges 2019/20

Strategic Planning & Environment

- Appendix Ei – Strategic Planning & Environment Budgets Summary 2019/20
- Appendix Eii – Strategic Planning & Environment Budgets Detail 2019/20
- Appendix Eiii – Strategic Planning & Environment Fees and Charges 2019/20

Housing Revenue Account

- Appendix F – Housing Revenue Account Budget 2019/20
- Appendix G – Housing Revenue Account Movements 2018/19 – 2019/20

Capital Programme

- Appendix H – Capital Programme: Summary of new and amended projects
- Appendix I – Capital Programme 2018/19 - 2023/24, by OSC.

Reserves

- Appendix J – Statement of Earmarked Reserves

Changes to the 2019/20 budget proposals since December OSC meeting.

4. Changes to the draft budgets since the meeting of Joint OSC on 4 December 2018 are summarised in the table, below, with more detail provided in subsequent paragraphs.

Position at Joint OSC, December 2018: Net use of General Fund Reserves		-60
Changes announced in Local Government Finance Settlement		
New Homes Bonus - confirmation of increased allocation	-322	
Benefits Administration Subsidy Grant	-20	
Additional Council Tax flexibility and 2018/19 surplus	-119	
Successful Hertfordshire bid for 75% Retained Business Rates Pilot Area	-500	
Amended Savings target after Settlement changes		-1,021
Additional pressures since December OSC		
Adjustment to Berkhamsted Multi-storey car park projected income	53	
Planning staffing costs	30	
Food waste collection from flats (ongoing cost of implementation)	66	
Food waste collection from flats (one-off implementation costs funded from reserves)	61	
Reduction in market contract income	40	
Other minor changes	13	
Additional net contribution to earmarked reserves – See Para 21 for details.	902	
Total new pressure		1,165
Amended savings target after additional pressures		144
Additional income/ reduction in expenditure since December OSC		
Car parks reduction in business rates	-53	
Community Infrastructure Levy administration fee	-20	
Recharge to the HRA (primarily increased depreciation)	-71	
Total favourable adjustments		-144
Revised net use of General Fund Reserves		0

5. In order to assist Members, these changes have been separated into OSC area, and more detail provided in the following paragraphs.

Finance and Resources

6. £1.021M additional income due to announcements in the Local Government Finance Settlement in December 2018.
- £322k New Homes Bonus – this increase was due to the delivery of new homes within the borough over the 12 months to November 2018 exceeding the amount forecast.
 - £20k Benefits Administration Subsidy Grant – in recognition of the increased workload for the Benefits Service following the protracted rollout of the Universal Credit scheme.
 - £500k Hertfordshire Business Rates Pilot Scheme – based on current projections, the success of the county-wide bid is expected to result in an

additional £12m of funding available across the county over the next 12 months, with Dacorum set to benefit by c£1m. These figures will depend on the final Business Rates figure collected within 2019/20, so individual council benefits are expected to be received equally over a two-year period.

- £119k Council Tax income – The December budget proposals assumed a cap of £5 increase on a Band D. However, Government confirmed in the Settlement that district councils would be permitted to increase Council Tax by the higher of £5 or 2.99%. The budget has been amended to reflect an increase of 2.99%, which generates an additional £40k in 2019/20. A further £79k of Council Tax income is recognised due to the 2018/19 forecast surplus, formally approved by Cabinet in December.
7. £53k Berkhamsted Multi-Storey Car Park pressure - arising from the revised opening date of the car park, now likely to be in late 2019, resulting in reduced income generated within 2019/20.
 8. £53k Business Rates favourable - due to final business rates liability on DBC owned car parks being lower than anticipated at the time of Government's 2017 Business Rates revaluation exercise.
 9. £71k Recharge to HRA favourable – the HRA recharge is calculated based on a model that allocates costs to the HRA based on its usage of council assets and staff. The final recharge model saw an increase of £71k (1.7%) primarily due to increased allocation of asset depreciation following the most recent valuations.

Strategic Planning and Environment

10. £30k Planning Registry Officer pressure – this reflects the establishment of an additional post in the Planning service arising from an increased workload in planning registry.
11. £127k Flats Food Waste Collection Service pressure - Following a successful pilot on food waste collection from flats, it is proposed that the service will be rolled out to all flats in 2019/20. This will result in additional ongoing costs of £66k per annum, and £61k of one-off implementation costs, which should be funded from the Management of Change Reserve.
12. £20k Community Infrastructure Levy income – expected continuation of current year income trends supports an increase in budget of the Council's share of CIL fees.

Housing and Community

13. £40k Market Income pressure – Recent re-letting of the Hemel Hempstead market contract with a focus on growth has led to a one-year agreement that will reduce the income the Council receives by £40k in 2019/20.

Housing Revenue Account

14. The draft HRA Budget for 2019/20 is attached at Appendix F, with explanations of major movements between the Original Budget 2018/19 and Draft Budget 2019/20 shown in Appendix G. This includes changes from December 2018 Joint OSC budget proposals.

15. Notable changes incorporated into HRA budgets since December 2018 Joint OSC proposals include

- £150k increase in depreciation costs resulting from recent asset revaluation exercises (see also paragraph 9, relating to a similar increase in General Fund assets that increased the HRA recharge);
- £386k increase in Supervision and Management costs primarily arising from £185k inflationary pressure, £71k recharge, and £95k in-year growth within the Housing Development Team;
- £486k reduction in Revenue Contribution to Capital – the net reduction in revenue position, arising primarily from the two previous issues, will lead to a lower surplus being available to contribute to capital projects.

Capital Programme

16. The draft Capital Programme is set out at Appendix I.

17. New bids incorporated into the capital programme since December 2018 Joint OSC proposals are:

- £90k Improvement works to Cupid Green welfare facilities
- £111k Food Waste Collection to flats – £75k to provide an additional specialist vehicle for the collection of the food waste from flats, and an additional £36k for wheeled bins and caddies.

Reserves

18. The proposed movements in General Fund reserves are set out in Appendix J. The reserve movements proposed since the December OSC of £902k are detailed in Table 2 below for inclusion within the 2019/20 budget.

- Management of Change Reserve - A draw down of £61k relating to the one-off implementation costs for the collection of food waste from flats (See para 14)
- Invest to Save Reserve – A contribution of £170k to fund the set-up costs of future initiatives that will generate revenue savings. There is likely to be an increased use of this reserve following the implementation of the Fair Funding Review, expected from April 2020.
- Dacorum Development Reserve – contribution of £2.679m derived from New Homes Bonus funding of £2.179m (offset by a reduction of £1.882m of forecast NHB which has previously been contributed to capital reserves), and additional funding from the Business Rates pilot of £500k.

Annexe A

Explanation of expenditure categories used in appendices

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 Councils 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.