



## AGENDA ITEM:

### SUMMARY

<b>Report for:</b>	<b>Joint Overview &amp; Scrutiny Committee- Strategic Planning and Environment</b>
<b>Date of meeting:</b>	<b>3<sup>rd</sup> December 2019</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>BUDGET PREPARATION 2020/21</b>
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 and provide the opportunity to scrutinise and provide feedback to Cabinet.
Recommendations	That Scrutiny Committees review and scrutinise the draft budget proposals for 2020/21 and provide feedback, to be considered by Cabinet, for each Committee's specific area of responsibility.
Corporate Objectives:	All. Setting a balanced budget supports all of 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.
Community Impact Assessments	Where appropriate, Community Impact Assessments for proposed budgets amendments have been undertaken by relevant service areas.
Health And Safety Implications	None.
Consultees:	Budget Review Group; Portfolio Holders; Chief Officer Group; Corporate Management Team; Group Managers.
Background Papers:	Agenda item 9 Medium Term Financial Strategy 2019/20 – 2023/24, July 2019 Cabinet.
Key Terms,	GF – General Fund

Definitions & Acronyms	HRA – Housing Revenue Account MTFS – Medium Term Financial Strategy OSC – Overview and Scrutiny Committee RSG – Revenue Support Grant
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## Introduction

1. The purpose of this report is to present for scrutiny and review the draft budget proposals for 2020/21.
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 Annexe A.
3. With the exception of the Finance & Resources committee, which scrutinises all budgets, individual Overview and Scrutiny Committees (OSCs) will 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 relevant to the draft budget proposals for 2020/21:

### **Corporate view**

- Appendix A – General Fund Budget Summary 2020/21
- Appendix Bi – Budget Change Analysis 2019/20 – 2020/21
- Appendix Bii – Summary by Committee

### **Strategic Planning & Environment**

- Appendix Ei – Strategic Planning & Environment Budgets Summary 2020/21
- Appendix Eii – Strategic Planning & Environment Budgets Detail 2020/21

### **Capital Programme**

- Appendix Hiii – Strategic Planning and Environment Capital Programme: Summary of new and amended projects
- Appendix liii – Strategic Planning and Environment Capital Programme 2020/21 - 2024/25.

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

6. The current MTFS was approved by Council in July 2019 and contained the following key decisions which have informed the budget-setting process for 2019/20:
  - A General Fund savings target of £777k for 2020/21
  - A General Fund savings target of £2.9m 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. The draft budget presented in Appendix A has a balanced position. At this stage, this remains subject to a number of budgetary assumptions. Work continues on these assumptions, and the finalised position will be reported to Members at the Joint OSC in February.

8. 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.
9. Prior to seeking Member approval for the budget in February 2020, 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**

10. The following assumptions are incorporated within the draft budget:
  - £5 increase in Council Tax and 1% increase in taxbase
  - An average 2.9% pay settlement
  - Vacancy factor of 5% for non-front-line services
  - Zero Revenue Support Grant (see paragraphs 11 - 16)
  - New Homes Bonus reduced by 20% (£450k)
  - Inflation freeze on Supplies and Services
11. A technical consultation on the Local Government Finance Settlement 2020/21 issued by MHCLG in October 2019 indicated that the Government is minded to suspend 'negative RSG' payments for 2020/21. If implemented in full, this suspension would represent an unbudgeted, one-off funding benefit to the Council of £1.6m for 2020/21. Final confirmation of this decision is expected as part of the Local Government Finance Settlement 2020/21.
12. Whatever financial benefit the Council may receive from the full or partial suspension of negative RSG in 2020/21 should be seen as a one-year benefit for 2020/21. This position is explained in the paragraphs below.
13. The concept of 'negative RSG' was introduced to enable Government to reduce the level of funding paid to an authority when there was no further RSG left to reduce. The idea was that the negative RSG would net off against the Business Rates funding to bring total authority funding down to a level, which, in Government's opinion, reflected its level of need.
14. In this respect 'negative RSG' was only ever a transitional tool until each authority's needs-level funding is captured and baselined within the Business Rates future funding methodology. Government has previously stated that RSG will cease to exist as a funding stream once the new funding model is rolled out.
15. It is prudent to assume that Government has not fundamentally changed its medium-term assessment of Dacorum's level of need, and therefore that the suspension of negative RSG is a temporary relief, and not guaranteed to be reflected in the funding methodology beyond 2021.
16. As a one-off funding benefit, which, still, at the time of writing remains uncertain, it is recommended that the full amount of £1.6m is contributed to reserves as follows:

- Technology Reserve £0.5m
- Local Development Framework Reserve £0.4m
- Training and Development Reserve £0.4m
- Climate Change and Sustainability Reserve £0.3m

17. Any additional changes to the 2020/21 funding levels announced within the Local Government Finance Settlement will be incorporated within the second draft budget brought for Members' scrutiny in February 2020.

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

18. Detailed budget changes between 2019/20 and 2020/21 are shown in Appendix B. Key items include:

- £180k total staff efficiency savings
- £1.3m increase in income generated
- £150k increase in contributions and reimbursements

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

19. 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:

- £390k Employees; includes assumed pension contribution increase (tbc)
- £160k Premises
- £380k Income reduction (Garages and Commercial Waste)

20. In order to assist Members in their scrutiny, the draft Strategic Planning and Environment budget is set out at a detailed Service level in appendices Ei and Eii.

#### **Capital Programme**

21. The draft Strategic Planning and Environment Capital Programme is set out in Appendix liii.

22. There have been a number of bids for new capital projects from across Strategic Planning and Environment services. The financial implications of the new bids are summarised in Appendix Hiii and total £157k in 20/21 and £267k between 2020/21-2024/25.

#### **Next Steps**

23. Members are asked to review and scrutinise the draft budget proposal for 2020/21, and to provide feedback for Cabinet to consider ahead of the next Joint OSC, in February 2020.

## **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.