



Report for:	Finance and Resources Overview and Scrutiny Committee
Date of meeting:	2nd February 2021
PART:	1
If Part II, reason:	

Title of report:	BUDGET PREPARATION 2021/22
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 the Scrutiny Committee review and scrutinise the draft budget proposals for 2021/22 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; Joint Scrutiny December 2020; Portfolio Holders; Chief Officer Group; Corporate Management Team; Group Managers.
Background Papers:	Agenda item 7 October 2020 Cabinet - Medium Term Financial Strategy 2020/21 – 2024/25. Agenda Item 1 December 2020 Overview and Scrutiny – Budget Preparation 2021/22
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 NGDP – National Graduate Development Programme

Introduction

1. The purpose of this report is to present for scrutiny and review the final draft budget proposals for 2021/22.
2. Budget detail for every area of the Council has been made available to all Members. A glossary of budget categories and which specific budget sections are grouped under, 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 2021/22:

Corporate view

- Appendix A – General Fund Budget Summary 2021/22
- Appendix Bi – Budget Change Analysis 2020/21 – 2021/22
- Appendix Bii – General Fund Budget Summary by Committee

Finance & Resources

- Appendix Ci – Finance & Resources Budgets Summary 2021/22
- Appendix Cii – Finance & Resources Budgets Detail 2021/22
- Appendix Cii – Finance & Resources Fees and Charges 2021/22

Housing & Community

- Appendix Di – Housing and Community GF Budgets Summary 2021/22
- Appendix Dii – Housing and Community GF Budgets Detail 2021/22
- Appendix Diii – Housing and community Fees and Charges 2021/22

Strategic Planning & Environment

- Appendix Ei – Strategic Planning & Environment Budgets Summary 2021/22
- Appendix Eii – Strategic Planning & Environment Budgets Detail 2021/22
- Appendix Eiii – Strategic Planning and Environment Fees and Charges 2021/22

Housing Revenue Account

- Appendix F – Housing Revenue Account Budget 2021/22
- Appendix G – Housing Revenue Account Movements 2020/21 – 2021/22

Capital Programme

- Appendix Hi – Capital Programme by OSC: Summary of new and amended projects 2021/22 - 2025/26
- Appendix Ii – Capital Programme 2021/22 - 2025/26

Reserves

- Appendix J – Statement of Earmarked Reserves

Changes to the 2021/22 budget proposals since December OSC meeting.

6. Changes to the draft budgets since the meeting of Joint OSC on 1st December 2020 are summarised in table 1 below, with more detail provided in subsequent paragraphs.

Table 1: Changes to the DBC 21/22 Budget Proposals.

Savings target as at Joint OSC, December 2020		30
Local Government Financial Settlement Funding Changes		
Continued suspension of Negative RSG Payment – One off	-940	
An additional year of New Homes Bonus Funding – One off	-290	
Transfer to the Dacorum Development Reserve	1,230	
Additional Covid Support – One Off	-700	
Transfer to the Economic Recovery Reserve	700	
New Lower Tier Finance Funding – One off	-170	
Transfer to the Management of Change Reserve	170	
Economic Recovery Reserve Transfer	-700	
Transfer back to Dacorum Development Reserve – use Covid Support instead	700	
Amended Savings target after Settlement changes		30
Additional Pressures and Efficiencies since December OSC		
Council Tax Baseline Set for 2021/22 (approved at December Cabinet)	100	
Reduce Employee Inflation Projection in 21/22 to 1.75%	-130	
Amended Savings Target Prior to any New Growth		0
Additional One off Growth Funded from Reserves		
Leadership Programme	70	
Project Management Support	50	
Service Planning Support	80	
Graduate Development Programme	75	
Community Safety Programme	150	
Amended savings target after additional pressures		0

7. In order to assist Members, these changes have been separated into OSC area, and more detail provided in the following paragraphs. All the proposed changes to the General Fund are included in the Finance and Resources OSC.

Finance and Resources

8. The one year Local Government Finance settlement was announced at the end of December and as a result there were a number of additional one off funding

streams announced as detailed in the top of table 1. These are one off funding agreements as the government intends to undertake a review of Local Authority funding levels.

9. As part of the government's Local Authority assessment of financial need they calculate how much Revenue Support Grant (RSG) authorities require. In the case of Dacorum we are assessed as having to make a contribution to the government called negative RSG. The settlement announced this is not required in 21/22. The government also announced an extension of the New Homes Bonus grant of an additional year into 21/22, in line with the proposals outlined, for such an event in the December Scrutiny, these funds will be allocated to the reserves.
10. The settlement also announced two new funding streams; The Covid Support fund which is a direct response to the ongoing Covid pressures and hence will be transferred to the economic recovery reserve to support the council's medium term response to the pandemic, and the Lower Tier financing fund that will support ongoing management of change requirements, and hence will be allocated to the Management of Change Reserve.
11. As reported to Cabinet in December, there is a £100k pressure in Council Tax income as a result of a reduced council tax base growth in 20/21 due to the Covid pandemic. Growth in council tax base going forward is projected to be in line with previous projections but starting from a lower Council tax base in 21/22 than previously projected.
12. At the time of the December Scrutiny the government had announced the intention of a public sector pay freeze that includes all Local Authorities. The Dacorum annual pay award is negotiated as part of a national agreement through the National Joint Council for Local Government Services (NJC). The 2021/22 pay award is yet to be negotiated but given the inflation projections and the government's desire the projection for employee pay award has been reduced from 2.5% to 1.75%. The rationale for a 1.75% allowance is that this is the average growth applied to salaries over the last 5 years and would seem appropriate given the current political and economic situation.
13. There have also been a number of new initiatives proposed since the last scrutiny that given their one off funding in the short term, are proposed to be funded through reserve draw downs. These new initiatives will be presented in more detail at the scrutiny session;
 - An enhanced Leadership training programme for the whole organisation to be supported by external professional advisers,
 - Additional Project Management support to develop and implement a new Corporate Governance framework.
 - Additional resources to support a full internal review of Service Planning to include the medium term planning for service development and delivery.
 - An extension of the National Graduate Development Programme in public services to recruit 2 additional graduates in 2021/22 on a 2 year fixed term contract. This project aims to respond to the organisations need to develop succession planning and react to the ageing workforce concerns.

- In response to changes in legislation and government policy in regards to several aspects of community safety including domestic abuse and modern day slavery the council will independently review all council Community Safety Programmes to ensure they are supporting the most vulnerable in our communities.

Housing and Community- Housing Revenue Account

14. The draft HRA Budget for 2021/22 is attached at Appendix F, with explanations of major movements between the Original Budget 2020/21 and Draft Budget 2021/22 shown in Appendix G. This includes changes from December 2020 Joint OSC budget proposals.
15. Notable changes incorporated into HRA budgets since December 2020 Joint OSC proposals include:
 - £38k Increase in Supervision and Management in response to a new initiative to recruit 1 Graduate through the NGDP to mirror the same scheme proposed in the General fund above at para 13. This is funded through a reduction in the contribution to capital in 21/22 and 22/23.

Capital Programme

16. The draft Capital Programme is set out in Appendix li.
17. There are no new capital schemes since the position reported at December OSC.

Reserves

18. The proposed movements in General Fund reserves are set out in Appendix J. The reserve movements proposed since the December 2020 OSC of £1.59m are detailed below for inclusion within the 2021/22 budget.
 - Management of Change reserve – An additional net £20k contribution to this reserve is proposed to support future service deliver changes. This is the difference between the £170k contribution of the lower tier funding allocation and the contribution of £150k towards the Community Safety Service review.
 - Dacorum Development reserve – A net contribution of £1.9m to the Dacorum Development Reserve. This is made up of the additional New Homes Bonus income, removal of the requirement to fund the negative RSG and the reduced requirement to transfer £700k to the economic recovery reserve previously proposed, as the new Covid funding will support the economic recovery reserve.
 - Training and Development Reserve - A draw down of £275k is proposed to support in year new growth programmes;
 - Leadership Development scheme £70k,
 - Project management support £50k,
 - Service Planning review £80k,
 - Graduate Development programme £75k.

- Economic Recovery Reserve – This is a new reserve presented at the last scrutiny session and the rationale and funding allocations have not changed, but this now partly funded by the government's new Covid expenditure funding of £700k to replace Dacorum Development Reserve allocations of £700k.

Recommendation

19. Members are asked to review and scrutinise the draft budget proposals, fees, and charges for 2021/22 and provide feedback, to be considered by Cabinet, for each Committee's specific area of responsibility.

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.