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Finance and Resources Overview and Scrutiny Committee

Report for:	Finance & Resources Overview and Scrutiny Committee
Title of report:	Draft Budget Preparation 2023/24
Date:	1 st February 2023
Report on behalf of:	Councillor Graeme Elliot, Portfolio Holder for Corporate and Commercial.
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A – General Fund Budget Summary 2023/24 Appendix B – General Fund Budget Summary by Committee 2023/24 Appendix C – Statement of Reserves Appendix D- HRA Revenue Budget Summary 2023/24 Appendix E- HRA Capital Programme Summary 2023/24-2027/28
Background papers:	Cabinet - Agenda item 7 th October 2022 - Medium Term Financial Strategy 2022/23 – 2026/27. Joint Budget Scrutiny – 6 th December 2022.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account MTFS – Medium Term Financial Strategy OSC – Overview and Scrutiny Committee RSG – Revenue Support Grant

Report Author / Responsible Officer

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Corporate Priorities	A clean, safe and enjoyable environment Building strong and vibrant communities Ensuring economic growth and prosperity Providing good quality affordable homes, in particular for those most in need
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	Ensuring efficient, effective and modern service delivery Climate and ecological emergency
Wards affected	All Wards
Purpose of the report:	To provide Members with an overview of proposed changes to the draft budget presented to Scrutiny in December 2022, and provide the opportunity to scrutinise and provide feedback to Cabinet.
Recommendation (s) to the decision maker (s):	That the Scrutiny Committee review and scrutinise the draft budget proposals for 2023/24 and provide feedback, to be considered by Cabinet, for each Committee's specific area of responsibility.
Period for post policy/project review:	The budget undergoes ongoing monitoring and review as part of the Corporate Financial monitoring processes. The Council's budget is revised at least annually.

Introduction/Background:

1. The purpose of this report is to present for scrutiny the additional proposed changes to the 2023/24 draft budget presented to scrutiny in December 2022.
2. The Joint budget scrutiny group will jointly scrutinise these budget proposals and will focus only on the proposed changes to the draft budget presented to Scrutiny in December.
3. The following appendices show the Dacorum Borough Council draft budget for 2023/24;

Corporate view

- Appendix A – General Fund Budget Summary 2022/23
- Appendix B – General Fund Budget Summary by Committee 2022/23

Reserves

- Appendix C – Statement of Earmarked Reserves

HRA

- Appendix D- HRA Revenue Budget Summary 2023/24
- Appendix E- HRA Capital Programme Summary 2023/24-2027/28

Options and Proposals.

Changes to the 2023/24 budget proposals since December OSC meeting.

4. Funding changes to the draft budgets published for the Joint OSC on 6th December 2022 are summarised in table 1 below, with more detail provided in paragraphs 5-12.

Table 1: Changes to the DBC 2023/24 Budget Proposals.

Budget Gap, Joint OSC December 2022	0
Local Government Financial Settlement Changes	
Continued Suspension of Negative RSG	(1,500k)
Additional New Homes Bonus	(270k)
New Minimum Funding Guarantee & Other Grant Changes	(900k)
Savings Efficiency Reserve	750k
Inflationary Pressures Reserve	750k
Allocation to the Dacorum Development Reserve	1,170k
Revised Budget Savings Requirement	0k

Local Government Settlement Changes

5. On 12 December 2022 the Department for Levelling Up, Housing and Communities (DLUHC) issued the 'Local government finance policy statement 2023/24 to 2024/25'. The statement was intended to provide councils with 'greater certainty on key aspects of their funding' recognising that 'it is incredibly important for their budget setting process and their ability to plan for the future.
6. The policy statement confirmed the increased flexibility for Council Tax outlined in the Chancellor's Autumn Statement on 17 November 2022 which increased the referenda limit by one per cent to 2.99% or £5 (whichever is the greater).
7. The Local Government Finance settlement was announced on the 19th December the statement set out that there would also be changes to settlement grants. The expected negative RSG element of DBC funding has been removed for 2023/24, the Services Grant will be reduced from 2022/23 allocations to allow for the previous increase in National Insurance Contributions to be reversed following the mini budget on 23rd September 2022.
8. As part of the governments Local Authority assessment of financial need they have previously calculated 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 means the contribution is not required in 2023/24.
9. The Lower Tier Services Grant has also been repurposed to create a new one-off Minimum Funding Guarantee to ensure that all authorities achieve a 3% increase in their Core Spending Power before Council tax increases. This is intended to help authorities manage the current inflationary pressures.
10. It was also confirmed that there would be a new round of New Homes Bonus (NHB) payments in 2023/24 but that this is a one off allocation and will not attract legacy payments for future years, hence 2023/24 as expected is to be the final year of the current New Homes Bonus scheme.
11. For 2024/25, the policy statement confirmed that the core settlement will 'continue in a similar manner' with the continuation of major grants, business rates pooling and council tax referendum principles. However, there is no confirmation about the future of Negative RSG, Services Grant or the Minimum Funding Guarantee Grant. The 23/24 budget and current MTFS assumes these settlement decisions are one off funding agreements, whilst the government undertakes a review of future Local Authority funding.
12. The net impact of these one off funding streams will be allocated to reserves in line with proposals outlined in the MTFS and December scrutiny. Table 2 below details the new budget proposals made since December Scrutiny;

Table 2: New Budget Proposals

Budget Gap, Joint OSC December 2022	0
Council Tax Increase from £5 to 2.9%	(60k)
Business Rates Revaluation Impact	60k
Debt Interest Reduction Saving	(200k)
Savings Efficiency Reserve	200k
Pensions Triennial Review Impact	(400k)
Pensions Reserve Allocation	400k
Business Rates Pooling	0
Revised Budget Savings Requirement	0k

- Council tax Policy increase – The Council tax increase following government changes to legislation will increase by 2.9% instead of £5k increasing income by circa £60k.

- Business Rates Revaluation – The 2023/24 national business rates revaluation has had a significant impact on Dacorum assets with the Forum rateable value increasing by circa £100k alone. After further analysis and the use of government transitional relief the impact on the 23/24 budget is an increase in business rates bills of circa £60k. This cost pressure grows over the next 2 years to a total growth of £231k in 2025/26. The additional impact of the business rates revaluation is to significantly increase the risk of business rate baseline levels and collection and hence Hertfordshire councils have sought additional government information and advice prior to agreeing to a 2023/24 pooling arrangement. Dacorum was not in the pool in 2022/23 and hence we have not got future additional growth factored into the current MTFs and hence this decision will have no financial impact on the current MTFs and 2023/24 budget.
- In December 2022 the council repaid an outstanding PWLB loan of £10m. This has had a net impact of reducing the treasury management interest costs incurred by circa £200k p.a. going forward. This repayment has reduced the projected cash flow in 23/24 by circa 10%, but cash flow levels still remain higher than the average pre pandemic levels.
- It is proposed to transfer the £200k reduction to the reserves for 2023/24. The 23/24 budget for treasury management activity and interest received has been increased significantly in 2023/24 and there is a risk that further baseline increases may not be achievable without potentially restricting/impacting any other future capital or cash flow investments.
- The 2022 Pensions Triennial review was returned by the actuary on the 23rd December. This report proposes significant reductions in the pension contribution levels going forward, beyond what was already projected, as the DBC pension fund is now estimated to be at a 101% of the required funding level in 2022. It has also been confirmed that the Council will not need to make the reserve funded lump sum contribution to the Pension Fund of £2.5m previously assumed within the MTFs.

Housing Revenue Account

13. The following amendments to HRA revenue budgets from 2023/24 onwards are proposed and incorporated into the draft HRA 2023/24 revenue budget at Appendix D.
- Housing Transformation Improvement Programme (HTIP). A one- off allocation of £550k is proposed for 2023/24 in order to continue the delivery of this programme of work, including legal and consultancy support for the procurement and recommissioning of key contracts.
 - Ongoing staffing resource £250k to support work on damp and mould issues in the Council's housing stock in line with new government legislation and requirements and recent scrutiny updates.

Capital Proposals

14. After a review of the Councils leisure facilities a number of additional capital projects have been proposed as detailed below. These projects can be delivered as part of the wider Commercial property draft budget in 23/24;
- Berkhamsted Leisure Centre Swimming Pools Control, Lift and external repairs required £15k
 - Hemel Hempstead Swimming Pool Plan Room requires a significant Upgrade £147k
 - Hemel Hempstead Basketball Hoops following recent maintenance require urgent replacement, £26k.
 - Hemel football pitches improvements £300k
15. A provisional realignment of the Council's Housing Revenue Account Capital programme has been undertaken. A more detailed and informed review will be presented to Members as part of the HRA business plan in March, prior to the start of the new financial year. Appendix E provides a summary of the overall programme.

Reserves

16. The proposed movements in General Fund reserves are set out in Appendix C. In addition to the proposed reserve allocations detailed in table 1 and table 2 above there are 2 new additional reserve allocations detailed below for inclusion within the 2023/24 budget.
- Allocate £50k of the Dacorum Development Reserve towards the Armed forces day and King's Coronation events in 2023/24.
 - Allocate £50k in 23/24 and £65k in 24/25 from the Dacorum Development Reserve to finance the project management costs to initiate the development of the new light industrial programme.

Consultation

17. The Budget Overview and Scrutiny sessions are fundamental in the delivery of the proposed budget.

Financial and value for money implications

18. A combination of the budget setting process, supported by the corporate governance arrangements and strong financial and procurement controls support a robust framework of processes that strive to achieve value for money in the delivery of council services.

Legal Implications

19. N/A

Risk implications:

20. The Council is required to set a balanced budget and scrutiny of the overall budget proposals and risks included will assist in the challenge process required.

Equalities, Community Impact and Human Rights:

21. Where appropriate, Community Impact Assessments for proposed budgets amendments have been undertaken by relevant service areas.

Sustainability implications (including climate change, health and wellbeing, community safety)

22. The individual budget changes will be delivered through the council's project management and delivery framework and this process includes assessing the impact on sustainability.

Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

23. N/A

Conclusions

24. Members are asked to review and scrutinise the draft budget change proposals for 2023/24 and provide feedback, to be considered by Cabinet.