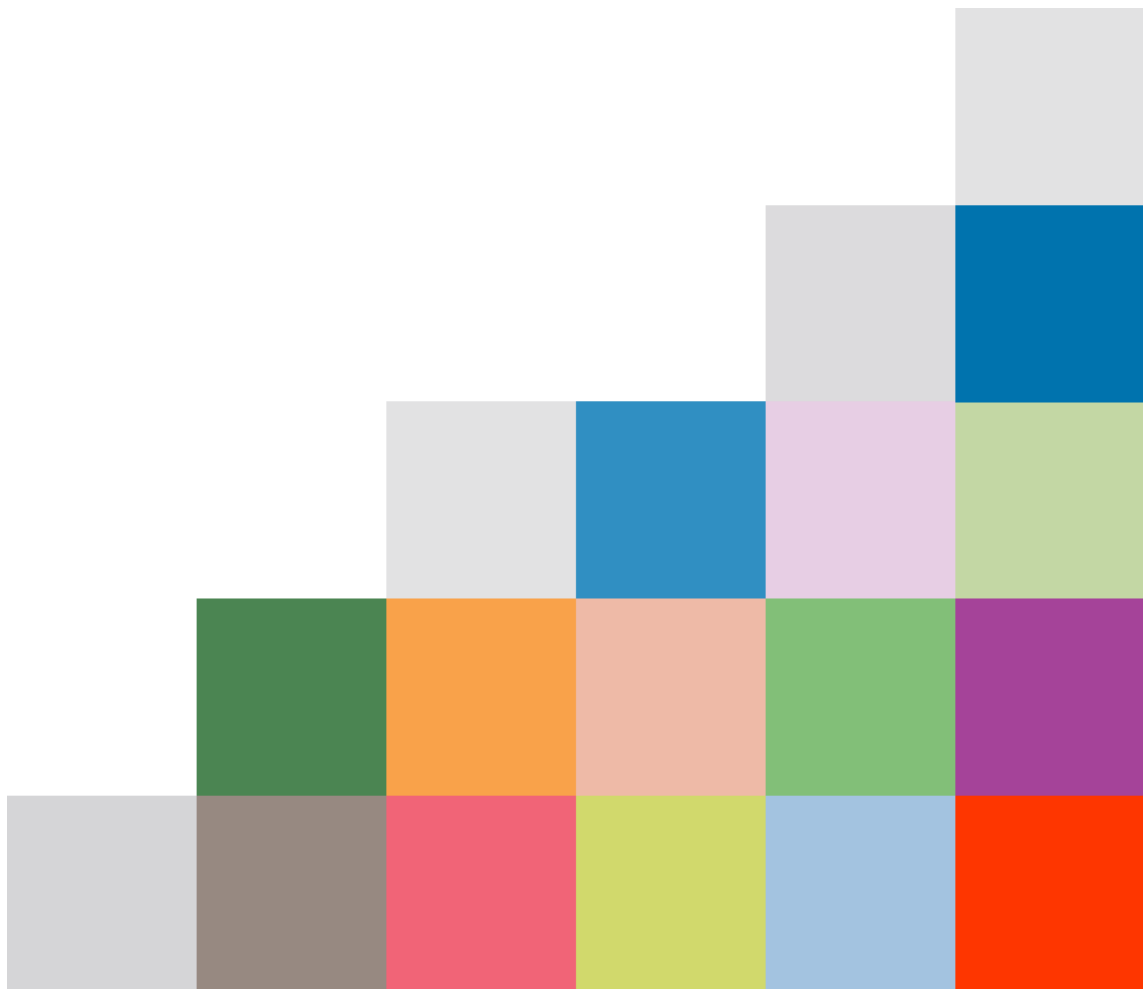




2019/20 DRAFT BUDGET SUMMARY



Background

At its meeting on 16 January 2019, our Executive considered the draft budget for next financial year (2019/20) and recommended this budget for consultation before we present the final budget to the Full Council for approval on 27 February 2019.

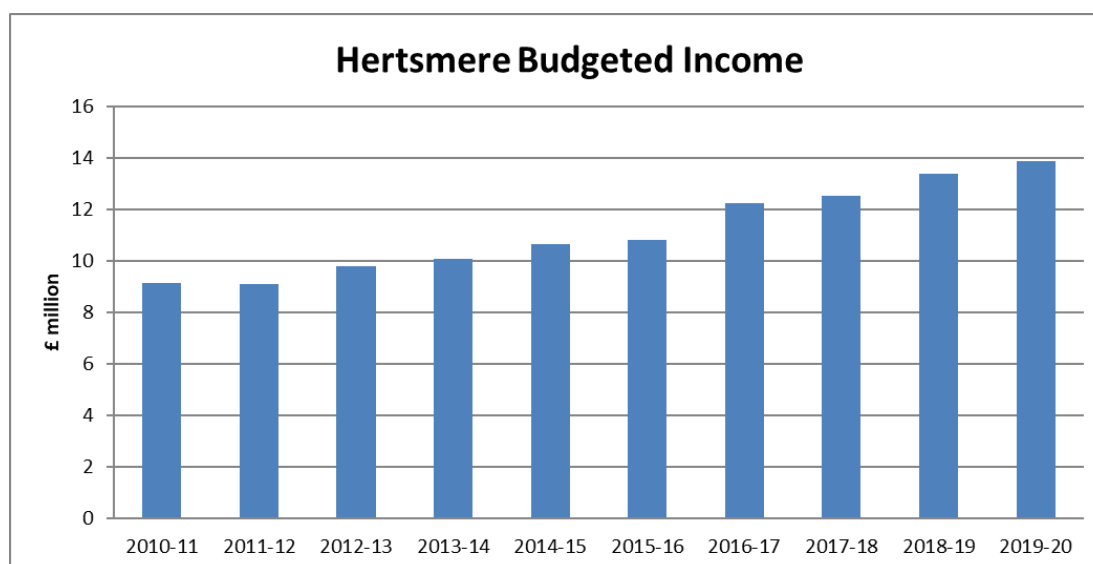
Below is a summary of some of the key elements of the draft budget for 2019/20. The detailed draft budget report can be found on the agenda pages of our website via the following link: [Executive Agenda January 2019](#)

Balancing the budget

Setting a **“Balanced Budget”** for the year ahead is a **Statutory Requirement** for us. A balanced budget is where our **“Net Budget Requirement”** is matched by an equivalent level of funding. The net budget requirement is our total gross spend on services less any income raised from those services. We raise around £14million a year through income generation by way of fees and charges for specific services, rental income from our assets as well as specific grants and contributions from third parties.

Hertsmere’s commercial approach to income generation has helped us to protect our frontline services at a time of ongoing funding reductions and rising demand. Since 2010 our own income has been rising year on year and in total by around £5m, as shown in the following graph:

Chart 1 – Income Generation 2010 to 2020



Our **gross expenditure budget for 2019/20 amounts to £69.9m** of which £44.3m relates to housing benefit payments. These payments are in the main funded by the Department for Work and Pensions through the housing benefit subsidy grant. Our **gross income budget is £58.4m** inclusive of the housing benefit subsidy. These budgets include all frontline and corporate costs.

The **Net Budget Requirement of £11.5m** is financed partly from **government grant funding totalling £4.2m** made up of £3.1m from Business Rates, collected locally but distributed nationally, through the Business Rates Baseline Needs Grant and other business rates associated income from growth. There is also New Homes Bonus Grant funding of £1.1m, which recognises the impact of housing growth on service demand. In order to balance the budget **the remaining £7.3m** of funding comes from **Council Tax levies**.

Draft budget 2019/20

The total **Net Budget Requirement** before government grants is **£11.5m**.

The draft budget for 2019/20 as set out below shows the gross budgeted expenditure and income by service area (exclusive of housing benefit) and amounting to a gross service budget requirement of £10.9m. The corporate budgets are held separately and include the central contingency, audit fees and general expenditure as well as budgets that are yet to be allocated to services including the proposed 2 per cent staff and member pay award, which is still subject to approval.

GENERAL FUND BUDGET SUMMARY 2019/20			
	2019/20 DRAFT EXPEND BUDGET	2019/20 DRAFT INCOME BUDGET	2019/20 DRAFT NET BUDGET
	£'000	£'000	£'000
PLANNING & ECONOMIC DEVELOPMENT	2,034	924	1,110
HOUSING SERVICES	2,154	1,162	992
ENVIRONMENTAL HEALTH	1,271	277	994
STREET SCENE SERVICES	8,404	4,210	4,195
ENGINEERING SERVICES	598	475	123
ASSET MANAGEMENT	2,010	5,445	(3436)
PARTNERSHIPS & COMMUNITY ENGAGEMENT	1,392	233	1,159
FINANCE & BUSINESS SERVICES	3,386	852	2,534
LEGAL & DEMOCRATIC SERVICES	1,720	276	1,444
HUMAN RESOURCES & CUSTOMER SERVICES	1,392	217	1,175
EXECUTIVE DIRECTORS	499	-	499
AUDIT & ASSURANCE	98	-	98
GROSS REQUIREMENT	24,958	14,071	10,887
CORPORATE EXPENDITURE			
INSURANCE SAVINGS	(60)	-	(60)
2% STAFF PAY AND MEMBER ALLOWANCE INCREASE	260	-	260
PENSION AUTO ENROLMENT	10	-	10
CENTRAL CONTINGENCY	300	-	300
AUDIT FEES, BANK CHARGES NOT RECHARGED	142	-	142
GENERAL EXPENSES	132	-	132
INVESTMENT INCOME	(400)	-	(400)
APPRENTICESHIP LEVY	31	-	31
MINIMUM REVENUE PROVISION	242	-	242
TOTAL NET REQUIREMENT BEFORE GOVERNMENT GRANTS	25,615	14,071	11,545

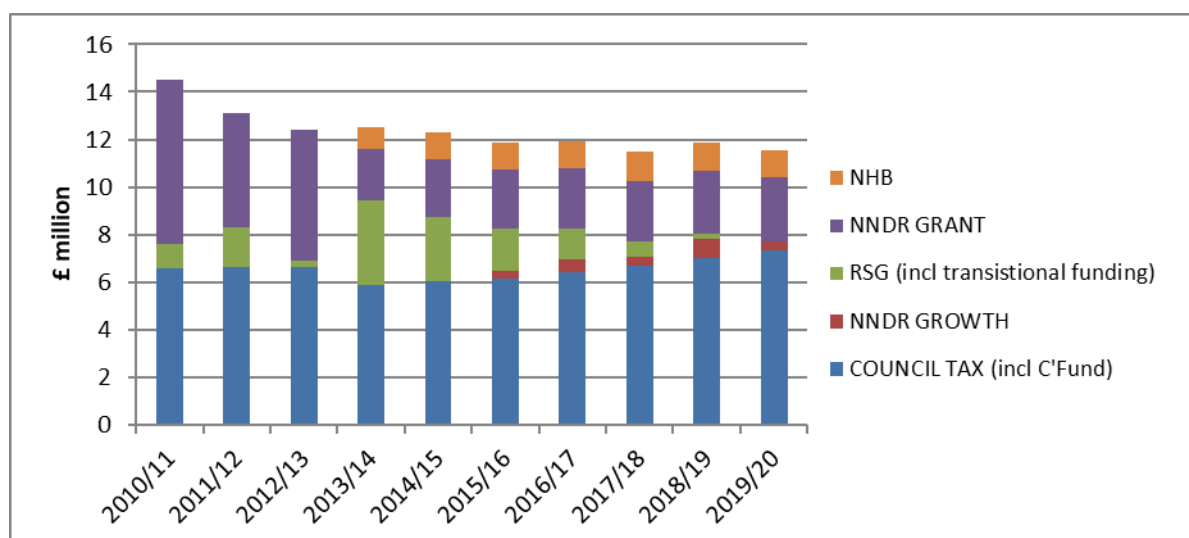
Government funding

Since the Government's Comprehensive Service Review in 2010, we have seen a **reduction of £4.8m** or 64 per cent in its **general government grant funding**. This funding is made up of Revenue Support Grant and Business Rates Baseline Needs Grant, however, as part of the Government's austerity measures the Revenue Support Grant has been reducing year on year and **from 2019/20**, for the first time, **we will receive no Revenue Support Grant**, see Chart 2 below.

The total provisional funding settlement for 2019/20 shows that we will receive £2.7m of general government funding in 2019/20, compared to £2.8m in 2018/19.

Back in 2010, general government funding accounted for 54 per cent of our total funding, however this has fallen to just 23 per cent for 2019/20. This means that the cost of providing our services is falling increasingly on council taxpayers. In 2019/20 63 per cent of our net budget requirement will be funded from Council Tax levies compared to just 45 per cent back in 2010/11. The movement in funding is shown in the following graph:

Chart 2 – Change in funding 2010 to 2020



Council tax

Although you pay all of your council tax to us at Hertsmere Borough Council, the share that we keep is just 10 per cent. The majority share (78 per cent) goes to Hertfordshire County Council; the police receive 10 per cent and the parish and town councils two per cent. The County Council and the police are responsible for setting their own council tax.

For the coming year, we are proposing to **increase our share of the council tax bill by £5, a rise of less than 10p per week per household**. This increase, which it proposed be recommended to the meeting of the Full Council on 27 February, will see our share of the average council tax for 2019/20 rise to £177.34 – the equivalent of **just 49p per day** for an average band D property in the borough.

Hertsmere's share of the council tax goes to providing services to over 102,000 residents. Every day we provide services such as kerbside rubbish and recycling collections, community safety including Police Community Support Officers, support for Citizens Advice, environmental health, planning, car parking, leisure, culture and parks.

Whilst we work hard to improve the cost effectiveness of the services we deliver, the increase has been necessary, in light of reductions in grant funding, without reducing the provision of front line services.

The £5 increase is a planned increase included in our Medium Term Financial Plan and represents a year on year increase of 2.9 per cent. An increase in council tax of £5 or up to three per cent, whichever is greater, is allowed by legislation and is the amount that the Government has factored into its spending forecasts for Local Government.

Your council tax is just one of the sources of income to us that helps to pay for the many different services across the borough.

The proposed average Band D council tax for Hertsmere for the next financial year (2019/20) is £177.34.

Setting our priorities

We regularly seek the views of our communities through independent consultation surveys, giving us feedback about our services and helping us to understand the priorities of our residents. This information helps us to set our corporate and community strategies.

Around every three years, more than 1,000 residents are involved in an independent tracking survey, enabling us to gather views on our performance as a council. These have always shown high levels of satisfaction with the way the council is run and with Hertsmere as a place to live.

We also actively involve residents in decision making through a process called 'participatory budgeting'. Through these exercises we gauge residents' views on our services and their preferences for spending which helps us achieve an affordable and sustainable budget.

We also continue to work closely with our community partners, including the police and NHS, to share office space and help us to make savings.

What's next?

Over the next few years we are facing significant uncertainty with the full impact of Brexit, in particular, remaining unclear for some time. There will be significant pressure to maintain at least the current level of services, against a backdrop of deep and continuous cuts in central government funding, and the now phased out revenue support grant. Next year (2019/20) sees the end of a four-year financial settlement, so we now wait for clarity about future funding over the medium term. This includes a proposed reform to business rates.

We also face uncertainty in respect of our own income streams, as these can be dependent on certain external drivers such as levels of employment, business growth and demand for affordable housing. All of which could be significantly impacted by Brexit and changes to the business rate regime.

Given the significant financial pressures and the statutory requirement to set a balanced budget, whilst at the same time preserving as far as possible the current level of services, we continue to look at innovative ways of managing the funding pressures.

Through our 2020 Vision, we have adopted a more entrepreneurial approach and focussed on expanding our ability to generate income as well as reducing costs by entering into partnerships with other councils and looking for commercial opportunities such as establishing our own property development companies. We currently have partnerships with other local authorities for Building Control, CCTV, Customer Services, Audit and Anti-Fraud to name a few.

We have already built some outstanding houses for rent and will be developing more to generate rental income while contributing to meeting local demand for housing; our Elstree Studios remains in a healthy state with Strictly, the Crown and the BBC featuring large in their portfolio of clients.

We have reviewed our policies around debt collection and strengthened the recovery team to generate income through speedy collection of debts while also ensuring we invest Community Infrastructure Levy and S106 monies in local projects and infrastructure.

We have set up Hertsmere Development Ltd to take forward developments on council-owned land. Also, major projects such as the development of the Elstree Way Corridor in partnership with the Police and Crime Commissioner, Health and the County Council continue to progress.

Have your say

If you would like to comment on the 2019/20 draft budget please email us at budget.consultation@hertsmere.gov.uk