

2023/24 Draft Budget Summary

Background

At its meeting on 11 January 2023 our Executive considered the draft revenue budget for the next financial year (2023/24) and recommended this budget for consultation before we present the final budget to the Full Council for approval on 22 February 2023. As a key stakeholder we would like to seek your views on our budget proposals.

This document provides a summary of some of the key elements of our draft revenue budget for 2023/24. The detailed draft revenue budget report can be found on the 11 January 2023 Executive agenda pages of our website via the following link

www.hertsmere.gov.uk/councilagendas

Setting the 2023/24 budget

The 2023/24 revenue budget has been set under extreme economic conditions. There is still a considerable economic impact due to the global pandemic and the UK's exit from the EU which have led to lifestyle changes that have impacted on demand for our services and more widely is impacting on labour markets. The war in Ukraine has also had a significant impact on consumer prices in particular food essentials, fuel and utilities have all seen steep price rises which has resulted in the current period of high inflation. Interest rates are also rising to counter the high inflation and along with the consumer price rises this is all having a significant impact on the cost of living.

When setting the 2023/24 budget we have considered many factors. Some of the main considerations are:

- **Economy and Cost of Living** - the overall economic climate such as high levels of inflation and the potential impact on service costs and the ability to generate income through fees and charges.
- **Pay** - with the rising cost of living, staff expectations for a significant pay increase are high. A proposed 4% pay award has been built into the 2023/24 budget.
- **Recruitment and Retention** in the current labour market has become extremely challenging and is already having a detrimental impact on some services such as Waste Management and Civil Enforcement.
- **Income** - whilst budgeted income from rent, sales, fees and charges is set to rise from £17.5m in 2022/23 to £18.7m in 2023/24, the majority of income budgets are subject to external factors, such as supply and demand,

market forces and the general state of the economy and competitiveness of the market.

- **Covid-19** - Lifestyle changes post pandemic continue to impact on service demand such as car parking and waste collection. The estimated ongoing impact has however now been reflected in proposed service budgets going forward.
- **Government funding and policy** - the provisional finance settlement announced in December 2022 provided details of 2023/24 government funding, policy and referendum limits set for council tax increases.
- **Council Tax** - in line with Government funding policy this draft budget proposes a council tax increase of 2.99% equivalent to £5.75 for an average band D property.
- **Other legislation changes** are also considered such as the proposed national changes to waste management and local planning.

Balancing the budget

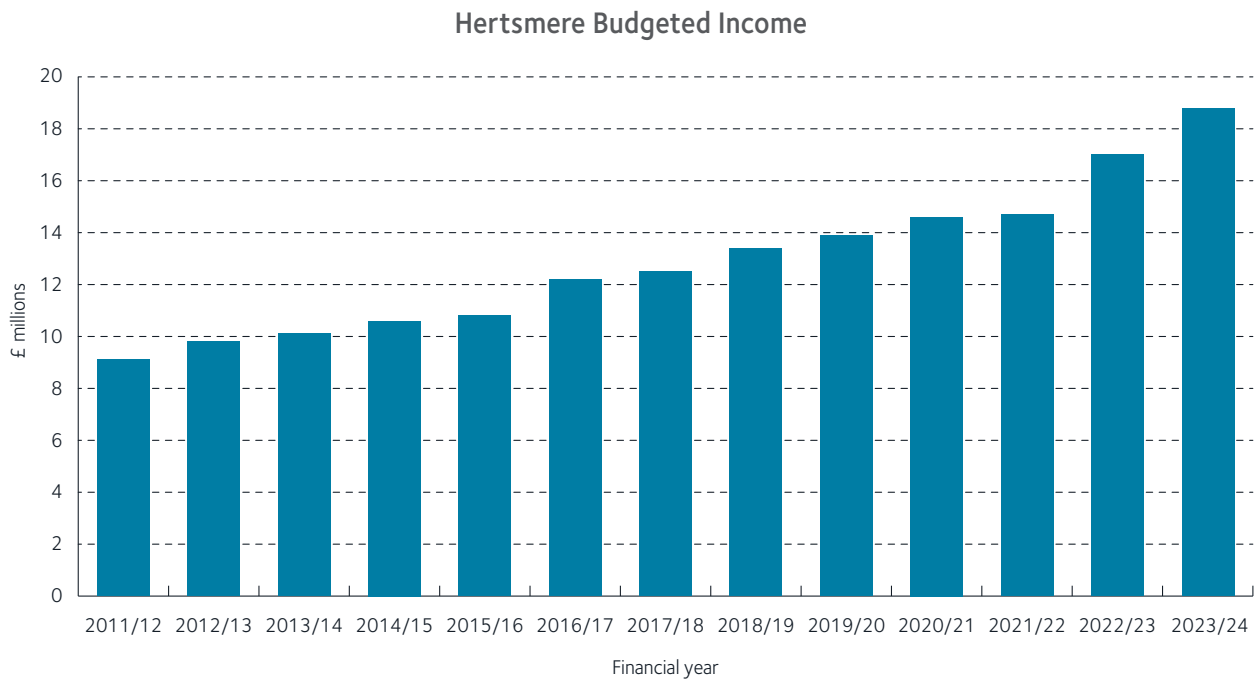
Setting a "**Balanced Budget**" for the year ahead is a **Statutory Requirement** for us. A balanced budget is where our "**Net Budget Requirement**" is matched by an equivalent level of funding. The net budget requirement for 2023/24 is £13.1m which is our total gross spend on services less any income raised from those services.

Our gross expenditure budget for 2023/24 amounts to £61.0m of which £29.3m relates to housing benefit and council tax support payments. Housing benefit payments are in the main funded by the Department for Work and Pensions through the housing benefit subsidy grant. Our gross income budget is £47.9m inclusive of the housing benefit subsidy. These budgets include all frontline and corporate costs.

We are budgeting to raise around £18.7 million next year through income generation by way of fees and charges for specific services, rental income from our property portfolio as well as specific grants and contributions from third parties.

Our commercial approach to income generation has helped us to protect our frontline services over a period of reducing funding and whilst funding is increasing again we are facing significant cost increases as well as rising demand. Since 2011 our own income has been rising year on year and in total by around 107% or £9.7m over the past 13 years, as shown in Chart 1 overleaf:

Chart 1 – Income Generation 2011/12 to 2023/24



The **Net Budget Requirement of £13.1m** is financed partly from government grant funding totalling £4.5m or 34% with the remaining £8.6m or 66% of our funding coming from local Council Tax levies.

Draft budget 2023/24

The draft budget for 2023/24 as set out below shows the gross budgeted expenditure and income by service area (inclusive of housing benefit) and amounting to a net

service budget requirement of £11.8m. The corporate budgets, which are held separately, include a central contingency budget, audit fees and banking charges and general expenditure as well as budgets that are yet to be allocated to specific services including a proposed staff pay award for 2023/24 of four per cent, which is still subject to approval. This results in a total **Net Budget Requirement of £13.1m**, which must be balanced by an equivalent level of funding.

General Fund Budget Summary 2023/24

	2023/24 DRAFT EXPENDITURE BUDGET	2023/24 DRAFT INCOME BUDGET	2023/24 DRAFT NET BUDGET
SERVICE EXPENDITURE	£'000	£'000	£'000
Planning & Economic Development	2,629	1,526	1,103
Housing Services	2,190	995	1,195
Partnerships & Community Engagement	1,652	413	1,239
Environmental Health	1,380	239	1,142
Street Scene Services	9,617	4,113	5,504
Engineering & Asset Management	4,097	8,813	(4,716)
Finance & Business Services	3,766	1,000	2,766
Housing Benefit & Council Tax Support	29,335	29,335	-
Legal & Democratic Services	1,982	418	1,563
Human Resources & Customer Services	1,529	198	1,331
Executive Directors	508	0	508
Assurance Services	201	0	201
NET SERVICE EXPENDITURE	58,885	47,049	11,835

CORPORATE EXPENDITURE	£'000	£'000	£'000
Pay Award	595	-	595
Pension Lump Sum (HCC)	50	-	50
Central Contingency	500	-	500
Audit Fees & Bank Charges	293	-	293
General Expenses	190	35	155
Investment Income	-	830	(830)
Apprenticeship Levy	31	-	31
Minimum Revenue Provision (MRP)	482	-	482
TOTAL NET REQUIREMENT BEFORE GOVERNMENT GRANTS	61,025	47,914	13,111

Government funding

Around **£4.5m of the 2023/24 net budget requirement is funded by government grants** which are based on the Government's assessment of need and our ability to raise tax locally. This is made up of **£3.3m from Business Rates**, collected locally but distributed nationally. Currently we collect around £40m in business rates per annum and pay the majority of this over to Central Government by way of a tariff which is then redistributed nationally via the Government's national funding formula.

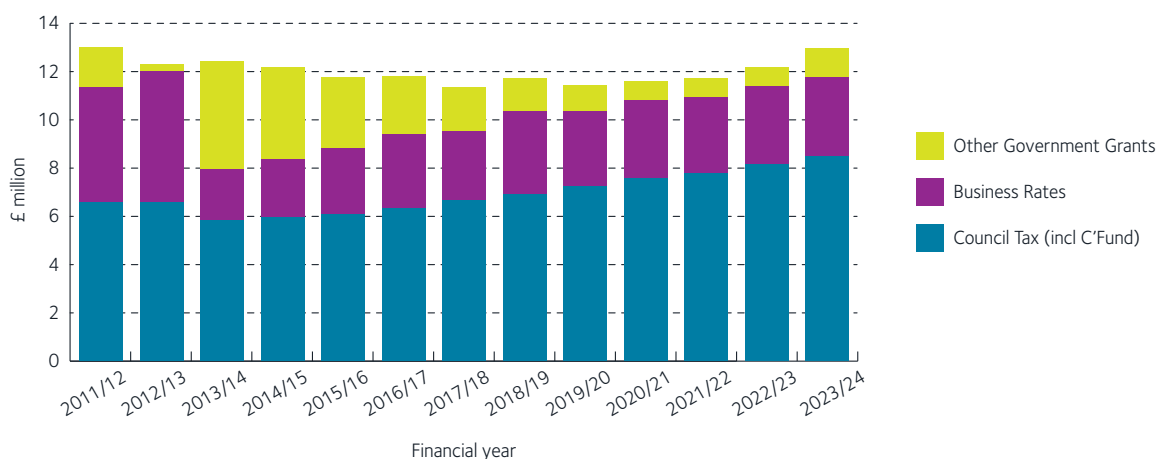
We will receive a further **£1.2m through other government grants** including the Revenue Support Grant (RSG) of £0.1m and the Services Grant of £0.1m. Since 2019/20 our RSG has been NIL however the reintroduction of RSG for 2023/24 is as a result of grant funding previously paid outside of the annual funding settlement now being rolled in. The remaining £1.0m is received

through a funding guarantee that is intended to provide a funding floor for all local authorities, so that no local authority sees an increase in its Core Spending Power that is lower than 3% before local assumptions on council tax rate increases.

Our government grant funding now represents around 34% of our net budget requirement and has stabilised at this level over the past few years following the end of austerity, a period during which we had seen a significant reduction in our general government grant funding.

Back in 2011/12, general government funding accounted for around 50% of our total funding compared to 34% for 2023/24 which means that the cost of providing our services has fallen increasingly on council taxpayers. In 2023/24, 66% of our net budget requirement will now be funded from local council tax levies compared to just 50% in 2011/12. The movement in funding is shown in Chart 2 below:

Chart 2 – Change in funding 2011/12 to 2023/24



Council tax

Although you pay all of your council tax to us at Hertsmere Borough Council, the share that we keep is just 10%. The majority share (77%) goes to Hertfordshire County Council; the police receive 11% and the parish and town councils 2%. 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 2.99% equivalent to £5.75** which is a rise of around 11p per week per household. This increase when set against a backdrop of high inflation with CPI currently at 10.7% means we are seeing a real terms reduction in the council tax and hence funds to run our services. This increase of £5.75, which it is proposed be recommended to the meeting of the Full Council on 22

February 2023, will see our share of the average council tax for 2023/24 set at £198.08, the equivalent of **just 54p per day**, for an average band D property in the borough.

Every day we provide services across the borough such as kerbside rubbish and recycling collections, community safety including Police Community Support Officers, support for Citizens Advice, housing, environmental health, local planning, car parking, leisure, culture and parks. Your council tax is just one of the sources of income that helps to pay for these valuable services.

Whilst we work hard to improve the cost effectiveness of the services we deliver as well as manage the increasing demand as our population continues to grow, in light of high inflation and rising costs, changes in service demand and continued funding uncertainty, the increase has been necessary to maintain the provision of front line services.

The 2.99% increase which represents a year on year increase of £5.75 is below current inflation of 10.7%, so when cost of living is taken into account this represents a real terms reduction. An increase in council tax of up to 3% or £5, whichever is greater, is allowed by legislation and is the amount that the Government has assumed in its spending forecasts for Local Government.

What's next?

Whilst we are presenting a balanced budget position for 2023/24 we must also look to the medium term to identify our future budget requirements and how these are funded. Our medium term financial plan therefore looks forward to 2026/27 and based on our current budget and funding assumptions we are forecasting a funding gap over the medium term of just over £1.0m.

The Chancellor's Autumn Statement (Spending Review 2022) in November 2022 set out the medium-term path for public finances. His statement which responded to the Office of Budget Responsibility's latest economic and fiscal forecasts included some key announcements for local authorities. Spending review 2022 confirmed departmental budgets until 2024/25 and whilst the local government provisional finance settlement only included funding allocations for next year the funding guarantee has provided some funding certainty for the next two years.

However the announcement of a further delay in Local Government Funding Reform with the Review of Relative

Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth not to be implemented in the next two years means that funding beyond 2024/25 remains uncertain.

We also face uncertainty in respect of our own income streams, as these are dependent on various external drivers in particular the economy and the impact locally on levels of employment, business growth and demand for services such as affordable housing.

Therefore, 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 are continuing to look at innovative ways of managing the funding pressures over the medium term.

Over a number of years we have adopted a more entrepreneurial approach and focused on expanding our ability to generate income as well as reducing costs by entering into partnerships with other councils, to share expertise and build resilience, as well as looking for commercial opportunities such as establishing our own subsidiaries, Elstree Film Studios and Hertsmere Developments Limited. We currently have partnerships with other local authorities for Building Control, CCTV, Audit and Anti-Fraud to name a few.

In light of the current economic conditions and other pressures on the budget, going forward, Hertsmere are aspiring to achieve financial self-sustainability. The ability to raise additional income however continues to be extremely challenging due to statutory fees and other restrictions on charging limiting Hertsmere's ability to raise additional income from fees and charges. Hertsmere therefore needs to continue its innovative and commercial approach to build on its successes, such as the new stages project at the council-owned Elstree Studios which now generates a gross annual income of £2.6m. Over the coming year we will therefore be looking at how we can leverage the maximum return from our assets

Have your say

If you would like to comment on the 2023/24 draft budget please email us at budget.consultation@hertsmere.gov.uk by no later than the 12 February 2023 to allow your comments to be considered in the final budget papers being published on 14 February 2023.

Keep in touch



The are lots of ways that you can stay in touch with us, keep yourself posted on our news, raise questions and give us your views. Here's a rundown:

- Follow us on Twitter for tweets, photos and links to our press releases - **@HertsmereBC**
- Like us on Facebook for updates, links to our press releases and photos - **www.facebook.com/hertsmere**
- Follow us on Instagram, where we showcase the best Hertsmere has to offer - **@hertsmercbc**
- Watch our short videos to find out about our services and events across the borough - **www.YouTube.com/HertsmereBC**
- Check our website regularly. The homepage is updated frequently and all our press releases can be found under 'Latest news' - **www.hertsmere.gov.uk**
- Subscribe to our FREE News for You e-alerts for the latest news straight to your inbox. Click on the purple button on our website.
- Come along to a council meeting or watch our planning, executive and full council meetings online - **www.hertsmere.public-i.tv**
- Contact your local councillor - **www.hertsmere.gov.uk/findmycouncillor** or call **020 8207 7558**