

Consultation on the Draft Revenue Budget - 2018/19

1. Summary

- 1.1 On Wednesday 10 January 2018, the Executive recommended the 2018-19 draft budget for further consultation.
- 1.2 This summary document provides an overview of the revenue budget proposals. For more detailed information please access the following link to the Hertsmere website for the full 2018/19 draft revenue budget setting report and its appendices.

<http://www5.hertsmere.gov.uk/democracy/documents/s39705/Report%20of%20Officers.pdf>

2. What are we proposing?

2.1 For the year 2018/19 we are proposing to set a net revenue budget of £11.86m consisting of:

- A gross expenditure budget of £64.6m (£39m relates to Housing Benefit Payments) and a gross income budget of £52.7m. This represents net operational expenditure of £11.86m. See Figure 1.
- A gross income budget of £52.7m, which includes service related grants and housing benefit subsidy grant £39m, with a further £13.7m generated from fees, charges, property related income, investment interest, grants, reserves and internal funding. See Figure 1 below.

Figure 1 – Hertsmere Borough Council draft 2018/19 budget - £	2017/18 Actual Net Budget	2018/19 Gross Expenditure Budget	2018/19 Gross Income Budget	2018/19 Draft Net Budget
Planning & Economic Development	1,108,300	2,011,000	923,000	1,088,000
Housing Services	778,500	2,154,000	1,211,000	943,000
Environmental Health	1,016,000	1,339,000	314,000	1,025,000
Street Scene Services	4,198,700	8,162,000	4,093,000	4,069,000
Engineering Services	27,400	421,000	374,000	47,000
Asset Management	(2,973,700)	1,981,000	4,971,000	(2,990,000)
Partnerships & Community Engagement	1,169,700	1,456,000	273,000	1,183,000
Finance & Business Services	2,360,200	42,385,000	39,874,000	2,511,000
Legal & Democratic Services	1,339,800	1,656,000	296,000	1,360,000
Executive Directors	504,000	491,000	0	491,000
Human Resources & Customer Services	1,105,700	1,359,000	233,000	1,126,000
Audit & Assurance	111,000	98,000	0	98,000
GROSS REQUIREMENT	10,745,600	63,513,000	52,562,000	10,951,000
Corporate Expenditure	732,600	1,109,000	200,000	909,000
TOTAL NET BUDGET	11,478,200	64,622,000	52,762,000	11,860,000
FUNDING				
Revenue Support Grant	613,000			221,000
Business Rates	2,956,200			3,009,000
Collection Fund Surplus	0			427,000
New Homes Bonus	1,200,000			1,200,000
Council Tax	6,709,000			7,003,000
	11,478,200			11,860,000

3. Main Highlights

3.1 Overall the cost of providing council services has increased by £382k, from £11.478m to £11.860m.

3.2 This requirement will be funded from three main sources as follows;

	£m
Council Tax	7.00
Business Rates Income	3.44
Government Grants	1.42
Total	11.86

3.2 Income from fees and charges has increased year on year by £600k mainly from the commercial properties portfolio.

3.3 The major pressures on the 2018/19 budget are homelessness, housing benefit claims, affordable housing, and demand on waste services and recycling

Other Budget Issues

- *Central Government have once again reduced grant funding. The reduction in government grant for 2018/19 amounts to £392k. (2017/18 £640k)*
- *The net budget includes increased cost pressures related to homelessness costs, a proposed 2% employee pay uplift and contractual increases including inflation.*
- *Cost pressures have been offset by increases in service income and other budget / service efficiencies.*
- *We have utilised £1.2m of New Homes Bonus grant to supplement the budget.*
- *Based on the estimated tax base of 40,696 and including special expenses of £585k Hertsmere's share of Council Tax will generate £7.003m to fund the net budget in 2018/19.*

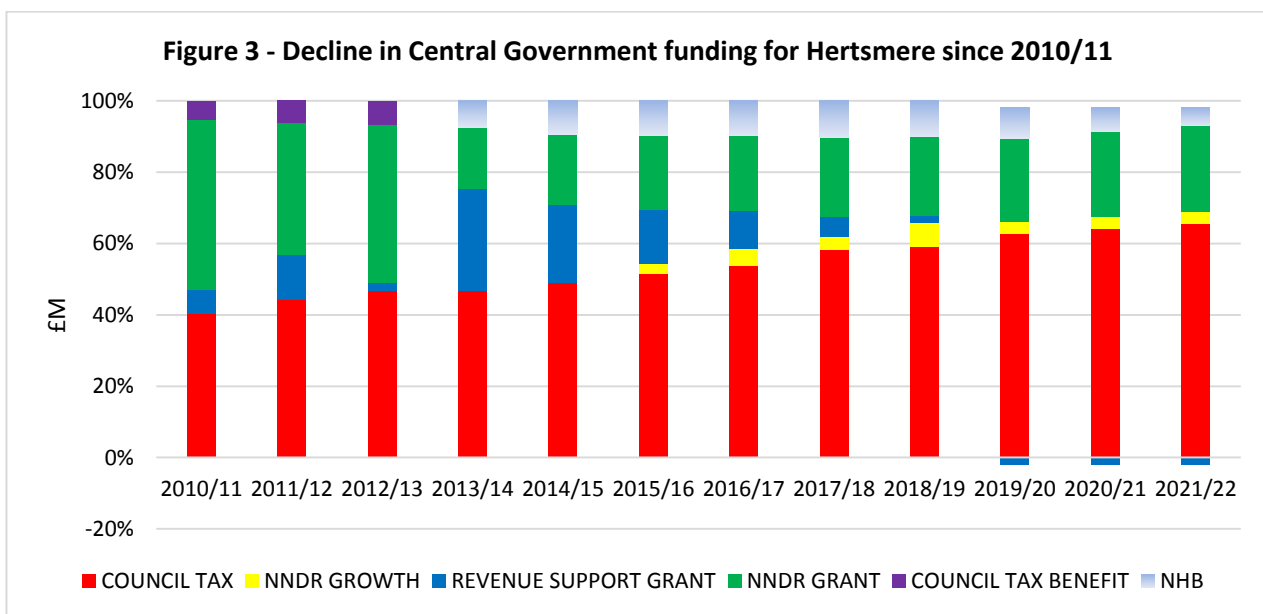
4. Declining Government Funding

4.1 In November 2015 the government announced the Revenue Support Grant (RSG) would be completely phased out by 2020 meaning that less reliance will be placed on government grants and more emphasis on generating funding locally.

4.2 Figure 2 shows the £4.6m, 62%, loss of Government funding since 2010.

Figure 2	2010/11		2014/15	2015/16	2016/17	2017/18	2018/19
	£'000		£'000	£'000	£'000	£'000	£'000
Revenue Support Grant			2,850	2,058	1,253	613	221
NNDR Baseline			2,425	2,471	2,492	2,543	2,619
Settlement Funding Assessment	7,464		5,275	4,529	3,745	3,156	2,840
Year on year reduction £'000				(746)	(784)	(589)	(316)
Cumulative Reduction £'000			(2,189)	(2,935)	(3,719)	(4,308)	(4,624)
Cumulative Reduction %			(29%)	(39%)	(50%)	(58%)	(62%)

- 4.3 For 2018/19 the estimated council tax levy amounts to £7.003m, which equates to 59% of the total budget resource requirement (2017/18 £6.409m / 58%). In 2010/11 Council Tax only amounted to 40% of the resource requirement, however, ongoing reductions in government funding will mean that local taxation is likely to form a higher proportion of the funding for our services in future.
- 4.4 Figure 3 (below) demonstrates our increasing need for Council Tax levies as a result of declining central government grant. It shows the level of reduction since 2010/11 and the complete phasing out of RSG by 2019/20.
- 4.5 It is also worth noting that with the RSG set to be phased out completely by 2019/20, funding that had previously been rolled into the RSG base grant including the **Council Tax Freeze Grant, Council Tax Support funding and Homelessness funding** will effectively also be phased out increasing further the burden on local taxpayers. The loss of this previously rolled in grant amounts to £800k.



5. What does your council tax pay for?

- 5.1 We work with other agencies, such as Hertfordshire County Council (HCC) and the Police and Crime Commissioner (PCC) for Hertfordshire, to deliver a wide range of services to local residents and businesses.
- 5.2 While we are responsible for collecting all local taxes in the borough (business rates and council tax), approximately 77% of the council tax collected is paid to HCC to provide key services such as education, social services, fire and rescue, highways and street maintenance, 10% is paid to the PCC and the remaining 13% is divided between us (11%) and our local towns / parish councils (2%) to provide local services such as:
- Local planning
 - Refuse and cleansing services
 - Parks and open spaces
 - Environmental health
 - Housing and homelessness
 - Leisure activities
 - Community safety (including police community support officers)
 - Community services (including prevention of flooding and drainage services)

6. How much will we get from business rates?

- 6.1 Local authorities collect Non Domestic (Business Rates) from local businesses on behalf of central government who then redistribute this income nationally according to an individual authority's specified share of RSG and business rates. On average we collect £48m in business rates, **however after redistribution to central government and the county Hertsmere retains only £2.6m plus anticipated Business Rates growth of £390k.**

7. What about our reserves?

- 7.1 As a result of transferring our housing stock to two housing associations in 1994, Hertsmere received a substantial capital receipt. Over the intervening years much of these funds have been spent on new projects for the benefit of the borough (e.g. leisure centres and Elstree Studios) and the community (e.g. our contribution to the construction of 96 Shenley Road and The Ark community theatre plus the restoration of Bushey Rose Garden).
- 7.2 This, together with interest rates being at their lowest level in recorded history, has reduced our investment income levels which mean we are unable to rely on this source of income to the same extent as in the past. As a result, we have implemented a strategy to reduce our reliance upon it.
- 7.3 In accordance with a prudent financial management approach we have agreed a policy to maintain the current level of General Fund Reserve in real terms and not to rely on our reserves to balance our budget. Whilst reserves can be used for exceptional one-off occurrences, earmarked reserves are meant to be used for specific purposes and not to fund revenue budget deficits.
- 7.4 Reserves can only be used once and if relied upon there would be no funding for future uncertainties or hardships.

8. How have we involved the community?

- 8.1 We carry out regular consultation exercises to establish community needs and priorities. Consultation and communication with our stakeholders is vital in helping us to ensure we know what the community's priorities are and its evaluation of the service we deliver. The consultation process helps us to develop our corporate and community strategies based on the needs and priorities of the community.
- 8.2 Every three years more than 1,000 residents are involved in a tracking survey to measure local residents' views about our performance and these regularly show high levels of satisfaction with the way in which the council is run and with the borough as a place to live.
- 8.3 We also actively involve residents in decision making (via a process called "participatory budgeting") in order to achieve a more affordable and sustainable budget by obtaining residents' views on services and their relative preferences for spending and saving. We have carried out three such exercises since 2011, the most recent in Nov 2016. The previous two exercises have together produced annual savings in excess of £1 million and further savings of almost £250k are included within the current budget proposals.
- 8.4 In addition we continue to work closely with our community partners, other Hertfordshire District Councils and Herts County Council to generate real savings, and the police and NHS to share office space.

9. What's next?

- 9.1 2018 is expected to continue to be uncertain with the full impact of Brexit in particular being unlikely to be known for some time. Alongside this the council faces significant pressure to provide services against a backdrop of deep and continuous cuts in central government funding and plans to phase out government grant totally by 2020. We also face uncertainty in some of our own funding which can be dependent on certain external drivers as well as factors at play within our own borough, e.g. levels of employment, business growth and demand for affordable housing.
- 9.2 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. Our approach has been to focus 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 plus a proposed Parking Shared Service, to name a few.
- 9.3 It is important to us that we keep our residents informed. We do this in a number of ways including newsletters, the council's website, social media and through local news publications, and would like to seek your views on the budget proposals summarised within this consultation letter. If you have any comments please contact no later than, 15th February 2018:

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