

# 2022/23 Draft Budget Summary

## Background

At its meeting on 12 January 2022, our Executive considered the draft budget for the next financial year (2022/23) and recommended this budget for consultation before we present the final budget to the Full Council for approval on 23 February 2022.

This document provides a summary of some of the key elements of our draft budget for 2022/23. The detailed draft budget report can be found on the 12 January 2022 Executive agenda pages of our website via the following link: [www.hertsmere.gov.uk/councilagendas](http://www.hertsmere.gov.uk/councilagendas)

## Setting the 2022/23 budget

The 2022/23 budget has been set under unprecedented economic conditions. There has been a considerable economic impact due to the global pandemic as well as the UK's exit from the EU which has resulted in low interest rates and high inflation.

When setting the 2022/23 budget we have considered many factors. The main considerations are:

- **Covid-19** – the on-going impact of the pandemic in relation to service demand and cost pressures, particularly in light of national behaviour changes such as increased home working.
- **Reduced Income** – changes in demand have also led to a reduction in our income from fees and charges for example from parking which is forecast to reduce by £350k per annum compared to pre-pandemic levels.
- **Brexit** – there have been significant impacts especially around the rising costs of supplies and services and frontline staffing such as waste operatives and parking enforcement officers. The recent national shortage of HGV drivers has required us to invest a further £67,000 in our budget to ensure the continued delivery of essential waste services.
- **Recruitment and Retention** is becoming more difficult in what is now a candidate driven market. We need to remain competitive in our candidate-driven offer, mindful of our close proximity to London and of candidate expectations and changes in behaviour post Brexit and due to Covid.
- **Inflation and Pay** – Investment rates remain low whilst inflation is at its highest level for decades with CPI

currently running at 4.7% and RPI at 7.1% (November 2021). In light of these conditions the Government has revised its stance and removed the public pay freeze. Whilst there was no pay award in the current financial year, this budget provides for a 3% pay award.

- **Economy** – high inflation, low interest rates and economic recovery forecasts are impacting on the cost of supplies and services, fuel prices and materials which are all increasing.
- **Government funding and policy** – the provisional finance settlement announced in December 2021 provided details on 2022/23 government funding, policy and referendum limits set for council tax increases.
- **Other legislation changes** are also considered such as the proposed national changes to waste management.

## Balancing the budget

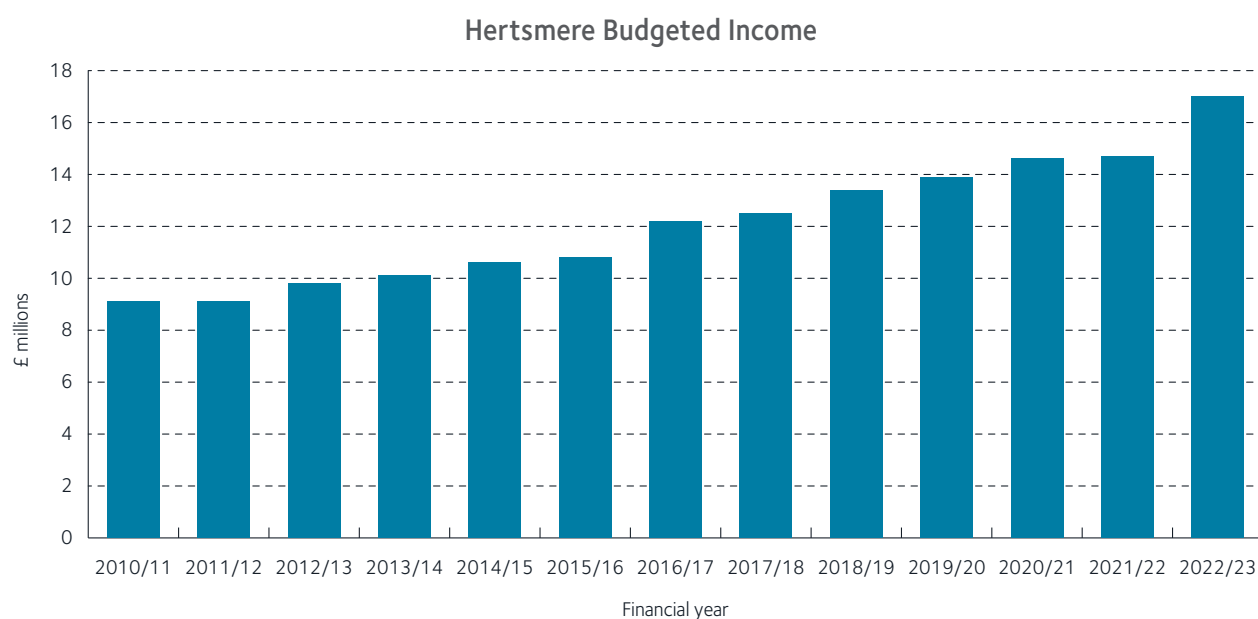
Setting a **"Balanced Budget"** for the year ahead is a **statutory requirement** for us. A balanced budget is where our **"Net Budget Requirement"** is matched by an equivalent level of funding. The net budget requirement is our total gross spend on services less any income raised from those services.

Our **gross expenditure budget for 2022/23 amounts to £61.0m** of which £31.3m 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 £48.8m** inclusive of the housing benefit subsidy. These budgets include all frontline and corporate costs.

We are budgeting to raise around £17.0m a 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.

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 87% or £7.9m over the past decade, as shown in Chart 1 overleaf:

Chart 1 – Income Generation 2010/11 to 2022/23



Our estimated gross spend less the income we expect to generate gives us a **Net Budget Requirement** for 2022/23 of **£12.3m** which is financed partly from **government grant funding totalling £3.7m**. This funding is made up of £2.9m from business rates, collected locally but distributed nationally, through the Business Rates Baseline Needs Grant and indexation grant with other government grants amounting to £0.8m. There is also locally retained business rates of £0.3m from economic growth.

In order to balance the budget the remaining **£8.3m** or around **67%** of funding comes from local council tax levies.

### Draft budget 2022/23

The draft budget for 2022/23 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 £11.0m. 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 the increase in National Insurance contributions and a staff pay award for 2022/23, which is still subject to approval. This results in a total **net budget requirement of £12.3m**, which must be balanced by an equivalent level of funding.

### General Fund Budget Summary 2022/23

	2022/23 DRAFT EXPENDITURE BUDGET	2022/23 DRAFT INCOME BUDGET	2022/23 DRAFT NET BUDGET
SERVICE EXPENDITURE	£'000	£'000	£'000
Planning & Economic Development	2,506	1,398	1,107
Housing Services	2,068	962	1,106
Partnerships & Community Engagement	1,456	253	1,203
Environmental Health	1,349	248	1,101
Street Scene Services	9,202	3,963	5,238
Engineering & Asset Management	3,964	8,608	(4,644)
Finance & Business Services	3,539	1,072	2,468
Housing Benefit & Council Tax Support	31,300	31,300	-
Legal & Democratic Services	1,821	316	1,505
Human Resources & Customer Services	1,426	202	1,224
Executive Directors	475	0	475
Assurance Services	191	0	191
<b>NET SERVICE EXPENDITURE</b>	<b>59,296</b>	<b>48,323</b>	<b>10,974</b>

CORPORATE EXPENDITURE			
Pay Award 3%	424	-	424
National Insurance Increase - 1.25%	120	-	120
Pension Lump Sum (HCC)	47	-	47
Insurance Premiums Increase	29	-	29
Central Contingency	300	-	300
Audit Fees & Bank Charges	147	-	147
General Expenses	173	35	138
Investment Income	-	400	(400)
Apprenticeship Levy	31	-	31
Minimum Revenue Provision (MRP)	482	-	482
<b>TOTAL NET REQUIREMENT BEFORE GOVERNMENT GRANTS</b>	<b>61,047</b>	<b>48,758</b>	<b>12,290</b>

## Government funding

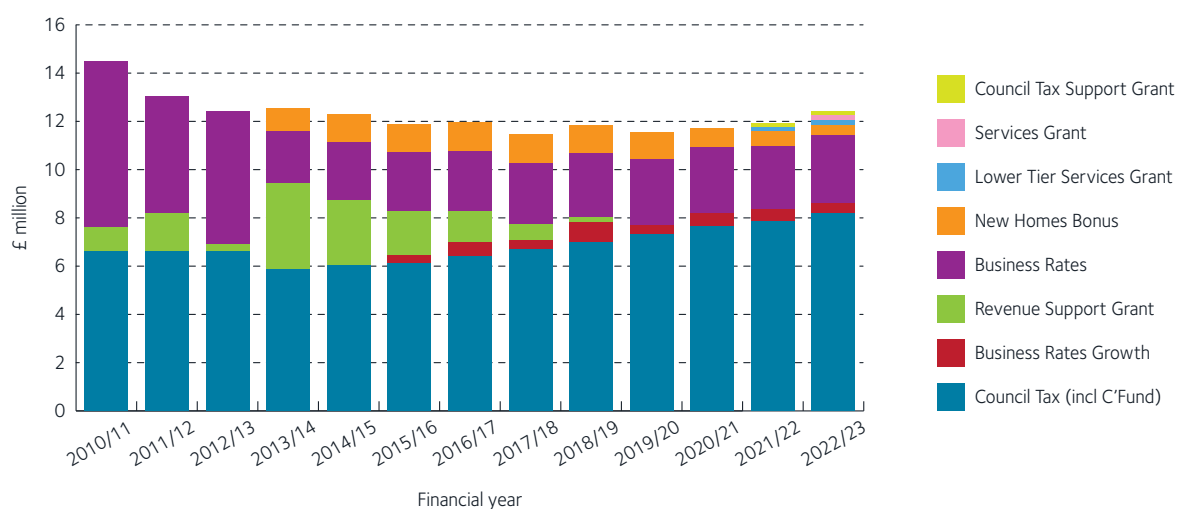
Around £3.7m or 30% of the 2022/23 net budget requirement is funded by government grants which are based on the Government's assessment of need and our ability to raise tax locally. This includes our baseline needs grant of £2.7m and a further £1.0m in grant that recognises revenue losses due to the impact of Covid, indexation losses and additional costs arising from new legislation and local housing growth.

Since the Government's Comprehensive Spending Review in 2010, we have seen a significant reduction in our general government grant funding. Since austerity has ended, our baseline funding has remained at the same level for three years now representing a real terms baseline funding cut, however we are also compensated for inflationary losses via an indexation grant. We also

continue to face funding uncertainty as planned funding reforms have been delayed several times in recent years whilst the Government have focussed on other priorities, mainly in relation to Brexit and their response to the Covid-19 pandemic. Over the medium term we must therefore be prudent in our funding forecasts with the future of several funding streams being under review and as such uncertain.

Back in 2010/11, general government funding accounted for around 54% of our total funding, however this is now just 27% for 2022/23. This means that the cost of providing our services is falling increasingly on council taxpayers. In 2022/23, 67% of our net budget requirement will be funded from local council tax levies compared to just 46% in 2010/11. The movement in funding is shown in Chart 2 below:

Chart 2 – Change in funding 2010/11 to 2022/23



## 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 two per cent. The county council and the police are responsible for setting their own council tax.

We are proposing an increase of £5 for our share of the council tax bill, a rise of less than 10p per week per household. This will be essential to enable us to continue to deliver our range of services for Hertsmere's residents. With the high cost of living at present (RPI at 7.1%), this proposed increase is well below the current rate of inflation showing that we are doing all we can to minimise the impact on our residents whilst continuing to deliver

those services. The £5 increase, which it is proposed be recommended to the meeting of the Full Council on 23 February 2022, will see our share of the average council tax for 2022/23 set at £192.33, the equivalent of just **53p 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 £5 increase represents a year on year increase of 2.7% which is below current inflation. An increase in council tax of £5 or up to 2%, 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?

The Chancellor announced the Spending Review 2021 as part of his Autumn Budget speech in October 2021. The Spending Review 2021 set government departmental budgets for the following three years up to 2024/25. The Spending Review is an important tool which local government uses to plan its budgets and a multi-year government settlement can provide more certainty of the government funding allocated to local authorities.

However the provisional financial settlement for local government which was announced in late December only provided funding for the next financial year (2022/23), meaning that funding beyond next year remains uncertain. We also face uncertainty in respect of our own income streams, as these can be 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.

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.

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, we are able 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.

Elstree Studios, which is council-owned, remains in a healthy state with Strictly Come Dancing, the Crown and the BBC featuring in their portfolio of clients. A £15.6m capital project to build two new sound stages and ancillary space at the studios is progressing well and due for completion in May 2022. This significant project will support the economic recovery of Hertsmere post pandemic through the delivery of around 800 new jobs by 2023 and up to 150 new training opportunities per annum by 2029. The additional rental income from the new sound stages has been included when setting the 2022/23 revenue budget offsetting some of the other cost pressures we are facing.

Our housing development company, Hertsmere Developments Limited (HDL), has become operational and is now set to embark on its first two development projects early in the new financial year delivering 26 new properties including nine affordable housing units by 2023/24. A pipeline of work planned over the next eight years could see HDL build around 600 new properties across a mix of tenures providing much needed housing in the borough as well as generating an ongoing income stream that will further support the provision of local services.

## Have your say

If you would like to comment on the 2022/23 draft budget please email us at [budget.consultation@hertsmere.gov.uk](mailto:budget.consultation@hertsmere.gov.uk) by no later than the 13 February 2022 to allow your comments to be considered in the final budget papers being published on 15 February 2022.

## 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](https://twitter.com/HertsmereBC)
- Like us on Facebook for updates, links to our press releases and photos - [www.facebook.com/hertsmere](https://www.facebook.com/hertsmere)
- Follow us on Instagram, where we showcase the best Hertsmere has to offer - [@hertsmerebc](https://www.instagram.com/hertsmerebc)
- Watch our short videos to find out about our services and events across the borough - [www.YouTube.com/HertsmereBC](https://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](https://www.hertsmere.gov.uk)
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