

2021/22 Draft Budget Summary

Background

At its meeting on 13 January 2021, our Executive considered the draft budget for next financial year (2021/22) and recommended this budget for consultation before we present the final budget to the Full Council for approval on 24 February 2021.

This document provides a summary of some of the key elements of the draft budget for 2021/22. The detailed draft budget report can be found on the 13 January 2021 Executive agenda pages of our website via the following link: www.hertsmere.gov.uk/councilagendas

Setting the 2021/22 budget

The 2021/22 service budgets reflect normal service provision or known changes to service provision where applicable. The budget does not reflect any additional costs or loss of income due to the impact of the Covid-19 pandemic. This is due to central government announcing additional funding for Covid-19 in 2021/22 in relation to additional costs, loss of income from fees and charges and loss of tax revenues and this funding

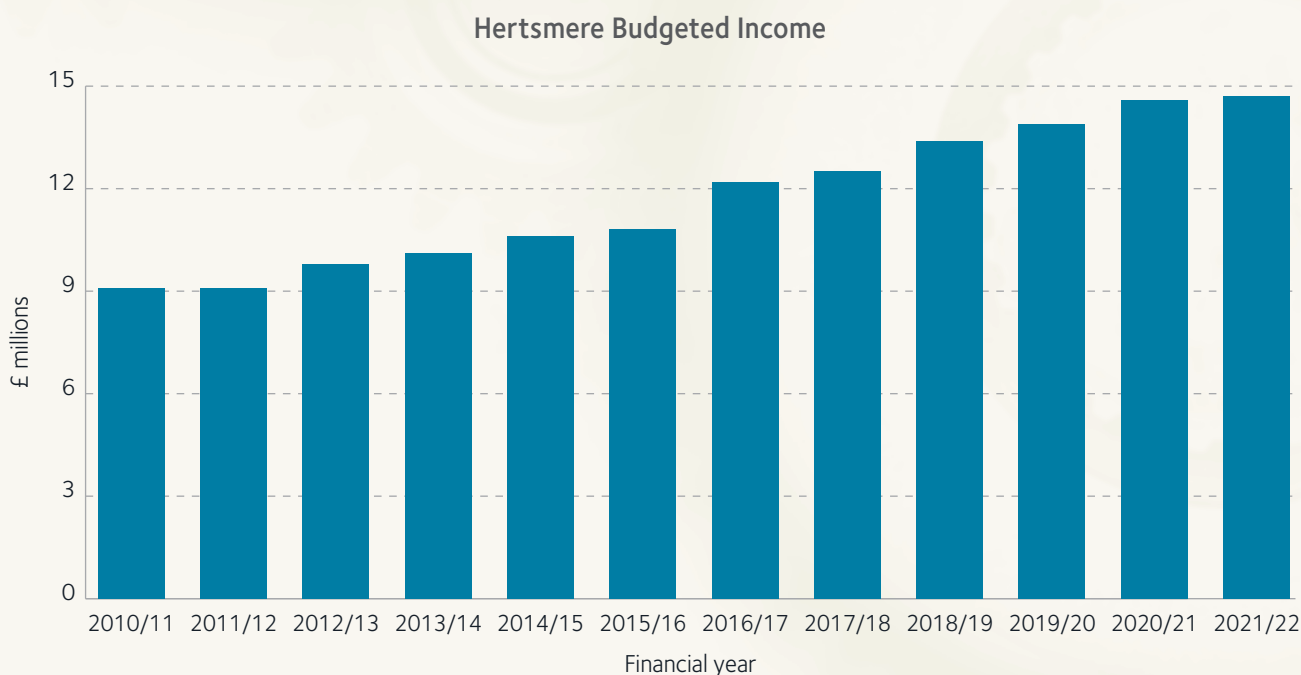
will be applied to meet any such cost and income pressures against normal service budgets. Any unused Covid funding for 2020/21 including the 2020/21 contingency budget will be carried forward in a reserve to be used during 2021/22.

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 are budgeting to raise around £14.7 million 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 £5.6m, as shown in Chart 1 below:

Chart 1 - Income Generation 2010/11 to 2021/22



Our gross expenditure budget for 2021/22 amounts to £63.9m of which £37.0m relates to housing benefit and council tax support payments. Housing benefit and council tax support payments are in the main funded by the Department for Work and Pensions through the housing benefit subsidy grant. Our gross income budget is £52.1m inclusive of the housing benefit subsidy. These budgets include all frontline and corporate costs.

The Net Budget Requirement of £11.8m is financed partly from government grant funding totalling £4.0m made up of £3.2m from Business Rates, collected locally but distributed nationally, through the Business Rates Baseline Needs Grant and other business rates associated income from economic growth. New Homes Bonus Grant funding of £0.6m, which recognises the impact of housing growth on service demand and £0.2m in Covid-19 related support grants.

In order to balance the budget the remaining £7.8m of funding comes from Council Tax levies.

Draft budget 2021/22

The total Net Budget Requirement before government grants is £11.8m.

The draft budget for 2021/22 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 £11.3m. 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 pay award for lower paid employees and pension lump sum payment, which are still subject to approval.

General Fund Budget Summary 2021/22

	2021/22 DRAFT EXPENDITURE BUDGET	2021/22 DRAFT INCOME BUDGET	2021/22 DRAFT NET BUDGET
Service Expenditure	£'000	£'000	£'000
Planning & Economic Development	2,396	1,290	1,106
Housing Services	2,027	965	1,062
Partnerships & Community Engagement	1,428	233	1,195
Environmental Health	1,289	257	1,032
Street Scene Services	8,891	4,284	4,607
Engineering & Asset Management	2,644	6,133	(3,489)
Finance & Business Services	3,481	1,017	2,464
Housing Benefit & Council Tax Support	37,000	37,000	-
Legal & Democratic Services	1,792	286	1,506
Human Resources & Customer Services	1,423	224	1,199
Executive Directors	474	-	474
Assurance Services	191	-	191
Net Service Expenditure	63,036	51,689	11,347
Corporate Expenditure			
Pay Award - Low Paid Only	9	-	9
Pension Lump Sum (HCC)	50	-	50
Central Contingency	300	-	300
Audit Fees & Bank Charges	135	-	135
General Expenses	132	-	132
Investment Income	-	400	(400)
Apprenticeship Levy	31	-	31
Minimum Revenue Provision (MRP)	242	-	242
Total Net Requirement Before Government Grants	63,935	52,089	11,846

Government funding

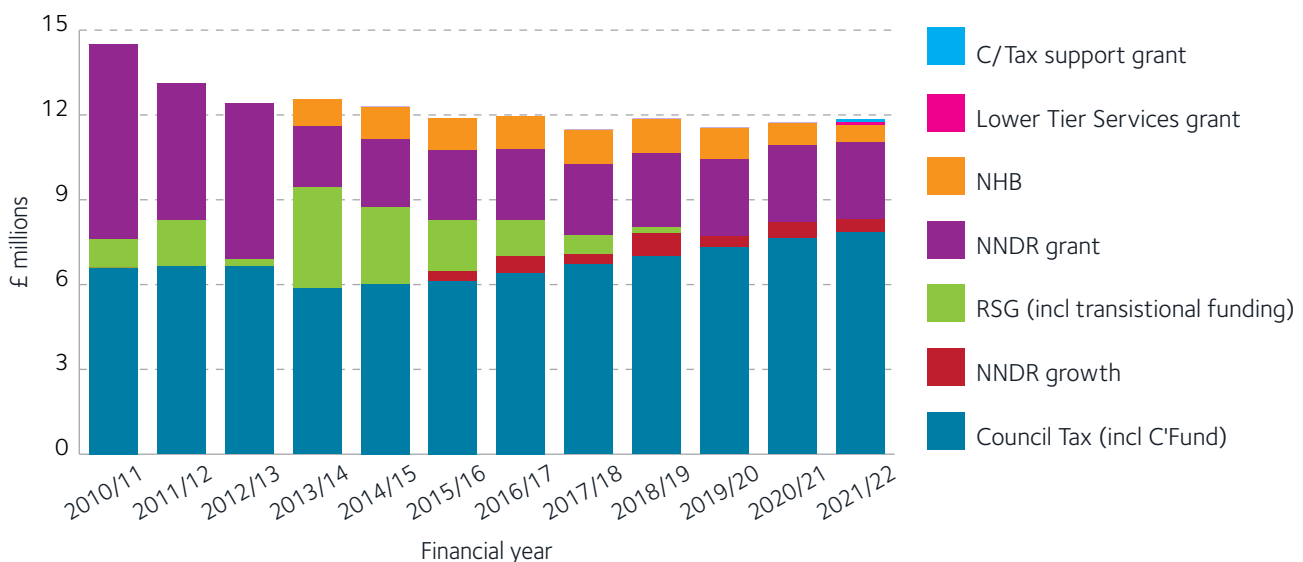
Since the Government's Comprehensive Spending Review in 2010, we have seen a reduction of £5.0m or 63 per cent in our general government grant funding. This funding is made up of Revenue Support Grant and Business Rates Baseline Needs Grant, however, as part of the Government's austerity measures the Revenue Support Grant has been reducing year on year and since 2019/20 we received no Revenue Support Grant, see Chart 2 below.

The total provisional funding settlement for 2021/22 shows that we will receive £2.7m of general government funding, the same level as 2020/21. In addition we will also receive the new Lower Tier Services Grant, allocated from central government to ensure no local authorities will see a fall in their core spending power as a result of the Covid-19 pandemic.

There is also an additional central government grant in 2021/22 for Local Council Tax Support. The grant is to provide local authorities with additional support for losses experienced from the increased claims for Council Tax Support due to the Covid pandemic. This grant will be applied over the next two years by which time it is anticipated that Council Tax Support will have returned to pre-Covid levels.

Back in 2010/11, general government funding accounted for 54% of our total funding, however this has fallen to just 24% for 2021/22. This means that the cost of providing our services is falling increasingly on council taxpayers. In 2021/22, 66% of our net budget requirement will be funded from Council Tax levies compared to just 46% in 2010/11. The movement in funding is shown in the following graph:

Chart 2 - Change in funding 2010/11 to 2021/22



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 (77 per cent) goes to Hertfordshire County Council; the police receive 11 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 is proposed be recommended to the meeting of the Full Council on 24 February 2021, will see our share of the average council tax for 2021/22 set at £187.34, the equivalent of just 51p per day, for an average band D property in the borough.

Hertsmere's share of the council tax goes to providing services to our 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 represents a year on year increase of 2.7 per cent. An increase in council tax of £5 or up to two per cent, whichever is greater, is allowed by legislation and is the amount that the Government has assumed in 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 (2021/22) is £187.34.

What's next?

The government had intended to hold a new Spending Review in 2019 setting out the government's long term view of its spending plans. This anticipated multi-year settlement, which would have provided more certainty for local government, was however deferred until 2020/21 due to uncertainties with Brexit. Whilst the Chancellor had announced in the summer that it was still the Treasury's intention to complete the 2020 Spending Review by Autumn 2020, due to the Government's response to the Covid-19 pandemic, this position was subsequently changed and there will now be a further one-year Spending Round for 2021/22.

The Spending Review is an important tool which local government uses to plan its budgets as it includes a multi-year government settlement providing more certainty of the government funding allocated to local authorities.

We also face uncertainty in respect of our own income streams, as these can be dependent on certain external drivers such as the economy, levels of employment, business growth and demand for 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.

Through our 2020 Vision, 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 and looking for commercial opportunities such as establishing our own property development company. We currently have partnerships with other local authorities for Building Control, CCTV, 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.

Elstree Studios, which is fully owned by the Council, remains in a healthy state with Strictly Come Dancing, the Crown and the BBC featuring in their portfolio of clients. The Council approved a £12m capital project of Elstree Studios to build two new sound stages and ancillary space at the Studios. This significant project will support the economic recovery of Hertsmere post Covid-19 through the delivery of around 800 new jobs by 2023 and up to 150 new training opportunities per annum by 2029. The project is expected to generate significant additional income for the Studios and the Council from early 2022.

Have your say

If you would like to comment on the 2021/21 draft budget please email us at budget.consultation@hertsmere.gov.uk

Keep in touch



There 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 – **@hertsmerebc**
- 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/findmycllr** or call **020 8207 7558**