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NORTH HERTFORDSHIRE DISTRICT COUNCIL

COUNCIL

THURSDAY, 6TH FEBRUARY, 2020

SUPPLEMENTARY AGENDA

Please find attached supplementary papers relating to the above meeting, as follows:

Agenda No Item

8. **REVENUE BUDGET 2020/21 (Pages 3 - 16)**

REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider the draft budget for 2020/21 and the main factors which contribute to the determination of the North Hertfordshire District Council (NHDC) Council Tax level.

Please find attached the Leader of the Council and The Executive Member for Finance and IT's Budget Speeches.

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Agenda Item 8

This evening the Council has the duty to set a budget for the year 2020/21

The current year, 2019/20 is the last year of a four-year settlement for Local Authorities. Next year was supposed to see the introduction of a new funding formula and a new system for the retention of business rates. However instead we have a one year settlement. Whilst we aren't yet facing the prospect of negative Revenue Support Grant, we are forced into setting what is effectively a 1-year budget.

We would have liked to have funded more of our aspirations, but we are forced to assume that in the medium term our funding will be cut yet again. So we have had to be cautious in how we implement the Council Plan that was agreed in November. We have made the decision to specifically invest in areas that increase our engagement with our community, encourage co-operative development and tackle climate change. This is part of our commitment to delivering all the priorities of the Council Plan, which are:

- Being a more welcoming and inclusive Council
- Building thriving and resilient communities
- Supporting the delivery of good quality and affordable homes
- Responding to challenges to the environment
- Enabling an enterprising and co-operative economy

We are aware that we are adding to ongoing costs, but we are committed to reviewing what we spend our money on next year. We will consult with the public on their priorities for the services we deliver and which we all value. We will then balance what we want to continue doing the most with the budget available.

In their recent presentation to us, Peer Challenge colleagues invited us to "Be Brave!" It will indeed require a combination of Courage and Prudence as we go forward. This administration is determined to be risk aware, rather than risk averse as we take the necessary difficult decisions needed to meet that challenge.

In balancing the budget in future years, we will continue to look at ways to be more efficient first. But given the scale of savings that this Council has been forced to deliver over a number of years, we have to be realistic about how much this can deliver.

We will also continue our focus on being more commercial. The Council has a Commercial Strategy and has now also agreed a Property Acquisition and Development Strategy. These will be used to develop commercial approaches and investments that could improve outcomes, reduce costs and generate income. All of which will help to deliver the Council Plan at lower net cost.

In proposing the Council Tax level for next year, we have to consider medium term forecasts over funding levels. We know we will see New Homes Bonus completely eliminated as a funding stream over the next few years. Whilst it might have a different name or be applied in a different way, we have to assume that a reduction of the same level as negative Revenue Support Grant will hit us in 2021/22. So, taking that medium-term view we must propose that the Council Tax element for North Hertfordshire is increased by the maximum amount allowed without the need for a local referendum. That is a £5 increase on a band D property, with the increases on other bands pro-rata to that. A £5 increase is less than 2.2%.

We shared our draft budget proposals with all Members in the budget workshops in November. We also asked for contributions of ideas for ways that the Council can save money, either through spending less, delivering more or generating income. I hope that this level of participation will assist the agreement of our budget tonight, which I believe is a reasonable balance between a one year budget and considering the medium term.

I will now invite Councillor Albert to expand on our proposed budget.

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Revenue Budget 2020/21 (check against delivery)

It's a great pleasure and honour to move the Revenue Budget for 2020/21 on behalf of the Labour and Co-Operative Liberal Democrat joint administration.

It's the first budget to be moved by a non-Conservative administration since the last century – 1999 in fact – when Gordon Brown was Chancellor of the Exchequer. My brilliant colleague Councillor Judi Billing was Chair of the Council that year.

But here we are. And since this joint administration took control, Labour and Liberal Democrats have worked together successfully to bring about change and a new culture across the work of this Council.

Here's just some of the things that this fantastic team of Labour and Liberal Democrat Councillors have done since May:

- New Council Plan setting out our priorities
- New Medium-Term Financial Strategy approved
- New Procurement Policy built on Community Wealth principles
- New ethical Fair Collection policy
- Set up Environment Panel on climate change to work with public and community groups on ensuring we make fast and effective progress on climate change emergency
- Finally got the North Herts Museum open after years of delay
- Our Bin collection performance massively improved
- Stopped further closure of playgrounds
- Signed Anti-Slavery charter
- Joined Co-operative Councils and working on engaging young people through some Co-op funding
- Taken steps to reduce the Council's carbon footprint
- Rewarding green taxis and changing NHDC car policy
- Switched to Green energy
- Banned single use plastic from Council-owned buildings and implemented alternatives
- Provided Water fountains in public places

- Introduced Democracy week event with young people
- Establishing a youth council
- Persuaded police to reinstate town and rural meetings to set police priorities
- Set up Environment Panel on climate change to work with public and community groups on ensuring we make fast and effective progress.
- Set up a new Transport User Forum
- Set up and obtained funding for Warm Homes programme
- Reinstated the Waste Electrical and Electronic Equipment recycling events
- New grants policy to simplify processes and make grants more accessible to more groups to make a real difference in their communities
- Closer working with many local organisations and partners like Citizens Advice, CVS and Minority Ethnic Forum
- 450 new trees will have been planted by end of March
- We will be experimenting with wilding Verges to help increase biodiversity.
- Expansion of Councillor surgeries and Town Talks across the district.
- First Holocaust Memorial Day event for 20 years

But this is just the start. We have an even more ambitious programme of work in the coming civic year.

However, this must always be set alongside the need to balance our budgets, provide value for money and prioritise what needs doing first. And to quote Gordon Brown – “Our golden rule will be prudence for a purpose!”

The neglect of over 20 years Conservative administration in this District cannot be solved in one year, even though we have made a great start.

Now we need to move forward with what I hope is just the first joint administration budget. There is a real strength in local parties working together after elections to benefit our community.

This evening the Council is required to set a budget for 2020/21. In doing this, we must, of course be mindful of the impact of any decisions we make on the ability to set a balanced budget over the medium term. Our ambition for change will work alongside the need to be more prudent in future years.

Now the Government has said that austerity is over. But that just hasn't worked its way through to what we see on the front line in local government.

We will work with the Local Government Association and Labour, Liberal Democrat and Co-operative colleagues to campaign for an end to cuts and proper funding for the vital services that Councils provide to residents. And I hope that we can count on the support of Conservative colleagues on this Council to lobby Government Ministers.

This Council's funding continues to be heavily restricted by the policies and allocations from Central Government.

We are threatened with a new so called "Fair Funding" formula in 2021/22 which may well take even more money away from us.

We welcome that negative Revenue Support Grant is not being implemented this year. But what kind of Government would be doing this in the first place? Indeed, I well recall my predecessor, former Councillor Julian Cunningham making disparaging comments (his words) about this in both the last two budget statements.

But needless to say, what this Government gives in one hand, it takes with away with the other. So, while we are better off by over £1 million by non-implementation of negative Revenue Support Grant, this is tempered by reductions in New Homes Bonus and future uncertainty. New Homes Bonus will fall from almost £1m in 2019/20 to £713k next year and to zero by 2023/24. This compares to the £2.7 million we received in 2016/17.

Whilst there will be a consultation on an alternative to New Homes Bonus, there is no certainty on what this will be or when it will be introduced. Even when it is in place it will not be funding that this Council can directly control, and therefore, could not be relied upon for funding our base budget.

Alongside this, the delay to the new funding formula and business rates retention changes means that we must make prudent assumptions about how much Business Rates we can retain in the medium term. The assumption is that this will be in line with the effect of negative Revenue Support Grant being introduced, which is a reduction of over £1.1m compared to this year, and means we would then only retain 4p out of every £1 in Business Rates that we collect.

The Council is part of a Business Rate Pilot this year, and will be part of a Pool in 2020/21. Whilst both of these arrangements are expected to provide financial benefits, this increased income cannot be relied upon on an ongoing basis.

Since 2011, this Council has been forced to deliver over £9m of savings to try and balance its budget. Despite this our funding forecasts mean that there is still a continuing need to deliver more.

Most of the savings to date have come from efficiencies, and whilst we will still strive to find more, the opportunity for these is becoming more and more limited.

We are looking to deliver increased income as a way to help towards the savings requirement. We are being prudent and realistic in that we will only build in savings from this when there is a known idea that has been tested and there are reliable forecasts.

We have put the building blocks in place to deliver commercial income, through approving the Commercial Strategy and recommending the Property Acquisition and Development Strategy to this meeting, which you have just approved.

Our approach will also ensure we value our most vital resource, our staff, and work with them to ensure we get value for every pound we raise in Council Tax. Where necessary, we will not be afraid to recruit new staff. Too many services have been left under resourced by continual cuts.

We will seek too to use the skills and expertise of all Councillors and draw too on the undoubted expertise in our community, in contrast to the previous administration, which far too often took the “we know best” approach and didn’t listen.

Although the funding position for 2020/21 is relatively good news, it is just a 1-year settlement. And although we are considering the medium term, we are effectively setting a 1-year budget.

This Council has not fared as well as others. Our core spending power, which is made up of retained Business Rates, New Homes Bonus and assumed Council Tax, will be just 1.1% higher than 2019/20. This compares with an increase of 6.3% for England overall and 3.4% for Shire Districts.

This joint administration has made the decision to implement new areas of spend aligned to the new Council Plan. These are focused on community engagement, climate change and planning for the District’s future.

We would have liked to do even more but have we have been deliberately more prudent than our aspirations. We are aware that this still increases costs above funding in the medium term. But we are committed to a review of what the Council spends its money on and making sure that it is aligned to the Council Plan. We are committed to involving all Members cross-party in this review.

As part of this review, and even more importantly, we will consult with the public openly and transparently on what are their priorities. However, we do have to bear in mind how many statutory services that the Council is required to provide. If the future funding position is in line with forecast, then that will mean identifying and delivering savings or finding additional income of around £1.35m.

Whilst we will continue to try and deliver things in a more efficient way, and look for ways of generating more income, we are aware that there will be a need for some difficult decisions as to what the Council can carry on doing. We are ready for this, and will be doing this with the knowledge of which services our residents value the most.

I will not go into all the detail on the report as you have it in front of you. But I will highlight some of the key considerations.

Section 5.2 of the report relates to the consultation that we are required to carry out with Business Ratepayers. This year we carried this out by e-mail with key business ratepayers and business groups. This was in response to very few attendees at the consultation events that we held in previous years, and feedback from those that did attend. Whilst we didn't receive any responses, this still gave businesses a chance to see our budget proposals without the time and cost of attending an event. But we will look to see if there is more we can do to consult in future years.

Initial feedback from the Local Government Association peer review, that was carried out a couple of weeks ago, challenged us to be bold and use our reserves to shape the District. They said we should:

“Use reserves to fund internal and external transformation capacity”.

This was on the basis that this would focus on interventions and initiatives to improve further our future capacity and capability to deliver services for taxpayers and residents.

But clearly, and I must stress this, reserves will not be used by this administration to fund general fund expenditure on a continuing basis. Section 8.4 details the reserves that we have, and you will note that most of them are set aside for specific purposes.

The MHCLG Grants reserve will be reviewed during 2020/21 to determine how much could be released for other spending without risking having to top-up the Business Rates collection fund from general reserves. The Special Reserve could also be used.

Whilst the General Fund balance is currently significantly above the minimum level recommended by the Chief Finance Officer, over £1.2m is forecast to be used in smoothing out the delivery of savings required to balance the budget.

Of the remainder, the Council would need to determine the level of risk that it wants to take. If we reduced reserves to the minimum level, it would mean that immediate action would need to be taken every time a budget variance went the wrong way. For example, the recent drop in forecast income from paper recycling. This would clearly be imprudent and not something we should contemplate. But dare I say that there is a healthy balance to strike.

And it's worth noting note that any use of reserves is likely to have a negative impact on our resilience performance.

Talking about the resilience index, this is a new tool produced by the Chartered Institute of Public Finance and Accountancy. It is designed to highlight areas that could be of concern in relation to resilience. It is then for Chief Finance Officers to provide an explanation and detail any specific areas of concern. It uses published data, so is using past information to predict the future.

It is also comparative, so just because an Authority is at the bottom of a scale doesn't mean that they aren't resilient, it could just mean that all the Authorities are ok, and someone always has to be at the bottom. I often think about this comparison in relation to Barnet Football Club.

But the key message is that our Chief Finance Officer currently has no concerns. But that is based on this Council next year agreeing a plan to balance the budget in the medium term.

As part of the budget setting process, we review the budget position this year as at the end of November. This is to identify how the latest forecast impacts on the budget for future years in delivering existing services.

This has identified a reduction in the income for recycled paper that reflects market conditions. This is already an impact of £150k per year on an ongoing basis. This is a risk area going forwards as market conditions are having a negative impact on the costs and income of recycled materials.

The savings and investments that are being proposed are detailed in Appendix B, and these are broadly in line with what was presented at the Budget Workshops in November.

Particular ones to note are:

- R1 – retention of weekly waste collection for multi-occupancy properties
- R7 & R8 – funding for increased support to Council’s Climate Change, Community Engagement and Scrutiny work.
- R10 – funding for town centre strategy work anticipated to be needed following the approval of the Local Plan
- R11 – single issue Local Plan review to incorporate Council’s Climate Change Emergency proposals into formal planning policy for the District.
- R12 – Continuation of Electronic Vehicle strategy work
- R19 – planned introduction of concession charges for garden waste collection
- R28 – reversal of proposed cuts to Area Committee Grant budgets.
- R30 – continued support to Citizens Advice and CVS

- R31 – further one off funding to Citizens Advice to match the payment last year.
- R32 – creation of a central pot for grants that cover more than one Area Committee

Unfortunately, I do have to propose an amendment to the budget. We have recently been notified that the government will not be passing the legislation required to provide rate relief on public conveniences.

It is, therefore, necessary to delete saving E4 in Appendix B. This will have a small knock-on impact on the numbers in Appendix C. Subject to this amendment being approved, Officers will make the necessary changes.

I would also like to propose an amendment to investment R30. This is already providing an inflationary increase on the core grant payments to CVS and Citizens Advice. The Council also pay Citizens Advice to provide a court worker who provides valuable support to our residents.

The amendment I am proposing would also allow for inflation on this payment as well. This change would amount to an extra £500 per year, so would be an extra £2k per year by the end of 2023/24. Taking the total investment in that year up to £16k.

A final amendment that I would like to include relates to the Medium-Term Financial Strategy, which this budget report depends upon.

Last year, the Conservative administration created a one-year budget of £50k for health and wellbeing projects. Part of this funded an Emotional Wellbeing Outreach Service through Mind in Mid-Herts. In effect, this allowed the short-term continuation of a service that had effectively been ended by the County Council.

There is still sufficient funding left from the £50k to continue to provide this service in 2020/21.

However, the Medium-Term Financial Strategy states that “the Council will not subsidise areas which are the responsibility of another precepting body other than through a one-off match-funding arrangement where this is in the interests of the local Council tax payers”.

This is an important position to take given the financial position we are in, but does in effect mean that this wellbeing service cannot be continued for one more year.

So I am not asking for any more money, but I am asking that a small change to the Medium-Term Financial Strategy is agreed, so it would read “the Council will not subsidise areas which are the responsibility of another precepting body other than through short-term match-funding arrangement where this is in the interests of the local Council tax payers”.

I feel this is a pragmatic way of continuing this service for a bit longer for the benefit of our community. And on what is mental health “Time to Talk Day”, this would be a great signal as to the importance that this Council gives to supporting mental health issues.

The overall budget position is summarised in section 8.9. It is recommended to increase the North Herts element of Council Tax by the maximum amount allowed without the need for a local referendum, which is £5 on a Band D property. This is in line with our Medium-Term Financial Strategy.

I am recommending this even though there is forecast to be a budget surplus in 2020/21. This is due to the fact that there is expected to be a significant deficit from 2021/22 onwards for the reasons I explained earlier about negative RSG and New Homes Bonus.

This deficit would be even greater if Council Tax was not increased this year, as there are no provisions for higher increases in future years without a local referendum. This includes even where this would be a catch-up of lower increases from previous years.

I am proposing that the surplus in 2020/21 is added to a funding equalisation reserve to be released in future years to dampen the impact of savings needed.

I believe that this Budget matches the ambitions of this joint administration, alongside the need for prudence in these uncertain times for local Government finances.

There will be no boom and bust under this joint administration!

In closing, I would like to offer my thanks to Mr Couper and his team who have done excellent work in bringing all of this information together and supporting me and my Deputy Councillor Sam North in our new roles.

It's been a difficult year for me personally since my wife passed away last March. So, I would also like to add special thanks to Sam for all his support to me since May and indeed Councillors across this Chamber for all their kind words to me and my family.

Chairman - I move the proposals in the Executive Summary and the additional amendments that I have mentioned earlier. In accordance with legislation, when we vote on this decision, I call for a recorded vote.

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