

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: 21 JANUARY 2020

TITLE OF REPORT: DRAFT BUDGET 2020/2021

Report of: Head of Corporate Services

Cabinet Member: Councillor James Radley, Deputy Leader and Finance

I PURPOSE OF REPORT

- 1.1 This report provides a summary of the revenue and capital budget proposals for 2020/2021 to enable Committee to forward its comments on the proposed draft budget and Council Tax levels to Cabinet.
- 1.2 This draft budget has however, been prepared in advance of the finance settlement for 2020/2021 (which was delayed by the General Election, and the date is not yet known) and the final report to Cabinet will be updated to include any new information received.
- 1.3 It is important to note that the Government has also postponed the Spending Review due in 2019 and instead published a short-term Spending Round. What this means is that, in substance, any budget to be proposed will only be a one-year budget. No figures have been made available for local government funding beyond 2020/21, either nationally or locally. This report therefore cannot give any realistic projection for 2021/2022.

2 OFFICER RECOMMENDATION

- 2.1 That the Committee forwards to Cabinet any comments it has on the approach adopted to preparing the draft budget.

3 BACKGROUND INFORMATION

- 3.1 The Government has postponed the Spending Review due in 2019 and instead published a short-term (one-year) Spending Round. In doing so it has:
 - waived the potential for negative RSG for 2020/2021
 - postponed any decision to localise Business Rates until 2021/2022 but it has promised wider changes to the Business Rates system
 - postponed until 2021/2022 any Fair Funding Review that would revise the methodology for distributing Rate Support Grant (RSG) and business rates across the county
 - Committed itself to reviewing New Homes Bonus (NHB) after consultation in Spring 2020.
- 3.2 This means it is not possible to given any meaningful assessment of the potential budget position for 2021/2022.

4 PROVISIONAL 2020/2021 GOVERNMENT GRANT FOR HART

- 4.1 The finance settlement for 2020/2021 has not yet been confirmed by the Government (it was delayed by the General Election, and the date is not yet known). This budget has therefore been prepared based on the provisional 2020/2021 local government finance settlement that was published on the 20 December 2019¹. It would appear that for this year only the Government is intending simply to roll forward last year's (2019/2020) settlement.

5 COUNCIL TAX

- 5.1 The Government anticipates, as in previous years, that local authorities such as Hart will increase council tax in 2020/2021 by a core principle of up to 2% or £5. Any higher rise will require holding a local referendum. Consequently, the budget proposals included in this report assume a £5 increase in 2020/2021. The financial effect of this increase is to add approximately £200k annually to income.

6 NEW HOMES BONUS

- 6.1 New Homes Bonus (NHB) remains a crucial part of the Council's budget and the provisional settlement proposes that Hart will receive £2.377m in 2020/21. NHB is wholly used by the Council to support the revenue account. Whilst this provisional NHB is slightly more than predicted in the Medium Term Financial Strategy (£177k extra) this funding stream cannot in the future be relied upon.
- 6.2 The Government's 2020/2021 provisional settlement makes it clear that that NHB will be phased out and that there will be no new NHB payment from 2021/22. In addition, the 2020/21 payment is to be a one-off payment, with no further legacy payments in the following years.
- 6.3 There is therefore, a significant future risk to the Council because NHB accounts for 20% of the net revenue budget – the Council could in the future lose over £2m in revenue funding. Whilst the Government has said that it will consult on replacements for NHB in "spring 2020" there is absolutely no certainty as to what this could look like. The Government's intention however, is that whatever replaces NHB must comprise a more targeted approach that only rewards local authorities where they are ambitious in delivering the homes, and which is aligned with other measures around planning performance.

7 COUNCIL TAX SUPPORT SCHEME

- 7.1 Since 2013, local authorities in England have been responsible for running their own local schemes for help with council tax - Council Tax Support. Councils can choose to either reduce the discount paid to working age claimants or find income to make up the reduction. The Council has always agreed not to reduce the discount (benefits) paid to such claimants but to fund the cost from the revenue account. There are no proposals to change the arrangement for 2020/21.

¹ <https://www.gov.uk/government/speeches/provisional-local-government-finance-settlement-2020-to-2021-statement>

8 FEES AND CHARGES

8.1 The budget has been prepared taking account of the following changes to charges in the main service areas:

- Green Waste 5%
- Building Control 5%
- In all other cases, where the Council has flexibility in setting fees and charges, the general intention is to increase them by inflation only unless any individual scheme of delegation allows flexibility to set specific fees and charges.

9 GROWTH AND SAVINGS INCLUDED IN BUDGET

9.1 An incremental approach to the budget is being followed in building this budget. It includes identifying areas for further savings, as well as any opportunities to secure new sources of income. Nets service costs would only increase by 1.8%.

9.2 Appendix I attached shows the current pressure for movement of budgets between 2019/2020 and 2020/2021. In light of current risks the details of any budget movements are still being evaluated and will be refined further before final consideration by Cabinet.

9.3 However, the following areas represent some of the more significant and ongoing pressures:

- Contract changes
- Shapley Heath Garden Community evaluation (£500k over 3 years)
- Proposed Climate Change Action Plan (initial £100k in the first year)
- The introduction of a Committee Services Management system (£30k one off cost but will lead to self-financing savings in later years)
- The introduction of the integrated Planning/Environmental Health/Housing data base project (£200k)
- Potential changes to the Waste arrangements (£850k from 2021/2020)
- Uncertainty over future Planning Fee income (this will inevitably fluctuate)
- IT infrastructure (£150k)

10 OUTTURN BUDGET FOR 2019/2020

10.1 The outturn budget is expected to balance in 2019/2020.

11 CAPITAL PROGRAMME

11.1 The proposed 2020/2021 Capital Programme is attached as Appendix 2.

12 DRAFT BUDGET 2020/2001

12.1 The table below summarises the draft budget for 2020/2021 compared to the approved 2019/2020 budget

	2019/2020	2020/2021	
	Budget	Draft	
	£0	£0	
Net Service Budget	9,765	9,746	0.2% decrease
SANG Expenditure	61	258	Funded from allocated S106 receipts
Cost of Service	9,826	10,004	1.8% increase
Debt Interest	12	12	
MRP	445	469	
New Homes Bonus	-2,283	-2,377	
Pressures	0	803	Change programme variables
Net Expenditure	8,000	8,911	
		11.14%	Change from 2019/2020
Financed by			
Council Tax	-6,994	-7,286	Provisional Local Government Settlement maximum increase
Business Rates Retained	-1,258	-1,437	Provisional Local Government Settlement
Collection Fund – CT Surplus	-24	-31	Collection Fund estimate
Collection Fund – NNDR Deficit	390	154	Collection Fund estimate
S106 receipts	-53	-53	Allocation as per approved expenditure
SANG receipts	-61	-258	Allocation as per approved expenditure

Total Financing	-8,000	-8,911	
		11.40%	Change from 2019/2020
Transfer to Reserves	0	0	

12.3 The major revenue funding issues looking beyond 2020/21 are:

- Spending Review 2020 – may reduce the totality of local government funding
- Fair Funding Review – risk of losing further central government funding as it is distributed elsewhere
- Changes to New Homes Bonus
- 75% business rates retention from 2021/2022

CONTACT: Andrew Vallance, Head of Corporate Services x4207,
email: andrew.vallance@hart.gov.uk

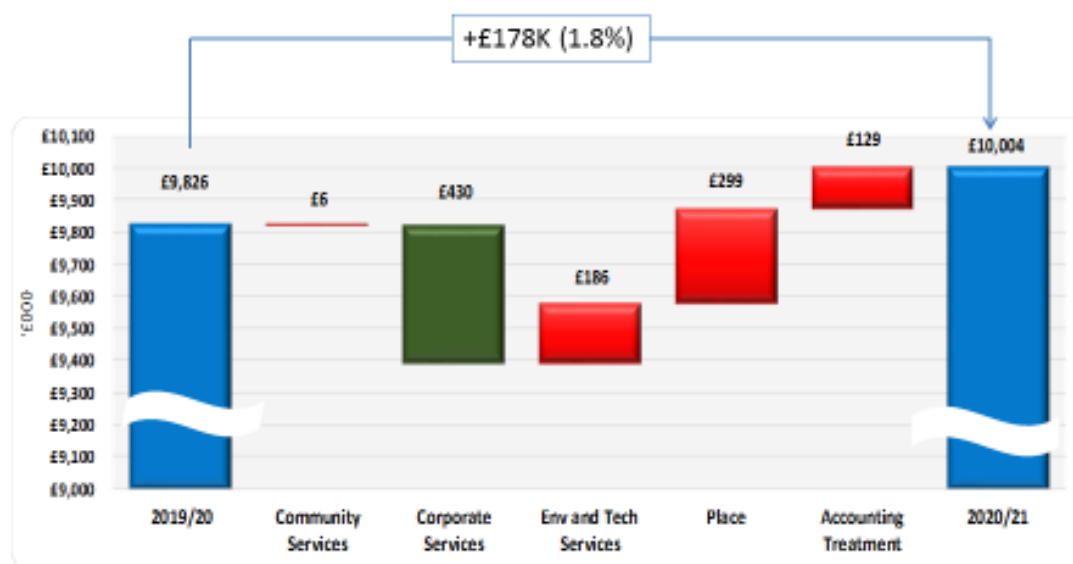
APPENDICES:

Appendix 1 - Comparison of budget pressures between Budget 2019/2020 and Draft Budget 2020/2021

Appendix 2 – Capital programme 2020/2021

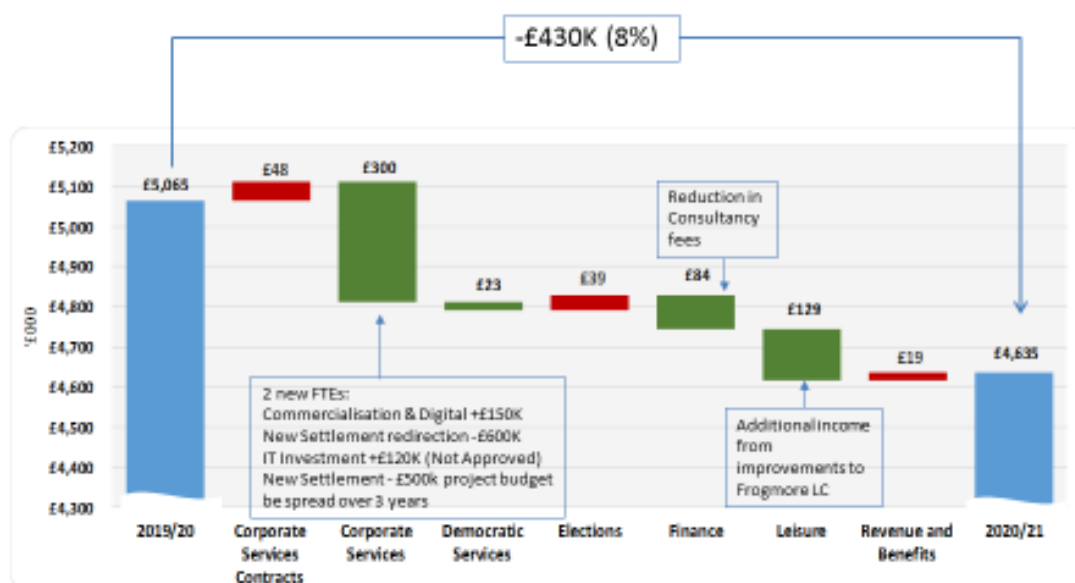
Appendix I - Comparison of budget pressures between Budget 2019/2020 and Draft Budget 2020/2021

All Services Below inflation increase +1.8% (£178K)



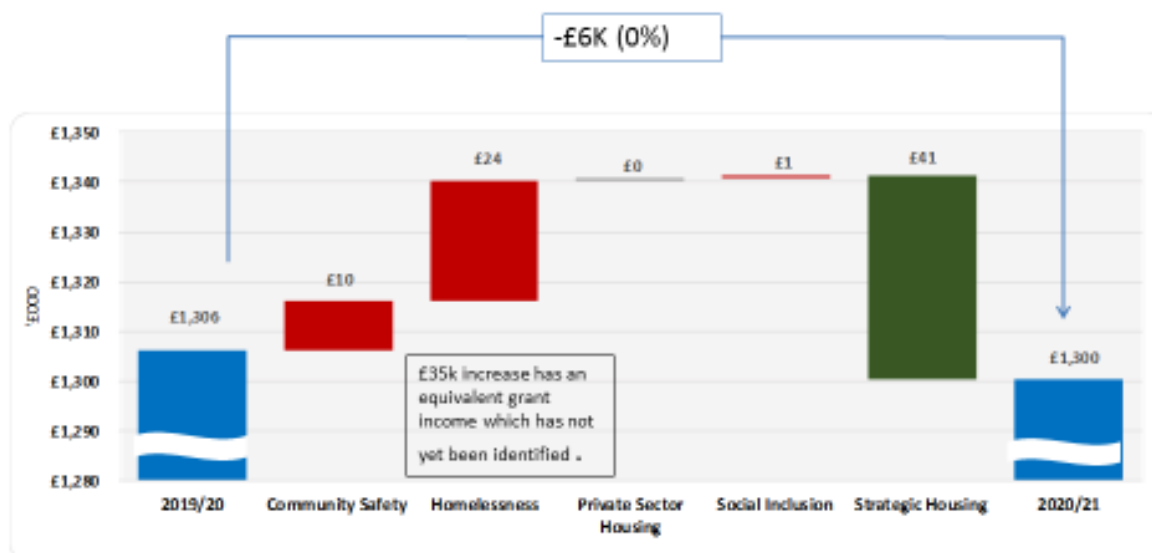
www.hart.gov.uk

Corporate Services



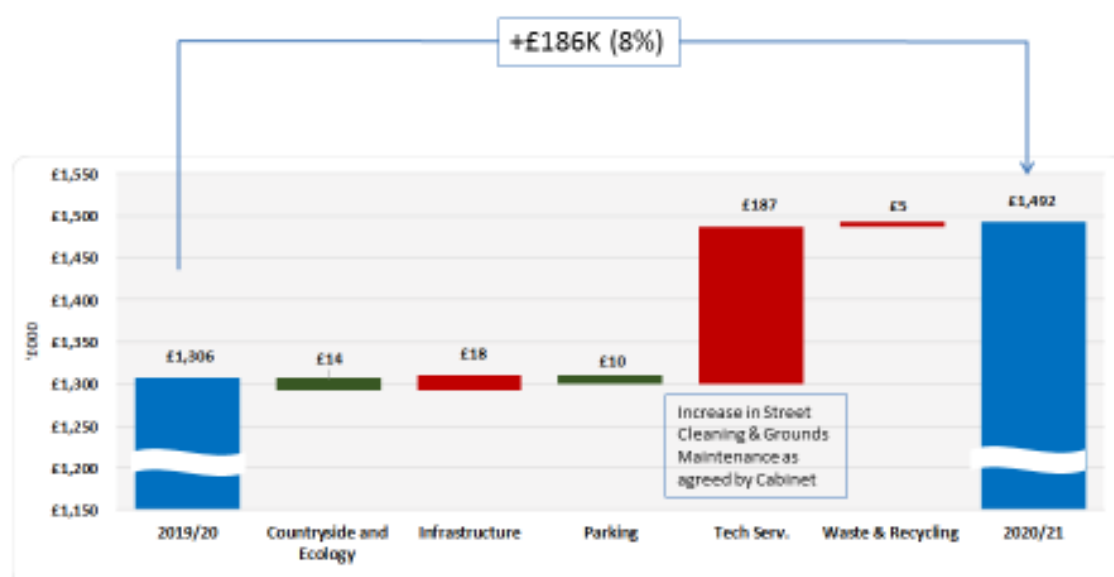
www.hart.gov.uk

Community Services New budget in line with 2019/2020



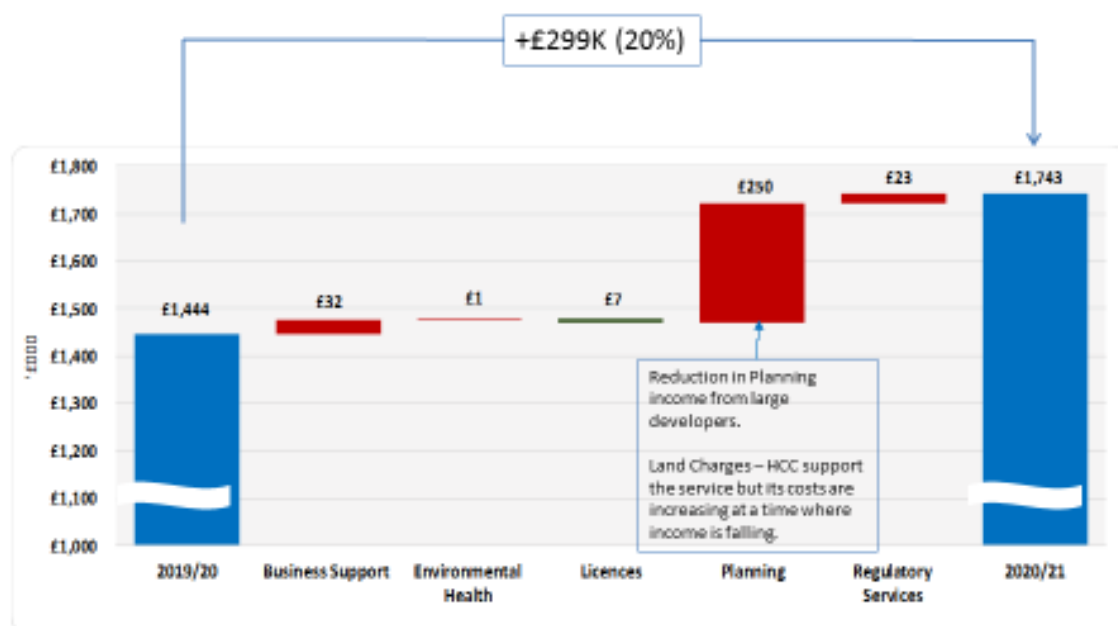
www.hart.gov.uk

Environmental & Tech Services



www.hart.gov.uk

Place



PAPER D
Appendix 2

	Current Available Budget 2019/20 £'000	Spend 2019/20 £'000	Carry Forward from 2019/20 to 2020/21 £'000	Budget Requirement 2020/21 excluding carry forward request £'000	Budget Requirement 2021/22 £'000	Budget Requirement 2022/23 £'000
Corporate Services	847	1,045	(198)	361	0	0
Community Services	889	840	49	530	530	530
Regulatory Services	52	39	13	11	0	0
Technical and Environmental Services	2,849	968	1,741	2,820	397	367
Accounting Treatment	0	0	0	0	0	0
TOTAL CAPITAL PROGRAMME	4,637	2,892	1,605	3,722	927	897

Service Area	Scheme	Capital Code	Current Available Budget	Spend + Forecast	Carry Forward + overspend	Budget Requirement 2020/21 £'000	Budget Requirement 2021/22 £'000	Budget Requirement 2022/23 £'000
Corporate Services	Upgrade to IT infrastructure	HAY037	497	0	497	361	0	0
	Frogmore Leisure Centre Investment	HAY044	350	315	35	0	0	0
	Investment Property	HAY040	0	730	(730)	0	0	0
			847	1,045	(198)	361	0	0
Regulatory	Dog Warden Van	HAY042	13	0	13	11	0	0
	Printers/Photocopier Purchase	HAY045	39	39	0	0	0	0
			52	39	13	11	0	0
Housing & Customer Services	CCTV-Rushmoor	HAY016	34	0	34	0	0	0
	Grants for Affordable Housing Dwellings	HAY043	325	325	0	0	0	0
	Private Sector Renewal - Minor Works Grants	HAY010	30	15	15	30	30	30
	Disabled Facilities Grants	HAY001	500	500	0	500	500	500
			889	840	49	530	530	530
Environmental Maintenance	Fleet pond Nature Reserve Visitor Strategy (S106)	HAY018	12	0	12	0	0	0
	Odiham Common (S106)	HAY003	6	6	0	0	0	0
	S106 Leisure Parish Funded Projects	HAY017	7	7	0	0	0	0
	Fleet Pond Access Track	HAY022	140	0	0	0	0	0
	Fleet Pond Visitor Enhancements	HAY006	106	0	106	0	0	0
	Hazeley Heath Grazing Project	HAY023	80	0	80	0	0	0
	Hazeley Heath Notice Boards	HAY024	15	15	0	0	0	0
	Hazeley Heath Access Improvements	HAY025	77	77	0	0	0	0
	HW Central Common Enhancement	HAY007	17	17	0	0	0	0
	HW Central Common Access Improvements	HAY026	80	0	80	0	0	0
	HW QEII Fields Improvements	HAY027	35	35	0	0	0	0
	Edenbrook CP Play Tree	HAY028	30	0	30	0	0	0
	Edenbrook CP History Walk	HAY029	20	0	20	0	0	0
	Cricket Hill Pond	HAY030	0	0	0	0	0	0
	Service Vehicles	HAY031	0	0	0	0	0	0
	Bramshot Farm	HAY008	1,313	313	1,000	0	0	0
	Edenbrook CP - Skate/Bike Park	HAY032	220	0	220	0	0	0
Edenbrook CP - Teen Health	HAY033	65	0	65	0	0	0	
Edenbrook CP - Visitor Improvements	HAY034	73	0	73	0	0	0	
Fleet Pond Fencing	HAY035	35	18	17	0	0	0	
Fleet Pond Green Corridor	HAY046	159	159	0	2,820	391	367	
		2,490	647	1,703	2,820	391	367	
Technical	S106 NEHTS Parish	HAY038	3	3	0	0	0	0
	Phoenix Green, Hartley Wintney	HAY011	21	21	0	0	0	0
	Mill Corner, North Warnborough	HAY012	35	35	0	0	0	0
	Chruch Road Improvements	HAY013	0	20	(20)	0	0	0
	Kingsway Flood Alleviation Scheme	HAY015	110	51	59	0	0	0
	Refuse Vehicles	HAY039	183	183	0	0	6	0
	Repalcement CEO Handheld Units	HAY041	8	8	0	0	0	0
		360	321	39	0	6	0	
Accounting Treatment		0	0	0	0	0	0	
		0	0	0	0	0	0	
TOTAL CAPITAL PROGRAMME		4,637	2,892	1,605	3,722	927	897	

Funded by:

Borrowing	1,124	1,295	(171)	722	356	0
S106 Contributions	1,505	662	703	1,070	41	367
Grant	666	608	59	1,900	500	500
Housing Capital Receipts	30	15	15	30	30	30
Loan	1,313	313	1,000	0	0	0
Totals	4,637	2,892	1,605	3,722	927	897