<table>
<thead>
<tr>
<th>Meeting name &amp; Date</th>
<th>EXECUTIVE 15 January 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agenda item</td>
<td></td>
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<tr>
<td>Report title</td>
<td>Setting the Revenue Budget for 2020/21</td>
</tr>
<tr>
<td>Report reference no.</td>
<td>EX/20/18</td>
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<tr>
<td>Wards affected</td>
<td>All wards</td>
</tr>
</tbody>
</table>
| Report author, job title & email | Sajida Bijle, Interim Managing Director sajida.bijle@hertsmere.gov.uk  
Matthew Bunyon, Head of Finance & Business Services matthew.bunyon@hertsmere.gov.uk  
Contributory authors:  
Mike Hatton, Senior Business Accountant  
Sarah Peacefull, Business Accountant  
The Authors would also like to recognise the valuable contributions made by budget holders throughout the organisation |
| List of Appendices  | Appendix A: 2020/21 Draft Revenue Budget in Direct Cost Format (Gross requirement).  
Only the summary page is attached. Two copies of the detailed budget will be provided at the meeting. Prior to the meeting, a detailed breakdown is available on the Internet under ‘official publications guides and policies’ or a hard copy can be obtained from the Finance Unit on request.  
Appendix C: Revised Medium Term Financial Plan 2019/20 to 2022/23  
Appendix D: Breakdown by service of movements in the 2020/21, draft revenue budget compared to the 2019/20 approved budget.  
Appendix E: Proposed Schedule of Fees and Charges 2020/21 |
| Reason for urgency  | Not applicable |
| Is it a Key Decision? | Yes |
| Call-in expires on  |                          |
| Exempt from Call-in | Not applicable |
| Portfolio Holder    | Councillor John Graham  
Portfolio Holder for Finance & Property |

PUBLIC REPORT - this report is available to the public.
1 ACTION RECOMMENDED

1.1 That the Executive are requested to consider the draft 2020/21 budget set out in section 10 and Appendix B, which shows a net budget requirement of £11,725k (an increase of £180k from 2019/20, £11,545k) and recommend this budget to the joint meeting of the Policy Review and Operations Review Committees and to all Members, stakeholders and the public for consultation.

1.2 That the Executive are requested to consider the revised Medium Term Financial Plan (MTFP) set out in section 9 and Appendix C, which shows a total future budgetary gap over the three-year financial period from 2020/21 to 2022/23 of £1,263k unless an appropriate course of action is not taken to eradicate this gap and recommend the MTFP to the joint meeting of the Policy Review and Operations Review Committees and to all Members, stakeholders and the public for consultation.

2 PURPOSE OF THIS REPORT

2.1 To present the draft 2020/21 budget including the latest MTFP to the Executive for their consideration and to seek their approval to recommend the draft budget for stakeholder consultation.

3 REASONS FOR RECOMMENDATION

3.1 The Authority is required by law to set a balanced budget i.e. the anticipated ongoing costs of providing services should be equal to anticipated funding resources. Further, it is vital that the budget is sustainable over the long term while achieving the Council’s corporate goals.

3.2 It is critical that the revenue budget is set in such a way as to ensure that the Council allocates its limited available resources effectively and efficiently, in order to continue providing value for money services and meet both its statutory obligations and its aims and objectives as outlined in the Community Strategy and Corporate Plan.

3.3 As resolved by the Council, the MTFP is required to be reviewed and updated annually and approved as part of the annual revenue budget setting process.

4 ALTERNATIVE OPTIONS

4.1 The Local Government Act 1992, Section 32 requires that all known and anticipated revenue budgetary requirements of the Authority for the forthcoming year be calculated prior to setting the Council Tax. This must be done no later than 11 March in the preceding financial year. Therefore, there are no alternatives other than to agree a balanced budget by the statutory deadline.
5 EXECUTIVE SUMMARY

5.1 The budget process and strategy links closely to the Corporate Plan and enables the delivery of the Council’s goals and objectives. The current Corporate Plan, “Hertsmere’s 2020 Vision” which covers the period 2016 to 2020, has identified three Corporate Goals, which each have a number of outcome-based objectives that support the development of priorities for action.

- Being an enterprising Council
- Planning for the future
- Supporting our communities

5.2 The current Financial Strategy 2018/19 to 2021/22 sets out the anticipated pressures and influences, internal and external, that may potentially impact Hertsmere’s finances over the medium term and sets out how the Council intends to manage and mitigate those pressures and influences over the period.

5.3 The Financial Strategy takes into account the four-year financial settlement (the Settlement Funding Assessment or SFA) announced by the Chancellor in his 2015 Autumn Statement (SR15) that showed a reducing level of government grant funding over the period, with Revenue Support Grant (RSG) reducing to zero by 2019/20. Whilst the four-year settlement confirmed that funding would fall over this period it did at least provide greater certainty for local authorities. The four-year settlement is set out in Table 1, paragraph 5.12 below.

5.4 Elements of the Financial Strategy including the Revenue and Capital Budgets, Medium Term Financial Plan (MTFP) and Capital Strategy are revised and updated annually as part of the budget process.

Autumn Statement 2019

5.5 Further to the four-year settlement, Local Government had been anticipating a further multi-year finance settlement from 2020/21 as well as announcements in respect of the Fair Funding Review and the review of the system of Business Rates redistribution and retention. However, due to other Central Government priorities, in relation to Brexit, the Chancellor announced, in his Autumn Statement on 4 September 2019, a single year spending round for 2020/21 and a deferral of the Spending Review and Business Rates reset until 2021/22.

5.6 The key announcements in the Autumn Statement included an increase in the Business Rates (NNDR) Baseline grant in line with CPI inflation. As this is now the sole element of the Settlement Funding Assessment (SFA or finance settlement) that Hertsmere receives, since the Revenue Support Grant (RSG) was reduced to zero in 2019/20, this represents a small increase in general government funding, the first increase since 2010 (see table 1, paragraph 5.12 below).

5.7 The 2020/21 spending round also confirmed that negative RSG would continue to be funded centrally by the Treasury in 2020/21. In 2019/20 Hertsmere’s share of the RSG had actually been set to fall to a negative amount of (£217k), similar to a number of other authorities and required to balance SFA funding across Local Government nationally. In a late announcement in the 2019 budget the treasury would fund this negative element of RSG centrally for 2019/20 and this funding has now been
confirmed for a further year. This will now likely be considered during 2020 as part of an overall review of local government funding. For 2020/21 this represents a one-off benefit for Hertsmere of c.£223k (£217k in 2019/20).

5.8 Also of significance is that the New Homes Bonus legacy (four-year) payments are to be honored however, the 2020/21 payment was only confirmed for a single year with the future of the scheme to be reviewed by ministers.

5.9 Other key announcements from the Autumn Statement and subsequent to it are as follows:

- There is a £2.9bn increase in Core Spending power overall, a real terms increase of 4.3%. Most of the additional funding is for adults and children’s services, but there is £54m for Homelessness.
- The Council Tax referendum limit is proposed at 2% (or £5 for District Council’s whichever is the greater) (this was 3% or £5 for 2019/20) but is subject to consultation in the Provisional Settlement.
- 75% business rates pilots will come to an end at the end of 2019/20 and there are no new pilots planned for 2020/21.

Provisional Finance Settlement 2020/21

5.10 The provisional financial settlement, which was due to be announced in early December, was unsurprisingly delayed until after the General Election. The provisional finance settlement was finally announced on 20 December confirming the key announcements from the Autumn Statement.

5.11 The provisional settlement showed a slight increase in Hertsmere’s NNDR baseline grant from £2,769k to £2,723k, confirming the CPI inflationary increase. This is the first increase in SFA for Hertsmere since 2010. However, this inflationary increase is against a significantly reduced central funding position and the continued decline in funding since 2010, means that central government funding now represents just 23% of Hertsmere’s overall funding compared to 54% back in 2010/11. The cost of providing council services is therefore falling increasingly on council taxpayers. For 2020/21 65% of Hertsmere’s net budget requirement will be funded from Council Tax compared to just 45% in 2010/11.

5.12 Table 1 below shows the previous four-year financial settlement for 2016/17 to 2019/20 and the provisional one-year settlement for 2020/21:

<table>
<thead>
<tr>
<th></th>
<th>Four-year settlement</th>
<th>Single Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSG</td>
<td>£000’s</td>
<td>£000’s</td>
</tr>
<tr>
<td></td>
<td>1,253</td>
<td>613</td>
</tr>
<tr>
<td>NNDR Baseline</td>
<td>2,492</td>
<td>2,543</td>
</tr>
<tr>
<td>Total</td>
<td>3,745</td>
<td>3,156</td>
</tr>
</tbody>
</table>
**Budget Setting**

5.13 Hertsmere’s budget process for 2020/21 began back in the spring of 2019 with senior managers initially identifying potential savings and efficiency proposals as well as recognising potential budgetary pressures. Budgets were subsequently scrutinised and challenged following the timetable set out in table 2 below in order to get to the draft 2020/21 budget position now being presented:

**Table 2 – Budget Challenge Timetable**

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 July 2019</td>
<td>Management Team 2020/21 Budget Workshop</td>
</tr>
<tr>
<td>July – September 2019</td>
<td>Services line by line budget review and development of budget proposals: pressures, efficiencies, savings, additional income</td>
</tr>
<tr>
<td>October 2019</td>
<td>Management Team Budget Star Chamber – Peer challenge</td>
</tr>
<tr>
<td>October 2019</td>
<td>Member Budget Panel – review of latest budget position</td>
</tr>
<tr>
<td>25 November 2019</td>
<td>2nd Member Budget Panel – review draft balanced budget</td>
</tr>
<tr>
<td>December 2019</td>
<td>Provisional Financial Settlement announced</td>
</tr>
<tr>
<td>15 January 2020</td>
<td>Executive – review draft budget and recommend for consultation</td>
</tr>
</tbody>
</table>

5.14 Setting a balanced budget for the year ahead is a statutory requirement for the Council.

5.15 This report sets out the major factors that influence the budget, namely:

- 2020/21 Budget Requirement
- Economic Forecast and Investment Income
- Government Policy, Funding and Legislation
- Draft 2020/21 Revenue Budget
- Assumptions, Uncertainties and Risks
- Statement of the S151 Officer

5.16 This report presents a balanced budget position for 2020/21, which the Executive is requested to consider and recommend for consultation.

**6 2020/21 BUDGET REQUIREMENT**

6.1 The draft budget for 2020/21 shows a net budget requirement of £11,725k representing the budgeted gross spend of £26,665k on the provision of services (excluding £44,300k on Housing Benefit), less income of £14,940k from fees and charges, rental income and specific funding including grants, contributions and reserves (refer to Appendix A).
6.2 The net budget requirement of £11,725k represents an increase of £180k (or 1.6%) against the 2019/20 net budget requirement of £11,545k. This net budget requirement is balanced by an equivalent level of funding from government grant and local taxation (refer to Appendix B).

6.3 Whilst the net budget requirement shows a slight increase from 2019/20, this is below the current level of inflation of 2.2%. It includes an increase of funding of £906k to accommodate service pressures in respect of contractual obligations, increased demand for services and additional service provision as well as a reduction in funding from reserves of £118k. These pressures have been mostly offset through the delivery of efficiencies of £844k and additional income from fees & charges and rents of £780k.

6.4 The budget process takes into account various factors that impact on the budget requirement including changes in service delivery, service need and legislative changes. A breakdown of the key factors and variances reflected in the 2020/21 draft budget are set out in section 7. The most significant changes include:

- Increases in staffing costs, including a pay award of 2%, offset partly by staffing efficiencies;
- increased costs to support recycling;
- additional costs of drainage;
- grounds maintenance contractual increments;
- business rates for Civic Offices
- reduced income from Borehamwood Market
- reduced grant and reserve funding, particularly for drainage; offset by
- increased rental income;
- increased investment income;
- increased income from drainage, waste and recycling services;
- efficiency savings, including from a re-tender for insurance services, disaster recovery, vehicle maintenance, and council tax collection.

6.5 The main influences and assumptions affecting the budget requirement and funding levels are set out in detail throughout this report, some of the most significant influences and assumptions are as follows:

- **Council Tax** – A £5 annual Council Tax increase was assumed in the Council’s Medium Term Financial Plan until 2019/20 being the maximum annual increase allowed for Hertsmere under the 2015 four-year settlement. The one-year spending round for 2020/21 has provisionally set the Council Tax referendum criteria for District Council’s as 2% or £5, whichever is the greater. The 2020/21 budget assumes a further Council Tax increase of £5, which is aligned with the Ministry for Housing, Communities and Local Government (MHCLG) core spending power assumptions. A £5 increase equates to an average percentage increase of approximately 2.8%. A £5 increase, alongside a forecast 1.49%
increase in the tax base, will generate additional on-going revenues annually of £318k.

- **Income** - Income from fees and charges is set to rise from £12.7m in 2019/20 to £13.4m in 2020/21. However whilst the proposed fees and charges for 2020/21 are included in the net budget requirement they are subject to approval and will be presented to the full Council on 26 February 2020 as part of the proposed budget.

- **Pay Award** – A 2% staff and member pay award is proposed, this is in line with the national pay award agreed for Local Government.

- **Inflation** – Contract inflation of 3% has been allowed within relevant service budgets. There is no provision for general inflation although where services have identified inflationary pressures or market cost changes then these have been scrutinised by senior managers and where agreed have been budgeted for.

6.6 Whilst the draft budget shows a balanced position, it is still subject to scrutiny, final funding allocations and approval of the Council Tax increase and the schedule of fees and charges. The final budget will be presented to the full Council for approval on 27 February 2019.

7 ECONOMIC FORECAST AND INVESTMENT INCOME

**GDP Growth**

7.1 The first half of 2019 saw UK economic growth falling to -0.2% in quarter 2 as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies and the Monetary Policy Committee (MPC) expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth.

7.2 It is no real surprise therefore that the MPC left the Bank Rate unchanged at 0.75% throughout 2019 and is expected to hold off on changes until there is some further clarity on Brexit.

7.3 However, in recent months the government has made significant statements on various spending commitments as well as a relaxation in the austerity programme and confirmed some additional public spending in the 2019 Spending Round (see section 8 below). This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

7.4 Despite the contraction in growth during quarter 2, employment did initially continue to rise, however then swung into negative territory by the end of the quarter, although this is the first fall for two years. Unemployment remained low at 3.9% by the end of quarter 2, whilst wage inflation remained relatively high at 3.8% which in real terms, (i.e. wage rates higher than CPI inflation), means that earnings grew by about 2.1%.

7.5 As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. Savings are also increasing which provides
reassurance that consumers’ balance sheets are not over-stretched and so will be able to support growth going forward.

7.6 The MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

**Funding Levels**

7.7 In his Autumn Statement to Parliament on 4 September 2019, the Chancellor announced a one-year Spending Round for 2019.

7.8 The government had intended to hold a new Spending Review in 2019 (SR19), covering the period 2020/21 to 2022/23. However, with the current political turbulence around Brexit, it was announced that a one-year Spending Round would be provided, covering the financial year 2020/21; and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets. Further detail on SR19 is set out in section 8 below.

7.9 The SR has been delivered within the current fiscal rules, as set out in the Charter for Budget Responsibility. These are to keep the cyclically adjusted deficit below 2% of GDP by 2020/21 (the borrowing rule) and have debt falling as a proportion of GDP in 2020/21 (the debt rule).

7.10 The government highlights that the deficit was 1.1% in 2018/19, compared to nearly 10% of GDP in 2010 and they therefore believe that it is now possible to spend more on public services. In its March 2019 forecast, the OBR set out that the government had headroom against its borrowing rule in 2020/21.

7.11 The government has therefore announced an increase to current and capital spending by £13.4 billion in 2020/21, compared to the OBR’s forecast at Spring Statement 2019.

7.12 With this in mind, the SR has set out that Resource Departmental Expenditure Limits (DEL) (excluding depreciation) across government departments will increase from £330.8bn to £352.3bn, representing growth of 4.1%.

7.13 However, the government re-affirmed that making sure the UK is prepared to leave the European Union is its top priority. The government states that it will not be until this has been delivered that clearer and more meaningful forecasts for the economy and public finances can be made, to set against the spending plans for 2020/21.

**Inflation – CPI**

7.14 The SR has therefore been delivered without an accompanying forecast from the Office for Budget Responsibility (OBR), which was last updated in March 2019. Whilst this latest forecast had shown CPI to remain close to 2% over the next two years, so did not pose any immediate concern to the Monetary Policy Committee (MPC), the forecast is now out of date.

7.15 CPI had been hovering around the Bank of England’s target of 2% during the first half of 2019 although it fell to 1.7% in August and further to 1.5% in November.
7.16 The OBR updated forecasts, that had been expected for the 2019 Budget in November, are now anticipated following Brexit which is now expected by 31 January 2020.

**Investment Income**

7.17 The economic conditions will impact the cost of providing Council services and may also influence demand for services. The economic conditions will also directly affect the potential return on the Council’s investments. This is where the Council holds surplus cash, for example capital or earmarked funding not immediately required or income received in advance of spending.

7.18 After taking into account anticipated capital spend, loans and other cash flows, it has been estimated that the Council will hold an average investment balance of £44m during 2020/21, made up of £30m core investments, £5m in loans and £9m surplus cash flow from operating activities.

7.19 Whilst the economic conditions forecast an improvement in growth and interest rates are projected to rise over the medium term there remains significant uncertainty around the potential economic impact of Brexit so in estimating potential investment returns a prudent approach has been taken.

7.20 Based on current economic forecasts for interest rates, but taking a prudent view, investment returns for 2020/21 of 0.8% and 0.6% are estimated for core and non-core investments respectively.

7.21 Based on projected investment levels and a prudent approach to interest rates the return on investments for 2020/21 has been estimated to be £500k, inclusive of loan interest as detailed in table 3 below:

**Table 3 – Investment Income Budget**

<table>
<thead>
<tr>
<th></th>
<th>Average Balance £m</th>
<th>Estimated Return %</th>
<th>Budget Investment Income £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Investments</td>
<td>30</td>
<td>0.80%</td>
<td>0.240</td>
</tr>
<tr>
<td>Loans</td>
<td>5</td>
<td>4.50%</td>
<td>0.205</td>
</tr>
<tr>
<td>Non-Core Investments</td>
<td>9</td>
<td>0.60%</td>
<td>0.055</td>
</tr>
<tr>
<td>Total / Average</td>
<td>44</td>
<td>1.14%</td>
<td>0.500</td>
</tr>
</tbody>
</table>

8 **GOVERNMENT POLICY AND FUNDING**

**Autumn Statement 2019**

8.1 The government had intended to hold a new Spending Review in 2019 (SR19), covering the period 2020/21 to 2022/23. However, with the current political turbulence around Brexit, it was announced that a one-year Spending Round would be provided, covering the financial year 2020/21; and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.
8.2 There have been three Spending Reviews since 2010, each of which has had an
impact upon local government’s strategic financing:

- SR10: published in October 2010, established the initial path of reductions to
  local government grant funding and the introduction of Council Tax Freeze grant.
  At the same time as the SR10 took effect, New Homes Bonus was launched for
  the period of the SR.
- SR13: published in June 2013, continued with the reductions to local government
  grant funding; the rolling forward of the Council Tax Freeze grant; and the
  introduction of the Better Care Fund.
- SR15: published in November 2015, again continued with reductions to local
  government grant funding; introduced reforms to New Homes Bonus; ended
  Council Tax Freeze grant, set council tax referendum limits at 2% per annum or
  £5 for District Councils (whichever was higher); and introduced the Social Care
  Precept at 2% per annum.

8.3 Therefore, the publication of a Spending Round, which covers only one financial year,
is a departure from the norm established over the last decade. In essence, this is the
result of political and financial uncertainty surrounding Brexit, which has meant the
government has been unable to produce the Spending Review as originally planned.
This is also a Spending Round where there are no recent or updated forecasts from
the Office for Budget Responsibility, and therefore, spending commitments are based
on fiscal forecasts produced back in March 2019.

8.4 The additional funding referred to in section 7 above will mainly be directed towards
the government’s top priorities announced in the SR which included:

- **Health and social care** – the government reaffirmed the existing five-year
  settlement for the NHS, with an additional £33.9bn more per year by 2023/24,
  compared to 2018/19 budgets, with a real terms 3.1% increase in resources in
  2020/21. There will also be an additional £1bn for adult and children’s social care
  and the government will be consulting on a 2% adult social care precept to
  enable councils to access a further £0.5bn.
- **Education and skills** - the schools’ budget will rise by £2.6bn in 2020/21. The
  additional funding is inclusive of £700m more funding in 2020/21, to support
  children and young people with special educational needs. £400m of additional
  funding for Further Education has also been announced.
- **Tackling crime** – an extra £750m for policing to pay towards the government’s
  commitment to recruit an additional 20,000 officers by 2023, which forms part of
  a 6.3% real terms increase in Home Office funding;
- **Brexit** - the Spending Round confirms that £2bn of core funding provided to
  departments for Brexit in 2019/20 will be continued into 2020/21. This money will
  be used to help pay for the costs of establishing a new relationship with the EU.
- No real terms decrease for any government department, and a real terms
  increase for most.
8.5 The key elements which were of direct relevance to Local Government included:

- **Core Spending Power** – There will be an increase in Local Government Core Spending Power of £2.9bn in 2020/21. This represents a real terms increase of 4.3% (or cash increase of 6.3%) and compares to a cash increase in CSP of £1.7bn between 2015/16 to 2019/20.

- **Social Care** – There will additional funding of up to £1.5bn for Social Care, which includes a 2% Adult Social Care precept, on which the government will consult. The Better Care Fund will also increase by 3.4%.

- **Public Health** – There will be a real terms increase in Public Health Grant, although the level of this increase is not stipulated.

- **Education** – There will be an extra £700m in 2020/21 for high-needs funding, an increase of 11% on 2019-20 and £400m of additional funding for Further Education.

- **Council Tax** – Whilst there was no specific announcement in relation to a 2020/21 referendum limit for Council Tax increases, an increase was implicit within Core Spending Power. However, further information released following the statement confirmed that there would be a consultation on a 2% referendum limit or £5 for District Councils where this is greater.

- **Other Funding** – An additional £54m in 2020/21 to help reduce homelessness and rough sleeping to add to the funding already provided in 2019/20.

  £24m of additional funding for the Building Safety Programme.

  A total of £241m will be made available through the Towns Fund in 2020/21 to support the regeneration of high streets and town centres.

8.6 There were various assumptions that could be made from the SR19 and certain conclusions reached in respect of Council Tax, Business Rates and New Homes Bonus and further clarification was released subsequent to the formal announcement:

- **Business Rates** – Business Rates baseline funding will increase in line with CPI inflation.

  75% Business Rates Pilots will come to an end in March 2020 and there are no new pilots planned for 2020/21.

  Business Rates Reset and the Fair Funding Review will be deferred until 2021/22.

- **New Homes Bonus** – legacy payments for New Homes Bonus will be paid however payments for 2020/21 are assumed for one year only. The scheme is to be reviewed by ministers.

- **Negative RSG** – Funding to remove negative RSG has been continued for 2020/21.

8.7 As has been customary in previous years a technical consultation document was issued in early October, subsequent to the formal SR19 announcement and in advance of the Provisional Finance Settlement (due in early December), consulting on many of these proposals. Hertsmere responded to the consultation jointly through the District Councils Network.
The provisional financial settlement, which was due to be announced in early December, was unsurprisingly delayed until after the General Election and was finally announced on 20 December. The provisional settlement confirmed a one-year settlement for 2020/21 and the key announcements from the Autumn Statement, the most significant elements for Hertsmere being as follows:

- **Council Tax** – The provisional settlement confirmed districts will be allowed to apply the higher of the referendum limit of 2% or £5.

- **Business Rates Retention** – The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff / Top Up amounts) have all increased by 1.63%, in line with the September 2019 CPI inflation figure.

- **New Homes Bonus** - The 2020/21 allocations were announced and will be paid with the legacy payments due from previous years (2017/18 to 2019/20). Hertsmere’s allocation for 2020/21 is £594k and in total including legacy payments is £1,321k.

  As previously announced, there will be no legacy payments for the 2020/21 in year allocations.

  The threshold of 0.4%, below which NHB is not payable, was maintained, with an additional £7m added from departmental resources (total funding of £907m).

- **Top Up/Tariff Adjustments (Negative RSG)** – As in previous years, the government has decided to eliminate the negative RSG amounts.

- **Business Rates Pilots** – As expected, no new business rates pilots were announced for 2020/21, with all areas (aside) from the original 2017/18 pilot areas reverting back to the 50% scheme.

**Business Rates**

From 2013/14 the Government changed the business rates element of the finance settlement moving from a redistribution of business rates (NNDR) from a central pool to a system that enabled Local Authorities to retain a proportion of the rates that they raise, thereby providing an incentive to authorities to promote business growth in their areas. Government set an initial “baseline” so that all councils initially received funding broadly equivalent to their 2012/13 Formula Grant, whilst ensuring the overall level of Government funding for local government in England does not exceed the estimate set out in the 2010 Spending Review. A system of tariffs and top-ups was built into the system to protect authorities from these changes. At the time, the Chancellor indicated that there would be an extensive review of the business rates system.

As shown in table 1 (para 5.12) the 2020/21 SFA includes the Business Rates Retention element (or Baseline Need) of £2.723m. The baseline has initially been set at a sum determined by expected levels of collection of business rates but will ultimately be determined by the actual collection levels for the year. This will be
increased by growth in business activity in the borough but decreased by contractions in activity for example through successful appeals to reduce rateable values or failing businesses leaving vacant premises.

8.11 The Council benefit by the retention of an element of any excess receipts over the baseline need caused by growth but will suffer loss through successful appeals or failed businesses. However, there is protection built into the system known as the “Safety Net” so should the rateable value fall substantially there is a minimum level of grant that will be received. To mitigate any potential loss and to strategically utilise any retained growth an earmarked reserve was established in 2013/14 into which any initial surpluses are paid, in order to equalise the effects of uncertainty and losses in future years for example due to successful appeals and lower collection rates.

8.12 As announced in the 2017 Autumn Budget Statement, the change in the annual uplift of the multiplier from RPI to CPI with effect from April 2018, will mean a lower annual increase in rates and as such will lower the potential for retained growth.

**Business Rates – 2017 Revaluation**

8.13 The new 2017 Rating List came into effect in April 2017, which for Hertsmere showed an overall increase in Rateable Value (RV) of 6%. However, the impact to NNDR yields of a new Revaluation are intended to be cost neutral, so the 2017-18 multiplier was reduced accordingly and a Transitional Relief scheme tapered large increases and decreases to ratepayer bills.

8.14 Whilst the Rates Revaluation was intended to be cost neutral there were inevitably winners and losers so in anticipation of appeals against new valuations a buffer of approximately 4.7% was built into the multiplier by the then DCLG which was intended to provide for potential appeal losses by local authorities against the 2017 Rating List.

8.15 In addition to the impact on the overall rates that Hertsmere collects the Council are liable for the Business Rates on its own properties, most significantly the Civic Offices and Car Parks. The rateable value for Hertsmere properties as a whole rose by 27%, which for 2020/21 equates to £115k. However the budget has not yet been adjusted to reflect the new charge as the Council is in the process of appealing against the new rateable value for the Civic Offices. Pending that appeal the additional cost will be funded either from any under spend on the revenue budget or from the Business Rates equalisation reserve. Any subsequent refunds as a result of a successful appeal will be paid back to this reserve.

**Business Rates – New Appeals Process**

8.16 A new appeals process was implemented from April 2017, the aim of the new three-stage process, ‘Check, Challenge, Appeal’, being to provide a system that is easier to navigate with the emphasis on early engagement by the parties to reach a swift resolution of cases. The new system is given practical effect firstly by means of a ‘check’ stage, in which facts concerning the property are agreed between the Valuation Office Agency (VOA) and the ratepayer. This, according to the VOA, is intended to be both swift and to lead to an agreed position for the great majority of cases. On successful completion of a check, the next step is the ‘challenge’ stage, where additional information has to be submitted, including a valuation, evidence to support the proposed reduction and other relevant information to support the challenge. Thirdly, and finally, an ‘appeal’ stage provides for when agreement cannot
APPENDIX 1

be reached. Fees charged for making an appeal is a new feature of the reformed system.

8.17 Whilst this new process came in from April 2017 there was a significant number of outstanding appeals relating to the 2010 list, which the VOA have been prioritising. Progress on clearing this backlog has however been slow and the VOA set a target deadline of September 2019 for resolving all appeals within their control. Whilst this target was achieved around 53,000 appeals against the 2010 list remain in litigation.

8.18 Clearing the 2010 backlog has caused delays in the new Check, Challenge, Appeal process, which is continuing to cause a great deal of uncertainty for Local Authorities in forecasting Rateable Value and calculation of appeals provisions against the 2017 list. To date there have not been any cases to complete the new “Check, Challenge, Appeal” process although around 100,000 claims have now been checked with c.90,000 having been resolved and around 17,000 challenges have been made with around 6,000 being resolved.

8.19 Hertsmere’s own appeal against the 2017 valuation of the Civic Offices remains at the “Challenge” stage.

Business Rates Pilots

8.20 In 2016 the Chancellor announced further changes to Business Rates retention, which, at the time, meant that by 2020 Local Government would retain 100% of Business Rates. This would however come with additional responsibilities for Local Government to be met within the funding envelope of Business Rates. However, as a result of the Referendum, the subsequent General Election and the Government’s focus on Brexit, the Finance Bill was not taken through Parliament as planned and remains on hold.

8.21 The Government were however, keen to pursue these changes and in September 2017 invited local authority areas to submit applications to be “Pilots” for the new 100% retention scheme. The benefit of being a pilot area being the retention of 100% of business rates within the Pilot area rather than 50% under to current scheme.

8.22 Hertfordshire County Council along with the 10 Hertfordshire District Councils did apply to be a pilot area in 2018/19 however the application was unsuccessful and unfortunately Hertfordshire was not selected as one of the 10 pilot areas named in the finance settlement for 2018/19.

8.23 For 2019/20 MHCLG again invited applications for “Pilots” but for 75% business rates retention rather than 100% retention as had been the case in 2018/19. Hertfordshire again submitted an application to become a Pilot (EX/18/64) and this time were successful. In total it was estimated that around £11.3 million in business rates for 2019/20 would be retained within the County area of which Hertsmere would receive additional funding estimated to be around £1.1million. The latest forecast as at quarter 2 (September 2019) shows a significant improvement to these original estimates with retained growth in Hertfordshire estimated to be £18.3 million of which Hertsmere’s share is estimated to be £1.4 million.

8.24 This has however been treated as one-off funding as there was no guarantee that the Pilot would continue after 2019/20 which was sadly confirmed in the Autumn
APPENDIX 1

Statement. As such any additional income retained by Hertsmere as a result of the Pilot will be allocated to reserves.

**Business Rate Pooling**

8.25 With Business Rates Pilots to be discontinued in 2020/21, the Executive, in October 2019, as it had in previous years, approved that Hertsmere join a Business Rates Pool in 2020/21 (EX/19/57) with Hertfordshire County Council and other Hertfordshire Districts.

8.26 In the same way as the 2019/20 Pilot, described above, such pooling arrangements can yield benefits over and above the entitlement of an individual authority to retain an element of growth in rates. In previous years (2016/17 and 2018/19), Hertsmere has already benefitted from being part of a Pool retaining a share of the one-off pooling gains of £2.4 million and £4.0 million respectively, Hertsmere's share being £780k and £394k respectively. The pool had been disbanded in 2017/18 due to the risk of a significant business rates appeal in one of the other district areas.

8.27 Following the approval of the Executive in October, a pooling application, which included Hertsmere, Hertfordshire County Council and four other District’s was once again submitted for 2020/21 and proved to be successful. It is estimated that £4.6 million of business rates growth will be retained in Hertfordshire or which Hertsmere’s share will be £645k.

**Business Rates Additional Support for Small Businesses**

8.28 In the Queens speech that followed the General Election in December, the manifesto pledges of the new Government included a fundamental review and an increase to the Retail Discount Relief Scheme (from 33% to 50%) and an extension of this to cinemas and music venues. In addition, Pub Relief and an extension of the Local Newspaper Relief are also planned.

8.29 Whilst these proposals will result in reduced rateable value, it is expected that the loss of business rates income from these new / higher reliefs, will be, as per previous changes, offset by increased s31 grant payments so Hertsmere should be no worse off as a result.

8.30 However, it is unclear as to when any proposals will be laid before Parliament which may cause difficulties in processing any changes in time for the annual business rates billing in early March 2020. The proposals if approved by Parliament will require software updates which are usually funded by Government. However, the software provider is unlikely to invest in these updates until they have a funding agreement.

**Council Tax**

8.31 For many years Council Tax increases were subject to a 2% cap, beyond which a local referendum would be required to agree an increase of more than 2%. The 2016/17 Financial Settlement however allowed all District Councils to raise Council Tax by the higher of up to £5 or 2% for the duration of the four-year settlement period to 2019/20 and the 2% limit was subsequently increased to 3% (or £5) for 2018/19 and 2019/20. For 2020/21 the provisional finance settlement includes a 2% referendum limit (or £5 for District’s where this is greater) which is currently subject to consultation.
8.32 For many years, under SR10 and SR13 (paragraph 8.1 above), the Council Tax Freeze Grant had compensated Council’s for not increasing Council Tax, however under SR17 the Governments spending power projections for 2016/17 to 2019/20, the four-year settlement period, now assumed that Councils would take up the option to increase Council Tax by the maximum allowed. An annual £5 Council Tax increase was subsequently factored into Hertsmere’s Financial Strategy until 2019/20 raising much-needed additional levies and in light of the reduction of central government funding, providing a more sustainable approach to resourcing the Council’s services now and in the future instead.

8.33 The £5 increase in 2016/17 was the first increase in Hertsmere’s Council Tax in seven years. Over that period the Council had been successful in balancing its budget without increasing Council Tax in spite of ongoing funding reductions. It had managed to maintain and improve its services through more efficient and effective service delivery and through its commercial approach, which has generated on-going additional income. However over this same period had the equivalent inflationary increase been applied to the Council Tax this would have meant an increase of around £25, which would have been the equivalent of a Council Tax for 2016/17 of around £182 compared to the actual Council Tax for that year for an average band D of £162.

8.34 Due to the continued decline in general government funding the cost of providing council services is falling increasingly on council taxpayers. For 2020/21 65% of Hertsmere’s budget requirement will be funded from Council Tax compared to just 45% in 2010/11.

8.35 This budget for 2020/21 proposes a £5 Council Tax increase, which is equivalent to an average increase of 2.8%, subject to approval by the full Council.

8.36 In addition to the 2% referendum cap, the spending round for 2019 will also consult on a further 2% precept for adult social care, applicable to authorities responsible for provision of social care such as Hertfordshire County Council.

Council Tax Support (CTS)

8.37 The Government abolished the national council tax benefits subsidy (CTBS) in March 2013 and it was replaced by a localised Council Tax Support (CTS) scheme. Funding for the local scheme was cash limited and represented a 10% reduction in the funding previously received through CTBS, from 2013/14. It also meant that the risk of increased claims passed to the Council. In recognition of this, funding of £763k was identified within Hertsmere’s finance settlement for 2013/14 and was included as part of the overall SFA.

8.38 This CTS funding was initially split between RSG and NNDR baseline funding although in subsequent years a change to the formula meant that this split was no longer separately identified. As government funding has reduced and with the RSG now having been abolished the element of this funding that had been included within the RSG, which for Hertsmere was £462k, has now been lost thereby increasing the burden on local tax payers.

8.39 As required following the abolition of CTBS the Council devised a local CTS scheme and also made technical reforms to the Council tax (reducing discounts for
uninhabitable properties and increasing premiums for unoccupied properties) in order to mitigate the impact of the grant reduction on the Council tax thereby making the Localisation of Council Tax Support self-financing.

8.40 The local CTS scheme needs to be approved by the Council on an annual basis even if no changes are proposed. Since its inception in April 2013 there had been no changes to the Council’s local CTS scheme other than the annual upratings as prescribed by DCLG until January 2018 when the Council approved changes to Hertsmere’s local scheme in order to bring it into line with the latest eligibility criteria already implemented in the national Housing Benefit scheme.

8.41 For 2020/21, due to the ongoing roll out of Universal Credit, which is a fundamentally different type of benefit from the legacy benefits such as Job Seekers Allowance, a new banded CTS scheme is being proposed for Universal Credit customers only (see EX/19/55). The new banded scheme will run alongside the existing CTS scheme that will still apply for non UC customers which will remain unchanged other than annual upratings prescribed by the DWP.

**Homelessness Prevention Funding**

8.42 The Homelessness Reduction Act that came into force in April 2018 introduced a statutory duty on Councils to take reasonable steps to prevent homelessness much sooner than previous legislation.

8.43 Housing demand and homelessness remains high putting pressure on the temporary accommodation budget.

8.44 The DWP’s temporary accommodation management fee ceased to be payable from 2017/18 however the Ministry of Housing, Communities and Local Government (MHCLG) announced the introduction of a separate Flexible Homelessness Support Grant ring-fenced for three years to invest in homelessness services and enable local authorities to focus where possible on homelessness prevention. This funding has primarily been used to increase the homeless prevention team.

8.45 In the Spending Round 2019, the government announced additional funding for homelessness including the extension of the Flexible Homelessness Support Grant for 2020/21. Hertsmere’s allocation of the additional funding, which includes homelessness prevent funding, amounts to £351k. It is proposed that this additional funding be set aside in the Housing reserve and is drawn down as required to continue to fund the homeless prevention team.

**New Homes Bonus (NHB)**

8.46 In addition to the SFA, since 2011/12, Local Authorities have also received funding known as the New Homes Bonus (NHB). This funding was intended as an incentive to encourage Local Authorities to build or support house building in their area and is determined by the annual change in the total number of properties on the council tax list in the October. This applies to both new housing and empty properties brought back into use. The calculated figure is then shared 20% to the County Council and 80% to the district.

8.47 Under the original scheme the NHB was payable for a period of six years, however subsequent changes to the scheme reduced the legacy period, initially to five years in
2017/18, then four years from 2018/19, thereby reducing the overall level of NHB funding.

8.48 Other changes to the scheme included the introduction of a threshold for housing growth of 0.4% below which no NHB would be payable. This threshold could potentially be changeable and may depend on the available NHB funding envelope.

8.49 The NHB is not ring-fenced and can be used to fund the revenue budget, however, as previously reported, the level of funding was limited and dependant on development meaning allocations cannot be certain as local authorities are all competing for a slice of this finite pot, land available for development is also a limited resource.

8.50 The future of the NHB has for some time now also been uncertain so reliance on it as a main source of revenue funding was prudently set to be reduced over the medium term, within the Medium Term Financial Plan.

8.51 In the Spending Round 2019 it was confirmed that the NHB scheme was to be reviewed by ministers however legacy payments would be honoured and there will be a one year allocation for 2020/21.

8.52 Hertsmere’s provisional allocation for 2020/21 (including legacy payments) amounts to £1,321k, an increase of £166k from the 2019/20 grant of £1,155k.

8.53 Of the 2020/21 allocation, £800k has been applied as funding for the 2020/21 revenue budget with any surplus, as in previous years, being set aside in the NHB reserve to fund innovative one off projects that can generate efficiencies or future additional revenues. The balance on the NHB Reserve is estimated to be £2,892k by the end of 2019/20.

8.54 It has been assumed that there will be no new allocations beyond 2020/21 and that the scheme will therefore cease following the final legacy payments in 2022/23. The NHB allocations including the provisional allocation for 2020/21 are set out in Table 4 below:

Table 4 – New Homes Bonus

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>305</td>
<td>305</td>
<td>572</td>
<td>940</td>
<td>1,321</td>
<td>1,927</td>
<td>2,305</td>
<td>2,018</td>
<td>2,136</td>
<td>1,155</td>
<td>1,321</td>
<td>493</td>
</tr>
<tr>
<td>Year 2</td>
<td>267</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Year 3</td>
<td>368</td>
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<tr>
<td>Year 4</td>
<td>381</td>
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<tr>
<td>Year 5</td>
<td>606</td>
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<tr>
<td>Year 6</td>
<td>428</td>
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<tr>
<td>Year 7</td>
<td>234</td>
<td></td>
<td></td>
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<tr>
<td>Year 8</td>
<td>92</td>
<td></td>
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<tr>
<td>Year 9</td>
<td>401</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Year 10</td>
<td>594</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Grant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total NHB Received</td>
<td>305</td>
<td>572</td>
<td>960</td>
<td>1,329</td>
<td>1,935</td>
<td>2,361</td>
<td>2,024</td>
<td>1,360</td>
<td>1,155</td>
<td>1,321</td>
<td>493</td>
<td>401</td>
</tr>
</tbody>
</table>

NHB Utilisation

| NHB Utilisation | Homelessness | 100 | Planning | 82 | 195 | 129 | 108 | 90 | 116 | 290 | Budget Funding | 0 | 0 | 960 | 1,148 | 1,148 | 1,173 | 1,200 | 1,200 | 1,117 | 800 | 600 | 400 | NHB Reserve | 223 | 277 | -129 | 73 | 724 | 1,098 | 708 | 160 | 242 | 521 | 107 | 1 | Balance on Reserve | 223 | 500 | 371 | 444 | 1,168 | 2,266 | 2,974 | 3,134 | 2,892 | 3,413 | 3,306 | 3,307 |
### 8.55 FORECAST FINANCING

The total forecast financing for 2020/21 is £11,725k as set out in Table 5 below. This includes the NNDR baseline funding in the 2020/21 provisional finance settlement, a £5 Council Tax increase, use of the New Homes Bonus as set out above and the latest forecast for business rates growth.

#### Table 5 – Total Forecast Financing 2020/21

<table>
<thead>
<tr>
<th>Description</th>
<th>2019/20 £000's</th>
<th>2020/21 £000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Support Grant (RSG)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>NNDR Baseline Grant</td>
<td>2,679</td>
<td>2,723</td>
</tr>
<tr>
<td>Redistribution of surplus on national NNDR Levy Account (one-off)</td>
<td>41</td>
<td>0</td>
</tr>
<tr>
<td>New Homes Bonus</td>
<td>1,117</td>
<td>800</td>
</tr>
<tr>
<td><strong>Total of Government Grants</strong></td>
<td><strong>3,837</strong></td>
<td><strong>3,523</strong></td>
</tr>
<tr>
<td>NNDR Growth</td>
<td>380</td>
<td>564</td>
</tr>
<tr>
<td>Council Tax</td>
<td>7,320</td>
<td>7,638</td>
</tr>
<tr>
<td><strong>Total Financing</strong></td>
<td><strong>11,545</strong></td>
<td><strong>11,725</strong></td>
</tr>
</tbody>
</table>

### 9 FINANCIAL STRATEGY AND MEDIUM TERM FINANCIAL PLAN (MTFP)

9.1 Council approved Hertsmere’s latest Financial Strategy in July 2018 (C/18/27), following an extensive review and update. This latest strategy covers the period to 2021/22 and included a Medium Term Financial Plan (MTFP), setting out the budget and funding forecast over this period. At that time the MTFP showed a cumulative funding shortfall of £1,606k as summarised in Table 6 below:

#### Table 6 – Current MTFP 2018/19 to 2021/22

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 £000</th>
<th>2019/20 £000</th>
<th>2020/21 £000</th>
<th>2021/22 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Budget Requirement</td>
<td>11,860</td>
<td>12,307</td>
<td>11,467</td>
<td>11,685</td>
</tr>
<tr>
<td>Funding</td>
<td>11,860</td>
<td>11,137</td>
<td>11,215</td>
<td>11,501</td>
</tr>
<tr>
<td>Funding Shortfall</td>
<td>-</td>
<td>1,170</td>
<td>252</td>
<td>184</td>
</tr>
<tr>
<td><strong>Cumulative Funding Shortfall</strong></td>
<td>-</td>
<td>1,170</td>
<td>1,422</td>
<td>1,606</td>
</tr>
</tbody>
</table>

9.2 Since approval of the Strategy there have been many changes, including those referenced in this report. The MTFP is therefore reviewed and updated annually, as part of the budget process, to reflect the latest budgetary assumptions in respect of inflation, changes in service demand and delivery as well as other factors that impact the Council’s finances. The MTFP has also now been extended to include 2023/24. The revised MTFP, which is set out at Appendix C and summarised in Table 7 below, now shows a potential funding gap to 2023/24 of £1,263k:
Table 7 – Revised MTFP 2019/20 to 2023/24

<table>
<thead>
<tr>
<th></th>
<th>2019/20 £000</th>
<th>2020/21 £000</th>
<th>2021/22 £000</th>
<th>2022/23 £000</th>
<th>2023/24 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Budget Requirement</td>
<td>11,545</td>
<td>11,725</td>
<td>12,237</td>
<td>11,733</td>
<td>11,834</td>
</tr>
<tr>
<td>Funding</td>
<td>11,545</td>
<td>11,725</td>
<td>11,415</td>
<td>11,511</td>
<td>11,615</td>
</tr>
<tr>
<td>Funding Shortfall</td>
<td>-</td>
<td>-</td>
<td>822</td>
<td>222</td>
<td>219</td>
</tr>
<tr>
<td>Cumulative Funding Shortfall</td>
<td>-</td>
<td>-</td>
<td>822</td>
<td>1,044</td>
<td>1,263</td>
</tr>
</tbody>
</table>

10 DRAFT 2020/21 BUDGET

10.1 Having taken into account all of the identified pressures and efficiencies the current net budget requirement (NBR) for 2020/21 is £11,725k as summarised in table 8 below, a service-by-service summary is shown in Appendix B.

Table 8 – Net Budget Requirement Funding

<table>
<thead>
<tr>
<th></th>
<th>2019/20 £000’s</th>
<th>2020/21 £000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Service Expenditure</td>
<td>11,087</td>
<td>11,102</td>
</tr>
<tr>
<td>Corporate Budgets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e.g. investment income, corporate pressures not yet allocated to services – pay award, pension auto enrolment, apprenticeship levy etc.)</td>
<td>458</td>
<td>623</td>
</tr>
<tr>
<td>Net Budget Requirement</td>
<td>11,545</td>
<td>11,725</td>
</tr>
</tbody>
</table>

10.2 Table 9 overleaf sets out the key factors and variances that impact on the 2020/21 budget requirement. This shows a year on year increase of £180k, being the net effect of budgetary pressures, service improvements, reductions in income and grants and a reduced reliance on reserve funding. These are partly offset by increases in income, budget efficiencies and savings. More detailed changes to the budgets for each individual service are discussed further in Appendix D.
Table 9 – Key Factors and variances that impact on the 2020/21 Budget:

<table>
<thead>
<tr>
<th>Increased employee costs (adv fav)</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% staff &amp; members allowance pay award</td>
<td>(275)</td>
</tr>
<tr>
<td>Strategic Planning revised structure (PER/19/29)</td>
<td>(115)</td>
</tr>
<tr>
<td>GDPR &amp; Information officer</td>
<td>(41)</td>
</tr>
<tr>
<td>Contractual &amp; other increases</td>
<td>(82)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(513)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service improvements &amp; increments</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel, insurance &amp; fleet replacement costs</td>
<td>(72)</td>
</tr>
<tr>
<td>SW Herts strategic plan contribution</td>
<td>(40)</td>
</tr>
<tr>
<td>Software &amp; insurance costs</td>
<td>(40)</td>
</tr>
<tr>
<td>Recycling contractor costs</td>
<td>(28)</td>
</tr>
<tr>
<td>Audit &amp; fraud fees</td>
<td>(25)</td>
</tr>
<tr>
<td>GM contractual increase</td>
<td>(23)</td>
</tr>
<tr>
<td>Civic Office security</td>
<td>(15)</td>
</tr>
<tr>
<td>GIS service</td>
<td>(11)</td>
</tr>
<tr>
<td>Other</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(319)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Decrease in income</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling income</td>
<td>(29)</td>
</tr>
<tr>
<td>Licensing income</td>
<td>(35)</td>
</tr>
<tr>
<td>Garage income</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(74)</strong></td>
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</tbody>
</table>

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<thead>
<tr>
<th>Total budget increases</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>(906)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase in income (adv fav)</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental income</td>
<td>284</td>
</tr>
<tr>
<td>Planning income</td>
<td>213</td>
</tr>
<tr>
<td>Parking income</td>
<td>114</td>
</tr>
<tr>
<td>Investment income</td>
<td>100</td>
</tr>
<tr>
<td>CIL admin funding</td>
<td>39</td>
</tr>
<tr>
<td>Recycling grants</td>
<td>20</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>780</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Budget savings &amp; efficiencies:</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management restructure</td>
<td>30</td>
</tr>
<tr>
<td>Pension auto enrolment</td>
<td>10</td>
</tr>
<tr>
<td>Other savings and efficiencies</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total budget decreases</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>844</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes to reserve/ funding</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in drainage reserve funding</td>
<td>(200)</td>
</tr>
<tr>
<td>Enviro crime officer funding removed</td>
<td>(33)</td>
</tr>
<tr>
<td>Reduced Benefit Admin grant</td>
<td>(39)</td>
</tr>
<tr>
<td>Debt recovery team funding from Housing Benefit O/P</td>
<td>154</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(118)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase in net budget requirement</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>(180)</strong></td>
</tr>
</tbody>
</table>

Please Note: For detailed explanations see Appendix D.
10.3 The 2020/21 draft budget set out in Appendix B is presented in the “Direct Cost” format, with 2019/20 budget and 2018/19 actuals for comparative purposes.

10.4 The “Direct Cost” format set out in Appendix B is presented in order to establish responsibility and accountability for any growth or movements within the budget directly under the control of the budget holders concerned. The “Direct Cost” format excludes any support services cost and any recharges between the services including accommodation and depreciation costs of assets.

11 ASSUMPTIONS, UNCERTAINTIES AND RISKS

11.1 The following are the key assumptions, risks and uncertainties used in the preparation of the budget:

1) **Staff Pay and Members Allowance Increase**: Provision has been included within the proposed budget for a 2% pay award, with effect from 1 April 2020. Since opting out of the NJC pay scheme some years ago, the Council determines its pay awards locally. Member’s allowances are uprated in accordance with any local pay awards agreed by the Council in line with a recommendation from an Independent Remuneration Review Panel.

In proposing a pay award consideration is usually given to how the local award compares with the NJC National Agreement, although current economic conditions are also considered. There is however currently no offer from the NJC on the National Pay Award although the three public sector unions have submitted a proposal for a 10% increase claiming that Public Sector pay has fallen way behind the private sector due to austerity measures in recent years. An increase of this level is however unrealistic and unaffordable although pay will have to comply with the National Minimum Wage so some lower paid public sector jobs may see significant pay increases.

The proposed 2% is however in line with the Government’s target rate for CPI inflation of 2%, albeit, as discussed earlier (paragraph 7.15), CPI has recently fallen below this level and is currently 1.5%. The forecast for CPI is however to be at around 2% over the next two years. RPI inflation is currently 2.2% and pay inflation is currently around 3.8% (paragraph 7.4), thereby increasing household income in real terms and contributing to national growth.

The proposed 2% pay award will be incorporated into the 2019/20 Pay Policy Statement and will be subject to the approval of the Personnel Committee on 12 February.

2) **Economic Conditions and Investments**: With Brexit still being the Government’s main priority, the latest spending round 2019 was for a single year rather than the multi-year settlement that had been anticipated. The spending round, whilst delivered within the government’s fiscal rules, was unusually not supported by new economic forecasts. The latest economic forecasts are therefore from spring 2019 and whilst growth is forecast over the medium term there is still significant economic uncertainty. A prudent approach to investment returns has therefore been taken in preparing the budget, although investment income does now also includes loan interest returns.
3) **Brexit:** In addition to the economic impact of Brexit mentioned above, various other potential factors that could have a significant impact on Hertsmere and its service provision. Hertsmere like many other Local Authorities have real concerns about the potential impact on recruitment and retention, particularly in front line services where a significant proportion of the workforce come from the European Union such as Waste Operatives and Civil Enforcement Officers. There is also the potential impact on local businesses and employment should foreign companies look to relocate outside of the UK which could have an adverse impact on benefits income from Business Rates.

4) **Council Tax and CTS:** Council Tax collection had shown a rising trend in recent years however ongoing pressure on household income sustained over a prolonged period of low economic growth and austerity have resulted in a slight reduction in the collection rate last year and in the current year, albeit collection rates remain just within the target. As already discussed in section 8 above the phasing out of the RSG in 2019/20 means that funding previously rolled into RSG such as Council Tax Support funding, £462k, and Council Tax Freeze Grant, £295k, have now been phased out completely, increasing the burden on local taxpayers.

When the responsibility for Council Tax Support passed over from the DWP to Hertsmere under its local scheme from 2013/14 the risk also passed over meaning that Hertsmere now pick up the cost of fluctuations in caseload and support awarded. The caseload actually fell between 2013/14 and 2016/17 but has been increasing since 2017/18, albeit the rising trend has slowed down this year. There however remains the risk that caseload could increase further given the ongoing economic conditions and uncertainty.

5) **Universal Credit (and CTS):** the recent role out of Universal Credit in place of legacy benefits for working age claimants has been causing difficulties for CTS claimants as, due to the frequently changing level of UC, the level of CTS is also constantly being reassessed which inadvertently has caused some claimants to fall behind with their Council Tax payments. This is however now being addressed through the introduction of a simpler banded scheme for UC claimants from April 2020, subject to full Council approval.

6) **Recovery of income:** a delay in recovering outstanding council tax and other income owing, would lead to an increase in the level of bad debts. This risk can however be mitigated through efficient and effective debt recovery. Two permanent legal debt recovery officer posts were created as part of the 2017/18 budget process, having been in place previously on a temporary basis and have continued, the team has recently been extended to three and continue to be effective in recovering aged debts.

7) **Benefit Overpayments:** A Housing Benefit Overpayment occurs when a claimant receives more Housing Benefit than they are entitled to, either due to a Local Authority error or an error on the part of the claimant, which generally occurs where they have failed to notify the Council of a change in their circumstances such as their employment status.

The introduction of real time information (RTI) by the DWP in October 2014, used data matching tools to identify potential Housing Benefit overpayments
and as a result, overpayment values had increased substantially since then and through the various phases of RTI.

Where overpayments are due to claimant error or fraudulent activity, 60% of the cost falls to Hertsmere and whilst 100% of overpayments may be recovered where this is from on-going benefit entitlement the recovery amounts are prescribed by the DWP and are relatively low compared to the debt, which can then take many years to recover. However, this is the only means of debt recovery, whilst the claimant remains on housing benefit.

Under the latest RTI regime the Council now has direct access to HMRC data and receives regular reports showing cases where the taxable income has changed. Officers are able to work through these cases prioritising where there are the biggest changes to income and potential for large overpayments. As had previously been the case the new system actually had the effect of initially increasing the number of overpayments created.

To avoid new overpayments in the future an Overpayment Prevention Officer role was recruited to in 2017 and this officer is responsible for identifying trends in cases where overpayments have occurred and for putting in place measures to mitigate overpayments occurring. Benefits Officers have been proactively contacting claimants where there is a potential risk of an overpayment to remind them of the need to let us know of any changes in their circumstances.

Where the housing benefit stops because the claimant has moved over to Universal Credit (UC), the debt can be recovered from their UC entitlement, however, the housing benefit debt is a low priority and is recovered after other DWP benefit debts. It may be better in some cases that this debt is recovered through sundry debtors but the risks of this are outlined below.

Where there is no benefit in payment, the overpayment can be recovered as a sundry debt although there is a significant risk that there is not the ability to repay, the result being a significant increase in bad debts. However, as we now have access to real time HMRC data, there is more opportunity to recover HB overpayment debt via a direct earnings attachment.

Currently Housing Benefit Overpayments for Hertsmere amount to almost £2.3 million of which approximately £1.2 million will directly impact the Council and therefore represents a significant risk. Good debt recovery processes and more importantly overpayment prevention are key to mitigating this risk. As a direct result of the efforts of the Benefits team, the level of new and outstanding overpayments is now on a downward trend.

8) **Homelessness and the Homelessness Reduction Act**: The competitive housing market and issues of affordability in Hertsmere have seen the number of approaches for both housing and homelessness increase. This rising trend, and the outward pressure on Hertsmere’s housing from neighbouring London Borough’s placing tenants within the borough, has put pressure on the temporary accommodation budget. As already mentioned above in section 8, the Homelessness Reduction Act came into force in April 2018, introducing a statutory duty on Councils to take reasonable steps to prevent homelessness much sooner than previous legislation. As yet this has not had a significant
financial impact on the homelessness budget, with officers managing the increase in approaches through the homeless prevention team. However, it remains uncertain as to what will be the full impact of the Act as demand continues to rise.

9) **Recruitment and Retention:** Over the past few years it has become increasingly difficult to recruit and retain certain staff, for example in professional and specialist roles such as Finance, Planning, Environmental Health and Benefits. This is in part due to Hertsmere's proximity to London and the higher levels of pay available in neighbouring London boroughs but also due to some specialist roles being less attractive due to private competition and uncertainty caused by changes in legislation for example universal credit. Also as mention above, Brexit is having its toll on recruitment of frontline services such as Waste Operatives and Civil Enforcement Officers.

10) **Grant Aid:** the voluntary sector relies heavily on grant funding, including funding from Hertsmere. Government and other funding reductions coupled with slow economic recovery could lead to a greater demand for these services and could lead to this sector calling for increased assistance from the Council. A reduction in the provision of voluntary services such as Citizens Advice could have an adverse impact on demand for Council services.

11) **Costs & Retail Price Index:** Non-pay related costs might be higher than the rate of inflation e.g. diesel, gas, electricity. Where known these have been factored into the budget.

12) **Pension Fund:** any future contributions depend largely on the value of the stock market, property prices and interest rates. These factors are considered and forecast by the Pension Fund's Actuary every three years. The last review was undertaken during 2019 and the determined contribution rates come into effect from April 2020. These contribution rates are fixed until 2022/23 and have been factored into the budget from 2020/21.

13) **Fraud:** Whilst controls and process are in place to prevent fraud it can still occur. The introduction of real time information has helped to identify benefit fraud. Hertsmere have also recently signed up to the National Fraud hub and will soon start benefitting from additional matching data that can help to identify Council Tax and Housing Benefit fraud.

14) **Income from fees and charges:** The majority of income budgets are subject to external factors, such as supply and demand, market forces and the general state of the economy and competitiveness of the market. It has been assumed that the level of activity in 2020/21 will be the same as the current year. Some fees and charges, such as Planning fees, are regulated by statute.

15) **New Homes Bonus (NHB):** Hertsmere have benefited since 2011 from grant payments under the New Homes Bonus scheme, introduced by the Government to encourage and reward Local Authorities for new housing growth in their area. The future of this grant has however been uncertain for several years now, it was revised in 2017/18 reducing the legacy payments from six years to four and a threshold for housing growth below which no NHB would be paid was also introduced. As expected the NHB is now under review.
by Ministers and whilst legacy payments have been honoured in the Spending Round 2019 the NHB payment for 2020/21 is for one year only with no new payments anticipated in future years. The NHB is now expected to end by 2022/23 and Hertsmere are therefore reducing its reliance on this grant to fund the revenue budget over the medium term (refer also to paragraph 8.46 to 8.54).

16) **Recycling Income and Costs:** the recycling market is very volatile, with fluctuations in demand for recyclables such as paper and plastics, affecting the price paid per tonne thereby affecting the income receivable by the Council. There has also been a significant reduction in paper tonnages due to more electronic mail and marketing.

17) **Business Rates Retention:** the risks identified with this are set out at paragraphs 8.9 to 8.30 above.

18) **Elstree Studios:** is a company wholly owned by the Council and the Council’s general fund benefits from a significant annual rental income, £1.55m budgeted in 2020/21. Hertsmere have also made significant capital investments into the Studios of around £3.2m for which the Studios also make contributions and repayments. There are as such, significant risks to Hertsmere both to its revenue and capital position if the Studios were to experience financial difficulties and were unable to service its debts.

19) **Hertsmere Developments Limited:** Hertsmere established a wholly owned development company, Hertsmere Developments Limited (HDL), in February 2016. The company has since developed a business plan, which was presented to and approved by the Council in July 2018. This business plan included a number of Council owned sites proposed for development that will need to be transferred to HDL subject to appropriate business cases and planning permission. The Council also approved a loan facility of up to £50 million. Currently the proposed development sites continue to be progressed in-house but will need to be transferred to HDL for development.

20) **Cyber Attacks:** There has been a proliferation of cyber-attacks in recent years. Lloyds of London warned of the risk to businesses of sophisticated hacking attacks that will only continue to increase in coming years, and warned of the need to properly prepare or face a hefty bill, including ‘slow burn’ costs such as reputational damage and litigation. These costs would be in addition to the cost of recovering from a successful cyber-attack. In November 2017 the Council approved funding for provision of Disaster Recovery and Business Continuity facilities at the Waste Depot, Potters Bar (C/17/36). The new facilities are now complete and a programme of migrating key systems to the cloud is progressing well.

21) **Contingency:** The uncertainties listed above have been partially addressed by retaining the £300k budget contingency, which equates to around 2.6% of the budget requirement.
12 STATEMENT OF THE CHIEF FINANCE OFFICER AND KEY BUDGET RISKS

12.1 The Local Government Act 2003, Part II, sections 25, 26, 27 and 28, has placed onerous requirements on the Chief Finance Officer (CFO). The Council currently fulfils these requirements including budget calculations the setting of minimum financial revenue reserve levels, financial monitoring and budget reviews during the year.

12.2 Section 25 requires the CFO to give assurances to the Members on the robustness of the estimates and the adequacy of the reserves.

12.3 Known and as far as possible anticipated risks have been taken into account in this and all of the financial reports contained in the Council agenda. However, Members will appreciate that the world economy is experiencing dramatic changes, from which no local authority is insulated.

12.4 As far, as can reasonably be assumed in these circumstances and in the judgment of the CFO the budget is realistic and the reserves are adequate.

12.5 Section 26 of the Act requires the CFO to present a reserves position statement as at 1 April each year and to identify any significant movements. There are no significant movements forecast for 2020/21.

12.6 Table 10 below sets out the reserve position as at 1 April 2019 and the anticipated position as at 31 March 2020:

<table>
<thead>
<tr>
<th>Table 10 – Adequacy of Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual as at 1 Apr 19</td>
</tr>
<tr>
<td>£’000</td>
</tr>
<tr>
<td><strong>Revenue Reserves</strong></td>
</tr>
<tr>
<td>General Fund Usable Reserve</td>
</tr>
<tr>
<td>Earmarked</td>
</tr>
<tr>
<td><strong>Capital Reserves</strong></td>
</tr>
<tr>
<td>Usable capital receipts</td>
</tr>
<tr>
<td>Capital Grants</td>
</tr>
<tr>
<td><strong>Total useable reserves</strong></td>
</tr>
</tbody>
</table>

**Note:** Total Usable Capital receipts of £3,522k have been committed or earmarked for specific projects for the period April 2020 to March 2022

12.7 The CFO is obliged to present a budget that is believed to be achievable and with this in mind, the 2020/21 budget presents the Service Heads’ with challenging but achievable financial targets for the year. However, there is an inherent risk in this estimation process that the targets may not actually be met due to changing circumstances beyond the Council’s control. Therefore, it is requested that members note the key assumptions and uncertainties (section 11 above).
12.8 The 2020/21 draft budget shows a balanced position with the net budget requirement being balanced by an equivalent level of funding. This includes utilising £800k of New Homes Bonus, which will not be sustainable in the future due to the uncertain future of the scheme and reliance on this funding is therefore to be reduced over the medium term. This also includes £564k of business rates growth, the future of which is also uncertain and dependent on the Fair Funding Review and review of the system of redistribution of business rates and reset of the business rates baseline, which was delayed under Spending Round 2020 until 2021/22.

**The Sustainability of the Budget**

12.9 External Auditors continue to compliment the Council for its sound and prudent financial management as confirmed by the annual audit inspection letter. There are effective systems of control to ensure accounting systems produce reliable information. There is an effective framework to monitor key organisational risks.

12.10 In light of the reductions in Government funding and other pressures on the budget, going forward, there is no alternative but for Hertsmere to look to achieve self-sustainability. The ability to raise additional income however will be extremely challenging due to statutory fees and other restrictions on charging limiting Hertsmere’s ability to raise additional income from fees and charges. Hertsmere therefore needs to continue its innovative and commercial approach to income generation by expanding on its successes such as Elstree Film Studios.

12.11 Hertsmere established a wholly owned development company, Hertsmere Developments Limited (HDL), in February 2016. The company has now developed a business plan, which was presented to and approved by the Council in July 2018. This business plan included a number of Council owned sites proposed for development that will need to be transferred to HDL subject to appropriate business cases and planning permission. The Council also approved a loan facility of up to £50 million. HDL is expected to be able to generate an ongoing revenue stream for the Council.

12.12 The Chief Finance Officer would also like to draw the Executive’s attention to paragraph 12.6, which shows that the Council holds £30M in revenue reserves, out of which £22M are earmarked. In financially strenuous circumstances the Council can utilise its reserves, however, it needs to be borne in mind that usage of the reserves is always a one off usage and once monies are spent from the reserves it is very difficult to replenish. Hence, the Chartered Institute of Public Finance and Accountancy (CIPFA) has constantly advocated against the use of reserves for an ongoing basis.

12.13 Despite the above comforting factors it is important to note the financial year 2020/21 budget has been proposed to utilise £800k New Homes Bonus and £564k Business Rates Growth income. Both resources do not carry certainty in the medium to long term financial planning due to changing government policies and the economic climate. As a matter of urgent priority the Council needs to focus on the delivery of sustainable sources of income generation.

**13 RECOMMENDATIONS OF THE POLICY REVIEW COMMITTEE & EXECUTIVE**

13.1 The Council’s constitution and best working practice requires that the Policy Review Committee and Members of the Council be consulted on the Revenue Budget prior to the Executive recommending that Council adopt the budget. The draft Revenue
Budget will be presented to a joint meeting of the Policy Review and Operations Review Committees on 28 January 2020 for consultation.

13.2 Their feedback will be included in the next report to be presented to the Executive on 12 February 2020.

14 2020/21 BUDGET TIMETABLE

14.1 The timetable for the adoption of the 2020/21 Revenue Budget is set out in Table 11 below:

Table 11 – 2020/21 Revenue Budget Timetable

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft budget to Executive to recommend consultation</td>
<td>15 January 2020</td>
</tr>
<tr>
<td>Draft budget to Policy Review Committee for consultation</td>
<td>28 January 2020</td>
</tr>
<tr>
<td>Final budget to Executive for recommendation to Council</td>
<td>12 February 2020</td>
</tr>
<tr>
<td>Approval by Full Council</td>
<td>26 February 2020</td>
</tr>
</tbody>
</table>

15 FINANCIAL AND BUDGET FRAMEWORK IMPLICATIONS

15.1 As explained in the main body of the report.

16 LEGAL POWERS RELIED ON AND ANY LEGAL IMPLICATIONS

16.1 The legislation places, on a statutory footing, the advice of the Chief Finance Officer to elected members by requiring a report on:

- The robustness of the estimates; and the adequacy of the financial reserves
- Members are required to have regard to the Chief Finance Officer’s report when making decisions about budget requirements.
- Extract from Hansard

(House of Commons Standing Committee A January 30 2003 col 242)

“We have sought to put in place a proper relationship that recognises …that the councillors are democratically elected and should ultimately carry responsibility and take the final decision. We recognise that. However, they should be properly advised and the Chief Finance Officer should have not only the power to make representations but the ability to do so and a clear statutory obligation to make a report…”

17 EFFICIENCY GAINS AND VALUE FOR MONEY

17.1 There is no longer a direct requirement for authorities to monitor and report on value for money however, the Council’s external auditors, Ernst & Young, still provide a value for money opinion in their annual audit report. Officers remain committed to achieve on going efficiencies to deliver a required balanced budget.
17.2 The Council remains committed to providing value for money services and this has formed part of the organisation review and budgetary process. Hence, the Council will monitor all the initiatives mentioned within this report in order to ensure that planned benefits are realised.

17.3 The Council has published a Value for Money and Efficiency Strategy as part of its overall Financial Strategy, which now also includes the Council’s Efficiency Plan, which was a requirement of accepting the 2016/17 four-year financial settlement. This sets out the Council’s approach to value for money and delivering efficiencies and shows the efficiency savings the Council have delivered year on year.

18 RISK MANAGEMENT IMPLICATIONS

18.1 The Revenue Budget is a tool that allows officers and members to manage the risk that the cost of services does not exceed the financial resources available to the Council. Therefore, in considering the revenue budget and allowing consultation, officers and members are taking the first steps to ensure that in 2020/21, revenue expenditure is well managed.

18.2 There are various factors that influence the budget which are discussed throughout this report, Government Funding being one of them. Some of the other key assumptions, uncertainties and risks are also set out in section 11 of this report.

18.3 There is a general risk that the Revenue Budget is set at an unachievable level, or that unforeseen costs or areas of expenditure arise after the budget is set. This is an inherent risk in the process of setting any budget and thus a contingency sum is included in the budget. This risk is being further addressed by close communication between Finance Officers and the budget holders in order to ensure that the budgets, whilst challenging, are achievable.

18.4 The Finance Monitoring Panel meets on a monthly basis throughout the year to review actual financial performance compared to budget. It reports regularly to the Operations Review Committee and the Panel report any matters that require further investigations to that Committee. Corrective measures are taken where there are significant variances.

19 PERSONNEL IMPLICATIONS

19.1 These are set out within the body of the report.

20 EQUALITIES IMPLICATIONS

20.1 Equalities implications have been considered throughout the budget process in relation to the individual budget proposals as appropriate.
21 CORPORATE PLAN and POLICY FRAMEWORK IMPLICATIONS

21.1 The current Corporate Plan, “Hertsmere’s 2020 Vision” which covers the period 2016 to 2020, has identified three Corporate Goals, which each have a number of outcome-based objectives that support the development of priorities for action.

- Being an enterprising Council
- Planning for the future
- Supporting our communities

21.2 The budget process and financial strategy are closely linked with the Corporate Plan and enable the delivery of the Council’s goals and objectives. The Medium Term Financial Plan (MTFP) 2019/20 to 2023/24 sets out the anticipated pressures and influences, internal and external, that may potentially impact Hertsmere’s finances over the medium term and sets out how the Council intends to manage and mitigate those pressures and influences over the period.

22 ASSET MANAGEMENT PLAN IMPLICATIONS

22.1 These are set out within the body of the report and addressed within the relevant service budgets as appropriate.

23 HEALTH AND SAFETY IMPLICATIONS

23.1 Provision has been included within the draft budget for all known Health & Safety expenditure that is legally required, under the various directives applying, to enable the proper provision of all services.

24 BACKGROUND DOCUMENTS USED TO PREPARE THIS REPORT

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<td>Autumn Statement 4 September 2019 (Spending Round 2019)</td>
<td><a href="http://www.gov.uk">www.gov.uk</a></td>
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<tr>
<td>2020/21 Provisional Finance Settlement (20 Dec 2019)</td>
<td><a href="http://www.gov.uk">www.gov.uk</a></td>
</tr>
</tbody>
</table>

25 CONSULTATION ON DRAFT REPORT

25.1 There has been various consultation throughout the budget process as shown in Table 2, paragraph 5.13.

25.2 The timetable for the adoption of the 2020/21 Revenue Budget is set out in Table 11, paragraph 14.1.