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Our Ref: DS

Your Ref:

Date: 23rd December 2019

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 09 January 2020 at 18:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**

Councillor Watson (Chairman), Councillor Fitzpatrick (Vice-Chairman) and Councillors Angliss, Billings, Mrs. Brown, Ford, MacPherson and Roberts

Labour Group

Councillors Dr. Pearson, Rhind, Richards, Southerd and Taylor

AGENDA

Open to Public and Press

- 1** Apologies and to note any Substitutes appointed for the Meeting.
- 2** To note any declarations of interest arising from any items on the Agenda
- 3** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 4** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5** SERVICE BASE BUDGETS 2020-2021 **3 - 15**
- 6** BUDGET REPORT 2020-21 INCORPORATING THE CONSOLIDATED BUDGET PROPOSALS AND MEDIUM-TERM FINANCIAL PLAN TO 2025 **16 - 37**
- 7** COUNCIL TAX PREMIUM ON LONG-TERM EMPTY PROPERTIES **38 - 42**

Exclusion of the Public and Press:

- 8** The Chairman may therefore move:-
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 9** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 10** ECONOMIC DEVELOPMENT AND GROWTH RESTRUCTURE UPDATE

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 5
DATE OF MEETING:	9th JANUARY 2020	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	VICKI SUMMERFIELD (01283 595939) victoria.summerfield@southderbyshire.gov.uk	DOC: s/finance/committee/201920/Jan/budget
SUBJECT:	SERVICE BASE BUDGETS 2020 / 2021	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2020/21 as detailed in **Appendix 1** for the Committee's Services are considered and included in the consolidated proposals for the General Fund.
- 1.2 That the proposed fees and charges as detailed in **Appendix 2** for 2020/21 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2020/21 for Concurrent Functions.

2.0 Purpose of Report

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2020/21, with a comparison to the current year budget. This includes an overview of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2020/21 subject to the Council's overall medium-term financial position. This is subject to a separate report on this Agenda.
- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year, 2020/21.

3.0 Summary and Overview

- 3.1 The Committee is responsible for large spending areas, in particular the main support service functions, together with the corporate, management and democratic costs of the Council.
- 3.2 It is also responsible for the strategic management of the Council's property portfolio, revenue collection, benefit payments and treasury management, etc. As such, the

associated income and expenditure is a significant part of the Council's financial position.

- 3.3 In addition, several of these spending areas provide statutory, governance, legal and advisory support for the Council.
- 3.4 In accordance with local government accounting regulations, Central Support Services are no longer required to be recharged and allocated across other Policy Committees.

The Council's Overall Financial Position

- 3.5 The Council's MTFP was reviewed and updated in October 2019. In principle, the overall position on the General Fund has not changed fundamentally over the last year. The current level of the General Fund Reserve remains healthy and is projected to remain so over the next four years based on current forecasts.
- 3.6 However, the continuing issue is the projected deficits each year over the life of the Plan. Although the current level of reserves can be utilised to meet the projected deficits, this is not a sustainable solution in the longer-term.
- 3.7 Therefore, ahead of considering the wider Council position, it is important that the Committee scrutinises its own spending base closely to identify potential budget savings and carefully examines any areas where there are cost pressures, together with any proposals to increase spending.

Summary of Expenditure

- 3.8 The following table provides an overall summary at main service level, of the Committee's net revenue expenditure.

	2020/21	2019/20	Movement
	£	£	£
Central and Departmental Accounts	3,696,543	3,486,458	210,085
Corporate and Democratic Costs	601,292	605,807	-4,515
Electoral Registration	219,703	333,112	-113,408
Payments to Parish Councils	362,430	368,883	-6,453
Pensions, Grants Interest Payments and Receipts	144,930	228,684	-83,753
Property and Estates	-281,179	-250,058	-31,121
Revenues and Benefits	609,586	597,661	11,925
	5,353,306	5,370,546	-17,240

- 3.9 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2019/20 and 2020/21 by £17,240. An analysis of the changes within each service area is detailed in **Appendix 1**.
- 3.10 A summary of the changes is shown in the following table.

	£'000
Professional Fees Increase	101
Computer Maintenance Increased Cost	59
Restructure Costs	49
Incremental Salary Increase	36
Reduced HRA Recharges	24
Telephone Communication Increase	20
Pension Charges Increase	16
Business Rates Charges	13
Salary Budget transfer from HCS	10
Increased Bank Charges	10
Registration of Electors Print and Post Costs	10
Increased Utility Charges	9
Printing Costs Increase	5
Recruitment Support	3
Occupational Health Referral Costs	2
Long Service Awards	1
Subscription Cost Reduction	-3
Housing Benefit Administration Cost Reduction	-12
Audit Fee Reduction	-16
Computer Maintenance transfer to EDS	-19
Insurance Charges	-21
Increase in Reserve Funding	-84
Increased Investment Income	-100
Removal of District Election Budget	-124
	-11
Depreciation	-6
Base Budget Increase	-17

3.11 The majority of the above changes included within the Committee's Base Budget have been provided for in the MTFP.

3.12 Excluding the decrease in Depreciation, which is an accounting adjustment and not a cost to the Council, the decrease in actual expenditure based on the proposed budgets, is £11k.

3.13 The main reasons for the variances are detailed in the following sections.

Professional Fees

3.14 There are a number of new and increased charges proposed for professional fees. Changes to the Payroll service and the one-off costs associated with this in the first year are budgeted at an additional £65k. Detail of this change was reported to the Committee in August 2019 and was included in the MTFP. A drawdown of £20k from earmarked reserves to partially offset has been included in the Base Budget.

3.15 Updates to the Data Protection Act and the requirement for more robust monitoring has resulted in Derby City Council supporting the Council for a fee of £13k per annum. Although this has been in place for a few financial years it has previously been unbudgeted and therefore not included within the MTFP.

- 3.16 Corporate Fraud additional charges of £23k are for support from Derby City Council and Erewash Borough Council are proposed. The Erewash sum of £18k is to be drawn down from an earmarked reserved. The Derby City charge is an increase on the prior year budget.

Computer Maintenance

- 3.17 An upgrade to the Capita system for Revenues and Benefits costing an additional £50k has been included in the budget for 2019/20. This additional fee is offset by a drawdown of earmarked reserves.
- 3.18 The additional cost of £9k is for inflationary increase on other systems and was included in the MTFP.

Restructure Costs

- 3.19 Restructures have been approved for Organisational Development and Performance, ICT and Business Change, Corporate Property and Finance and Payroll within the last few months and all costs have been included in the MTFP.
- 3.20 The main cost area is within Corporate Property but £40k of the total additional cost listed is to be offset by reducing the contribution to the asset replacement each year. This was included within the MTFP.

HRA Recharges

- 3.21 The HRA recharges are calculated as varying percentage charges of the proposed General Fund Base Budget. There are many fluctuations in proposed expenditure across central support services and therefore some significant adverse and favourable variances across individual cost centres.
- 3.22 The total impact of the reduction in HRA recharges is £24k and after a full review of all charges, the main cause of the reduction is the reduced Financial Services budget and the reduction in External Audit fees.
- 3.27 A review of the current HRA recharges from the General Fund is underway and will be reported to this Committee in February.

Telephone Communication Charges

- 3.28 Higher costs of landline and mobile call charges have been received during 2019/20 and are exceeding the budget. A proportion of this may be due to an increase in new handsets but a wider review into call costs is underway. In the meantime, it is proposed that the base budget is increased.

Business Rates Charges

- 3.29 The budget for the Civic Offices and Depot is set to increase by approximately 8% in 2020/21. This has been reviewed with the Revenues team and has been determined that the budget for the current financial appears to be lower than required and therefore an adverse variance is expected in year.
- 3.30 An increase of approximately 2% was included within the MTFP which partially offsets.

Transfers between Committees

- 3.31 As noted in both budget reports to Housing and Community Services and Environmental and Development Services, further to the Senior Management Restructure on 1st April 2019, a number of services were transferred between different Heads of Service.
- 3.32 The responsibility for Caretakers of Community Centres was transferred to the Head of Corporate Property therefore the budget for salaries for Stenson Fields and Midway Community Centres has been transferred from Housing and Community Services Committee.
- 3.33 The budget for Computer Maintenance agreements for GIS has now been transferred from the former Business Systems Unit into Street Naming and Numbering and is now included within Environmental and Development Services Committee.

Insurance

- 3.29 Insurance cover is an overall increase to the Council of £17k between 2019/20 and 2020/21. The impact on this Committee is a £21k saving and is mainly due to a reduction in Public Liability and Computer Insurance.

Interest and Bank Charges

- 3.30 Based on the number of transactions processed through the bank accounts, the current rate charged for each transaction and the total cost incurred over the past 3 years, an increase of £10k is proposed in the Base Budget for 2019/20.
- 3.31 The Council has £4m invested within the CCLA fund which generates much better rates of interest than banks alone. Further to the review of the MTFP, the Base Budget has now been increased by £100k for interest income and this was reported in October.

Employment Costs

- 3.32 Incremental Salary increases are included within the MTFP each year and were expected ahead of the Budget round.
- 3.33 An increase to the Base Budget for pension costs has been included at this stage although the Pension Fund is revalued by the Actuary every 3 years and the Council has been notified of revised charges. It is understood that an increase of 1% in Council contributions will be applied in 2020/21 and this has been included within the MTFP.
- 3.34 The increase noted at this stage will be amended once the final detail is released by Derbyshire County Council in January 2020.
- 3.35 Recruitment support is the cost incurred for psychometric testing prior to interview and the proposed budget is based on the current number of vacancies within the Council.
- 3.36 Occupational Health referral costs and Long Service Awards are included within the MTFP.

Elections

- 3.37 The MTFP includes the cost of a District Election every four years which has to be funded by the General Fund. The last election was held in May 2019 and therefore the decrease in election costs is solely in relation to this.
- 3.38 Additional costs for the Registration of Electors are proposed as part of the budget due to additional residents in the District.

Benefit Administration

- 3.39 Due to the rollout of Universal Credit, the subsidy received from the DWP is estimated to reduce significantly between years.
- 3.40 The subsidy received does not cover the total cost of administering Housing Benefit. The Council is expected to fund 2.5% of Rebate claims and 1% of Allowance claims but also receives an Administration subsidy grant to support.
- 3.41 It is projected that the cost reduction in managing claims will be approximately £36k but alongside this the Council will receive a lower Administration grant of approximately £24k.

Reserve Funding

- 3.42 As noted at 3.14, 3.16 and 3.17, some of the additional costs expected are to be offset by a drawdown of earmarked reserves.
- 3.43 The Welfare Reform, Fraud and Compliance reserve will see an increased drawdown of £64k between 19/20 and 20/21 and the Finance Staffing and Support reserve will have a one-off drawdown of £20k.

Audit Fees

- 3.44 The fee chargeable by External Audit for the Statement of Accounts and Value for Money opinion has reduced by £28k after a tender exercise.
- 3.45 An increase is proposed of £7k for the audit of Housing Benefit and is based on prior year actual costs.
- 3.46 Internal Audit fees from Central Midlands Audit Partnership is due to increase by inflation of approximately £5k and this increase was included within the MTFP.

Depreciation

- 3.35 Depreciation charges are reversed out of the Accounts on consolidating the Council's budget. They reflect charges for using capital assets in service delivery in accordance with accounting regulations. The decrease for the Committee of £6k relates to downward revaluations for the Civic Offices and Depot. There is no impact on actual spending levels.

4.0 Detail

- 4.1 The Committee's budgets by service area are detailed in **Appendix 1**.

Basis of the Budget

- 4.2 Budgets are generally calculated on a “no increase basis,” i.e. they are maintained at the same level as the previous year adjusted only for known changes, price increases, inflation and variations due to contractual conditions, etc.
- 4.3 In addition, budgets are also subject to a base line review which is used to justify proposed spending. This process places responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner. This is supported by the Financial Services Unit, who analyse recent trends across services compared to current budgets.

On-going Service Provision

- 4.4 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 4.5 The full year effects of previous year’s restructures and budget savings have been included, with any non-recurring items removed.

Changes in Pay

- 4.6 A pay award is not included within the Base Budget at this stage as discussions are still on-going between the Local Government Unions and the National Employers. A decision is not expected until early in the new year.
- 4.7 The MTFP includes a provision for a potential pay award increase of 2.5% for all employees and the individual service budgets will be updated once an agreement is reached.

Inflation

- 4.8 The base budget for 2020/21 has been uplifted by 2% for inflation/indexation where this applies, for example contract obligations.
- 4.9 Some base costs will be subject to inflation during future years and in some cases, it will be unavoidable, for example employee costs, when national pay increases are approved.
- 4.10 Allowances for inflation based on various assumptions regarding price increases, etc. are calculated across the main spending heads at an average of 2%.

Increase in Payments for Concurrent Functions to Parish Councils

- 4.11 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution in payments to recognise inflationary pressures. Increases in recent years have been as follows:
- 2019/20 – 2.0%
 - 2018/19 – 2.0%
 - 2017/18 – 1.0%
 - 2016/17 – 2.0%
 - 2015/16 – 2.3%

- 4.12 Latest inflation shows CPI running at 1.5%. At this stage no forecasts regarding CPI have been issued by the Government and it is unlikely that any forecast will be issued in the new year. The Council includes a 2% increase in the MTFP.
- 4.13 Every 1% increase in the base level equates to approximately £3k per annum in total.

Risks

- 4.14 All Committee budgets have been reviewed and known changes to income and expenditure have been reflected in the proposed base budget for 2020/21 as detailed in the report.

Housing Benefit

- 4.15 The main financial risk is considered to be the payment and recovery of Housing Benefit. The total amount administered and paid in respect of Rent Allowances and Rent Rebates is approximately £16m per year. A 1% variance equates to £160k and therefore it is important that the Council maximises the subsidy it reclaims from the DWP. The DWP Regulations set a threshold for errors which, if exceeded, would mean subsidy being withdrawn.
- 4.16 As previously reported, the rollout of Universal Credit (UC) is having an impact on both the amount of benefit paid and the administration grant received. The rollout of UC for new claims went live in South Derbyshire in November 2018 and existing claimants have recently started to transfer across. The impact will be kept under review.

Factory Premises, Hearthcote Road

- 4.17 The tenant of the above property has an option to break the lease on 24th March 2023, subject to six months' written notice. If the break is exercised, it is unlikely that the property could be let in the short-term. This is due to the overall size and configuration of the buildings at the property which could make it unattractive to a single occupier.
- 4.18 The current tenant pays a rental income of £190k per annum and the potential loss of income has been included in the MTFP.

Proposed Fees and Charges 2020/21

- 4.19 **Appendix 2** provides a schedule of the proposed charges that will operate from 1st April 2020, together with a comparison to the existing charge. All charges are exclusive of VAT and where applicable, VAT is added at the appropriate rate in accordance with HMRC regulations.
- 4.20 The charges are mainly standard ones for the recovery of court costs, change notifications and payment fees.
- 4.21 No change to fees is proposed.

5.0 Financial Implications

- 5.1 As detailed in the report.

6.0 Corporate Implications

Employment Implications

6.1 None.

Legal Implications

6.2 None.

Corporate Plan Implications

6.3 The proposed budgets and spending under the responsibility of the Committee provides the financial resources to enable many of the on-going services and Council priorities.

Risk Impact

6.4 The Financial Risk Register is detailed in the Medium-Term Financial Plan and financial risks specific to this Committee are detailed in Section 4.

7.0 Community Impact

Consultation

7.1 The Budget will be disseminated through Local Area Forums and separate consultation will be undertaken with the local business community.

Equality and Diversity Impact

7.2 None.

Social Value Impact

7.3 None.

Environmental Sustainability

7.4 None.

8.0 Conclusions

8.1 That the proposed base budgets are scrutinised and approved to provide the financial resources for continuation of service delivery.

9.0 Background Papers

9.1 None.

BUDGET - 2020/21

Finance & Management

£'s		BUDGET			
		2019/20	2020/21	VARIANCE	
PSX40	Senior Management	402,168	413,100	10,932	Adverse salaries £9k, training £1k, Insurance £1k Favourable salaries £62k, post £145k, stationary £20k, prof fees £3k, tools £10k, print £20k, comp main £1k; Adverse HRA £20k
PSX50	Reprographic/Print Room	0	(0)	(0)	Favourable salaries £30k, reserves £20k; Adverse training £2k, HRA £10k, prof fees £65k, subs £2k
PSX55	Financial Services	337,850	367,066	29,215	Favourable HRA £1k; Adverse audit £4k
PSX56	Internal Audit	105,703	108,340	2,637	Favourable comp main £1k, HRA £2k; Adverse bank charges £10k
PSX57	Merchant Banking Services	62,701	69,942	7,241	Favourable salaries £56k, insurance £5k; Adverse comms £20k, licence £2k, consumables £10k, HRA £42k
PSX60	ICT Support	588,112	600,667	12,555	Favourable HRA £15k; Adverse salaries £6k, training £1k
PSX65	Legal Services	250,741	242,711	(8,030)	Favourable salaries £3k
PSX74	Performance & Policy	96,045	93,416	(2,629)	Adverse long service £1k, oh referrals £2k, recruit support £3k, salaries £2k
PSX75	Personnel/HR	258,149	267,461	9,312	Favourable salaries £25k, training £2k, comp main £6k
PSX76	Communications	127,188	93,720	(33,468)	Adverse post £145k, stationary £20k, salaries £40k
PSX77	Customer Services	461,903	472,184	10,281	-
PSX78	Health & Safety	28,992	32,529	3,537	Favourable depn £4k, ; Adverse utilities £9k, nndr £12k, insurance £2k, HRA £10k, salaries £82k
PSX81	Admin Offices & Depot	407,214	517,742	110,529	Favourable HRA £4k
PSX95	Protective Clothing	25,000	21,250	(3,750)	-
PSX96	Procurement Unit	17,360	17,033	(327)	Favourable salaries £17k, HRA £25k, comp main £19k (trf to EDS), prof fees £5k, training £2k, insurance £1k; Adverse materials £1k
CPH40	Business Change	164,744	97,169	(67,575)	Adverse prof fees £3k (PSX50), training £2k, print £25k, comp main £10k, salaries £126k
CPH50	Digital Services	44,646	166,315	121,670	Favourable void clean £5k, service chg £6k, insurance £1k; Adverse salaries £14k (10k from HCS), HRA £6k
KJE40	Caretaking	107,943	115,898	7,955	
Central and Departmental Accounts		3,486,458	3,696,543	210,085	

HTT00	Concessionary Fares	0	0	0	
Concessionary Travel		0	0	0	
AAD00	Democratic Representation & Management	75,881	80,544	4,663	Adverse salaries £4k, HRA £1k
AAM00	Corporate Management	50,408	63,905	13,497	GDPR package
AAM01	Corporate Finance Management Adjustments to Bad Debts and other	56,331	37,114	(19,217)	Favourable audit fees £27k; Adverse HRA £8k
ABU00	Provisions	100,000	100,000	0	
ACD00	Elected Members	307,188	303,730	(3,458)	NI Members
ACG00	Emergency Planning	16,000	16,000	0	
Corporate and Democratic Costs		605,807	601,292	(4,515)	
ACE00	Registration of Electors	48,595	58,729	10,134	Adverse print £5k, post £5k
ACE10	Conducting Elections	284,517	160,974	(123,543)	Removal of district election budget
Electoral Registration		333,112	219,703	(113,408)	
ACT01	Parish Councils	368,883	362,430	(6,453)	Favourable insurance £6k
Payments to Parish Councils		368,883	362,430	(6,453)	
ABP00	Funded Pension Schemes	262,112	278,341	16,229	Inflationary increase to Pension
W4A00	Interest & Investment Income (GF)	(77,755)	(177,738)	(99,983)	Favourable interest
W6A00	Pensions Adjustment	0	0	0	
W7A00	External Interest Payable (GF)	700	700	0	
W8A00	Other Operating Income & Expenditure (GF)	43,627	43,627	0	
Pensions, Grants Interest Payments and Receipts		228,684	144,930	(83,753)	
PSX85	Estate Management	(250,058)	(281,179)	(31,121)	Favourable insurance £2k, depn £2k, income £30k, HRA £2k; Adverse salaries £2k, rent £2k, NNDR £1k,
Property and Estates		(250,058)	(281,179)	(31,121)	

ACA00	Council Tax Collection	153,920	102,473	(51,447)	Favourable £52k comp main, court fees £3k; Adverse salaries £4k
ACA40	Non Domestic Rates Collection	(93,000)	(84,500)	8,500	Adverse comp main £5k, subs £3k, court fees £1k
KGF00	Revenues & Benefits Support & Management	44,901	109,378	64,478	Favourable insurance £7k, reserves £60k; Adverse salaries £4k, admin grant £23k, comp main £104k
KGL00	Rent Allowances Paid	107,535	84,266	(23,269)	UC benefit cost red
KGN00	Net cost of Rent Rebates Paid	61,049	48,809	(12,241)	UC benefit cost red
KGP00	Housing Benefits Administration	297,921	304,660	6,739	Adverse audit £7k
KGR00	Corporate Fraud	25,336	44,500	19,164	Favourable reserve £4k; Adverse prof fees £23k
Revenues and Benefits		597,661	609,586	11,925	
		5,370,546	5,353,306	(17,241)	

PROPOSED FEES AND CHARGES 2020/21

APPENDIX 2

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

MISCELLANEOUS FEES AND CHARGES	Fee 2019/20 exc VAT £:P	Proposed Fee 20/21 £:P	Note
Court Costs			
Court Costs Recovered	67.50	67.50	Magistrates Court element reduced
National Bus Pass Scheme			
Replacement Card Scheme	5.00	5.00	
Benefit Fraud			
Fraud Investigation Court Costs recovered	At Cost	At Cost	
Sale of Radar Keys			
Sale of Radar Keys - disabled	2.55	2.55	
Penalty Charge			
Penalty charge for C Tax payers who fail to notify us of a change in circumstances relating to a discount or exemption. Second or subsequent failure to notify	250.00	250.00	
Penalty charge for Council Tax accounts who fail to notify us of a change in circumstances relating to a discount or exemption.	70.00	70.00	

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE SPECIAL - BUDGET	AGENDA ITEM: 6
DATE OF MEETING:	9 th JANUARY 2020	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	VICKI SUMMERFIELD (01283 595939) victoria.summerfield@southderbyshire.gov.uk	DOC: s/finance/committee/2018-19/Jan 19/budget
SUBJECT:	BUDGET REPORT 2020/21 INCORPORATING THE CONSOLIDATED BUDGET PROPOSALS AND MEDIUM-TERM FINANCIAL PLAN TO 2025	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the estimates of revenue income and expenditure for 2020/21 for the General Fund are considered and a level of income and expenditure is approved.
- 1.2 That consideration is given to the level of an increase in grants to voluntary bodies and payments to Parish Councils under concurrent functions.
- 1.3 That the Council Tax Base for 2020/21 of 34,474 (equivalent Band D) properties as detailed in **Appendix 3** is approved.
- 1.4 That an estimated Council Tax Surplus of £800,000 is declared on the Collection Fund for 2019/20 and the Council's proportion of £83,200 is transferred to the General Fund in 2020/21.
- 1.5 That consideration is given to the rate of Council Tax for 2020/21.
- 1.6 That the updated 5-year financial projection on the General Fund to March 2025 as detailed in **Appendix 1**, including associated assumptions and risks as detailed in the report, is approved.
- 1.7 That efficiencies and budget savings continue to be pursued where opportunities arise to sustain the current financial position.
- 1.8 That the decisions made in recommendations 1.1 to 1.7 are used as the basis for consultation with local residents, businesses, voluntary and community groups, etc. and are subject to review by the Overview and Scrutiny Committee.

2.0 Purpose of the Report

2.1 To detail the Council's overall financial position following a detailed review of current income and expenditure on the General Fund. This builds on the financial plan and strategy approved in October 2019. The report covers the following:

- The Council's current spending and proposed base budget position for 2020/21 including proposed spending by Policy Committees.
- The proposed Council Tax Base for 2020/21 and projected Collection Fund position, 2019/20.
- Planned Council Tax levels in 2020/21 and future years.
- The overall impact on the General Fund's 5-year financial projection.

2.2 The report is divided into several sections as follows:

- Section 3 – General Fund Financial Projection to March 2025
- Section 4 – Proposed Base Budget and Consolidated Spending 2020/21
- Section 5 – Council Tax, Tax Base and Collection Fund Position
- Section 6 – Overall Risk Analysis

Appendices:

- Appendix 1 – General Fund Summary Budget and 5-year projection
- Appendix 2 – Proposed Base Budgets of Policy Committees
- Appendix 3 – Calculation of Council Tax Base 2020/21
- Appendix 4 – Estimated Collection Fund Position 2019/20

3.0 General Fund Financial Projection to March 2025

The Position entering the 2020/21 Budget Round

3.1 The updated medium-term financial projection was considered and approved by the Committee on 10th October 2019. This set out the projected level of net revenue expenditure on the General Fund, together with the level of the General Fund Reserve to March 2025.

3.2 The overall projected position at that time is summarised in the following table.

Medium-Term Projection October 2019

	Budget Deficit £	Capital Contributions £	General Reserve £
Approved Budget 2019/20	262,652	1,667,139	-8,496,623
Projection 2020/21	397,023	610,000	-7,489,600
Projection 2021/22	334,745	610,000	-6,544,855
Projection 2022/23	553,105	610,000	-5,381,750
Projection 2023/24	1,205,570	610,000	-3,566,180
Projection 2024/25	1,378,332	610,000	-1,577,848

- 3.3 At that stage, it was reported that the overall position on the General Fund had not changed fundamentally over the last year. The current level of the General Fund Reserve remained healthy and was projected to remain so over the next 3 to 4 years based on current forecasts.
- 3.4 Although the current level of reserves could be used to meet the projected deficits, this is not considered a sustainable solution in the longer-term. The MTFP continued to assume that base budget expenditure would increase year-on-year, but overall core funding would reduce in accordance with the Government's Spending Review (2015).

The Updated General Fund Position

- 3.6 As part of the annual budget round, the Council's base budget has been reviewed in detail. This has identified some additional cost pressures, although there have also been some budget savings arising out of the review.
- 3.7 Due to confirmation of the Financial Settlement for 2020/21 not yet being released to Local Authorities, the core funding contained in the MTFP is the same as reported in October 2019. The MTFP has been updated for all proposals contained in the Base Budget for 2019/20 and is summarised in the following table.

Medium-Term Projection January 2020

	Budget Deficit £	Capital Contributions £	General Reserve £
Approved Budget 2019/20	273,185	1,667,139	-8,486,090
Proposed Budget 2020/21	75,812	570,000	-7,840,278
Projection 2021/22	232,196	568,000	-7,040,082
Projection 2022/23	616,234	567,000	-5,856,848
Projection 2023/24	1,236,687	566,000	-4,054,161
Projection 2024/25	1,373,801	565,000	-2,115,360

3.8 Initial forecasts suggest that the overall financial profile of the General Fund has improved from that previously reported. Base Budget expenditure has increased at a lower level than projected (as detailed in Section 5), and the proposed increased surplus for Council Tax has been updated. As noted previously, the Settlement has not yet been released and therefore core funding has not been updated at this stage.

3.9 A large contributor to the reduction in expenditure is due to items being funded from the Growth provision during the budget round. Overall, without this provision, net expenditure would have increased. A review of the impact of growth on statutory services has been undertaken and will be reported in the February.

3.10 A summary of the overall proposed changes is shown in the following table.

	£'000
Projected 5-year General Fund Balance (Oct 19)	-1,578
Net Increase in Projected Spending (Section 4)	391
Reduction in the Growth Provision (Section 4)	-900
Increased Council Tax Surplus (Section 5)	-28
Projected Reserve Balance as at 2024/25	-2,115

3.11 Although the overall reduction in projected expenditure has improved the General Fund reserve position, the underlying issue of potential significant deficits in future years still remains.

3.12 The General Fund is forecast to incur a deficit for 2020/21 of £76k based on current projections, although this is 80% lower than that forecast in October 2019. Deficits are projected to continue for the full term of the MTFP.

3.13 The current General Fund Balance is healthy and is forecast to remain above the minimum level of £1.5m in 2024/25. Therefore, the annual deficits could be financed by drawing down the current level of the General Reserve.

3.14 The financial projection shows the implications of taking that action, but it is considered that this is a high-risk strategy. The annual budget deficits are still projected to be significant even after reducing the contribution to the Growth provision.

3.15 If no action is taken to reduce future deficits, it could quickly de-stabilise the financial position given that any action to achieve budget savings may take time to fully implement. Effectively, the current base budget remains unsustainable in the medium-term based on current projections.

3.16 However, it is likely that income from the New Homes Bonus, Business Rates and the increasing Council Tax Base will exceed projections, although this cannot be guaranteed, and prudent estimates continue to be made for future years.

3.17 It is considered that a balanced approach needs to be undertaken by utilising reserves, identifying some budget savings and at the same time providing for additional costs associated with growth.

3.18 Therefore, it is recommended that the Council continues to pursue efficiencies and budget savings where opportunities arise to sustain the financial position.

4.0 Proposed Base Budget and Consolidated Spending 2020/21

4.1 All Policy Committees (including an earlier report on this Agenda) have considered their detailed budget proposals for 2020/21. All services were asked to carefully consider their base income and expenditure.

Basis of the Budget

4.2 Budgets have generally been calculated on a “no increase basis,” i.e. they are maintained at the same level of service as the previous year adjusted only for known changes, price increases and variations due to contractual obligations, etc.

4.3 In addition, budgets are also subject to a base line review which is used to justify proposed spending. This process places greater responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner. This is supported by the Financial Services Unit who analyse recent trends in expenditure across services compared to current budgets.

On-going Service Provision

4.4 The budgets are based substantively on a continuation of existing service provision, in respect of staffing levels, frequency and quality of service, etc.

4.5 The full year effects of previous year’s restructures and budget savings have been included, with any non-recurring items being removed.

Changes in Pay

4.6 A pay award is not included within Service Base Budgets at this stage as discussions are still on-going between the Local Government Unions and the National Employers. A decision is not expected until later in the year.

4.7 The MTFP includes a provision for a potential pay award increase of 2.5% for all employees and the individual service budgets will be updated once an agreement is reached.

Inflation

4.8 The base budget for 2020/21 has been uplifted by inflation/indexation where this applies, for example contract obligations.

- 4.9 Some base costs will be subject to inflation during future years and in some cases, it will be unavoidable, for example employee costs, when national pay increases are approved.
- 4.10 Allowances for inflation based on various assumptions regarding price increases, etc. are calculated across the main spending heads at an average of 2%.

Base Budgets 2020/21

- 4.11 An analysis of each Committee's proposed budget has been detailed in separate reports to the respective Policy Committee ahead of this Committee. The main spending areas are summarised in **Appendix 2**, with a summary of each Committee's proposed spending shown in the following table.

	2020/21 £	2019/20 £	Movement £
Environmental and Development Services	5,366,303	5,106,688	259,615
Housing and Community Services	2,439,216	2,336,844	102,372
Finance and Management	5,353,306	5,370,546	-17,240
	13,158,824	12,814,078	344,746

- 4.12 The above table shows that overall base budget Committee expenditure is estimated to increase between 2019/20 and 2020/21 by £344,746. An analysis of the variances across each Committee is detailed in the following table.

	EDS £'000	HCS £'000	FM £'000	Total £'000
Salary Changes	75	6	101	182
Professional Fees	42	0	101	143
Waste Disposal/Collection Costs	55	2	0	57
Computer Maintenance	-23	0	59	36
Utility and Telephone Costs	0	5	29	34
HRA Recharges	0	0	24	24
Business Rates	0	10	13	23
Staff Training	13	2	0	15
Increased Fuel Cost	10	0	0	10
Bank Charges	0	0	10	10
Agency Cost for Refuse Collection	9	0	0	9
Employment Costs	0	0	6	6
Wildflower Planting	4	0	0	4
Transfers between Committees	11	-1	-10	0
Insurance Charges	6	6	-21	-9
Materials	5	-15	0	-10
Vehicle Hire Reduction	-12	0	0	-12
Housing Benefits	0	0	-12	-12
Audit Fees	0	0	-16	-16
Spare Parts Reduction	-25	0	0	-25
Reserve Funding	46	-84	-38	
Elections	0	0	-111	-111

Income / Contributions	-7	-12	-100	-119
	163	49	-11	201
Depreciation	97	53	-6	144
	260	102	-17	345

4.13 Many of the changes listed in the table were known and already included within the MTFP.

4.14 The change in Depreciation is an accounting adjustment and not a cost to the Council; this amount is reversed out of the Budget on consolidation and is shown separately in Appendix 1.

Base Budget Increases

4.15 Salary changes include incremental rises and restructures during 2019/20. All restructures have been reported to Finance and Management Committee and incremental rises are known costs and therefore both items were included within the MTFP.

4.16 Professional fees include costs for the Local Plan (£25k), changes to the Payroll service (£65k), Corporate Fraud (£23k) and inflationary increases (£3k) which were all included in the MTFP in October. Additional costs for support with Data Protection (£13k), additional requirements for support with Planning Appeals (£6k) and the deficit incurred for Off-Street Parking (£8k) were not included within the MTFP.

4.17 Waste disposal costs are mainly in relation to charges for Recycling due to growth and therefore £44k is to be drawn down from the Growth provision in 2020/21. Further sums to be drawn down from the Growth provision are £40k for the Community Safety Enforcement Officer (approved February 19), £50k protection for Parish Concurrent Functions (approved November 19) and £45k for the increased contribution to Parks and Open Spaces (see 4.29)

4.18 Computer maintenance costs are due to an upgrade to the Revenues and Benefits system of £50k which is to be drawn down from an earmarked reserve. The additional £9k cost is an inflationary increase across numerous systems and was included in the MTFP. The saving on Environmental Services is due to the new Planning and Land Charges system implemented in July 2019. The reduced cost of this contract has now been included in the MTFP going forward.

4.19 Utility and telephone charges have been reviewed in year and it has been determined that the current MTFP projection does not include enough provision in these areas. The Base budget for 2020/21 is to be increased in line with actual charges and a further review regarding telephones is currently underway.

4.20 An increase to the training budgets for employees to ensure continual professional development has been proposed. This was not included within the MTFP.

- 4.21 Due to inflation plus growth of the District, the cost of fuel (both diesel and petrol) is expected to increase during 2020/21. Inflationary costs are included within the MTFP and therefore this increase was expected.
- 4.22 A full transaction cost review of bank charges has been completed and an additional budget of £10k is proposed.
- 4.23 Increases in staffing and cover for absences in Direct Services has resulted in a proposed increase in Agency costs of £9k. An inflationary increase was included within the MTFP but not to this extent.
- 4.24 Employment costs are in relation to occupational health referrals, recruitment support costs for psychometric testing and long service awards.
- 4.25 Wildflower planting and the associated cost was reported in August 2019 and was included in the MTFP.
- 4.26 Business Rates costs have been based on current year actuals with a 2% inflationary increase.
- 4.27 The HRA recharges have reduced in the Base Budget by £24k due to a lower budgeted cost for Financial Services and External Audit. A review into the recharge mechanism is currently underway and will be reported in February.

Savings

- 4.28 The purchase of a new fleet of vehicles has resulted in a reduced cost for spare parts and vehicle hire in 2020/21 totalling £37k.
- 4.29 Increases on earmarked reserve funding are mainly to fund additional expenditure noted within the report. The reduction in earmarked funding for Housing and Community Services is due to the proposal to increase the General Fund contribution for Parks and Open Spaces going forward. This proposal is put forward as funding from the earmarked reserve is unsustainable and will put additional pressure onto the General Fund over the next few years.
- 4.30 The saving on Elections is mainly due to the removal of the District Election budget. The MTFP includes a sum of £125k every four years and this sum is included for the next election in 2023/24.
- 4.31 There are proposals to increase fee income on services to a small extent and an additional contribution from Forestry England has been agreed as a one-off sum in 2020/21 towards the costs of Rosliston Forestry Centre. The main additional income included within the budget is for investments that the Council has on deposit. This was included in the MTFP in October.
- 4.32 External Audit fees have reduced by £20k between years and Internal Audit fees are to increase by inflation. The inflationary increase was included in the MTFP.

4.33 Housing Benefit administration is reducing due to Universal Credit and therefore an overall saving of £12k is expected in 2020/21.

4.34 The insurance charge for 2020/21 is due to increase in total for the Council by £17k. The General Fund is due to make a saving of £9k as the largest cost is in relation to tenant's contents insurance due to the costs being under budgeted in 2019/20. This area is the responsibility of the HRA.

4.35 Material costs are due to decrease overall which is mainly due to the reduced budget for Stenson Fields Community Centre. The 2019/20 budget included set up costs which are no longer required.

Individual Committee Risks

4.36 In addition to the cost pressures highlighted above, as part of the base budget review, each Committee identified several risk areas. The main issues are detailed in the following table.

Risk	Issue / Potential Effect	Mitigating Action
Reduction in Income	Budgeted income from Planning, Licensing etc. totals £1.6m is not sustainable	Base budgets reflect actual income but remain prudent. This report contains detail on changes in anticipated income and is based on known marketplace conditions
Recycling	The Council has been made aware that the cost of kerbside recycling may be subject to increase	This is still under review. A provision of £100k has been set-aside in the MTFP to offset any additional costs
Growth	The Council's MTFP identifies underlying cost pressures yet to surface as a risk due to pressure from residential development.	A provision for growth has been set-aside in the MTFP each year over the life of the Plan.
External funding	As detailed in the report, several services are reliant on external contributions and reserve funding	Earmarked reserves to maintain spending over several years. These reserves are currently estimated to remain at £942k by 2021 but the reserve position is continually kept under review with service managers

Grants to Voluntary Bodies and Payments under Concurrent Functions

4.37 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution in grants to recognise inflationary pressures. Increases in recent years have been as follows:

- 2018/19 – 2.0%
- 2017/18 – 1.0%
- 2016/17 – 2.0%
- 2015/16 – 2.3%

- 4.38 Latest inflation rates show CPI running at 1.6% as at November 2019. At this stage no forecasts regarding CPI have been issued by the Government and it is unlikely that any forecast will be issued until the Spring. The Council includes a 2% increase in the MTFP
- 4.39 Every 1% increase in the base level across all grants and payments equates to approximately £6,000 per year.
- 4.40 Housing and Community Services Committee considered an increase for grants to voluntary bodies and this Committee considered an increase for Concurrent Functions in the detailed budget report earlier on the Agenda.

5.0 Council Tax, Tax Base and Collection Fund

The Council Tax Base

- 5.1 This relates to the number of chargeable properties for Council Tax after taking account of exemptions and discounts, including the Local Council Tax Support Scheme.
- 5.2 The calculation of the estimated Tax Base for 2020/21 is detailed in **Appendix 3** and is based on the number of properties on the Council Tax register as at 31st October 2019.
- 5.3 This produces a “Band D equivalent” which will be used to calculate the amount to be collected from Council Tax in 2020/21, of 34,474. This is an increase of 1,172 (3.5%) compared to 2019/20.
- 5.4 At this stage and whilst waiting for the Financial Settlement, the Tax Base currently used in the MTFP reported in October is an increase of 828 Band D properties.

The Future Tax Base

- 5.5 The MTFP assumes that the overall Tax Base will increase by 828 properties in 2021/22 and will then reduce to an increase of 674 properties per year. Over the last 3 years, average 4-year growth on a rolling basis in Band D properties has been 426, 540 and 674 respectively; the forecast for future growth in the tax base is positive.
- 5.6 Based on sites under construction, together with sites which have obtained outline and full planning permission, the estimates noted within the Housing Position Paper forecast the following completions in each year:
- 2019/20 – 1,250 properties
 - 2020/21 – 1,476 properties
 - 2021/22 – 1,298 properties
 - 2022/23 – 869 properties [Page 25 of 42](#)
 - 2023/24 – 724 properties

- 5.7 Even allowing for some slippage, it is considered likely that the Tax Base will increase to a greater extent than the average in recent years. Locally, the housing market remains buoyant, although clearly a change in economic circumstances could have an impact on the above figures. In addition, it is difficult to estimate the Band D equivalents from the overall number of properties.

Collection Fund Surplus / Deficit

- 5.8 In setting the level of Council Tax for 2020/21, the Council is also required to calculate the estimated balance on its Collection Fund for the current financial year, 2019/20.
- 5.9 The Collection Fund is a separate ring-fenced account. It records all income collected from Council Tax and Business Rates and the money paid out to other authorities who precept on the Fund.
- 5.10 The account in principle should balance each year. However, not all Council Tax is collected as circumstances, such as the number of houses subject to tax and households receiving exemptions and discounts, changes during the year. In addition, final collection rates from previous years may be higher than estimated.
- 5.11 These factors inevitably provide a balance at the end of each year. The Council has traditionally carried a surplus on its Collection Fund. Any surplus or deficit relating to Council Tax is transferred to the General Fund of the major preceptors, the biggest preceptor being Derbyshire County Council.

Estimated Position 2019/20

- 5.12 The estimated position on the Collection Fund for 2019/20 is summarised in **Appendix 4**. The Fund is split between Council Tax and Business Rates.
- 5.13 The overall balance on the Council Tax element is distributed to the major precepting authorities on the Fund, i.e. the District Council, Derbyshire County Council, together with the Police and Fire Authorities, in proportion to their precepts on the Fund. The surplus or deficit on the Business Rates element is adjusted and allocated in year.
- 5.14 It should be noted that Parish Councils do not gain a share of any balance on the Fund as they are categorised as local (and not major) preceptors under the Local Government Finance Act 1992.

Council Tax

- 5.15 The balance on the Council Tax element is estimated at £1,647k based on transactions up to November 2019. This is in line with that reported to the Committee in November following the half-yearly review. The main reason for the estimated surplus is the increase in the Tax Base above that budgeted, as detailed earlier in this section (above).

- 5.16 At this stage, it is considered prudent to declare a surplus of £800,000 for 2019/20, to leave a balance and ensure that the Fund does not fall into deficit.
- 5.17 If the surplus again continues to increase in 2020/21 above that budgeted, then it will be declared in next year's budget – any surplus remains in the Fund until it is declared by the Council.
- 5.18 Consequently, it is recommended that the surplus (in proportion to individual Precepts) is declared and shared as shown in the following table.

Share of Council Tax Surplus 2019/20	%	£
Derbyshire County Council	73.4%	587,200
Police and Crime Commissioner	12.0%	96,000
Fire and Rescue	4.2%	33,600
South Derbyshire District Council	10.4%	83,200
	100.0%	800,000

- 5.19 The amount attributable to the Council of £83,200 has been included in the updated MTFP for 2020/21. An estimated surplus of £55,000 per year remains in the MTFP in future years.

Business Rates

- 5.20 As previously reported to the Committee, Business Rates incurred a deficit in 2018/19 due to significant provisions for bad debts and appeals. A deficit balance was reported on the Fund in 2018/19 of £377k.
- 5.21 During the budget round of 2019/20, the Council reported an estimated deficit on Business Rates for 2018/19 in its statutory return (known as NNDR 1) to the Government in January 2019.
- 5.22 Therefore, a deficit of £472,785 is being deducted from Preceptors (including the Council) from their share of expected Business Rates in 2019/20.
- 5.23 As shown in **Appendix 4**, the actual in-year (2019/20) position is currently better than the target, with a small surplus of £76k projected which will leave an overall surplus balance of £171k on the Fund.

The Rate of Council Tax

- 5.24 An increase of 1.95% per year is included in the MTFP, subject to annual review. This is below the Government's limit of 3% or £5 at a Band D, above which a local referendum would be required to set a higher increase.
- 5.25 The Band D Tax for 2019/20 is £162.31. The 1.95% increase in the MTFP will raise Band D to £165.48, an increase of £3.17 in 2020/21.

- 5.26 An increase of 3% would raise Band D in 2020/21 to £167.17. A £5 increase would raise Band D in 2020/21 to £167.31 – 3.1%.
- 5.27 The updated MTFP continues to assume an increase of 1.95%. If an increase of £5 was applied in 2020/21, this would generate additional revenue of approximately £63k per year – cumulatively £320k over 5-years.

6.0 Overall Risk Analysis

- 6.1 The summary in **Section 3** highlights that the Council's current financial position is likely to come under a considerable challenge over the forthcoming spending period.
- 6.2 Each Policy Committee has identified specific financial risks, and these have been detailed in **Section 4** with mitigating actions being put in place.
- 6.3 There are many variables that are included in the projection that carry a risk in that should they impact, they could also affect the overall financial position. Specifically, the MTFP sets-aside in year contingencies and provisions to guard against pay/pension increases, growth and unforeseen expenditure, etc.
- 6.4 More generally, the main risks in the financial register (as previously reported) are:

Higher Risks

- Further changes to the national funding system
- A reduction in Business Rates income due to appeals
- Additional pressure on service costs due to growth

Lower Risks

- A budget overspend
- A downturn in the national economy
- Impact of Welfare Reform

- 6.5 The risk register details the arrangements in place to mitigate the impact of these risks. Currently, any issues arising from the lower risks (above) are not significantly impacting upon the Council's financial position. The impact of the higher risks is or has the potential to be more significant.
- 6.6 The MTFP has already factored in overall reductions in core funding from the national system; a large provision was made in the Council's Accounts in 2015/16 due to Business Rate appeals and continuing population growth could eventually put further pressure on the cost of services.

Financial Strengths

6.7 The financial position is currently healthy. However, it still faces a challenge to maintain a resilient and sustainable financial base. Currently, the Council's financial position is underpinned by several strengths that will help to mitigate its financial risks; these are as follows:

- A positive cashflow
- No debt outstanding (on the General Fund)
- Not reliant on interest rates rising to generate additional income
- Current General Reserves healthy
- Contingent sums in the Base Budget to guard against inflation and growth
- Budget for a full employee establishment – no vacancy rate is assumed
- Earmarked reserves for capital replacements for IT, vehicles and plant
- Separate provision made for bad debts, appeals and pensions
- Earmarked reserves to sustain project and capital works
- Steady growth in the Tax Base.
- Capital expenditure not heavily reliant on revenue funding or borrowing

6.8 The Council also has a history of spending within its overall Net Budget and has generated additional income through growth. However, this cannot be guaranteed in future years and is never assumed for future budgeting purposes in the MTFP.

Financial Risks and the Minimum Level of General Reserves

6.9 Although the Council has several areas of financial strengths to mitigate risks, the Council still needs to be prudent in ensuring that it maintains an adequate level of unallocated General Reserves on its General Fund to act as a contingency.

6.10 The Local Government Act 2003, places the emphasis on each local authority to determine its minimum level of reserves, based on advice from the Authority's Section 151 (Chief Finance) Officer. This will depend on local circumstances and the minimum level should be reviewed on a regular basis.

6.11 Based on this, the Council's minimum level, as set out in the Financial Strategy, is **£1.5m** on the General Fund at the end of every 5-year planning period. This level has existed since 2017/18 after being uplifted from £1m during the Budget round in 2017/18. It is calculated based on an assessment of the major financial risks and reflects the relatively healthy level that currently exists.

6.12 Based on the estimated net revenue expenditure on the General Fund for 2020/21 of approximately £13m, £1.5m is 11%. By 2024/25, £1.5m will be around **10%**. As a general guide, a balance of between 5% and 10% should be maintained.

7.0 Financial Implications

7.1 As detailed in the report.

8.0 Corporate Implications

Employment Implications

8.1 None

Legal Implications

8.2 None

Corporate Plan Implications

8.3 The proposed budgets and spending under the responsibility of the Committee provides the financial resources to enable many of the on-going services and Council priorities.

Risk Impact

8.4 The Financial Risk Register is detailed within the Medium-Term Financial Plan, but individual Committee risks are listed in Section 4.

9.0 Community Impact

Consultation

9.1 The budget will be disseminated through Local Area Forums and separate consultation will be undertaken with the local business community.

Equity and Diversity Impact

9.2 None

Social Value Impact

9.3 None

Environmental Sustainability

9.4 None.

10.0 Background Papers

10.1 The review of the Medium-Term Financial Plan as reported to the Committee in October 2019.

[MTFP October 2019](#)

10.2 The detailed budget reports of each Policy Committee.

[Environmental and Development Services](#)

[Housing and Community Services](#)

GENERAL FUND MEDIUM TERM FINANCIAL PLAN

BUDGET & PROJECTION as at JANUARY 2020

	Proposed Budget £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24	Projection £ 2024.25
BASE BUDGET						
Environmental & Development	5,106,688	5,366,303	5,540,154	5,690,849	5,845,497	6,001,679
Housing & Community	2,336,844	2,439,216	2,539,138	2,582,631	2,626,403	2,671,049
Finance & Management	5,370,548	5,353,306	5,541,000	5,691,466	5,849,787	6,003,646
Net Service Expenditure	12,814,080	13,158,825	13,620,291	13,964,946	14,321,687	14,676,374
Accounting Adjustments						
Reverse out Depreciation	-842,289	-988,536	-988,536	-988,536	-988,536	-988,536
Minimum Revenue Provision (MRP)	197,409	189,512	181,932	174,654	167,668	160,962
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	131,226	131,226	75,891	20,556	20,556	1,639
	12,300,426	12,491,027	12,889,578	13,171,620	13,521,375	13,850,438
Add: Known Variations						
Proposed Senior Management Restructure - One-Off Costs Provision	0	21,090	21,618	9,216	0	0
Vehicle Maintenance Plan (Tyres and Spare Parts)	0	0	20,000	43,000	40,000	75,000
Restructures Approved in August	10,895	0	0	0	0	0
Local Plan Review	0	0	15,000	15,000	0	0
Incremental Salary Increases	0	0	20,610	29,125	37,853	46,800
Pay Award 2020/21	0	243,244	249,325	255,558	261,947	268,496
Reverse Pension Deficit Increase Included in Base Budget	0	-51,493	0	0	0	0
Pension Revaluation	0	88,688	91,725	94,813	97,954	101,147
Concurrent Functions Protection Approved Nov 19	0	50,059	50,059	50,059	50,059	50,059
Organisational Development and Performance Restructure Approved Nov 19	0	2,590	3,159	4,449	784	2,026
Savings from the Senior Management Restructure	-23,646	0	0	0	0	0
Investment Income	-100,000	0	30,000	51,000	81,000	98,040
Administration of Childcare Vouchers	1,750	1,750	1,750	1,750	1,750	1,750
Temporary Posts and Rosliston	0	-182,422	-285,336	-285,306	-276,382	-265,521
Potential Cost of New Waste Disposal Site	0	0	47,400	49,770	52,259	54,871
Potential Loss of Industrial Unit Income	0	0	0	190,000	190,000	190,000
Pension Earmarked Reserve Drawdown	-8,481	-38,794	-41,122	-43,589	-6,783	0
Pictorial Wildflower Planting Approved August 19	7,386	0	0	0	0	0
Community Safety Enforcement Officer Approved February 19	40,000	0	0	0	0	0
District Election May 2023	0	0	0	0	125,000	0
TOTAL ESTIMATED SPENDING	12,228,230	12,625,739	13,113,766	13,636,465	14,176,816	14,473,107

GENERAL FUND MEDIUM TERM FINANCIAL PLAN

BUDGET & PROJECTION as at JANUARY 2020

	Proposed Budget £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24	Projection £ 2024.25
Provisions						
Provision for Employer's NIC on "off-payroll" payments	10,000	10,000	10,000	10,000	10,000	10,000
Contingent Sum - Growth	460,000	395,941	419,941	419,941	419,941	419,941
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	12,798,230	13,131,680	13,643,707	14,166,406	14,706,757	15,003,048
FINANCING						
Business Rates Retention	-3,707,693	-3,678,425	-3,667,438	-3,687,623	-3,706,624	-3,724,368
Discretionary Business Rate Relief Scheme	-20,000	-3,000	0	0	0	0
New Homes Bonus	-3,281,951	-3,643,502	-3,791,597	-3,679,233	-3,342,528	-3,239,425
Council Tax Income	-5,405,401	-5,647,740	-5,897,476	-6,128,316	-6,365,917	-6,610,454
Core Spending Power	-12,415,045	-12,972,668	-13,356,511	-13,495,173	-13,415,069	-13,574,247
Add Estimated Collection Fund Surplus - Council Tax	-110,000	-83,200	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	-12,525,045	-13,055,868	-13,411,511	-13,550,173	-13,470,069	-13,629,247
REVENUE DEFICIT	273,185	75,812	232,196	616,234	1,236,687	1,373,801
Capital Contributions						
Melbourne Sports Park Drainage	433,799	0	0	0	0	0
IT and Digital Strategy	210,000	210,000	210,000	210,000	210,000	210,000
Purchase of Town Centre Land	44,335	0	0	0	0	0
Community Partnership Scheme (2017 contribution)	239,005	0	0	0	0	0
Community Partnership Scheme (2019 contribution)	275,000	0	0	0	0	0
Swadlincote Woodlands Nature Reserve	15,000	0	0	0	0	0
Rosliston Forestry Centre - Play Project	50,000	0	0	0	0	0
Asset Replacement and Renewal Fund	498,000	360,000	358,000	357,000	356,000	355,000
TOTAL CAPITAL CONTRIBUTION	1,667,139	570,000	568,000	567,000	566,000	565,000
TOTAL GENERAL FUND DEFICIT	1,940,324	645,812	800,196	1,183,234	1,802,687	1,938,801

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at JANUARY 2020

Proposed Budget	Projection	Projection	Projection	Projection	Projection
£	£	£	£	£	£
2019.20	2020.21	2021.22	2022.23	2023.24	2024.25

GENERAL FUND RESERVE BALANCE

Balance b/fwd	-10,426,414	-8,486,090	-7,840,278	-7,040,082	-5,856,848	-4,054,161
Revenue Surplus (-) / Deficit	273,185	75,812	232,196	616,234	1,236,687	1,373,801
Capital Contributions	1,667,139	570,000	568,000	567,000	566,000	565,000
Balance c/fwd	-8,486,090	-7,840,278	-7,040,082	-5,856,848	-4,054,161	-2,115,360

Environmental and Development Services

	2020/21	2019/20	Movement
	£	£	£
Economic Development	327,622	314,716	12,906
Environmental Education	79,897	79,897	-0
Environmental Health	617,322	554,759	62,563
Highways	127,666	125,825	1,841
Licensing and Land Charges	16,878	27,388	-10,510
Planning	569,919	529,590	40,329
Street Scene	1,021,582	974,021	47,561
Waste and Transport	2,605,417	2,500,491	104,925
	5,366,303	5,106,688	259,615

Housing and Community Services

	2020/21	2019/20	Movement
	£	£	£
Community Development and Support	670,850	653,671	17,179
Leisure Centres and Community Facilities	677,637	656,585	21,052
Parks and Open Spaces	505,961	443,031	62,930
Private Sector Housing	432,556	434,107	-1,552
Recreational Activities	152,212	149,450	2,762
	2,439,216	2,336,844	102,372

Finance and Management

	2020/21	2019/20	Movement
	£	£	£
Central and Departmental Accounts	3,696,543	3,486,458	210,085
Corporate and Democratic Costs	601,292	605,807	-4,515
Electoral Registration	219,703	333,112	-113,408
Payments to Parish Councils	362,430	368,883	-6,453
Pensions, Grants Interest Payments and Receipts	144,930	228,684	-83,753
Property and Estates	-281,179	-250,058	-31,121
Revenues and Benefits	609,586	597,661	11,925
	5,353,306	5,370,546	-17,240

TOTAL ALL COMMITTEES

13,158,824	12,814,078	344,746
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COUNCIL TAX BASE

APPENDIX 3

PARISH	2019/20	2020/21	Change
ASH	23	23	-0
ASTON ON TRENT	753	724	-29
BARROW ON TRENT	247	241	-6
BARTON BLOUNT	32	31	-2
BEARWARDCOTE	13	13	-0
BRETBY	403	407	4
BURNASTON	690	690	-0
CALKE	9	8	-1
CASTLE GRESLEY	578	626	48
CATTON	22	22	0
CAULDWELL	46	44	-2
CHURCH BROUGHTON	240	241	1
COTON IN THE ELMS	268	277	9
DALBURY LEES	130	125	-5
DRAKELOW	183	206	23
EGGINGTON	258	257	-1
ELVASTON	986	1,062	76
ETWALL	1,090	1,131	42
FINDERN	956	1,168	212
FOREMARK	33	31	-2
FOSTON & SCROPTON	239	247	8
HARTSHORNE	1,081	1,079	-2
HATTON	883	883	-0
HILTON	2,685	2,735	50
HOON	21	21	-0
INGLEBY	49	49	-0
LINTON	722	748	26
LULLINGTON	62	59	-3
MARSTON ON DOVE	17	17	0
MELBOURNE	1,941	1,996	55
NETHERSEAL	325	328	3
NEWTON SOLNEY	298	336	38
OSLESTON & THURVASTON	124	122	-2
OVERSEAL	853	864	11
RADBOURNE	79	230	151
REPTON	1,157	1,172	15
ROSLISTON	268	290	22
SHARDLOW & GREAT WILNE	413	424	11
SMISBY	125	127	2
STANTON BY BRIDGE	119	120	1
115 STENSON	1,493	1,500	7
SUTTON ON THE HILL	68	67	-1
SWADLINCOTE	9,300	9,464	164
SWARKESTONE	189	297	108
TICKNALL	296	303	7
TRUSLEY	42	43	1
TWYFORD & STENSON	69	69	0
WALTON ON TRENT	311	311	0
WESTON ON TRENT	479	567	88
WILLINGTON	1,000	1,016	16
WOODVILLE	1,642	1,661	19
TOTAL	33,308	34,472	1,164

APPENDIX 4

COLLECTION FUND MONITORING 2019/20 (as at 30th November 2019)

	Actual 2018/19	Estimated 2019/20	Nov Projection 2019/20
	£'000	£'000	£'000
COUNCIL TAX - INCOME & EXPENDITURE			
INCOME			
Council Tax Collectable	57,262	61,270	61,451
EXPENDITURE			
County Council Precept	41,302	44,054	44,054
Police and Crime Commissioner Precept	6,253	7,213	7,213
Fire and Rescue Authority Precept	2,427	2,538	2,538
SDDC Precept	5,169	5,405	5,405
SDDC Parish Precepts	773	798	798
Increase in Bad Debts Provision	440	613	615
Total Expenditure	56,364	60,621	60,623
Surplus for the Year	898	650	828
COUNCIL TAX BALANCE			
Opening Balance 1st April	1421	1,819	1,819
Share of Previous Surplus to County Council	-367	-733	-733
Share of Previous Surplus to Police	-56	-112	-112
Share of Previous Surplus to Fire Authority	-22	-45	-45
Share of Previous Surplus to SDDC	-55	-110	-110
Surplus for Year (as above)	898	650	828
Closing Balance as at 31st March	1,819	1,469	1,647
	Actual 2018/19	Estimated 2019/20	Nov Projection 2019/20
	£'000	£'000	£'000
BUSINESS RATES - INCOME & EXPENDITURE			
INCOME			
Business Rates Collectable	25,226	27,070	27,177
Transitional Protection Payments	771	705	600
Total Income	25,997	27,775	27,777
EXPENDITURE			
Central Government Precept	0	13,398	13,398
SDDC Precept	13,338	10,718	10,718
Derbyshire County Council Precept	13,071	2,411	2,411
Fire and Rescue Service Precept	267	268	268
Cost of Collection	91	91	91
Increase in Bad Debts Provision	250	242	272
Provision for Appeals	-72	646	544
Total Expenditure	26,945	27,774	27,701
Surplus / Deficit (-)	-948	1	76
BUSINESS RATES BALANCE			
Opening Balance 1st April	-192	-377	-377
Transfer of Previous Year's Surplus (-) / Deficit	382	-286	-286
Transfer of Previous Year's Surplus (-) / Deficit	305	293	293
Transfer of Previous Year's Surplus (-) / Deficit	69	460	460
Transfer of Previous Year's Surplus (-) / Deficit	7	5	5
Surplus / Deficit (-) for the Year as above	-948	1	76
Closing Balance as at 31st March	-377	96	171

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE – SPECIAL BUDGET	AGENDA ITEM: 7
DATE OF MEETING:	9th JANUARY 2020	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/council tax and precepts/council tax discounts and premiums/empty homes premiums Jan 20
SUBJECT:	COUNCIL TAX PREMIUM ON LONG-TERM EMPTY PROPERTIES	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendations

- 1.1 That consideration is given to increasing the Council Tax Premium to 200% on properties empty for between 5 and 10 years from 1 April 2020.

2.0 Purpose of Report

- 2.1 To provide details regarding discretion given to local billing authorities that allows the Council Tax Premium on long term empty properties to be increased. This discretion was introduced in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018. [Rating \(Property in Common Occupation\) and Council Tax \(Exempt Dwellings\) Act 2018](#)

3.0 Detail

- 3.1 With the aim of bringing empty properties back into use, in April 2013, the Government introduced discretionary powers for billing authorities to charge additional Council Tax on empty properties. At that time, the Council introduced these discretions locally and adopted the following Policy:
- A free period with no Council Tax payable of three months, after a property becomes empty, thereafter a full charge is made.
 - An empty property premium of 50% on top of the full charge is levied after a property remains empty for two years or more.
- 3.2 A long-term empty property is defined as one which has stood unoccupied for longer than 2 years and is substantially unfurnished. Certain properties are excluded and these include:

- Properties where a person has been moved into residential care or hospital
- Properties where the occupant is away serving in the armed forces
- Properties that have been repossessed
- Properties classified as being derelict
- Properties that have been compulsory purchased awaiting demolition

3.3 Alongside this Premium, the Council also has a Discretionary Policy to reduce the Premium in exceptional cases, through a local discount. This applies where there are unavoidable circumstances that render a property impossible or extremely difficult to either let or sell and applies to:

- Properties within retirement schemes where covenants/restrictions on sales and lets apply.
- Unused accommodation within retail or commercial units that cannot be made available to let or sale for access or security reasons.
- Where the property owner has been actively engaged in attempting to sell the property over a period of time and can demonstrate this.
- Where a property is subject to significant structural repairs or renovation. These properties are exempt from Council Tax for a maximum of 2 years.

Additional Discretion given to Local Authorities

3.4 As part of the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, local authorities were given further discretion to increase the Empty Homes Premium further, as detailed in the following table.

Discretion	Implementation Date
To increase the Premium on properties empty for over 2 years from 50% to 100%, i.e. the Council Tax charge effectively doubles . This Premium applies for properties remaining empty for up to 5 years.	1 April 2019 <i>The Committee approved this discretion on 10 January 2019 and it was implemented on 1 April 2019</i>
Where a property remains empty after 5 years, the Premium can be increased to 200%, i.e. the Council Tax charge would treble . This Premium would apply for properties remaining empty for up to 10 years.	1 April 2020

Where a property remains empty beyond 10 years, the Premium can be increased to 300%, i.e. the Council Tax charge would quadruple.	1 April 2021
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- 3.5 These increases are known as “escalator charges”, i.e. the longer a property remains empty, the greater the charge. To allow property owners time to prepare for these charges, there is a transitional period and the higher Premiums cannot come into force until 2020 and 2021.
- 3.6 As highlighted in the above table, the Committee approved the implementation of the first of these escalator charges in January 2019 and approved in principle, to introduce the additional premiums in 2020 and 2021 subject to an annual review.

4.0 Financial Implications

- 4.1 The Council currently has 74 empty properties that meet the criteria for the additional Premiums as shown in the following table.

Period Empty	Number of Properties (Oct 2018)	Number of Properties (Oct 2019)	Additional Council Tax Generated from Additional Premium
Between 2 and 5 years	61	26	£39,000
Between 5 and 10 years	23	32	£107,000
Over 10 years	20	16	£75,000
Total	104	74	£221,000

- 4.2 The properties empty between 2 and 5 years are currently subject to the 100% premium.
- 4.3 The empty properties over 5 years are currently paying the 50% Premium under the 2013 legislation. If approval is given to increase the Premium for empty properties between 5 and 10 years, they would be subject to the additional 200%.
- 4.4 The above table also shows the additional Council Tax that can be raised based on the current number of empty properties. Approximately 9% of additional Council Tax would be attributable to the Council, with the largest proportion flowing to the other Preceptors.

- 4.5 In addition, a reduction in the number of empty homes generates additional New Homes Bonus at the national average Band D Council Tax rate (*which is currently £1,750 per property*). 80% of this income flows directly to the District Council with 20% attributable to the County Council.
- 4.6 Therefore, if the Premium does have the effect of reducing the number of empty homes, then although the Council Tax would reduce by the amount of the Premium, the New Homes Bonus would increase at a greater rate per property for the Council.

5.0 Corporate Implications

Employment Implications

- 5.1 None.

Legal Implications

- 5.2 None.

Corporate Plan Implications

- 5.3 None directly.

Risk Impact

- 5.4 None.

6.0 Community Impact

Consultation

- 6.1 If the Committee approves the additional discretions, current owners of empty properties would be contacted and communicated with accordingly.

Equality and Diversity Impact

- 6.2 None.

Social Value Impact

- 6.3 The aim of these discretions is to bring forward the use of empty properties to increase the supply of housing across the Country.
- 6.4 In April 2013, long-term empty properties which were subject to the 50% Premium totalled 124. This has steadily fallen year-on-year since, with a more significant fall since April 2019 when the Premium was doubled following the implementation of the recent discretion.
- 6.5 There is evidence to suggest that the introduction of the Premium has incentivised property owners to take action. In addition, the Council employs

an Inspection and Visiting Officer to check the status of empty properties and this has also had some effect.

- 6.6 It should be noted that the number of long-term empty properties in the District is a small proportion (0.2%) compared to the total number of homes on the Council Tax Register of over 45,000.

Environmental Sustainability

- 6.7 None.

7.0 Background Papers

- 7.1 None