
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
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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	