

Date: 16 January 2015

Dear Councillor,

**Finance and Management Committee**

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 15 January 2015 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

Councillor Mrs. Watson (Chairman), Councillor Jones (Vice-Chairman) and Councillors Hewlett, Murray, Smith, Watson and Wheeler.

**Labour Group**

Councillors Bell, Rhind, Richards, Southerd, Taylor and Wilkins.

## **AGENDA**

### **Open to Public and Press**

- |          |   |                |
|----------|---|----------------|
| <b>1</b> | Apologies and to note any substitutes appointed for the Meeting.                              |                |
| <b>2</b> | To note any declarations of interest arising from any items on the Agenda                     |                |
| <b>3</b> | To receive any questions by members of the public pursuant to Council Procedure Rule No.10.   |                |
| <b>4</b> | To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11. |                |
| <b>5</b> | Report of Overview and Scrutiny Committee - CUSTOMER SERVICES AND PAYMENT FACILITIES          | <b>3 - 12</b>  |
| <b>6</b> | SERVICE BASE BUDGETS 2015 - 2016  | <b>13 - 23</b> |
| <b>7</b> | BUDGET REPORT 2015 -2016  | <b>24 - 61</b> |
|          | ADDITIONAL INFORMATION  | <b>62 - 63</b> |

### **Exclusion of the Public and Press:**

The Chairman may therefore move:-

That in accordance with Section 100 (A) of the Local Government Act 1972 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.

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| <b>8</b> | To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11. |  |
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<b>REPORT TO:</b>	<b>FINANCE and MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 5</b>
<b>DATE OF MEETING:</b>	<b>15th JANUARY 2015</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>OVERVIEW and SCRUTINY COMMITTEE</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/live files/customer access/CS review 2014/CS review report Jan 15
<b>SUBJECT:</b>	<b>CUSTOMER SERVICES and PAYMENT FACILITIES</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 10</b>

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## **1.0 Recommendations**

- 1.1 That the Committee considers implementing two payment machines at the Civic Offices to enable all cash income payments to be processed.

## **2.0 Purpose of the Report**

- 2.1 To report back to the Committee following a review of payment facilities in the Civic Offices, together with a review of the Customer Services operation. This is in accordance with the Committee's request following its meeting in October 2014.

## **3.0 Detail**

- 3.1 The Finance and Management Committee considered a report in October 2014, regarding the introduction of cash machines into the Civic Offices to enable people to pay bills and money owing to the Council. That report also considered the need to provide a better experience for people contacting the Council and visiting the offices with queries and looking for information.
- 3.2 Following consideration, the Committee agreed that the matter of payment facilities should be reviewed by the Overview and Scrutiny Committee and that this should also examine Customer Services given the increasing demand for people contacting the Council.
- 3.3 Subsequently, the Overview and Scrutiny Committee considered the review at its meeting on 22<sup>nd</sup> October 2014 and agreed the scope of a project. The approved scoping document is attached in **Appendix 1**.
- 3.4 During November and December, as part of the review, Members of the Overview and Scrutiny Committee spent two separate mornings with

Customer Services staff both in reception and in the Contact Centre, together with speaking to visitors who were waiting in the reception area.

- 3.5 Members also visited Derby City Council who had previously introduced payment machines; this was to see similar machines in operation and to discuss their experience following implementation.
- 3.6 Following these site visits, the Members provided a feedback report to the Overview and Scrutiny Committee on 10<sup>th</sup> December 2014. The main points are summarised below.

### **Payment Machines**

- The machines viewed were very versatile and were similar to an ATM. They were touch screen, recognised payment cards and barcodes and could also take cash and cheques, together with providing change and receipts.
- Two machines were implemented on separate power supplies as a contingency against breakdown.
- However, the machines seemed very durable and had only failed to operate on 3 separate occasions since being implemented in February 2012. They are expected to last between 5 and 10 years.
- The average number of transactions is 3,000 per month (across both machines) – well in excess of South Derbyshire's number of 2,000.
- Very few complaints had been received, although coincidentally, there has been an increased take up in Direct Debit and Internet payments at the Council since their implementation.
- All payments can be accommodated, not just for Council Tax; this can include licensing and planning fees, etc.
- There is no alternative facility to handle payments manually by staff; all payments go through the machines.
- Reconciliations and interface with accounting systems to record transactions was easily achieved.

### **Observations in Reception and the Contact Centre**

- Noted that the layout of the waiting area and general reception was a limiting factor and could be improved.
- Six options on the telephone system to help the efficiency of the service; staff considered this to be an effective number as any more could prove frustrating. An upgrade to the system to include Intelligent Voice Recognition is being reviewed.

- Current volumes, especially telephone calls, seemed to be an increasing problem. However, all staff dealt with queries in a professional manner.

***(An analysis and trend of call volumes, visitors and payment transactions is detailed in Appendix 2).***

- Peaks and troughs were observed. The waiting area was no more than a third full at any one time, although these may not have been the busiest days. On average, queries were dealt with in about 10 minutes.
- When visitors were asked about payment machines, opinion was equally divided. Some seemed content to wait to make a payment, whilst others considered that a machine would speed things up.

- 3.7 During both visits, Members were able to see at first hand the processes that had been put in place to reduce waiting and call times to a minimum. Members were generally satisfied that these processes are as efficient as possible for most parts, but it is at peak times, where the sheer volume of enquiries seems to be causing pressure.
- 3.8 Members also noted the difficulties presented by the physical layout of the reception area and discussed with staff whether remodelling could be feasible given the structure of the Civic Offices.
- 3.9 These matters, together with the implementation of payment machines, were considered at the Overview and Scrutiny meeting on 10<sup>th</sup> December. It was agreed that the introduction of payment machines would be beneficial, although their implementation would need to be carefully planned and people supported to transfer. Some staff training would also be required.
- 3.10 It was noted that the cost of capital works in the Customer Services area could be prohibitive due to the structure of the building. It was also noted that some further developments, such as the introduction of “self-service” for form filling and to amend details, were due to be implemented later in the year.
- 3.11 The Overview and Scrutiny Committee consider that other than recommending the implementation of cash machines, there was nothing further to add given the current situation and on-going developments.
- 3.12 In addition, the Committee noted the current negotiations between the Council and the Service Provider regarding resources and considered that this was outside the Committee’s scope to comment on or review any further.

#### **4.0 Financial and Operational Implications – Comments by the Director of Finance and Corporate Services**

- 4.1 The cost of implementing two payment machines is approximately £16,000, with on-going maintenance of approximately £1,000 per year. The capital cost includes set-up, support for implementation and training. These would be based on the specification and type of machine used by Derby City Council.
- 4.2 Some minor works may be required in the reception area depending on the style of machine and their location. It is anticipated that total capital costs would not exceed £20,000 and this could be funded from the IT Reserve, which is set aside for investment in technology.
- 4.3 A total redesign of the Customer Services area is estimated to cost approximately £60,000 due to the scale of the building works required.
- 4.4 No major budget savings are currently identified from the introduction of payment machines, although transaction charges could be lower in the long-term.
- 4.5 As reported to the Finance and Management Committee in October 2014, the principle of implementing payment machines is to redeploy resources to deal with other queries and to reduce waiting times by transferring cash payments to an alternative method.
- 4.6 During busy periods, waiting times for residents can be lengthy. If the number of people making payments could be reduced or alternative facilities provided, this would free up resources to be redeployed to deal with general enquiries more speedily.
- 4.7 People making payments are encouraged to change to Direct Debit or are informed of alternative pay points such as post offices, local shops, etc. This strategy will continue.
- 4.8 It is anticipated that payment machines would reduce demand on resources by eliminating the need to manually handle cash and card payments. Clearly, people could still find themselves queuing but they would not be tying up resources to deal with general enquiries. Having two machines would also help to mitigate this situation.
- 4.9 However, no cash would then be accepted on any of the customer services desks if the full benefit is to be achieved. As is the case at Derby City Council, it is recommended that it would be payment machines only.
- 4.10 If approved, an implementation date of 1<sup>st</sup> April 2015 is recommended to allow sufficient communications to be made, transition and training, etc. This would also co-incide with the start of a new financial year.
- 4.11 Location and sign posting would need to be planned carefully given the limited space in the customer services area. Communication and support for people to start using the machines would also need to be provided. It is expected that any costs associated with this would be contained within existing resources.

## **5.0 Corporate Implications**

5.1 None

## **6.0 Community Implications**

6.1 The review undertaken was aiming to improve the experience for people contacting and dealing with the Council.

## **7.0 Background Papers**

7.1 Report to Finance and Management Committee (16<sup>th</sup> October 2014); ICT and Customer Services Update:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1724/Committee/367/Default.aspx>

7.2 Report to Overview and Scrutiny Committee, 10<sup>th</sup> December 2014

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1747/Committee/372/Default.aspx>

# Scoping Document

**Name of Review/Project:**

**Customer Services and Payment Facilities at the Civic Offices**

**Terms of reference:**

A report was considered by the Finance and Management Committee on 16<sup>th</sup> October 2014, regarding the introduction of cash machines in the Civic Offices, for people paying bills. The report also considered the more fundamental issue of current payment facilities being withdrawn, together with the need to provide a better experience for people contacting the Council and visiting the offices with queries and looking for information.

The Finance Committee agreed that the issue of payment facilities should be reviewed by the Overview and Scrutiny Committee and that this should be part of a wider review of Customer Services given the increasing demand from people contacting the Council.

**Please provide details of relevant Corporate Plan Themes and Priorities:**

Value for Money Theme, with a key project (VO 4) “an improved customer experience.”

**Key Issues and Aim(s) of the Review**

- To review the provision of payment facilities in the Civic Offices and the potential benefits of introducing cash machines.
- To review the service provided to people contacting the Council and visiting the Civic Offices, to determine whether this can be improved.

**Why should the review take place now?**

There has been a steady increase in the number of transactions that Customer Services have been dealing with over the last 2 to 3 years due to the growth of the area.

In addition, the nature and length of queries has increased, due to changes in welfare reform in particular. At peak times, this becomes exacerbated for people visiting the offices to make payments and to resolve queries. This is usually at the same time as telephone calls in the Contact Centre increase.

The Council has a broad Customer Access Strategy which is designed to make it easier for people to contact and transact with the Council; this is mainly based on extending the use of technology.

This review would be a part of that longer-term strategy.



**Potential outcome/s**

- A change to payment services/facilities within the Civic Offices.
- A change to services provided; for example, opening times, provision of self- service terminals, the layout of the reception area.
- Changes to how visitors are filtered when arriving.
- Changes to the Telephone System.

**What will not be included:**

- Whether to replace the IT systems, i.e. the Customer Relationship Management (CRM) System and the Cash Receipting System. These are the tools used to deliver the service and are considered to be fit for purpose. It is considered that they would be best reviewed (if necessary) following this project depending on whether the service is revised.
- The Northgate Contract itself, although it may be that some of the KPI's are reviewed.

**Potential Risks or Limiting Factors:**

- The overall level of resources deployed (although how they are deployed may come under review or additional resources may be identified).
- Any proposed changes are not affordable.
- The Northgate Contract.

***Note: The IT systems are not considered to be a limiting factor at the outset albeit it may be found that greater use could be made?***

**Members undertaking the Review (if a sub-group is to be used):**

To be advised

**Possible co-options:**

None at this stage

**Which policy committee(s) does it relate to?**

Finance and Management Committee

**Key stakeholders/ consultees:**

- Local residents and visitors
- Staff in Customer Services
- The Client Unit (who monitor volumes and performance)

**Potential contributors and research required:**

None at this stage.

**Potential visits:**

- Observing the service in the reception area and in the Contact Centre
- Another local authority

**Are there any Budgetary Implications?**

Not at this stage; it is considered that the review can be undertaken within existing resources.

**Officer support required:**

Advice from the Director of Finance and Corporate Services

**Period for Review:**

Start date: **October 2014**

Proposed completion date: **April 2015**

**Phase 1:**

- Ascertain current service provision - volumes, issues, etc.
- Spend time in the service area
- Outline options for payments and any other changes

**Phase 2:**

- Review options for cash payments and other changes identified

**Phase 3:**

- Consider any changes with recommendations to Finance Committee

**Report date(s) to committees:**

22<sup>nd</sup> October 2014

- Agree scope of review

- Consider volumes and key performance data

December 2014

- Report back on observations from service visit
- Outline options for any changes, including payment facilities

January 2014

- Progress on actions

February 2014

- Consider detail options for change

April 2015

- Report back and recommendations to Finance Committee

**Publicity (e.g. of recommendations)**

Any changes will affect local residents and people contacting the Council. Therefore, it is expected that sufficient communication through various channels will need to be completed prior to implementation.

**Date Scoping Document Approved:**

**Overview and Scrutiny Committee 22<sup>nd</sup> October 2014**

## APPENDIX 2

### CUSTOMER SERVICES

#### NUMBER OF TRANSACTIONS

Telephone Calls into the Contact Centre	2008/09	2013/14
Number of Telephone Calls into the Contact Centre	60,000	128,000
Percentage Answered within 20 seconds	75%	76%
Percentage abandoned	11%	8%

Number of Visitors	2008/09	2013/14
Central Reception	19,000	14,000
Customer Services Desk	27,000	20,000
Number of Payments	34,000	29,000

	2008/09	2013/14
Total Number of Callers & Face to Face Enquiries	106,000	162,000

#### **Split of Payments – August 2014**

*Number of Transaction (not values)*

- Debit/Credit Card – 477
- Cheques – 682
- Cash – 1,099

Staffing Numbers	2008/09	2013/14
Full Time Equivalent Staff	15	13**
Absence (Sickness) Rate	8 days lost per employee	3 days lost per employee

**\*\* This includes 1 vacant post.**

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REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	15th JANUARY 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE & CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	DOC: u/ks/budget round1516/ base budget policy reports3 FM//FM budget committee 1516
SUBJECT:	SERVICE BASE BUDGETS 2015 / 2016	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

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## 1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2015/16 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 3** for 2015/16 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2015/16 under 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 2015/16, with a comparison to the current year, 2014/15. 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 2015/16 subject to the Council's overall medium-term financial position. This is subject to the next item 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. A summary of the Committee's existing capital investment programme is also included.

### **3.0 Summary and Overview**

- 3.1 The Committee is responsible for some 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 can have a big influence on the Council's overall financial position.
- 3.3 In addition, several of these spending areas provide statutory, governance, legal and advisory support for the Council.
- 3.4 Several of the main spending areas are delivered by Northgate Public Services as part of the wider Strategic Partnership for Corporate Services. They act as direct service provider for a range of services including revenue collection, benefits administration, and customer services, together with ICT, HR and Organisational Development.
- 3.5 In accordance with local government accounting regulations, a substantial amount of the Committee's costs are recharged and allocated across other services and accounts within this Committee and across other Policy Committees.

#### **The Council's Overall Financial Position**

- 3.6 The Council's Medium Term Financial Plan (MTFP) was reviewed and updated in October 2014. This showed that the General Fund has built up a good level of reserves, mainly due to budget underspends. Much of this has been due to one-off factors such as staffing vacancies and additional income.
- 3.7 Whilst in recent years, this has been a familiar pattern, it cannot be guaranteed in future years. Current spending is still projected to be greater than income as costs are expected to increase and overall core funding reduces. Consequently, there is an underlying budget deficit and this is still a key factor for financial planning.
- 3.8 Therefore, it is important that this Committee scrutinises its spending base closely to identify potential budget savings and carefully examines any areas where there are any proposals to increase spending.

#### **Summary of Expenditure**

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

Summary of Net Revenue Expenditure	Approved Budget 2014/15 £	Proposed Budget 2015/16 £	Change £
Central and Departmental Accounts	3,297,130	3,310,216	13,086
Corporate and Democratic Costs	734,864	689,551	-45,313
Electoral Registration	143,336	276,104	132,768
Payments to Parish Councils	318,108	324,340	6,232
Pensions and Interest	204,620	205,820	1,200
Property and Estates	-167,696	-150,152	17,544
Revenues and Benefits	349,550	358,205	8,655
<b>Total - Net Expenditure</b>	<b>4,879,913</b>	<b>5,014,086</b>	<b>134,173</b>

3.10 The above table shows that the Committee's net expenditure is estimated to increase overall between 2014/15 and 2015/16 by £134,173. An analysis of the changes within each service area is detailed in **Appendix 2**. A summary of the changes is shown in the following table.

Change in Base Budget 2014/15 to 15/16	£'000
Overall Decrease in Income	(14)
Budget Savings	(51)
Pay Award	45
Service Cost Increases	139
Share of Savings transferred to the HRA	23
Other Variances (Net)	(8)
<b>Change in Service Expenditure</b>	<b>134</b>

3.11 The main changes are the increase in costs due to the provision made for the District Council Election in May 2015, together with a reduction in Housing Benefit Administration Grant. These amounts have been partly offset by the savings made from the restructure in Legal and Democratic Services. The main variances are detailed in the following sections.

### **Overall Increase in Income (£14,000)**

3.12 The Housing Benefit Administration Grant will reduce by £27,000 in 2015/16. The reduction follows recent years and the grant in 2015/16 (£340,000) has reduced by approximately 25% since 2011/12. Future decreases are planned and these have now been built into the MTFP.

3.13 However, overall Committee income is estimated to increase in 2015/16, mainly due to additional court fee income from Council Tax collection (£30,000).

### **Budget Savings (£51,000)**

- 3.14 This reflects the on-going savings arising from the restructure of Legal and Democratic Services, which was approved in March 2014.

### **Pay Award (£45,000)**

- 3.15 A national pay award for local government staff was agreed in November 2014. This increased most pay scales by 2.2% from 1<sup>st</sup> January 2015, with larger increases for the 6 lowest pay points and smaller increases for Chief Officers.
- 3.16 In addition, a one-off, non-consolidated payment was awarded to most pay points equating to a further 1% of current pay, again rising for the lower pay points.
- 3.17 This award will run until March 2016 when pay will again be reviewed. The cost of the award in 2014/15 and 2015/16 will be financed from an inflation contingency, a separate amount set-aside corporately, in the Council's Budget. The increase relating to this Committee has been included in the Base Budget proposals.

### **Service Cost Increases (£139,000)**

- 3.18 The main increase of approximately £130,000 is the provision required for the administration and associated costs of the District Council Election in May 2015. This is a one-off cost in 2015/16 and separate provision was made in the MTFP.
- 3.19 There are a range of other smaller increases and decreases across several service areas which largely offset each other.

## **4.0 Detail**

- 4.1 **Appendix 1** summarises the Committee's budgets at cost centre level with **Appendix 2** analysing changes between 2014/15 and 2015/16 for each cost centre.

### **Basis of the Budget**

- 4.2 Budgets are usually calculated on an incremental basis, i.e. they are maintained at the same level as the previous year adjusted only for known changes and variations that have been identified through a restructure or efficiency programme.
- 4.3 However, many 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.



- 4.4 As well as identifying possible budget savings, it can also identify potential cost pressures; this approach has been well used across the Committee's services.

### **On-going Service Provision**

- 4.5 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 4.6 However, the full year effects of previous year's restructures and efficiencies are included, with any non-recurring items removed as identified in the report

### **Pension Contributions**

- 4.7 Some changes have occurred to the allocation of pension costs due to the way that the lump sum payment to the Administering Authority has been allocated. The overall cost however, has not changed.

### **Inflation**

- 4.8 The base budget for 2015/16 has been uplifted by inflation in 2014/15 where this applies, for example, the 2014 national pay award. However, proposed budgets for 2015/16 do not at this stage allow for future inflation.
- 4.9 Clearly, 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. will be calculated across the main spending heads and in total, held as a central contingency.
- 4.11 In line with current policy, this contingency will be reviewed and monitored by this Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

### **Concurrent Functions – Contributions to Parish Councils**

- 4.12 Each year, consideration is given to increasing the base contribution in concurrent functions to recognise inflation. For 2014/15, the Council approved an increase of 2% (2.6% in 2013/14). In the two years prior to that, the base contribution was frozen.
- 4.13 Inflation, as measured by the RPI, stood at 2.3% in September 2014 and has since fallen to 2% by November 2014. The forecast for 2015/16, included in the Government's Autumn Statement, shows 2.2%. The Council's MTFP provides for a 2% increase.
- 4.14 Every 1% increase in the base level for all parishes equates to approximately £3,000 per year.

## Risks

- 4.15 The main financial risk identified for the Committee is the payment and recovery of Housing Benefit. The total amount administered and paid in respect of Rent Allowances and Rent Rebates is approximately £18.5m per year.
- 4.16 Of this, 98.5% is recharged to the DWP. Given the amounts involved, this is sensitive to small variations; if reimbursement is not maximised, every ½ % reduction equates to almost £100,000.

## Capital Investment

- 4.17 The Committee currently has the following schemes in the Council's approved capital investment programme.

SCHEME	BUDGET £000	NOTE
Repairs to Village Halls and Community Facilities	25	Amount set-aside pending transfer of management to parish/community groups. Remaining budget held for Walton on Trent Village Hall.
Planned Maintenance	58	Amount remaining from original budget of £1/2m for works completed some years ago. The remaining budget is being held as a contingency to fund emergency works.
Contributions to Renewals Fund	250	Fixed amount per year to replace vehicles and plant in accordance with the replacement schedule.

## Proposed Fees and Charges 2015/16

- 4.18 **Appendix 3** provides a schedule of the proposed level that will operate from 1st April 2015, together with a comparison to the existing charge.
- 4.19 Where applicable, VAT is also added at the standard rate. No changes are proposed from those currently in place.

## **5.0 Financial Implications**

5.1 As detailed in the report.

## **6.0 Corporate Implications**

6.1 There are no other direct legal, personnel or other corporate implications apart from that considered in the report.

## **7.0 Community Implications**

7.1 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 to be delivered to the local community.

## **8.0 Background Papers**

8.1 None

# APPENDIX 1: BUDGET - 2015/16

## Finance & Management

		BUDGET			NOTES and COMMENTS ON VARIANCES
		2015/16	2014/15	VARIANCE	
		£	£	£	
PSX40	Senior Management	453,844	458,855	5,011	Saving salaries (10k) and training (1k) - adverse reduced HRA recharge (6k)
PSX50	Reprographic/Print Room	71,992	77,406	5,414	Additional Recharge to HRA
PSX55	Financial Services	290,881	286,308	-4,573	Adverse salaries (2k) and HRA recharge reduction (2k)
PSX56	Internal Audit	103,115	103,115	-0	
PSX57	Merchant Banking Services	45,935	45,935	-0	
PSX60	ICT Support	651,783	656,314	4,531	Saving - Northgate contract
PSX65	Legal Services	133,863	91,950	-41,913	Adverse salaries (50k) and training (3k) - additional recharge to HRA (12k)
PSX75	Personnel/HR	235,916	239,781	3,865	Saving - Northgate contract
PSX76	Policy & Communications	239,102	241,953	2,850	Saving - Northgate contract
PSX77	Customer Services	535,600	533,644	-1,956	Adv - Northgate Contract
PSX78	Health & Safety	35,218	34,377	-841	
PSX81	Admin Offices & Depot	317,411	333,127	15,717	Saving salaries (4k), utilities (17k) and Service Charge DCC income (5k) - adverse (10K) internal recharges
PSX95	Procurement Unit	103,437	104,920	1,483	Saving - Northgate contract
PSX99	Corporate Services Partnership	0	0	0	
KJE40	Caretaking	92,119	89,444	-2,675	Adverse salaries (20k) and internal recharge (2k) - additional income budget (19k) DCC Service charge
<b>Central and Departmental Accounts</b>		<b>3,310,216</b>	<b>3,297,130</b>	<b>-13,086</b>	
AAD00	Democratic Representation & Management	94,229	187,937	93,708	Savings salaries (82k), Civic car removal (2k), travel (2k), additional charge to HRA (13k) and tools (2k) - Adverse (7k) income moved to CPL00 Area Forum
AAM00	Corporate Management	75,400	75,400	0	
AAM01	Corporate Finance Management	64,459	72,459	8,000	Saving (8k) Audit fees
ACD00	Elected Members	329,757	274,169	-55,588	Savings (6k) Civic Car and (12k) Civic Functions moved to CCA40 - adverse (8k) training (17k) Members Allowances (10k) professional fees (37k) internal recharge (2k) subscriptions
KJW00	Debt Management Costs	125,707	124,900	-807	Adv - Northgate Contract
<b>Corporate and Democratic Costs</b>		<b>689,551</b>	<b>734,864</b>	<b>45,313</b>	
ACE00	Registration of Electors	20,122	20,622	500	
ACE10	Conducting Elections	255,982	122,714	-133,268	Adverse (100k) Election fees, (25k) salaries and (8k) room hire & postage for election
<b>Electoral Registration</b>		<b>276,104</b>	<b>143,336</b>	<b>-132,768</b>	
ACT01	Parish Councils	324,340	318,108	-6,232	Grant uplift %

## APPENDIX 1: BUDGET - 2015/16

### Finance & Management

		BUDGET			NOTES and COMMENTS ON VARIANCES
		2015/16	2014/15	VARIANCE	
		£	£	£	
<b>Payments to Parish Councils</b>		<b>324,340</b>	<b>318,108</b>	<b>-6,232</b>	
ABP00	Funded Pension Schemes	241,505	241,505	0	
W4A00	Interest & Investment Income (GF)	-37,185	-46,935	-9,750	MTFP
W7A00	External Interest Payable (GF)	1,500	10,050	8,550	Interest on small deposits
<b>Pensions, Grants Interest Payments and Receipts</b>		<b>205,820</b>	<b>204,620</b>	<b>-1,200</b>	
PSX85	Estate Management	-150,152	-167,696	-17,544	(15k) Business Rates and (3k) Legionella Testing
<b>Property and Estates</b>		<b>-150,152</b>	<b>-167,696</b>	<b>-17,544</b>	
ACA00	Council Tax Collection	-66,652	-37,400	29,252	Favourable income (29k) court fees
ACA40	Non Domestic Rates Collection	29,361	28,600	-761	
KGL00	Rent Allowances Paid	214,195	191,309	-22,886	Government grant entitlement
KGNO0	Net cost of Rent Rebates Paid	56,015	84,700	28,685	Government grant entitlement
KGPO0	Housing Benefits Administration	125,286	82,341	-42,945	(27k) decrease in Government Grant, (8k) salaries, (6k) professional fees and (2k) Northgate Contract fee
<b>Revenues and Benefits</b>		<b>358,205</b>	<b>349,550</b>	<b>-8,655</b>	
<b>COMMITTEE TOTALS</b>		<b>5,014,086</b>	<b>4,879,913</b>	<b>-134,173</b>	

## APPENDIX 2

## ANALYSIS OF CHANGES BETWEEN 2014/15 APPROVED &amp; 2015/16 PROPOSED BASE BUDGETS

*Figures all in £'000*

Cost Code	Service Area	Income	Budget Savings	Committee Transfer	Inflation	Pay Award	Other Pay	Deprn.	Service Costs	HRA Recharge	Benefit Payments	TOTAL
PSX40	Senior Management		(18)			8			(1)	6		(5)
PSX50	Reprographic/Print Room								1	(6)		(5)
PSX55	Financial Services					6	(5)		1	2		4
PSX56	Internal Audit											-
PSX57	Merchant Banking Services											-
PSX60	ICT Support and Development								(6)	1		(5)
PSX65	Legal Services	1	51			3				(13)		42
PSX75	Personnel/HR								(4)			(4)
PSX76	Policy & Communications								(3)			(3)
PSX77	Customer Services								2			2
PSX78	Health & Safety								1			1
PSX81	Civic Offices & Depot	(5)					(2)	4	(17)	4		(16)
PSX95	Procurement Unit								(2)	1		(1)
KJE40	Office Cleaning and Caretaking					1	-			2		3
HTT00	Concessionary Fares	(7)							7			-
AAD00	Democratic Representation and Management		(84)	8		1			(6)	(13)		(94)
ACD00	Elected Members			(12)		17			13	38		56
AAM00	Corporate Management											-
AAM01	Corporate Finance								(8)			(8)
KJW00	Debt Recovery Costs								1			1
ACE00	Registration of Electors											-
ACE10	Conducting Elections					2			131			133
ACT01	Parish Councils (Concurrent Functions)				6							6
ABP00	Funded Pension Schemes											-
W4A00	Interest Received (General Fund)	10										10
W7A00	Interest Paid (General Fund)	(9)										(9)
PSX85	Asset and Estate Management					4	(5)		18	1		18
ACA00	Council Tax Collection	(30)							1			(29)
ACA40	Non Domestic Rates Collection								1			1
KGL00	Rent Allowances Paid										23	23
KGN00	Net cost of Rent Rebates Paid										(29)	(29)
KGP00	Housing Benefits Administration	26				3	4		9			42
<b>TOTAL</b>		<b>(14)</b>	<b>(51)</b>	<b>(4)</b>	<b>6</b>	<b>45</b>	<b>(8)</b>	<b>4</b>	<b>139</b>	<b>23</b>	<b>(6)</b>	<b>134</b>

			<b>APPENDIX 3</b>
<b>FINANCE AND MANAGEMENT COMMITTEE: PROPOSED FEES AND CHARGES 2015/16</b>			
<b>Service</b>	<b>Current Fee £:p</b>	<b>Proposed Fee £</b>	<b>Fee Notes</b>
Court Costs Recovered	70.00	70.00	Increased by 15% in 2013/14.
National Bus Pass Scheme - Replacement Card Scheme	5.00	5.00	
Benefits - Fraud Investigation Administration Charge	-	-	<b><i>Up to 50% of overpayment</i></b>
Benefits - Fraud Investigation Court Costs recovered	500.00	500.00	
Sale of Radar Keys	2.55	2.55	This reflects cost to the Council.
Credit Card Commission	-	-	<b><i>Variable - equivalent to charge made to the Council</i></b>
Debit Card Commission	-	-	<b><i>No charge currently - to be reviewed</i></b>
Penalty charge for Council Tax Accounts for failure to notify a change in circumstances relating to a discount or exemption.	70.00	70.00	

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE SPECIAL - BUDGET</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>15th JANUARY 2015</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE &amp; CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/budget round 201516/base budget policy reports/4 consolidated/FM Consolidated Report Jan 15
<b>SUBJECT:</b>	<b>BUDGET REPORT 2015/16</b> <b>Incorporating the Consolidated Budget Proposals and Medium Term Financial Plan to 2020</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

## **1.0 Recommendations**

- 1.1 That the estimates of revenue income and expenditure for 2015/16 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 2015/16 of 30,608 (equivalent Band D) properties as detailed in **Appendix 5** is approved.
- 1.4 That a Surplus of £500,000 be declared on the Collection Fund for 2014/15 and the Council's proportion of £57,000 is transferred to the General Fund in 2015/16.
- 1.5 That consideration is given to the principle of a Council Tax freeze for 2015/16 in accordance with the offer of specific grant from the Government.
- 1.6 That the updated 5-year financial projection on the General Fund to 2020 as detailed in **Appendix 1**, including associated assumptions and risks as set out in the report, be approved.
- 1.7 That the decisions made in recommendations 1.1 to 1.6 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. Effectively, it builds on the financial plan and strategy approved in October 2014 and is the detailed budget report for 2015/16. The report covers the following:

- Confirmation of the Council's financial settlement from central government for 2015/16.
- The Council's current spending and proposed base budget position for 2015/16 including proposed spending by policy committees.
- The proposed Council Tax Base for 2015/16 and Collection Fund position, 2014/15.
- Options for Council Tax levels in 2015/16.
- 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 – Summary and Overall Commentary
- Section 4 – The Council's Financial Settlement for 2015/16
- Section 5 – Proposed Base Budget and Consolidated Spending 2015/16
- Section 6 – Revised General Fund Financial Projection to 2020
- Section 7 – Council Tax, Tax Base and Collection Fund Position
- Section 8 – Overall Risk Analysis
  
- Appendix 1 – General Fund Summary Budget and 5-year projection
- Appendix 2 – Environmental and Development Services Base Budget
- Appendix 3 – Housing and Community Services Base Budget
- Appendix 4 – Finance and Management Base Budget
- Appendix 5 – Calculation of Council Tax Base 2015/16
- Appendix 6 – Estimated Collection Fund position 2014/15
- Appendix 7 – List of Earmarked Reserves

### **3.0 Summary and Overall Commentary**

#### **The Position entering the 2015/16 Budget Round**

- 3.1 The updated medium term financial projection was considered and approved by the Committee on 16<sup>th</sup> October 2014. This set out the projected level of net revenue expenditure on the General Fund, together with the level of the General Reserve to 2020.
- 3.2 The overall projected position at that time, is summarised in the following table.

#### ***General Fund: Medium-Term Projection as at September 2014***

Year	Budget Deficit / Surplus (-)	Sums Earmarked against Reserves	Balance of General Reserve
Base Budget 2014/15	-£220,580	£402,000	-£5,728,670
Projection 2015/16	£213,134	£295,000	-£5,220,536
Projection 2016/17	£290,933	£340,000	-£4,589,603
Projection 2017/18	£826,386	£20,000	-£3,743,218
Projection 2018/19	£1,048,099	£20,000	-£2,675,118
Projection 2019/20	£846,056	£20,000	-£1,809,062

- 3.3 The overall medium term position projected an adequate level of general reserves, but with a projected and increasing budget deficit after 2015/16. This was mainly due to an estimated reduction in Revenue Support Grant in future years with a moderate increase in the cost base due to growth pressures.

#### **The Updated General Fund Position**

- 3.4 As part of the annual budget round, the Council's base budget has been reviewed in detail. This has confirmed some additional cost pressures, although there have also been further budget savings and additional income identified.
- 3.5 Following the Government's Autumn Statement and subsequent financial settlement for local councils in December 2013, together with proposals contained in the Base Budget for 2015/16, the updated medium term position has continued to improve compared to September 2014.
- 3.6 Although there is still an on-going budget deficit position in future years, the level of the General Reserve is well above the minimum level directed by the Financial Strategy. The updated projection is shown in the following table.

**General Fund: Medium-Term Projection as at December 2014**  
**(updated following base budget review and financial settlement)**

Year	Budget Deficit / Surplus (-)	Sums Earmarked against Reserve	Balance of General Reserve
Base Budget 2014/15	-£149,586	£202,000	-£5,857,676
Proposed Budget 2015/16	-£91,189	£220,000	-£5,728,865
Projection 2016/17	-£84,724	£420,000	-£5,393,589
Projection 2017/18	£526,904	£90,000	-£4,776,685
Projection 2018/19	£814,773	£20,000	-£3,941,912
Projection 2019/20	£1,101,315	£20,000	-£2,820,597

- 3.7 Effectively, the General Fund has a budget surplus for 2015/16 and 2016/17 based on current projections. A deficit is then forecast from 2017/18 as expected reductions in core government funding take effect.
- 3.8 In the meantime, the balance on the General Reserve remains healthy and after allowing for the deficit in the 3 years after 2016/17, the projected level is £2.8m, well above the minimum contingency level of £1m.
- 3.9 The table below shows how the overall position has changed since September.

	£'000
Projected 5-year Balance (September 2014)	1,809
Add: Overall Reduction in Base Budget Spending	1,120
Add: Increase in Council Tax base	467
Add: Increase in New Homes Bonus	315
Add: Increase in Collection Fund Surplus	37
Less: Estimated Reduction in Benefits Admin. Subsidy	-409
Less: Effect of Council Tax Freeze in 2015/16	-444
Less: Effect of 2014 Pay Award	-74
<b>Revised Projected Balance as at 2020</b>	<b><u>2,821</u></b>

- 3.10 The amounts in the above table represent the cumulative effect over the 5 year financial planning period. The decrease in Council Tax income is based on a Council Tax freeze for 2015/16 (**subject to Council approval**).
- 3.11 Planned reductions in spending from 2014/15 have been confirmed, together with other reductions in spending as part of the annual base budget review.
- 3.12 However, the largest changes are due to additional income from growth and in particular the Council Tax base, which consequently has a beneficial impact on the New Homes Bonus allocation. The surplus on the Collection Fund during 2013/14 and to-date in 2014/15 has been confirmed and built into the on-going Base Budget.

## **Risks**

- 3.13 The greatest risks to the financial plan are still considered to be the degree of future reductions in core government funding, together with underlying cost pressures still yet to surface. The Government's Autumn Statement did not change the level of core funding for 2015/16, which was provisionally set last year.
- 3.14 However, it broadly confirmed that there would be some further reductions from 2016/17 and it is expected that local authorities will face some large reductions for a further 2 to 3 years. This will depend on the next spending review of the public finances expected in the early stages of the next Parliament in 2015/16.

## **Future Core Funding**

- 3.15 The current projections beyond 2015/16 have not been changed at this stage. The MTFP had already built in on-going reductions in Revenue Support Grant (RSG) in future years. Moderate increases in New Homes Bonus (NHB) and Retained Business Rates (RBR) continue to be made in line with growth predictions which help to partly offset falling RSG.
- 3.16 It is not certain at this stage whether a more fundamental review will be undertaken of the funding system. There have been some media reports that the NHB could be reviewed during the next Parliament.

## **Future Expenditure**

- 3.17 Some additional cost pressures have been added to base budgets in 2015/16. These largely cover maintenance of assets and public facilities. Growth is steadily increasing across much of the District and this is realising additional income. It is important that further cost pressures associated with this growth are kept under review.
- 3.18 The overall financial position has been steadily improving over the last 2 years due to budget savings, together with positive out-turn positions compared to base budgets. Reserves should be further supplemented by the estimated underspend in 2014/15 (as reported in December 2014) although this has not been included in the MTFP at this stage as it is still to be confirmed.
- 3.19 The Budget continues to make on-going provision for some growth in expenditure and annual inflation. In addition, separate reserves are maintained to meet specific one-off costs. Even allowing for a margin of error in assumptions, the overall position is well placed.
- 3.20 However, the Council should remain cautious in the short-term, until the future funding position for local authorities is more certain and to remain flexible to meet any additional spending pressures. Future budget deficits are still projected based on increasing expenditure for current service provision, together with a reduction in core funding.

## Net Spending

- 3.21 Following the base budget review, net expenditure on services is now projected to decrease by approximately £200,000 in 2015/16 compared to 2014/15. This is summarised the following table.

	£'000
Additional Income	-210
Budget Savings from approved Restructures	-162
Overall Cost Increases	148
<b>Total Net Reduction in Base Budget 2015/16</b>	<b>-224</b>

- 3.22 Cumulatively, this adds resources into the MTFP of approximately £1.1m over 5-years, and follows the review of base budgets by Policy Committees. The main change relates to additional income in Planning, Environmental Services and Leisure. The increases reflect up to date levels that are anticipated to continue.
- 3.23 This follows more cautious estimates in recent years to reflect the economic situation. However, the increased budgets are still below actual income currently being generated.
- 3.24 The budget savings reflect those generated from approved restructures in 2014/15. These are the on-going budget savings from 2015/16. Last year's budget set a target of £175,000 to be made overall, as a contribution to meet the future budget deficit; the overall sum has not previously been built into the MTFP until achieved.
- 3.25 This saving has been largely negated by cost increases elsewhere. These have been identified mainly in Waste and Cleansing, together with the maintenance of parks and open spaces. This follows a pattern of recent years.

## Council Tax

- 3.26 The MTFP continues to assume a year on year increase in Council Tax of 2% from 2015/16. However, the Government have once again offered incentives for councils to freeze their Council Tax for 2015/16 and the effects of this have been shown in the updated MTFP projections.
- 3.27 As in previous years, the scheme will reimburse councils "lost" revenue to the equivalent of a 1% increase in Council Tax. This has only been confirmed for 2015/16 at this stage, although previous support has been built into on-going RSG. As the Council's MTFP assumed a 2% increase, this reduces projected net Council Tax income by approximately £400,000 over the planning period.
- 3.28 Under provisions contained in the Localism Act 2011, the Government has again set a 2% limit on Council Tax increases. Councils have discretion to set increases above this limit, but this would need to be subject to a local referendum.

## DETAIL, BACKGROUND and BASE BUDGET ANALYSIS

### 4.0 The Council's Financial Settlement 2015/16

#### Background

- 4.1 Following the Comprehensive Spending Review (CSR 13) which reported in June 2013, reductions in Revenue Support Grant for local authorities were confirmed. The effect on the Council was analysed and built into the current MTFP last year.
- 4.2 The Council's core funding from central government comprises 3 funding streams, which are unringfenced general grants, as follows:
- Revenue Support Grant (RSG)
  - Retained Business Rates (RBR)
  - New Homes Bonus (NHB)
- 4.3 The following amounts were included in the approved MTFP as at September 2014.

MTFP Sept 2014 Projections	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Revenue Support Grant	1,749	1,378	823	811	800
Retained Business Rates	2,310	2,374	2,439	2,506	2,750
New Homes Bonus	2,150	2,525	2,568	2,412	2,500
<b>Total - Core Funding</b>	<b>6,209</b>	<b>6,277</b>	<b>5,830</b>	<b>5,729</b>	<b>6,050</b>

- 4.4 The profile of funding is based on an increase in RBR and NHB due to residential and business growth with a reduction in RSG, but with overall resources falling until 2018/19 in accordance with OBR forecasts.
- 4.5 Some of the NHB allocations and parts of the RBR system are funded by top slicing RSG nationally, in order for the DCLG to remain within its Departmental Spending limit and to redistribute resources in specific grants.
- 4.6 RSG and RBR are combined for grant purposes into a Settlement Funding Assessment (SFA). Within the SFA, RSG is fixed, whilst the RBR element fluctuates between that set in the grant settlement and the actual business rates collected during that year.
- 4.7 The RBR element of SFA sets a baseline level based on current collection rates and projections for growth.

## The Council's Settlement Funding Assessment (SFA)

4.8 The financial settlement for 2015/16 was announced in December 2014. The figures for 2015/16 effectively confirmed the provisional settlement of December 2013. The figures are currently subject to consultation and parliamentary scrutiny; they are expected to be approved at the end of January.

4.9 The Council's settlement for 2015/16 is shown in the following table:

<b>SFA 2015/16</b>	<b>MTFP £'000</b>	<b>Actual £'000</b>	<b>Diff £'000</b>
Revenue Support Grant	1,799	1,811	12
Retained Business Rates	2,310	2,291	-19
<b>Total - SFA</b>	<b>4,109</b>	<b>4,102</b>	<b>-7</b>

4.10 The table shows a slight reduction in funding due to some minor technical adjustments in the Formula.

### Retained Business Rates

4.11 Following the financial settlement, the Government approved the application of the Derbyshire Business Rates Pool. This confirmed that the Pool would not be subject to any levy on growth receipts.

4.12 Therefore, the Council's final retained business rates will be subject to the performance of the Pool from 2015/16, subject to annual review.

### New Homes Bonus (NHB)

4.13 Every new home built attracts an annual bonus for six years equal to the amount of Council Tax (the national average) payable on that home (depending on its Tax Band) with an additional bonus (£350) for every new affordable home delivered. This figure is adjusted up or down depending on the change in empty properties between years.

4.14 Allocations are calculated in October each year on the Council Tax base compared to the previous year. This creates a time lag as the bonus for say 2015/16, reflects activity between October 2013 and October 2014.

4.15 20% of the subsequent grant is paid to the upper tier authority in each area, i.e. the County Council in South Derbyshire's case. 80% is then retained by the District. Once calculated each year, it is guaranteed and paid for 6 years.

4.16 In principle, authorities that are subject to growth in housing development and/or keep down the number of empty properties should benefit from a yearly increase in NHB, subject to what the Government allocates nationally.



## NHB Allocation for 2015/16

- 4.17 The Council has received a provisional allocation of £2,332,405 for 2015/16, an increase of approximately £170,000 compared to the MTFP. Final allocations will be confirmed in February 2015.
- 4.18 The allocation includes on-going installments for 2011/12 to 2014/15 of £1,779,758 with a further £542,657 for 2015/16. This was based on new homes, which totalled 517, including 18 affordable units; the number of empty properties increased by 38, making a net increase of 479 homes. This compares with 350 in the MTFP.

## Future Funding of the NHB

- 4.19 NHB is partly funded by top slicing RSG at a national level. The Government has given no indication of an end point for the scheme and so it has been assumed that current and previous years' allocations will each last 6 years.
- 4.20 However, on this basis from 2019/20, current allocations will start to drop out unless the scheme is continued. There have been some media reports that the NHB could be reviewed during the next Parliament.

## Overall Core Funding - Medium Term Projections

- 4.21 Apart from reflecting changes to future NHB amounts following the allocation for 2015/16, future projections for RSG and RBR remain unaltered from those reported in September 2014. These are detailed in **Appendix 1**. Projections for all 3 funding streams combined is summarised in the following table.

Year	Total	Change	
2014/15	£6,640,406		
2015/16	£6,424,526	-£215,880	-3.25%
2016/17	£6,468,900	£44,374	0.69%
2017/18	£5,990,626	-£478,274	-7.39%
2018/19	£5,857,029	-£133,597	-2.23%
2019/20	£5,712,835	-£144,194	-2.46%

- 4.22 Clearly, the reduction in 2015/16 has now been confirmed through the Financial Settlement. Further reductions are still projected in future years, but these may not appear as severe as some of the national headline figures being reported.
- 4.23 This is due to assumptions that the NHB and RBR amounts will continue to rise over the financial planning period, due to growth. This partly compensates for the projected reductions in RSG.
- 4.24 However, as highlighted throughout this report, the whole landscape of future funding is uncertain, although some reductions appear inevitable according to many commentators. Therefore, it is important that the Council maintains a cautious approach.



## **5.0 Proposed Base Budget and Consolidated Spending 2015/16**

- 5.1 All policy committees (including an earlier report on this Agenda) have considered their detailed budget proposals for 2015/16. All services were asked to carefully consider their base income and expenditure.

### **Basis of the Budget**

- 5.2 Budgets are usually calculated on an incremental basis, i.e. they are maintained at the same level as the previous year adjusted only for known changes and variations that have been identified through a restructure or efficiency programme.
- 5.3 However, many 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.
- 5.4 As well as identifying possible budget savings, it can also identify potential cost pressures.

### **On-going Service Provision**

- 5.5 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.
- 5.6 However, the full year effects of previous year's restructures and efficiencies are included, with any non-recurring items.

### **Inflation**

- 5.7 The base budget for 2015/16 has been uplifted by inflation in 2014/15 where this applies, for example, the 2014 national pay award. However, individual budgets for 2015/16 do not at this stage allow for future inflation.
- 5.8 Clearly, 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.
- 5.9 Allowances for inflation based on various assumptions regarding price increases, etc. are calculated across the main spending heads and in total, held as a central contingency.
- 5.10 In line with current policy, this contingency will be reviewed and monitored by this Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

## Base Budgets 2015/16

- 5.11 A full analysis of each Committee's proposed budget has been detailed in separate reports to the respective Policy Committee. The main spending areas are analysed in **Appendices 2 to 4**, with a summary of each Committee's proposed spending shown in the following table.

Summary of Net Revenue Expenditure	Approved Budget 2014/15 £'000	Proposed Budget 2015/16 £'000	Change £'000
Environmental and Development Services	3,620,067	3,679,024	58,957
Housing and Community Services	2,201,063	2,251,121	50,058
Finance and Management	4,879,913	5,014,086	134,173
	<b>10,701,042</b>	<b>10,944,231</b>	<b>243,189</b>

- 5.12 The above table shows that overall base Committee expenditure is estimated to increase between 2014/15 and 2015/16 by approximately £243,000. A summary of this increase is shown in the following table.

Change in Base Budget 2014/15 to 15/16	£'000
Increases in Income	(165)
Budget Savings	(162)
Other increases in Pay	136
Overall increase in Service Costs	33
Transfers from Earmarked Reserves	(64)
<b>Changes not previously in the MTFP</b>	<b>(222)</b>
<b>Add: Known changes built into Base</b>	
Pay Award 2014	142
Provision for Cost of Local Election	130
<b>Change in Service Expenditure</b>	<b>50</b>
Add: Increase in Depreciation	125
Add: Grant income transferred to RSG	68
<b>Overall Base Budget Increase</b>	<b>243</b>

- 5.13 Although overall expenditure at a Committee level has increased, this is due to items that had been built into the base budgets, but for which separate provision had been made in the MTFP, i.e. the cost of the 2014 Pay Award and provision for the cost of the District Election in May 2015. Consequently, there is no overall increase in the Council's budget.
- 5.14 In addition, there was an increase for Depreciation which is reversed out when consolidating the MTFP, together with grant income being transferred to RSG. Furthermore, some expenditure is financed from earmarked reserves.
- 5.15 After allowing for these adjustments, there is a reduction in overall expenditure of approximately £222,000 compared to the Base Budget and MTFP, as shown in the preceding table. Details of all the changes are provided in the following sections.

### **Depreciation (increase of £125,000)**

- 5.16 Depreciation charges are internal accounting entries that reflect the use of capital assets in service delivery. They are reversed out of the final budget estimates under accounting regulation as shown in **Appendix 1** as they are not a true cost that the Council has to meet.
- 5.17 They reflect charges for using capital assets in service delivery in accordance with accounting regulations. Charges mainly relate to vehicles and buildings that are being written down and out of the Council's accounts over their useful life.

### **Grant Income Transfered to RSG (£68,000)**

- 5.18 This relates to a transfer of specific grant for the Homelessness Service that is now included within the main Revenue Support Grant of the Council.

### **Pay Award (Increase of £142,000)**

- 5.19 A national pay award for local government staff was agreed in November 2014. This increased most pay scales by 2.2% from 1<sup>st</sup> January 2015, with larger increases for the 6 lowest pay points and smaller increases for Chief Officers.
- 5.20 In addition, a one-off, non-consolidated payment was awarded to most pay points equating to a further 1% of current pay, again rising for the lower pay points. The award will run to March 2016 when pay will again be reviewed. The cost of the award in 2014/15 and 2015/16 will be financed from the inflation contingency.

### **District Council Election (provision of £130,000)**

- 5.21 The Council is required to finance the administration and associated costs of the District Council Election in May 2015. This is a one-off cost in 2015/16 and separate provision was made in the MTFP.

### **Increases in Income (£165,000)**

- 5.22 The main areas are shown in the following table.

	£'000
Planning and Building Regulations	63
Environmental Services (Trade Waste and Recycling)	65
Rosliston Forestry Centre	45
Other Income (mainly Leisure and Recreation)	19
Reduction in Housing Benefit Admin. Grant	-27
<b>Total</b>	<b>165</b>

- 5.23 The increases reflect up to date levels that are anticipated to continue. This follows more cautious estimates in recent years to reflect the economic situation. However, the increased budgets are still below actual income currently being generated.

- 5.24 The additional income at Rosliston Forestry Centre is anticipated to cover additional costs of running the facility. The reduction in Housing Benefit Administration Grant follows the pattern of recent years. Future decreases are planned by the DWP and these have now been built into the MTFP

### **Budget Savings (£162,000)**

- 5.25 These reflect the savings achieved from approved restructures in 2014/15. These are the on-going budget savings from 2015/16 and are detailed in the following table.

	£'000
Land Charges	30
Environmental Health and Strategic Housing	81
Legal, Licensing and Democratic Services	51
<b>Total</b>	<b>162</b>

### **Other Increases in Pay (£136,000)**

- 5.26 A breakdown is shown in the following table.

	£'000
Incremental Rises	20
Waste and Cleansing - Agency and Overtime	60
Graduate Planner	28
Grounds Maintenance – Highways Work	28
<b>Total</b>	<b>136</b>

- 5.27 Incremental rises have been added for employees on career graded posts and those subject to incremental steps within a specific grade which recognises experience and development; provision is made separately within the MTFP for these increases each year.
- 5.28 On-going increases have been built into the proposed budget for overtime and agency costs in Waste and Street Cleansing services. It is expected that these costs will reduce over the year as vacancies and replacement posts are filled.
- 5.29 The post of Graduate Planner (as approved in October 2014) has been added to the establishment. This will cost £28,000 per year for three years and will be financed by additional income in 2014/15.
- 5.30 On-going increases have also been built into the proposed budget for Grounds Maintenance to cover increased highways work. However, this has largely been offset by reductions in external expenditure and is financed by a contribution from the Highways Authority.

### **Overall Increase in Service Costs (£33,000)**

- 5.31 A breakdown of the main changes is shown in the following table.

	£'000
Vehicle Repairs and Maintenance	41
Rosliston Forestry Centre	45
Parks and Open Spaces	24
Planning Services	-29
Grounds Maintenance	-30
Other changes (net)	-18
<b>Total</b>	<b>33</b>

5.32 The main increase in cost continues to be for vehicle repairs and maintenance. The increases at Rosliston relate to maintenance and utility costs (£29,000) and contractor payments of £16,000. Income budgets have been increased to cover these additional costs in order that the Council's overall subsidy of the facility is not increased.

5.33 As regards Parks and Open Spaces, it is proposed to increase maintenance budgets for buildings repairs, including pavilions and play areas, together with addressing an increase in dilapidation of paths and car parks at recreational facilities. This is to prevent insurance claims and to upgrade the general infrastructure.

5.34 Within this, additional budget is also being proposed for repairs to street and parks furniture, together with maintenance of tree and shrub planting within the main park areas.

5.35 The reduction in Planning Services relates to professional costs for developing the Local Plan through to examination, which will now reduce.

### Individual Committee Risks

5.36 As part of the base budget review, each Committee identified several risk areas. In some cases, budgets have been increased to address cost pressures and these have been highlighted previously.

5.37 Other financial risks identified are detailed in the following table.

Risk	Issue	Action
<b>Income</b>	Budgeted income from Planning, Licensing, etc. totals £1.5m and is not sustainable.	Base Budgets are below current actuals and that projected so they are considered prudent at this stage. The amount is dependent on local growth although this is considered positive.
<b>Staffing levels in Planning</b>	Current level has around 3 more posts than the budgeted establishment due to temporary staff being employed. Additional cost is £60,000 per year and this is currently being contained within overall service costs in 2014/15. As no prior approval exists for these posts	A formal appraisal needs to be undertaken if these posts are to continue.

	on an on-going basis, they are not included in the Base Budget for 2015/16.	
<b>Costs of the Local Plan</b>	One-off costs associated with consultation, examination, publication and potential Public Inquiry. Total cost estimated at £160,000. If there is a Public Inquiry, this estimate could rise.	Earmarked Reserve set-aside for £200,000. Could be a requirement to use additional income in 2014/15 to increase the Reserve.
<b>Agency Income</b>	The County Council reimburse highway maintenance and gulley cleaning costs of £275,000 per year. It has been indicated that this is under review with a reduction of up to 15% (£40,000) possible.	Keep under review and assess implications if any reduction is proposed.
<b>Recycling</b>	Overall cost of Kerbside Recycling Scheme increases. New and expanded scheme implemented in October 2013.	The new scheme has now bedded in; current recycling credits are greater than estimated with costs generally fixed. It is considered that the risk is reducing but will be kept under review as part of usual monitoring arrangements.
<b>Growth</b>	The Council's MTFP identifies underlying cost pressures yet to surface as a risk, due to pressure on services such as refuse collection and parks maintenance.	An on-going amount of £100,000 has been set-aside in the MTFP; this will be kept under review.
<b>External Funding</b>	Several Leisure and Community Service areas are reliant on a degree of external contributions.	Earmarked reserves maintained to spread expenditure over a number of years. These are currently estimated to remain at approximately £1.1m by 2016. It is considered that this will maintain existing services over the MTFP period to 2020.
<b>Rosliston Forestry Centre</b>	Increase in income anticipated in 2015/16 to cover additional costs	An additional £45,000 required. This will be kept under review.
<b>Artificial Grass Pitch – Etwall Leisure Centre</b>	No income and expenditure has been included in the base budgets for 2014/15 and 2015/16.	The Council's financial liability for this facility is still to be fully assessed under the Contract; this is still being calculated. Although no significant liability is currently anticipated, this is not certain.

<b>Payment and recovery of Housing Benefit.</b>	The total amount administered and paid in respect of Rent Allowances and Rent Rebates is approximately £18.5m per year. Of this, 98.5% is recharged to the DWP. Given the amounts involved, this is sensitive to small variations; if reimbursement is not maximised, every ½ % reduction equates to almost £100,000	Maintain accuracy rate for processing above 95% and Local Authority Error below 0.5%. These targets are monitored on a monthly basis.
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### **Grants to Voluntary Bodies and Payments under Concurrent Functions**

- 5.38 Each year, consideration is given to increasing the base contribution in grants to recognise inflation. For 2014/15, the Council approved an increase of 2% (2.6% in 2013/14). In the two years prior to that, the base contribution was frozen.
- 5.39 Inflation, as measured by the RPI, stood at 2.3% in September 2014 and has since fallen to 2% by November 2014. The forecast for 2015/16, included in the Government's Autumn Statement, shows 2.2%. The Council's MTFP provides for a 2% increase.
- 5.40 Every 1% increase in the base level across all grants and concurrent functions equates to approximately £5,000 per year.
- 5.41 Housing and Community Services Committee considered an increase for grants to voluntary bodies and this Committee considered this matter for Concurrent Functions in the detailed budget report earlier on the Agenda.



## 6.0 General Fund 5-Year Financial Projection to 2020

- 6.1 The projection has been updated following the grant settlement (as detailed in Section 4) and the proposed base budgets (as detailed in Section 5).
- 6.2 The projection is calculated within a financial model the summary of which is shown in **Appendix 1**. This also shows how certain items, such as future income levels and known changes to the base budget, are expected to change over the planning period. The key figures are detailed in the following sections.

### Projected Budget Surplus/Deficit and Reserve Balances

- 6.3 This is summarised in the following table.

***General Fund: Medium-Term Projection as at December 2014  
(updated following base budget review and financial settlement)***

Year	Budget Deficit / Surplus (-)	Sums Earmarked against Reserve	Balance of General Reserve
Base Budget 2014/15	-£149,586	£202,000	-£5,857,676
Proposed Budget 2015/16	-£91,189	£220,000	-£5,728,865
Projection 2016/17	-£84,724	£420,000	-£5,393,589
Projection 2017/18	£526,904	£90,000	-£4,776,685
Projection 2018/19	£814,773	£20,000	-£3,941,912
Projection 2019/20	£1,101,315	£20,000	-£2,820,597

- 6.4 Effectively, the General Fund has a budget surplus for 2015/16 and 2016/17 based on current projections. A deficit is then forecast from 2017/18 as expected reductions in core government funding take effect.
- 6.5 In the meantime, the balance on the General Reserve remains healthy and after allowing for the deficit in the 3 years after 2016/17, the projected level is £2.8m, well above the minimum contingency level of £1m.
- 6.6 The table below shows how the overall position has changed.

	£'000
Projected 5-year Balance (September 2014)	1,809
Add: Overall Reduction in Base Budget Spending	1,120
Add: Increase in Council Tax base	467
Add: Increase in New Homes Bonus	315
Add: Increase in Collection Fund Surplus	37
Less: Estimated Reduction in Benefits Admin. Subsidy	-409
Less: Effect of Council Tax Freeze in 2015/16	-444
Less: Effect of 2014 Pay Award	-74
<b>Revised Projected Balance as at 2020</b>	<b>2,821</b>



- 6.7 The amounts in the above table represent the cumulative effect over the 5 year financial planning period.
- 6.8 The overall reduction in base budget spending is the cumulative effect of savings already approved and proposed changes to the Base Budget as detailed in *Section 5*. The changes to the Council Tax base and the Collection Fund surplus are detailed in *Section 7*.
- 6.9 The decrease in Council Tax income is based on a Council Tax freeze for 2015/16 (**subject to Council approval**). This is also detailed in *Section 7*.

### **Reduction in Benefits Administration Grant**

- 6.10 The base allocation for 2015/16 has been reduced by approximately £27,000 compared to 2014/15. Future reductions of up to 10% per year in this specific grant are anticipated. This would reduce resources in the MTFP by approximately £400,000 over the 5-year planning period.

### **2014 Pay Award**

- 6.11 As highlighted, the impact of the national pay award has been built into service base budgets for 2015/16. This has been mainly financed from the inflation contingency in the MTFP.
- 6.12 The pay award effectively covered the two years 2014/15 and 2015/16. The inflation contingency had made provision for a 2% increase over this period.
- 6.13 As the award was 2.2% with some additional increases for lower graded posts, this has increased the overall cost compared to the MTFP. Cumulatively, over the 5-year plan, this equates to approximately £74,000.

### **Inflation and Growth**

- 6.14 The Budget continues to make provision for growth and inflation. In accordance with current policy, this “contingency” will be maintained centrally and only allocated once any additional costs are known.
- 6.15 The growth provision allows some resources for investment in services, for example, refuse collection due to the growth of residential development.
- 6.16 Allowances for inflation based on various assumptions regarding price increases, etc. have been calculated across the main income and expenditure heads, the total of which is aggregated to form the central contingency.
- 6.17 In accordance with UK economic inflation predictions, the general rate of inflation that has been applied (where applicable) is 2% per year (2.5% for pay from 2016/17).
- 6.18 The total amount now set-aside separately in the MTFP for inflation and growth is summarised in the following table.

### **Inflation/Growth Provision**

2014/15	£248,795
2015/16	£189,704
2016/17	£364,780
2017/18	£421,079
2018/19	£427,371
2019/20	£433,809

6.19 As previously reported, in recent years the contingency has not been fully utilised. Where this is the case, amounts are returned to the General Reserve.

### **Other Provisions and Contingencies**

6.20 Besides the main inflation contingency, the MTFP continues to make provision against General Reserves for other items, as shown in the following table.

	<b>Amount £'000</b>	<b>Comment</b>
Pay and Grading Review	420	One-off transitional protection costs
Pay and Grading Review	130	On-going costs following implementation
Vehicle Replacements	250	One-off in 2016/17 pending capital receipts

### **Summary Position**

6.21 Some additional cost pressures have been added to base budgets in 2015/16. These largely cover maintenance of assets and public facilities. Growth is steadily increasing across much of the District and this is realising additional income. It is important that further cost pressures associated with this growth are kept under review.

6.22 The overall financial position has been steadily improving over the last 2 years due to budget savings, together with positive out-turn positions compared to base budgets. Reserves should be further supplemented by the estimated underspend in 2014/15 (as reported in December 2014) although this has not been included in the MTFP at this stage as it is still to be confirmed.

6.23 It is considered that budgets and projections are prudent but realistic and do allow for inflationary, growth and other cost pressures. Even allowing for a margin of error in assumptions, the overall position is well placed.

6.24 However, the Council should remain cautious in the short-term, until the future funding position for local authorities is more certain and to remain flexible to meet any additional spending pressures.

6.25 Future budget deficits are still projected based on increasing expenditure for current service provision and a reduction in core funding.

- 6.26 The Council does have a history of under spending on its General Fund, mainly due to additional income and vacant posts. This is reviewed each year and budgets adjusted accordingly. However, future under spends are not guaranteed and cannot be relied upon.
- 6.27 Resources have been set-aside in earmarked reserves to replace and upgrade IT, together with vehicles and plant. Smaller reserves are held and earmarked for specific purposes such as one-off costs associated with the Local Plan, Welfare Reform and Pensions.
- 6.28 Several reserves (from matched and external funding) are held to finance costs on a yearly basis, especially in Leisure and Community Services. A full list of earmarked reserves is detailed in **Appendix 7**.
- 6.29 A detailed analysis of the main financial/strategic risks is detailed in *Section 8*.

## **7.0 Council Tax, Tax Base and Collection Fund**

### **The Council Tax Base**

- 7.1 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.
- 7.2 The calculation of the estimated Tax Base for 2015/16 is detailed in **Appendix 5** and is based on the number of properties on the Council Tax register as at 30<sup>th</sup> November 2014.
- 7.3 This produces a “Band D equivalent” which will be used to calculate the amount to be collected from Council Tax in 2015/16, i.e. 30,608. This is an increase of 885 (3%) compared to 2014/15.
- 7.4 The MTFP contained an estimated increase of 300 before any change to the actual Council Tax rate itself; this increase in equivalent Band D properties will generate an additional £467,000 over the 5-year planning period.

### **The Future Tax Base**

- 7.5 The MTFP continues to assume that the overall Tax Base will increase by around 1%, or 300 properties per year. As always this will be subject to the actual rate of growth.
- 7.6 The increase over the last 12 months is one of the largest in recent years, but this has also been affected by the reducing cost of the Local Council Tax Support Scheme from the base position set in 2013/14.

- 7.7 The growth in the Tax Base in recent years has been a beneficial factor for the Council's financial position and it will continue to be a key indicator; not only does it increase the Council's ability to raise additional resources (even where the Council Tax rate itself is not increased) but it also has a significant influence on the New Homes Bonus as detailed in *Section 4*.

### **Collection Fund Surplus/Deficit**

- 7.8 In setting the level of Council Tax for 2015/16, the Council is also required to calculate the estimated balance on its Collection Fund for the current financial year, 2014/15.
- 7.9 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, together with payments to the Government under the redistribution mechanism for Business Rates.
- 7.10 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.
- 7.11 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 is transferred to the General Fund of the major preceptors, the biggest preceptor being Derbyshire County Council. The Government will also receive a share of any surplus on Business Rates. For 2014/15

### **Estimated Position 2014/15**

- 7.12 The estimated position on the Collection Fund for 2014/15 is summarised in **Appendix 6**. The overall balance 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.
- 7.13 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.
- 7.14 The Fund is split between Council Tax and Business Rates. Appendix 6 shows an estimated surplus on the Fund as at 31<sup>st</sup> March 2015 of £840k for Council Tax and £813k for Business Rates. This is the position reported in December 2014.

## Council Tax

- 7.15 The amount of Council Tax collectable has already exceeded the estimated amount for the year; the estimate allowed for a 3% increase on that collectable in 2013/14. This was on the basis of 40,500 properties (estimated in December 2013) compared to the actual number of 40,900 properties as at October 2014.
- 7.16 The Tax Base continues to grow steadily and it is likely that this will continue. In addition, the cost of the Local Council Tax Support Scheme continues to reduce. In 2013/14, it reduced from £4.95m to £4.65m and is currently estimated to be £4.4m by March 2015.
- 7.17 At this stage, it is considered prudent that the originally estimated surplus of £1/2m (as detailed in Appendix 6) is declared for 2014/15. This will allow the current situation to be confirmed at the year end. If the actual surplus is higher this can be returned to preceptors during the 2016/17 budget round.
- 7.18 Consequently, it is recommended that the surplus (in proportion to precepts) is declared and shared as shown in the following table.

Share of Estimated Council Tax Balance 2014/15	£'000
Derbyshire County Council	364
Police and Crime Commissioner for Derbyshire	56
Derbyshire Fire and Rescue Service	23
South Derbyshire District Council	57
<b>Total</b>	<b>500</b>

- 7.19 The amount for this Council is £57,000 compared to an estimate included in the MTFP of £20,000.

## Business Rates

- 7.20 As previously reported, there has also been an increase in the Business Rates Tax Base, mainly due to the extension of two larger businesses in the District. In addition, a much lower provision for bad debts is expected to be made in 2014/15 compared to that estimated.
- 7.21 A substantial provision for arrears was set up in 2013/14 following the introduction of the Business Rates Retention System. This led to a deficit on the Collection Fund in 2013/14. It is not expected that any material change will be required to this provision, with the Fund returning to a surplus position in 2014/15.
- 7.22 However, the Tax Base for Business Rates can be more volatile from reassessments of rateable value and the granting of reliefs, etc. which can change the collectable rates for distribution. In addition, the position regarding current appeals in the system is still to be confirmed, although a provision was created in 2013/14 to cover costs.

7.23 Although it is currently estimated that there will be a surplus on Business Rates in 2014/15, it is considered prudent that this is not yet declared, pending the actual figures for the year being confirmed.

#### **Council Tax Levels**

7.24 The MTFP assumes for planning purposes that the Council Tax rate increases by 2% each year. As part of the Financial Settlement, the Government has provided an incentive for local authorities to again freeze their Council Tax for 2015/16.

#### **Council Tax Freeze (Specific) Grant**

7.25 Where an authority freezes the Council Tax rate for 2015/16, i.e. sets a nil increase, a specific grant will be paid to effectively reimburse the resources lost, to the equivalent of a 1% increase. This has only been confirmed for 2015/16 at this stage, although previous support has been built into on-going RSG.

7.26 Therefore, this will not reflect the loss of cumulative income in future years compared to the MTFP as the base income level is reduced by freezing the tax rate.

7.27 Overall, this reduces resources in the MTFP by approximately £400,000 to 2019/20 (net of the specific grant). This has been reflected in the updated MTFP as detailed in Section 6. Clearly this is subject to Full Council approval.

7.28 If Council Tax is frozen for 2015/16, this will maintain a Band D rate of Council Tax of £150.25p.

#### **Council Tax Limit**

7.29 Under provisions contained in the Localism Act 2011, the Government has again set a 2% limit on Council Tax increases. Councils have discretion to set increases above this limit, but this would need to be subject to a local referendum.

## 8.0 Overall Risk Analysis

- 8.1 The summary in Section 6 highlights that the Council's current financial position is well placed but a cautious approach should be maintained pending the next spending review which is expected in 2015/16.
- 8.2 Each Policy Committee has identified some financial risks and these have been detailed in *Section 5* with mitigating action being put in place.
- 8.3 The following table summarises what are considered to be the main corporate risks and issues detailed in the report; this also assesses the potential impact upon the Council's financial position as projected in the updated MTFP.

Factor	Issue	Mitigation	Likely effect on Financial position
<b>Core Funding</b>	<ul style="list-style-type: none"> <li>Further reductions in RSG and possible changes to redistribution systems.</li> </ul>	<ul style="list-style-type: none"> <li>Current national trends anticipated in the MTFP.</li> </ul>	<b>High</b>  Cumulatively, a 1% variance in core funding equates to around £300,000 over the MTFP.
<b>Council Tax and the Collection Fund Balance</b>	<ul style="list-style-type: none"> <li>Collection rates reduce due to the economic climate.</li> <li>Demand for Council Tax Support increases when resources are fixed.</li> <li>Empty properties increase reducing New Homes Bonus.</li> </ul>	<ul style="list-style-type: none"> <li>"In built" surplus in the Collection Fund.</li> <li>Local growth is continuing and even at a moderate pace is beneficial.</li> <li>Council will become a member of a Derbyshire Pool from 2015/16 for retention of growth receipts.</li> </ul>	<b>Medium</b>  Only 11% of the Balance is transferred to the Council's General Fund. In addition, effect is not immediate and costs can be spread.
<b>Growth</b>	<ul style="list-style-type: none"> <li>A key factor influencing future levels of grant funding under the business rates redistribution system and NHB.</li> <li>The number of local businesses declines which reduces base income.</li> </ul>	<ul style="list-style-type: none"> <li>The MTFP projects growth at 2% per year for Business Rates and 1% for the Council Tax Base; these rates are considered realistic and prudent based on recent years.</li> </ul>	<b>High</b>  This could affect the MTFP either way. Growth is a determining factor for the Council's income and expenditure – and is subject to external factors. This will directly impact on the General Fund.



	<ul style="list-style-type: none"> <li>• Affects Council Tax income and other income streams such as Development Control (Planning).</li> </ul>	<ul style="list-style-type: none"> <li>• Future budgets for planning, land charges income, etc. are currently within actual levels for 2014/15.</li> </ul>	
<b>Budget Overspend</b>	<ul style="list-style-type: none"> <li>• Underlying cost pressures due to growth yet to surface.</li> <li>• Unexpected costs. There are on-going cost pressures as identified in the Base Budget review for 2015/16.</li> </ul>	<ul style="list-style-type: none"> <li>• Current level of general and specific reserves is healthy and MTFP allows contingencies for inflation and growth, etc.</li> <li>• The base budget has been scrutinised and monitoring arrangements in place allow early identification of issues.</li> </ul>	<b>Medium</b>
<b>General Economic Conditions</b>	<ul style="list-style-type: none"> <li>• Higher price increases on key costs such as fuel and utilities.</li> <li>• Interest rates affect investment returns and debt payments.</li> </ul>	<ul style="list-style-type: none"> <li>• Central inflation contingency for price increases.</li> <li>• The General Fund is currently “debt free” and not subject to movement in interest rates.</li> <li>• Sufficient balances allow “internal borrowing” if required.</li> <li>• Budgeted income from short-term investments is low and insignificant now in the Base Budget.</li> </ul>	<b>Low</b>

### Financial Risks and the Minimum Level of General Reserves

8.4 The above table highlights that the Council potentially faces some financial risks and variables. Although it also has some financial strengths to mitigate risks, the Council still needs to be prudent in ensuring that it maintains an adequate level of General Reserves on its General Fund to act as a contingency.



- 8.5 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.
- 8.6 Based on this, the Council's minimum level as set out in the Financial Strategy is **£1m** on the General Fund at the end of every 5-year planning period. This level is calculated based on an assessment of the major financial risks and reflects the relatively healthy level that currently exists.
- 8.7 Based on the estimated net revenue expenditure on the General Fund for 2015/16 of £11m, £1m is **9%**. By 2019/20, £1m will be **8%**. As a general guide, a balance of between 5% and 10% should be maintained.

## **9.0 Financial Implications**

- 9.1 As detailed in the report.

## **10.0 Corporate Implications**

- 10.1 There are no other direct legal, personnel or other corporate implications apart from any highlighted in the report.

## **11.0 Community Implications**

- 11.1 The proposed budgets and spending, provide the financial resources to enable services and Council priorities to be delivered to the local community.
- 11.2 The MTFP and associated projections provide an indication of the Council's longer term financial position and the potential effects upon the Council's services.

## **12.0 Background Papers**

- 12.1 The Government's Financial Settlement for 2015/16 and background papers are available at:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2015-to-2016>

- 12.2 The review of the Medium-Term Financial Plan as reported to the Committee in October 2014.

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1724/Committee/367/Default.aspx>

## GENERAL FUND MEDIUM TERM FINANCIAL PROJECTION (December 2014)

	Approved Budget 2014/15 £	Proposed Budget 205/16 £	Projection 2016/17 £	Projection 2017/18 £	Projection 2018/19 £	Projection 2019/20 £
<b>BASE BUDGET - Net Service Expenditure (incl. Inflation)</b>	10,680,884	10,944,858	10,985,562	11,201,341	11,473,421	11,751,791
Reverse out depreciation	-515,369	-645,650	-645,650	-645,650	-645,650	-645,650
Add in MRP	242,480	232,781	223,470	214,531	205,950	197,712
VRP - Green bins for recycling	109,663	109,663	109,663	109,663	109,663	109,663
Contribution to bad debts provision	20,000	0	0	0	0	0
Increase in Factory Site Rent (as per lease agreement)	0	0	-10,000	-5,000	-5,000	-5,000
Anticipated Change in Net Interest Received	0	0	-6,497	-27,586	-21,999	-22,321
Pay and Grading - on-going costs	34,000	35,000	35,000	35,000	35,000	35,000
Incremental Salary Increases	0	0	17,000	17,000	17,000	17,000
Leisure Management Contract - Reducing Subsidy (increase 2017 /18)	0	0	-15,195	-18,061	-18,061	-18,061
HRA Recharges	0	0	0	0	0	0
Pay and grading review - additional on going resources	130,000	130,000	130,000	130,000	130,000	130,000
Contingent Sum - Inflation	148,795	89,704	264,780	321,079	327,371	333,809
Contingent Sum - Growth	100,000	100,000	100,000	100,000	100,000	100,000
District Election May 2015	0	0	-125,000	-125,000	-125,000	-125,000
HRA Post	20,158	0	0	0	0	0
Restructure Savings	-77,616	0	0	0	0	0
<b>Approved / Anticipated Future Changes</b>	<b>212,110</b>	<b>51,497</b>	<b>77,569</b>	<b>105,975</b>	<b>109,273</b>	<b>107,152</b>
<b>TOTAL ESTIMATED SPENDING</b>	<b>10,892,994</b>	<b>10,996,355</b>	<b>11,063,131</b>	<b>11,307,316</b>	<b>11,582,694</b>	<b>11,858,943</b>

## FINANCING

Revenue Support Grant	-2,563,000	-1,811,467	-1,378,000	-823,000	-811,000	-800,000
Share of redistributed business rates (after Tariff & Levies)	-2,248,000	-2,290,654	-2,374,000	-2,439,000	-2,506,000	-2,750,000
New Homes Bonus	-1,779,758	-2,322,405	-2,716,900	-2,728,626	-2,540,029	-2,162,835
Transfer to Homelessness	64,080	0	0	0	0	0
Payment to Parish Councils - Share of Council Tax Support Grant	43,627	43,627	43,627	43,627	43,627	43,627
Council Tax Freeze Grant 2014/15 and 2015/16	-49,648	-50,794	0	0	0	0
Council Tax Payers	-4,465,881	-4,598,852	-4,736,806	-4,878,438	-5,023,840	-5,173,108
Collection Fund Surplus	-20,000	-57,000	-20,000	-20,000	-20,000	-20,000

## GENERAL FUND MEDIUM TERM FINANCIAL PROJECTION (December 2014)

	Approved Budget 2014/15 £	Proposed Budget 205/16 £	Projection 2016/17 £	Projection 2017/18 £	Projection 2018/19 £	Projection 2019/20 £
Subsidy Administration Grant	0	0	34,223	65,024	89,322	104,688
Section 31 Grant	-24,000	0	0	0	0	0
<b>TOTAL FINANCING</b>	<b>-11,042,580</b>	<b>-11,087,545</b>	<b>-11,147,855</b>	<b>-10,780,413</b>	<b>-10,767,920</b>	<b>-10,757,628</b>
<b>Surplus (-) / Deficit</b>	<b>-149,586</b>	<b>-91,189</b>	<b>-84,724</b>	<b>526,904</b>	<b>814,773</b>	<b>1,101,315</b>
<b>GENERAL FUND RESERVE</b>						
Balance b/f	-5,910,090	-5,857,676	-5,728,865	-5,393,589	-4,776,685	-3,941,912
(Surplus)/Deficit	-149,586	-91,189	-84,724	526,904	814,773	1,101,315
Pay and Grading Review	0	200,000	150,000	70,000	0	0
Contribution to vehicle replacement fund (previously in cost of services)	20,000	20,000	20,000	20,000	20,000	20,000
Contribution to Pensions Reserve	182,000	0	0	0	0	0
Provision for Capital Funding	0	0	250,000	0	0	0
<b>Balance c/f</b>	<b>-5,857,676</b>	<b>-5,728,865</b>	<b>-5,393,589</b>	<b>-4,776,685</b>	<b>-3,941,912</b>	<b>-2,820,597</b>

## APPENDIX 2: BUDGET - 2015/16

### Environmental and Development

		BUDGET			
		2015/16	2014/15	VARIANCE	
		£	£	£	
PSX90	Transport Services	855,558	702,298	-153,260	Adverse depreciation (106k), spare parts (60k) and salaries (14k) - savings made on licenses, materials, t&e and sign writing (16k) plus taxi testing recharge previously not budgeted (10k)
<b>Central &amp; Departmental Accounts</b>		<b>855,558</b>	<b>702,298</b>	<b>-153,260</b>	
CCF00	Tourism Policy, Marketing & Development	56,624	55,100	-1,524	Adverse due to uplift on grants
CPH70	Promotion and Marketing of the Area	179,670	178,729	-942	Savings professional fees (3k), computer maintenance (6k) and grant income (3k) - adverse materials (9k) and salaries (3k)
<b>Economic Development</b>		<b>236,294</b>	<b>233,829</b>	<b>-2,466</b>	
CPE10	Environmental Education	69,103	69,104	0	
<b>Environmental Education</b>		<b>69,103</b>	<b>69,104</b>	<b>0</b>	
CEE00	Food Safety	68,200	107,557	39,357	Saving salaries (34k) and increase in income for export certificates (10k) - adverse computer maintenance (4k)
CEE10	Pollution Reduction	235,442	252,688	17,247	Savings salaries (7k), depreciation (2k), computer maintenance (6k) and income (3k)
CEE50	Pest Control	12,017	10,585	-1,431	Decrease in income following trend for 14/15
CEE80	Public Conveniences	35,129	43,675	8,546	Saving grant no longer paid to Parish Councils (5k) and repairs & maintenance (4k) - adverse depreciation (2k)
CEH00	Community Safety (Safety Services)	114,296	117,245	2,949	Savings on professional fees
KGW00	Welfare Services	1,800	1,500	-300	
<b>Environmental Services</b>		<b>466,884</b>	<b>533,252</b>	<b>66,368</b>	
HTK10	Environmental Maintenance (Other Roads)	-26,242	-9,446	16,796	Movement of income previously in Street Cleansing (34k) - adverse professional fees for gully cleaning for DCC (17k)
NAC60	Public Transport	31,589	28,098	-3,492	Adverse Business Rates
<b>Highways</b>		<b>5,347</b>	<b>18,652</b>	<b>13,304</b>	
ACL00	Local Land Charges	-21,921	7,634	29,555	Saving on salaries
CEE70	Licensing	-43,350	-53,796	-10,446	Adverse salaries (4k), computer maintenance (2k) and taxi testing recharge not budgeted previously (10k) - savings professional fees (5k)
<b>Licencing and Land Charges</b>		<b>-65,271</b>	<b>-46,162</b>	<b>19,109</b>	
CCA20	Heritage	0	8,700	8,700	No longer used budget moved to CPD10

## APPENDIX 2: BUDGET - 2015/16

### Environmental and Development

		BUDGET			
		2015/16	2014/15	VARIANCE	
		£	£	£	
CPB00	Building Regulations	55,034	68,274	13,240	Savings salaries (3k) and increased income (10k)
CPB20	Other Building Control Work	-10,000	-6,000	4,000	Increase in income (3k) and saving on profession fees (1k)
CPC10	Dealing with Development Control Applications	-76,689	12,820	89,509	Savings salaries (9k), increase in income (50k) and increased reserve funding (36k) - adverse advertising (4k) and periodicals and microfilming (2k)
CPC20	Development Control Enforcement	0	75,161	75,161	No longer used budget moved to CPC10
CPD10	Structure and Local Planning	356,467	383,397	26,930	Adverse salaries (14k) and grant payments from CCA20 (8k) - saving professional fees (29k) and increased reserve funding (20k)
CPL00	Planning Development	160,522	28,604	-131,918	Adverse salaries (138k) and favourable Area Forum income (7k)
<b>Planning</b>		<b>485,334</b>	<b>570,956</b>	<b>85,622</b>	
HTP10	Off-Street Parking	58,617	69,463	10,845	Saving (9K) Grounds Maint (non contract) no longer required (1K) Car park rent saving (based on previous years)
<b>Town Centre</b>		<b>58,617</b>	<b>69,463</b>	<b>10,845</b>	
CES00	Street Cleansing (not chargeable to highways)	269,066	197,933	-71,133	Savings salaries (1k) and professional fees (27k) - adverse overtime (21k) and income moved to CCE00 & HTK10 (78k)
CEW00	Household Waste Collection	1,252,890	1,194,152	-58,738	Adverse salaries (123k), overtime (7k), vehicle hire (15k), materials (12k) and income recycling disbursements (30k) - savings agency (79k), recycling disbursements (30k), leases (11k), training (4k) and increased income (5k)
CEW10	Trade Waste Collection	-134,646	-118,740	15,906	Saving on income and internal recharges
<b>Waste Collection &amp; Street Cleansing</b>		<b>1,567,156</b>	<b>1,468,677</b>	<b>-98,480</b>	
<b>COMMITTEE TOTALS</b>		<b>3,679,024</b>	<b>3,620,067</b>	<b>-58,957</b>	

# APPENDIX 3: BUDGET - 2015/16

## Housing & Community

		BUDGET			
		2015/16	2014/15	VARIANCE	
		£	£	£	
ACT00	General Grants, Bequests & Donations	248,269	248,743	474	
CCD00	Community Centres	76,001	89,885	13,884	Saving depreciation (10k) and overtime (4k)
CEG00	Community Safety (Crime Reduction)	109,990	109,990	-0	
CEK00	Defences Against Flooding	56,774	58,495	1,721	Savings grounds maintenance (non-contract)
CPH20	Market Undertakings	-11,943	-5,788	6,155	Increase in income
CCF10	Village Halls	7,000	7,000	0	
<b>Community Development and Support</b>		<b>486,092</b>	<b>508,326</b>	<b>22,234</b>	
CCA10	Arts Development & Support	21,320	21,320	-0	
CCA40	Events Management	135,233	107,006	-28,227	Adverse salaries (17k) and Civic Functions (15k) moved from ACD00 - Saving (4k) Christmas lights
<b>Leisure and Recreational Activities</b>		<b>156,553</b>	<b>128,326</b>	<b>-28,227</b>	
CCD20	Sports Development & Community Recreation	120,500	115,038	-5,462	Reserve Funded CCD10,20, 40 & 50 total variance 0
CCD30	Indoor Sports & Recreation Facilities	316,714	300,304	-16,410	Favourable income John Port School contribute 38% (12k), lease agreement saving (4k) and surplus income AGP (2k) - adverse depreciation (23k), utilities (4k), contract fee (3k) and possible deficit in café running costs (4k)
CCD40	Outdoor Sports & Recreation Facilities (SSP)	8,059	-334	-8,393	Reserve Funded CCD10,20, 40 & 50 total variance 0
CCA00	Melbourne Leisure Centre	1,100	1,200	100	
CCD10	Get Active in the Forest	26,050	40,105	14,055	Reserve Funded CCD10,20, 40 & 50 total variance 0
CCD50	Playschemes	14,365	14,165	-200	Reserve Funded CCD10,20, 40 & 50 total variance 0
<b>Leisure Centres and Community Facilities</b>		<b>486,788</b>	<b>470,478</b>	<b>-16,310</b>	
CCE00	Ground Maintenance	392,895	387,439	-5,456	Favourable income moved from CES00 (43k) - adverse salaries (41k), utilities (3k) and internal recharge grounds maint (4k)
CCE10	Countryside Recreation & Management	11,989	12,683	694	
CCE20	Allotments	-655	-525	130	
CCF20	Rosliston Forestry Centre	96,188	96,189	0	
CEA00	Cemeteries	2,617	3,136	518	Additional income budgeted due to trend 13/14 and YTD (11k) - adverse professional fees due to increased income (7k) and salaries (3k)
CEA30	Closed Churchyards	4,100	3,608	-492	
KJE70	Community Parks & Open Spaces	191,203	199,208	-8,005	Additional reserve funding to cover increased expenditure (27k) - adverse R & M (10k), health & safety (5k), materials (5k), professional fees (2k) and depreciation (5k)
<b>Parks and Open Spaces</b>		<b>698,338</b>	<b>693,732</b>	<b>-4,606</b>	

# APPENDIX 3: BUDGET - 2015/16

## Housing & Community

		BUDGET			
		2015/16	2014/15	VARIANCE	
		£	£	£	
KGA00	Housing Strategy	121,194	113,815	-7,379	Adverse salaries (11k) and favourable training & subscriptions (3k)
CEE20	Housing Standards	82,951	78,331	-4,620	Salaries
KGD00	Housing Advice	53,354	37,791	-15,563	Adverse withdrawal of 9k reserve funding, training (5k) and salaries (2k)
KGE10	Administration of Renovation & Improvement Grants	31,871	85,083	53,213	Savings salaries (28k) and third party agency fees no longer required (25k)
KGH10	Bed / Breakfast Accomodation	0	4,000	4,000	Income to equal costs
KGH40	Homelessness Administration	87,911	96,675	8,764	Saving salaries (91k) and grants (2k) - adverse training (5k), RSG removed from budget (64k) and reserve funding removed (16k)
KGX20	Housing Department Support Staff and Costs	61,533	0	-61,533	Transfer of costs from KGH40 and KGX00
KGT00	Travellers' Sites	-15,464	-15,496	-32	
Private Sector Housing		423,350	400,200	-23,150	
COMMITTEE TOTALS		2,251,121	2,201,063	-50,058	

# APPENDIX 4: BUDGET - 2015/16

## Finance & Management

		BUDGET			NOTES and COMMENTS ON VARIANCES
		2015/16	2014/15	VARIANCE	
		£	£	£	
PSX40	Senior Management	453,844	458,855	5,011	Saving salaries (10k) and training (1k) - adverse reduced HRA recharge (6k)
PSX50	Reprographic/Print Room	71,992	77,406	5,414	Additional Recharge to HRA
PSX55	Financial Services	290,881	286,308	-4,573	Adverse salaries (2k) and HRA recharge reduction (2k)
PSX56	Internal Audit	103,115	103,115	-0	
PSX57	Merchant Banking Services	45,935	45,935	-0	
PSX60	ICT Support	651,783	656,314	4,531	Saving - Northgate contract
PSX65	Legal Services	133,863	91,950	-41,913	Adverse salaries (50k) and training (3k) - additional recharge to HRA (12k)
PSX75	Personnel/HR	235,916	239,781	3,865	Saving - Northgate contract
PSX76	Policy & Communications	239,102	241,953	2,850	Saving - Northgate contract
PSX77	Customer Services	535,600	533,644	-1,956	Adv - Northgate Contract
PSX78	Health & Safety	35,218	34,377	-841	
PSX81	Admin Offices & Depot	317,411	333,127	15,717	Saving salaries (4k), utilities (17k) and Service Charge DCC income (5k) - adverse (10K) internal recharges
PSX95	Procurement Unit	103,437	104,920	1,483	Saving - Northgate contract
PSX99	Corporate Services Partnership	0	0	0	
KJE40	Caretaking	92,119	89,444	-2,675	Adverse salaries (20k) and internal recharge (2k) - additional income budget (19k) DCC Service charge
<b>Central and Departmental Accounts</b>		<b>3,310,216</b>	<b>3,297,130</b>	<b>-13,086</b>	
AAD00	Democratic Representation & Management	94,229	187,937	93,708	Savings salaries (82k), Civic car removal (2k), travel (2k), additional charge to HRA (13k) and tools (2k) - Adverse (7k) income moved to CPL00 Area Forum
AAM00	Corporate Management	75,400	75,400	0	
AAM01	Corporate Finance Management	64,459	72,459	8,000	Saving (8k) Audit fees
ACD00	Elected Members	329,757	274,169	-55,588	Savings (6k) Civic Car and (12k) Civic Functions moved to CCA40 - adverse (8k) training (17k) Members Allowances (10k) professional fees (37k) internal recharge (2k) subscriptions
KJW00	Debt Management Costs	125,707	124,900	-807	Adv - Northgate Contract
<b>Corporate and Democratic Costs</b>		<b>689,551</b>	<b>734,864</b>	<b>45,313</b>	
ACE00	Registration of Electors	20,122	20,622	500	
ACE10	Conducting Elections	255,982	122,714	-133,268	Adverse (100k) Election fees, (25k) salaries and (8k) room hire & postage for election
<b>Electoral Registration</b>		<b>276,104</b>	<b>143,336</b>	<b>-132,768</b>	
ACT01	Parish Councils	324,340	318,108	-6,232	Grant uplift %



## APPENDIX 4: BUDGET - 2015/16

### Finance & Management

		BUDGET			NOTES and COMMENTS ON VARIANCES
		2015/16	2014/15	VARIANCE	
		£	£	£	
<b>Payments to Parish Councils</b>		<b>324,340</b>	<b>318,108</b>	<b>-6,232</b>	
ABP00	Funded Pension Schemes	241,505	241,505	0	
W4A00	Interest & Investment Income (GF)	-37,185	-46,935	-9,750	MTFP
W7A00	External Interest Payable (GF)	1,500	10,050	8,550	Interest on small deposits
<b>Pensions, Grants Interest Payments and Receipts</b>		<b>205,820</b>	<b>204,620</b>	<b>-1,200</b>	
PSX85	Estate Management	-150,152	-167,696	-17,544	(15k) Business Rates and (3k) Legionella Testing
<b>Property and Estates</b>		<b>-150,152</b>	<b>-167,696</b>	<b>-17,544</b>	
ACA00	Council Tax Collection	-66,652	-37,400	29,252	Favourable income (29k) court fees
ACA40	Non Domestic Rates Collection	29,361	28,600	-761	
KGL00	Rent Allowances Paid	214,195	191,309	-22,886	Government grant entitlement
KGNO0	Net cost of Rent Rebates Paid	56,015	84,700	28,685	Government grant entitlement
KGPO0	Housing Benefits Administration	125,286	82,341	-42,945	(27k) decrease in Government Grant, (8k) salaries, (6k) professional fees and (2k) Northgate Contract fee
<b>Revenues and Benefits</b>		<b>358,205</b>	<b>349,550</b>	<b>-8,655</b>	
<b>COMMITTEE TOTALS</b>		<b>5,014,086</b>	<b>4,879,913</b>	<b>-134,173</b>	

## COUNCIL TAX BASE

PARISH	2014/15	2015/16	Change
ASH	24	24	0
ASTON ON TRENT	673	676	3
BARROW ON TRENT	234	234	1
BARTON BLOUNT	31	32	0
BEARWARD COTE	12	12	-0
BRETBY	406	408	2
BURNASTON	680	687	7
CALKE	10	11	1
CASTLE GRESLEY	471	485	14
CATTON	20	21	0
CAULDWELL	47	47	0
CHURCH BROUGHTON	235	233	-3
COTON IN THE ELMS	256	269	13
DALBURY LEES	120	122	1
DRAKELOW	62	61	-1
EGGINGTON	257	259	2
ELVASTON	698	699	2
ETWALL	987	985	-2
FINDERN	622	624	2
FOREMARK	33	33	0
FOSTON & SCROPTON	241	247	5
HARTSHORNE	1,027	1,057	30
HATTON	806	838	31
HILTON	2,590	2,584	-6
HOON	21	22	1
INGLEBY	48	47	-1
LINTON	626	641	15
LULLINGTON	61	59	-3
MARSTON ON DOVE	16	17	1
MELBOURNE	1,818	1,875	56
NETHERSEAL	319	319	-1
NEWTON SOLNEY	281	278	-2
OSLESTON & THURVASTON	125	123	-1
OVERSEAL	771	787	17
RADBOURNE	49	50	1
REPTON	1,011	1,007	-3
ROSLISTON	255	256	1
SHARDLOW & GREAT WILNE	413	418	5
SMISBY	122	122	0
STANTON BY BRIDGE	117	119	2
STENSON FIELDS	1,085	1,094	8
SUTTON ON THE HILL	63	64	1
SWADLINCOTE	8,347	8,803	456
SWARKESTONE	85	89	4
TICKNALL	290	294	4
TRUSLEY	38	37	-2
TWYFORD & STENSON	67	173	106
WALTON ON TRENT	297	298	1
WESTON ON TRENT	473	474	1
WILLINGTON	858	878	19
WOODVILLE	1,522	1,615	93
<b>TOTAL</b>	<b>29,723</b>	<b>30,608</b>	<b>885</b>

## COLLECTION FUND ESTIMATE and LATEST PROJECTION 2014/15

	Actual 2013/14	Estimate 2014/15	Actual as at Nov 2014	Variance	
COUNCIL TAX - INCOME & EXPENDITURE					
INCOME					
Council Tax Collectable	£'000	£'000	£'000	£'000	
	44,151	45,480	45,823	343	Estimate - Increase in Precepts of 3.01%
EXPENDITURE					
County Council Precept	31,627	32,657	32,657	0	
Police and Crime Commissioner Precept	4,901	5,059	5,059	0	
Fire Authority Precept	1,972	2,034	2,034	0	
SDDC Precept	4,411	4,466	4,466	0	
SDDC Parish Precepts	603	606	606	0	
Increase in Bad Debts Provision	347	359	362	3	0.79% of Ctax Collectable
<b>Total Expenditure</b>	<b>43,861</b>	<b>45,181</b>	<b>45,184</b>	<b>3</b>	
<b>Surplus for the Year</b>	<b>290</b>	<b>299</b>	<b>639</b>	<b>340</b>	
COUNCIL TAX BALANCE					
Opening Balance 1st April 2014	84	374	374	0	
Share of Previous Surplus to County Council	0	-126	-126	0	
Share of Previous Surplus to Police	0	-19	-19	0	
Share of Previous Surplus to Fire Authority	0	-8	-8	0	
Share of Previous Surplus to SDDC	0	-20	-20	0	
Surplus for Year (as above)	290	299	639	340	
<b>Closing Balance as at 31st March 2015</b>	<b>374</b>	<b>500</b>	<b>840</b>	<b>340</b>	

BUSINESS RATES - INCOME & EXPENDITURE					
INCOME					
Business Rates Collectable	22,015	22,930	23,517	587	Estimate per NNDR1 14/15
EXPENDITURE					
Central Government Precept	10,365	10,540	10,540	0	Estimate per NNDR1 14/15
SDDC Precept	8,292	8,432	8,432	0	As above
Derbyshire County Council Precept	1,866	1,897	1,897	0	As above
Fire and Rescue Service Precept	207	211	211	0	As above
Cost of Collection	91	91	91	0	As above
Increase in Bad Debts Provision	1,453	1,187	0	-1,187	Provide 3% for increase in rates
Provision for Appeals	627	584	647	63	Provide for 2.75% of Rates
<b>Total Expenditure</b>	<b>22,901</b>	<b>22,942</b>	<b>21,818</b>	<b>-1,124</b>	
<b>Surplus / Deficit (-)</b>	<b>-886</b>	<b>-12</b>	<b>1,699</b>	<b>1,711</b>	
BUSINESS RATES BALANCE					
Opening Balance 1st April 2014	0	-886	-886	0	
Surplus / Deficit (-) for the Year as above	-886	-12	1,699	1,711	
<b>Closing Balance as at 31st March 2015</b>	<b>-886</b>	<b>-898</b>	<b>813</b>	<b>1,711</b>	

## LIST OF EARMARKED RESERVES

Specific / Earmarked Reserves - Council Funds	Balance	Estimated	Estimated	Estimated	Notes
	b/fwd 1/4/14	Movement £ 14/15	Movement £ 15/16	Balance 31/3/16 £	
Vehicle Replacement Fund	581,530	70,000	-230,000	421,530	Capital expenditure and financing as planned
Dilapidation Works - Factory Site per Lease Agreement	260,870	0	-260,870	0	Ring fenced- to be spent in accordance with extended lease
IT Reserve	195,526	-50,000	-50,000	95,526	To fund major developments
Pensions Reserve	0	182,000	0	182,000	To fund increase in rates and for Auto Enrolment
Local Plan - Consultation and Implementation	200,000	-50,000	-150,000	0	
Green Bank Leisure Centre - Refurbishment Works	99,000	-99,000	0	0	
Repton Parish (Former Depot proceeds)	33,049	0	0	33,049	Ring fenced for new village hall
Corporate Services Innovation Fund	52,666	5,000	10,000	67,666	Ring fenced - partnership board to consider usage
Rosliston Forestry Centre / Café	34,772	5,000	5,000	44,772	Profit share transferred - no current proposals to utilise
<b>Total - Specific / Earmarked Reserves</b>	<b>1,457,413</b>	<b>63,000</b>	<b>-675,870</b>	<b>844,543</b>	

## Specific Grants and Contributions - Discretionary

Public Open Space - Commuted Sums	452,757	-52,950	-79,650	320,157	Financing expenditure as planned in Base Budget
Youth Engagement Partnership	472,978	-65,600	-134,800	272,578	As above
Schools Sport Partnership Project	187,765	-65,400	-102,000	20,365	As above
Community Safety & Crime Reduction	456,611	-70,800	-106,950	278,861	As above
Young People's Cultural Partnership / Arts Development	42,326	0	-3,000	39,326	As above
Rosliston Business Units	10,719	-10,719	0	0	Balance for retention payments
Get Active in the Forest Partnership	112,410	-600	-85,450	26,360	Financing expenditure as planned in Base Budget
Environmental Education	56,912	0	0	56,912	No further projects currently planned
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	0	53,012	Ring fenced
Swadlincote Woodlands - Section 106	50,774	0	0	50,774	Held pending funding review in 2018/19
Rosliston Forestry Centre	35,892	-35,892	0	0	Contribution to current capital spending
New Play Equipment and Safety Surfacing	22,842	-22,842	0	0	As above
Maurice Lea Park NHLF Grant	23,012	-23,012	0	0	As above
BCU Funding	21,110	0	0	21,110	Subject to review
LSP Reserve	16,357	0	0	16,357	Subject to review
Housing Strategy	50,875	0	0	50,875	No further projects currently planned
Homelessness Prevention	176,581	-16,750	0	159,831	Financing expenditure as planned in Base Budget
Local Council Tax Support Scheme	14,006	-14,006	0	0	Balance held to meet impact of Welfare Reform in 2014/15
Welfare Reform	17,003	-17,003	0	0	As above
Community Right to Bid	12,728	5,000	0	17,728	Grant - to meet potential cost of listing assets
Community Right to Challenge	8,547	3,000	0	11,547	Grant - to meet potential cost of service reviews

## LIST OF EARMARKED RESERVES

Specific / Earmarked Reserves - Council Funds	Balance	Estimated	Estimated	Estimated	Notes
	b/fwd	Movement	Movement	Balance	
	1/4/14	14/15	15/16	31/3/16	
	£	£	£	£	
Property Records - Data sharing	7,131	0	0	7,131	Grant - cost of system changes incurred in 2014/15
Discretionary Housing Payments	14,962	-14,962	0	0	Balance held to meet impact of Welfare Reform in 2014/15
Heritage Grants	10,000	-10,000	0	0	
Electoral Registration	38,401	-38,401	0	0	
Green Bank Lesiure Centre Refurbishment - retention	2,757	-27,577	0	-24,820	
<b>Total - Specific Grants and Contributions</b>	<b>2,368,468</b>	<b>-478,514</b>	<b>-511,850</b>	<b>1,378,104</b>	
<b>Section 106 - Earmarked Funds</b>	<b>1,109,728</b>	<b>tbc</b>	<b>tbc</b>	<b>1,109,728</b>	
<b>TOTAL EARMARKED RESERVES</b>	<b>4,935,609</b>	<b>-415,514</b>	<b>-1,187,720</b>	<b>3,332,375</b>	

## FINANCE and MANAGEMENT COMMITTEE: 15<sup>th</sup> JANUARY 2015

### AGENDA ITEM 7: BUDGET REPORT 2015/16 – ADDITIONAL ITEM

#### SERVICE and FINANCIAL PLANNING WORKING GROUP

1. At the Committee's meeting on 4<sup>th</sup> December, it was agreed to convene the Service and Financial Planning Working Group to assess proposals for new capital investment.
2. Subsequently, bids were submitted by Council officers and assessed against the approved evaluation framework.
3. The Group met on 12<sup>th</sup> January 2015 to score the bids against the corresponding scoring criteria. The Group consisted of Councillors Wheeler, Watson, Richards and Taylor supported by the Director of Finance and Corporate Services  
(*Note: Councillor Harrison tendered apologies*)
4. Twelve separate bids were submitted as follows:

Property Level Flood Protection	Installation of door barriers, air bricks and periscope air vents
Community Food Hub	Recycling excess food - based in Swadlincote
Noise and Antisocial Behaviour Prevention	Purchase of specialist noise investigation equipment
Private Disabled Facility Grants	To meet current backlog estimated at £200,000
Fully Adapted Temporary Accommodation	Adapt 1 property for disabled and bariatric homeless persons
Community Partnership Scheme	To replenish the Fund for various community projects
Etwall Leisure Centre Overflow Car Park	Resurfacing and expanding the overspill car park
Grove Hall Active Zone Redevelopment	To supplement approved project with air conditioning and pool works at Green Bank
Racket Sports Development Programme	To develop tennis and badminton across the District - REVENUE PROJECT
Rosliston Forestry Centre - Play Project	Redevelop play area with a significant destination play facility
Swadlincote Town Centre Cycle Event	To launch a South Derbyshire Cycling Strategy
Swadlincote Woodlands Nature Reserve	Repair infrastructure and provide improved facilities in accordance with Site Plan

5. The Group scored each bid against the following criteria:

- Degree of contribution to Council priorities
- The impact of community involvement
- The amount of partnership working and external funding
- Project/scheme risks
- Financial analysis

6. The following scores (out of 100) were returned:

	Proposed Project / Scheme	Score	SDDC Cost
1	Swadlincote Woodlands Nature Reserve	90	£15,000
2	Rosliston Forestry Centre - Play Project	89	£50,000
3	Private Disabled Facility Grants	77	£186,000
4	Community Partnership Scheme	68	£300,000
5	Grove Hall Active Zone Redevelopment	65	£100,000
6	Noise and Antisocial Behaviour Prevention	63	£10,000
7	Community Food Hub	50	£30,000
8	Fully Adapted Temporary Accommodation	39	£50,000
9	Swadlincote Town Centre Cycle Event	39	£5,000
10	Property Level Flood Protection	36	£18,000
11	Etwall Leisure Centre Overflow Car Park	33	£20,000
12	Racket Sports Development Programme	33	£10,000
			<b><u>£794,000</u></b>

**GUIDANCE NOTE:**

- Bids 1 to 3 are the higher priority proposals with a score greater than 75% including a maximum score against their contribution to Council priorities – they total **£251,000**.
- Bids 4 to 6 are more medium priorities with a score between 50% and 75% including a moderate rank against Council priorities - they total **£410,000**.
- Bids 7 to 12 are lower priority proposals with a score of 50% or lower including a minor contribution against Council priorities – they total **£133,000**.

7. A sum of £300,000 in the General Fund Reserve has been earmarked for new investment. The Committee should consider the scored bids, together with their relevant ranking against the updated MTFP as detailed in the main report.