
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	17th JANUARY 2013	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF EXECUTIVE	OPEN
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SUBJECT:	SERVICE BASE BUDGETS 2013/2014	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2013/14 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 2013/14 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2013/14 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 2013/14, with a comparison to the current year, 2012/13. 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 2013/14 subject to the Council's overall medium-term financial position. This is subject to the next item on this Committee 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 is also included of the Committee's existing capital investment programme.

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, customer services, ICT, payroll, personnel 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 MTFP was reviewed and updated in October 2012 ahead of the Government's detailed financial settlement for local authorities. Pressure remains on the medium term position with continuing reductions in government grant as set out in the 2010 Spending Review.
- 3.7 Therefore, it is important that this Committee scrutinises its spending base closely and in particular examines areas where there are proposals to increase spending. During this budget round, all services were asked to look closely at current spending and adopt a "zero based" approach to budgeting where possible.

Summary of Expenditure

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

Analysis of Net Revenue Expenditure Budgets 2012/13 and 2013/14	Proposed Budget 2013/14	Approved Budget 2012/13	Change
Central and Departmental Accounts	£3,325,324	£3,383,393	-£58,068
Concessionary Travel	£3,000	£3,000	£0
Corporate and Democratic Costs	£867,498	£922,739	-£55,241
Electoral Registration	£106,754	£132,930	-£26,176
Payments to Parish Councils	£311,182	£310,980	£202
Pensions and Interest	£211,027	£246,234	-£35,207
Property and Estates	-£79,724	-£23,719	-£56,005
Revenues and Benefits	£294,819	£157,242	£137,577
Committee Total	£5,039,881	£5,132,799	-£92,918

3.9 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2012/13 and 2013/14 by £92,918. Except for Revenues and Benefits, all main service areas show an overall reduction in budgeted expenditure between years.

3.10 The following table summarises the changes with a detailed commentary provided in the sections that follow. Although the Committee is faced with several cost pressures, there are substantially more budget savings and reductions overall.

Additional Costs	
Annual Indexation Payment	£38,655
Loss of Income	£44,816
Housing Benefits	£42,630
Additional Costs	£48,083
Sub Total	£174,184
Budget Reductions	
Savings	-£199,257
National Insurance Contributions	-£20,077
Depreciation Charges	-£47,770
TOTAL CHANGE	-£92,920

Annual Indexation Payment (£38,655)

3.11 In accordance with the contract for the corporate services partnership, the service fee was increased by 1% for 2012/13. Provision for the increase is contained in the central inflation contingency.

Loss of Income (£44,816)

3.12 This mainly relates to a reduction in government grant for housing benefit administration. The grant will be reduced from £460,000 in 2012/13 to £420,000 in 2013/14. A review of this funding in future years will be undertaken with the introduction of Universal Credit and its impact on revenue departments in local councils.

Increase in Housing Benefits (£42,630)

3.13 In addition to the reduction in the administration grant, the net cost of housing benefits to the Council is expected to increase in 2013/14 as summarised in the following table.

Analysis of Housing Benefit Costs	Estimate 2012/13 £'000	Estimate 2013/14 £'000	Estimated Change £'000
Rent Allowances			
Estimated Benefits Paid	10,270	11,414	1,144
DWP Reimbursement	-10,160	-11,252	-1,092
Net - Rent Allowances	110	162	52
Rent Rebates			
Estimated Benefits Paid	6,000	6,800	800
DWP Reimbursement	-5,923	-6,732	-809
Net - Rent Rebates	77	68	-9
Total			
Estimated Benefits Paid	16,270	18,214	1,944
DWP Reimbursement	-16,083	-17,984	-1,901
Net Total - Housing Benefits	187	230	43

3.14 The estimated increase in actual benefits paid reflects current claimants, with an allowance for rent increases in 2013/14. This is substantially reimbursed by the DWP.

3.15 The estimated net increase in Rent Allowances is due to the limitation the DWP place on allowances for temporary accommodation. The amount reimbursed is usually less than the actual cost that the Council incurs in paying benefit.

3.16 The DWP have indicated that they will review the caps and limits nationally, although this may not take place before the implementation of Universal Credit.

Additional Costs (£48,083)

3.17 There are a range of increases across several areas. Several of these are incremental salary increases. The main increases are as follows:

- Banking services (£11,000) – increase in license charges for upgrading to internet banking to comply with security procedures.
- Inflationary increases in IT contracts (£6,000).
- Additional staff cover and materials for cleaning and caretaking (£8,000).
- Replacement of election booths (£9,000).

Budget Savings (£199,257)

3.18 Several areas were identified during the review of the MTFP in October 2013. This identified potential on-going savings arising from the budget out-turn 2011/12, which have now been built into base budgets. These are summarised below.

- Reduction in past service pension costs (£40,000).
- Restructure of Legal, Licensing and Democratic Services (£26,000).
- IT and committee costs in Democratic Services (£22,000).
- Reduction in Corporate Training budgets (£20,000).
- Increased income from property lettings – mainly Civic Offices (£20,000).
- Corporate subscriptions and professional support fees (£20,000).
- Canvass Fees – one-off in 2012/13 (£17,000).
- Reduction in External Audit fees (£15,000).
- Lease payments falling out in 2013/14 (£6,000).

Reduction in National Insurance Contributions (£20,077)

3.19 The budget for employer's national insurance contributions can be reduced in 2013/14. As expected, new and increased rates were introduced on 1st April 2012.

3.20 However, they have impacted much less than anticipated due to average earnings at the Council being below the new thresholds for increased contributions.

Reduction in Depreciation Charges (£47,770)

3.21 These are internal charges which are reversed out in consolidating the Council's budget. They reflect charges for using capital assets in service delivery in accordance with accounting regulations.

3.22 They are based on the valuation of assets which are reviewed each year for accounting purposes, the valuation being written down on a straight line basis based on the estimated useful life of the asset concerned.

3.23 The overall decrease reflects valuations for investment properties (commercial and industrial units) being written down.

Future Budget Considerations

3.24 The implementation of Universal Credit from October 2013 could have an impact on administration of benefits locally. Further details are expected from May 2013.

3.25 In addition, the impact of the new local council tax support scheme and the implementation of the business rates retention system from April 2013 could also have an impact on administration and collection budgets. This will be kept under review.

4.0 Detail

- 4.1 **Appendix 1** summarises the Committee's budgets at cost centre level with **Appendix 2** analysing changes between 2012/13 and 2013/14 for each cost centre.

Zero Based Budgeting

- 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.
- 4.5 As usual, the base budgets exclude the costs of internal central support service charges, together with any statutory pension adjustments. These will be allocated across services in accordance with accounting regulations, when approved through the budget process.

Inflation

- 4.6 Although the effects of inflation in 2012/13 have been added into base budgets for 2013/14, 2013/14 does not at this stage allow for future inflation. Clearly, some base costs will be subject to inflation during the year and in some cases it will be "unavoidable," for example employee costs, if a national pay increase is approved.
- 4.7 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.
- 4.8 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.

General Basis of the 2013/14 Base Budget

- 4.9 Although the principle of a zero based budget was adopted to justify spending in individual budget heads, the estimates are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).

- 4.10 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.

Concurrent Functions – Contributions to Parish Councils

- 4.11 As previously reported, the method of allocation of the overall pot was changed from 2010/11. The changes have been phased in over three years, with the final transitional year being 2012/13. All Parishes are now at their revised level.
- 4.12 In previous years, the Council has approved an increase to parishes for inflation as measured by the Retail Price Index (RPI) as at September of the preceding year.
- 4.13 However, due to the reduction in the Council's general grant funding for 2011/12 and 2012/13, no increase was applied for these years although the base level of funding was maintained and indeed increased to fund the new system.
- 4.14 As at September 2012, RPI stood at 2.6%. The MTFP includes a provision of 3%.
- 4.15 An increase of 2.6% equates to approximately £7,900 in total across all parishes, with 3% equating to around £9,200.
- 4.16 Prior to reviewing the consolidated position, the Committee are requested to make a recommendation regarding any inflationary increase.

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.
Planned Maintenance Programme (on public buildings and commercial portfolio) including Disability Access Improvements, stock condition surveys and EMAS works.	58	Originally, £1/2m approved in 2005. Essential works have been completed based on completed stock condition surveys. The remaining budget is being held as a contingency and to fund any ad-hoc emergency works.
Contributions to Renewals Fund	250	Fixed amount per year to replace vehicles and plant in accordance with the replacement schedule.
Replacement of Civic Car	20	Provision made in 2015/16

Proposed Fees and Charges 2012/13

- 4.18 **Appendix 3** provides a schedule of the proposed level that will operate from 1st April 2012, together with a comparison to the existing charge. Where applicable, VAT is also added at the standard rate.
- 4.19 The main proposal is to increase the fee for recovering court costs to £70 per case (from £55) to bring it into line with other authorities. This was initially considered by the Committee in September 2012.
- 4.20 The Council is able to charge council tax payers for the cost of court summonses. Currently, this is a standard charge which is below other authorities locally, who charge up to £15 more and use the same court.
- 4.21 By increasing the current charge to £70, would raise an additional £35,000 per year based on current casework; this would provide a further contribution to the costs of collection incurred by the Council.

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