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<b>REPORT TO:</b>	<b>FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>13th JANUARY 2011</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF CORPORATE SERVICES</b>	<b>OPEN</b>
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<b>SUBJECT:</b>	<b>SERVICE BASE BUDGETS 2011/2012</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That the proposed revenue income and expenditure for 2011/12 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 4** for 2011/12 are considered and approved.

## **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 2011/12, with a comparison to the current year, 2010/11. 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 2011/12 subject to the Council's overall medium-term financial position. This is subject to Item 7 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 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's payments, concessionary travel and treasury management. 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 the statutory/governance, support and advisory functions of the Council.
- 3.4 Consequently, 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**

- 3.5 The Council's Medium-Term Financial Plan (MTFP) was reviewed and updated in October 2010 ahead of the detailed financial settlement arising from the Government's comprehensive spending review (CSR 10). It is expected that sustaining the Council's overall financial position over the medium-term will be challenging given the proposed cuts in grant funding recently announced.

### **Efficiency Savings Identified**

- 3.6 The Committee, through the Business Improvement Programme and Procurement Strategy, is responsible for co-ordinating and indeed delivering, efficiency savings.
- 3.7 This is an on-going process and the Council's efficiency achievements to-date, together with future plans, forms part of the MTFP. This process is overseen by the Business Improvement Board.

### **Corporate Services Strategic Partnership**

- 3.8 In addition, the Strategic Partnership is now becoming established following the transfer of the Council's "back office" services to the Council's Partner on 1<sup>st</sup> August 2010. They now act as direct service provider for a range of services including revenue's collection, benefits administration, customer services, ICT, finance, HR and organisational development.
- 3.9 The first tranche of savings arising out of efficiencies in service delivery are reflected in the budgets of this Committee as detailed later in the report.

### **Summary of Expenditure**

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

<b>Analysis of Net Revenue Expenditure Budgets 2010/11 and 2011/12</b>	<b>Approved Budget 2010/11</b>	<b>Proposed Budget 2011/12</b>	<b>Change</b>
Central and Departmental Accounts	£4,446,388	£4,200,746	<b>-£245,642</b>
Concessionary Travel	£456,050	£6,000	<b>-£450,050</b>
Corporate and Democratic Costs	£1,069,754	£1,006,235	<b>-£63,519</b>
Electoral Registration	£128,004	£219,299	£91,295
Interest Payments and Receipts	£27,502	£5,205	<b>-£22,297</b>
Internal Trading Accounts	£40,859	£145,612	£104,753
Payments to Parish Councils	£288,332	£299,643	£11,311
Property and Estates	<b>-£166,795</b>	<b>-£141,635</b>	£25,160
Revenues and Benefits	£33,118	£199,460	£166,342
<b>Committee Total</b>	<b>£6,323,212</b>	<b>£5,940,565</b>	<b>-£382,647</b>

3.11 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2010/11 and 2011/12 by £382,647. In summary, the main reasons for this are as follows:

<b>Known and Internal Changes</b>	
One-off Expenditure falling out	<b>-£8,000</b>
Items included in MTFP	<b>-£391,501</b>
Corporate Services Partnership	<b>-£252,376</b>
Internal printing	£109,066
Increase in Insurance Premiums	£7,141
Sub - Total	<b>-£535,670</b>
<b>Additional Changes</b>	
Changes in Income Levels	£50,238
Additional Costs	£134,604
Savings/Efficiencies	<b>-£31,819</b>
<b>TOTAL CHANGE</b>	<b>-£382,647</b>

### **One-off Expenditure**

3.12 This relates to services where additional budget was provided in 2010/11 for that year only. This was funded either from external sources or from approved under spending brought forward from 2009/10. It relates to one budget item of £8,000 that was used to complete the senior management training programme in 2010/11.

### **Items included in the Medium-Term Financial Plan (MTFP)**

3.13 These are amounts that have been included direct into the Committee's base budget for 2011/12. They are known or projected changes that have been included in the MTFP forecast and now need to be reflected in the base budget.

3.14 They are shown in **Appendix 2**. The main items are a reduction in expenditure of £444,000 due to the transfer of concessionary travel to the County Council

and an increase of approximately £100,000 to meet the cost of the District Elections in May 2011. Less significant adjustments have also been made for interest receipts and for the phased increase in resources for concurrent functions, all in accordance with the approved MTFP.

### **Corporate Services Partnership**

- 3.15 The appendices in the report show many changes in budgets for the services transferred to the service provider. Effectively, many cost centres show reductions in employee and other direct costs as budgets have been transferred and replaced with a service or contract fee.
- 3.16 In addition, some cost centres will show different variances between years depending on how the service fee has been charged. This reflects that the service provider has structured services and costs on a different basis in accordance with the tender submission.
- 3.17 However overall, the cost of corporate services is lower and reflects the tender price as reported to the Committee in April 2010. The reduction of approximately £252,000 in the above table includes retained client costs and is after crediting the Housing Revenue Account (HRA) with just under £20,000 to reflect a proportionate share of the savings.
- 3.18 However from this amount, approximately £136,000 will need to be set-aside to cover the past service deficit cost of employees transferred in accordance with pension arrangements in the Contract. In addition, £25,000 (as approved) has been set-aside as a contingency pending the bedding in of the revised service arrangements.
- 3.19 This leaves approximately £90,000 per year (as estimated) for the General Fund, although the contingency of £25,000 may eventually be added to this. As highlighted above (3.17) a further saving of £20,000 has also been added to the HRA.
- 3.20 These reflect the first tranche of savings through the Partnership and are in addition to the investment being provided by the service provider in I.T. and transformation. As reported to Committee, further savings have been guaranteed (subject to Council approval) from income generation and procurement/transformation in retained services.
- 3.21 These are expected to accrue from 2011/12 and in accordance with the Financial Strategy, will be built into budgets when known and implemented.

### **Internal Printing**

- 3.22 The budget for the Council's internal printing and design service was transferred to the Corporate Services provider under the strategic partnership. They will continue to provide services for all areas of the Council, the charge for which is included within the overall service fee for all corporate services.
- 3.23 Each year this will be identified and charged separately. However, for budgeting purposes, the internal recharge cost has been removed from

service budgets, with the overall budgeted cost of printing being held centrally within this Committee.

### **Insurance Premiums**

- 3.24 The Council renewed its premiums in September 2010 following a formal tendering exercise as reported to the Committee. This produced a saving in overall premiums across the Council's main policies.
- 3.25 However, premiums for services within this Committee have increased overall by approximately £7,000. This is mainly due to increased premiums on public buildings and other property.
- 3.26 However, this was in return for additional cover being provided to cover risks such as terrorism and subsidence relating to Council buildings. The additional cost has been met from savings in premiums on other policies.
- 3.27 The additional cost is approximately £16,000, but this has been offset by a reduction in the motor vehicle policy of £9,000.

### **Changes in Income Levels**

- 3.28 There is a reduction of approximately £50,000 in income between 2010/11 and 2011/12 budgets. Firstly, around £22,000 (4%) is due to a reduction in government grant for administering housing benefits. Secondly, income from commercial and industrial holdings has been reduced by £28,000 (7%) due to lower occupancy levels and the current difficulty in re-letting units.

### **Additional Costs**

- 3.29 The main item is for housing benefits (approximately £115,000) as reported to the Committee in December. This reflects current volumes and the increase in cost remaining with the Council.

### **Savings and Efficiencies**

- 3.30 The main items are a reduction in audit and inspection fees (£10k) due to the abolition of the corporate assessment regime. In addition, there is a reduction in the costs of business rates payable on public buildings due to rating revaluations (£9k), together with continuing reductions in the cost of cash and payment transactions (£8k).

## **4.0 Detail**

- 4.1 A "line by line" analysis of the Committee's budgets as contained in the Council's main accounting system is detailed in **Appendix 3**. **Appendix 1** summarises the Committee's budgets at cost centre level with **Appendix 2** breaking down the changes between 2010/11 and 2011/12 for each cost centre.

- 4.2 The base budgets exclude the costs of internal support service charges, together with any capital accounting and statutory pension adjustments. They will be allocated across services in accordance with accounting regulations, when approved through the budget process.

### **Inflation**

- 4.3 The proposed base budget for 2011/12 does not at this stage allow for 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 increases are settled.
- 4.4 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.
- 4.5 In line with current policy, this contingency will be reviewed and monitored separately by the Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

### **General Basis of the 2011/12 Base Budget**

- 4.6 The estimates are based substantively on a continuation of current service levels with no reductions in service delivery proposed. The full year effects of previous year’s growth and efficiencies are included, with any non-recurring items removed as identified in the report.

### **Concurrent Functions**

- 4.7 In previous years, the Council have agreed to increase these grants by inflation as measured by the Retail Price Index (RPI) as at September of the preceding year. As at September 2010, RPI stood at 4.6%.
- 4.8 The MTFP includes a provision of 2% but this will need to be considered by the Committee as part of the Council’s overall Budget for 2011/12 (Item 7).

## Capital Investment

4.9 The Committee currently has the following schemes in the Council's approved capital investment programme. The funding of these schemes, especially the vehicle replacements and repayment of covenants is considered in the report at Item 7.

SCHEME	BUDGET £000	NOTE
Repairs to Village Halls and Community Facilities	49	Amount set-aside pending transfer of management to parish/community groups. Remaining budget held for Walton on Trent and Netherseal Village Halls.
Planned Maintenance Programme (on public buildings and commercial portfolio) including Disability Access Improvements, stock condition surveys and EMAS works.	76	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.
Energy Efficiency Schemes	45	Programme of works to public buildings being funded through interest free loans (Salix Finance Scheme).
Contributions to Renewals Fund	1,425	Fixed amount per year of £225k, rising to £250k in 2013/14 to replace vehicles and plant in accordance with the replacement schedule.
Replacement of Civic Car	40	Provision made in 2010/11 and 2015/16 at £20k per replacement. Cost in 2010/11 expected to be lower.
Repayment of Covenants	150	£69k in 2010/11 and £81k in 11/12.

## Proposed Fees and Charges 2011/12

4.10 **Appendix 4** provides a schedule of the proposed level that will operate from 1st April 2011, together with a comparison to the existing charge. Where applicable, VAT is also added at the standard rate.

4.11 A detailed review of fees and charges has been undertaken as part of this budget round. One new charge is proposed relating to a handling fee for payments by debit card, i.e. 25p per transaction.

4.12 This is to cover the charge passed to the Council by the banks and is designed to encourage a greater take-up of payment by direct debit or other electronic means. Currently, around 55% of payments to the Council are via direct debit and a further campaign to promote this method will be undertaken shortly.

## **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