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<b>REPORT TO:</b>	<b>HOUSING AND COMMUNITY SERVICES COMMITTEE (SPECIAL – BUDGET)</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>13th JANUARY 2015</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE &amp; CORPORATE SERVICES</b>	<b>OPEN</b>
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<b>SUBJECT:</b>	<b>SERVICE BASE BUDGETS 2015 / 2016</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: HCS</b>

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## **1.0 Recommendations**

- 1.1 That the proposed revenue income and expenditure for 2015/16 for the Committee's Services as detailed in **Appendix 1** are considered and referred to the Finance and Management Committee for approval.
- 1.2 That the proposed fees and charges as detailed in **Appendix 3** for 2014/15 are considered and approved.
- 1.3 That consideration is given to the level of any increase in grants to voluntary bodies in 2015/16.

## **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 will be considered by the Finance and Management Committee during the coming month.
- 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 on leisure, recreational facilities, community development and private sector housing.

#### **External Funding**

- 3.2 A large part of the Committee's annual spending on community development, crime prevention, together with sport, health and homelessness prevention, is delivered in partnership with other agencies. Expenditure is financed in part from their contributions which can in turn be reliant on specific central government funding.
- 3.3 This funding is not necessarily available from year to year. The Council maintains specific reserves which hold funding awarded in previous years and is drawn down to meet projects and costs on a yearly basis. Some of this funding is not always replaced each year and expenditure is adjusted accordingly.
- 3.4 In recent budget rounds some Council posts have been mainstreamed into the Base Budget. This has confirmed on-going resources in supporting local community partnerships, environmental education, together with costs associated with maintaining Swadlincote Woodlands.
- 3.5 Although the Council still has access to longer term funding, this is finite unless replaced. Consequently, some services could again come under pressure in future years and this will be kept under review.
- 3.6 Furthermore, expenditure of approximately £80,000 per year on parks and maintenance of open spaces is supplemented by drawing down commuted sums received as part of residential developments. Although current funds will support expenditure for several more years, this funding is also finite and will eventually end if not replaced. This will also need to be kept under review.

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

- 3.7 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.
- 3.8 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.
- 3.9 The Finance and Management Committee will consider the detail of the overall financial position on 15<sup>th</sup> January 2015, including proposals from this Committee. 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

3.10 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 £
Community Development & Support	508,326	486,092	-22,234
Leisure and Recreational Activities	128,326	156,553	28,227
Leisure Centres and Community Facilities	470,478	486,788	16,310
Parks and Open Spaces	693,732	698,338	4,606
Private Sector Housing	400,200	423,350	23,150
<b>Total - Net Expenditure</b>	<b>2,201,063</b>	<b>2,251,121</b>	<b>50,058</b>

3.11 The above table shows that the Committee's net expenditure is estimated to increase overall between 2014/15 and 2015/16 by £50,058. 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
Increases in Income	(23)
Budget Savings	(32)
Pay Award	27
Other increases in Pay	38
Service Cost Increases	100
Service Reduction Costs	(75)
Transfers from Earmarked Reserves	(38)
<b>Change in Service Expenditure</b>	<b>(3)</b>
Add: Increase in Depreciation	19
Add: Transfer to other Committees	34
<b>Overall Base Budget Increase</b>	<b>50</b>

3.12 Although overall, there is a proposed increase of £50,000, this reduces after adding in internal/accounting adjustments for depreciation and transfers to other Committees.

3.13 The table shows that the actual change in service expenditure is an overall decrease of £3,000. Some increases/decreases in costs are offset by adjustments between earmarked reserves. Details of all the changes are provided in the following sections.

### **Depreciation (Increase of £19,000)**

- 3.14 Depreciation charges are reversed out in Finance Committee on consolidating the Council's budget. They reflect charges for using capital assets in service delivery in accordance with accounting regulations.
- 3.15 The increase relates to land and buildings as assets are written down in the Council's accounts.

### **Transfer between Committees (£34,000)**

- 3.16 This includes a transfer in of agency income from the Environmental and Development Services Committee (£42,000) to match costs incurred by grounds maintenance for highways related work.
- 3.17 This is offset by a transfer of costs from Finance Committee (£12,000) associated with the management of events. This follows the restructures in Democratic and Community Services approved in 2013/14.
- 3.18 In addition, there is a transfer of specific grant f(£64,000) for the Homelessness Service that is now included within the main Revenue Support Grant of the Council.
- 3.19 It should be noted that overall income and expenditure has not changed, only the allocation between policy committees.

### **Increases in Income (£23,000)**

- 3.20 This is an overall figure, including a reduction in income, with several individual variances as shown in the following table.

	<b>£'000</b>
Reduction in Partnership Contributions	54
Increase in Income – Rosliston Forestry Centre	-45
Increase in Cemeteries Income	-11
Increase in Leisure Centre Income	-10
Increase in Markets Income	-6
Other Changes (net)	-5
<b>Total Overall Increase</b>	<b>(23)</b>

- 3.21 The reduction in partnership contributions relates mainly to sports development. As highlighted previously, actual amounts can vary between years depending on projects and funding available. This is balanced by a reduction in costs and/or funding from reserves.
- 3.22 The largest increase in income is at Rosliston Forestry Centre. This is to cover increased costs as detailed later in the report.

### **Budget Savings (£32,000)**

- 3.23 These reflect the savings achieved from the approved restructure of Private Sector Housing and Environmental Health in 2014/15. These are the on-going budget savings from 2015/16.

### **Pay Award (£27,000)**

- 3.24 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.
- 3.25 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.
- 3.26 This 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 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.

### **Other Increases in Pay (£38,000)**

- 3.27 Increases have been added for employees on career graded posts and those subject to incremental steps within a specific grade which recognises experience and development. The total for this Committee is £9,000 and provision is made separately within the MTFP for these increases.
- 3.28 In addition, on-going increases (£28,000) have been built into the proposed budget for grounds maintenance to cover increased highways work. A corresponding reduction has been included in the Street Cleansing budget within Environmental Services Committee.

### **Cost Increases (£100,000)**

- 3.29 The largest increases are those at Rosliston Forestry Centre (£45,000) and for Parks and Open Spaces (£24,000). Both of these amounts are covered by increased income and funding from earmarked reserves respectively. Other increases are largely offset by contributions from specific reserves.
- 3.30 The increases at Rosliston relate to maintenance and utility costs (£29,000) and contractor payments of £16,000.
- 3.31 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.
- 3.32 This is to prevent insurance claims and to upgrade the general infrastructure.

3.33 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.

### **Cost Reductions (£75,000)**

3.34 The main reductions relate to the Sports Partnership (£20,000) and in the Homelessness Services (£28,000). However, this is due to less project work anticipated in 2015/16 and is largely offset by a reduction in external contributions and/or reserve funding.

3.35 There are also numerous smaller reductions in costs spread across several services.

### **Earmarked Reserves**

3.36 As highlighted, some spending is financed by drawing down earmarked reserves. After taking account of these amounts, the estimated balance on the relevant reserves is shown in the following table.

<b>Community Services - Earmarked Reserves</b>	Balance b/fwd 1/4/14 £	Usage 14/15 £	Usage 15/16 £	Estimated Balance 31/3/16 £
Public Open Space - Commuted Sums	452,757	-52,950	-79,650	320,157
Youth Engagement Partnership	472,978	-65,600	-134,800	272,578
Schools Sport Partnership Project	187,765	-65,400	-102,000	20,365
Community Safety & Crime Reduction	456,611	-70,800	-106,950	278,861
Young People's Cultural / Arts Development	42,326	0	-3,000	39,326
Get Active in the Forest Partnership	112,410	-600	-85,450	26,360
Homelessness Prevention	176,581	-16,750	0	159,831
<b>Total - Earmarked Reserves</b>	<b>1,901,428</b>	<b>-272,100</b>	<b>-511,850</b>	<b>1,117,478</b>

3.37 The usage figures also include £80,000 in 2015/16 which has been earmarked to support the financing of the proposed Grove Hall Capital Project approved in October 2013. None of the Reserves include any further income from external contributions, although it is likely that some will be received.

## **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.

### **Central Costs**

- 4.7 As usual, the base budgets exclude the costs of internal central support service charges, together with any statutory pension adjustments.
- 4.8 These items are costed centrally and considered by the Finance and Management Committee in detail. They are allocated across services in accordance with accounting regulations when approved through the budget process.

### **Pension Contributions**

- 4.9 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**

- 4.10 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.

- 4.11 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.
- 4.12 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.
- 4.13 In line with current policy, this contingency will be reviewed and monitored by Finance and Management Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

### **Inflation on Grants to Voluntary Bodies**

- 4.14 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.
- 4.15 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.
- 4.16 Every 1% increase in the base level across all grants equates to approximately £2,000 per year.
- 4.17 The actual increase will be considered by the Finance and Management Committee as part of the Council’s overall Budget for 2015/16 and this Committee are requested to make an appropriate recommendation.

### **Risks**

- 4.18 Additional costs associated with Rosliston Forestry Centre and maintenance in parks and open spaces, have been built into base budgets. These matters are detailed in the report.
- 4.19 Other financial risks associated with the Committee’s services are identified in the following table.

<b>Risk</b>	<b>Issue</b>	<b>Action</b>
<b>External Funding</b>	As detailed in the report; several services 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>Growth</b>	The Council's MTFP identifies underlying cost pressures yet to surface as a risk, due to pressure on services such as parks and open space provision.	An on-going amount of £100,000 has been set-aside in the MTFP; this will be kept under review.

## Capital Investment

4.20 The Committee currently has a substantial capital programme financed through external sources in addition to the Council's own resources. Individual projects and schemes are summarised below.

### PRIVATE SECTOR HOUSING & DFGs

Disabled Facility Grants and other Works	343,000
Strategic Housing Market Assessment	40,000
Private Sector Stock Condition Survey	22,750
Empty Property Landlord Grants	42,943
	<b>448,693</b>

### LEISURE & COMMUNITY DEVELOPMENT

Hilton Village Hall Extension	217,408
Rosliston - Enterprise Centre	17,698
Eureka Park - Community Programme	443,040
Community Partnership Scheme	19,968
Open Space Development Project	4,068
Swadlincote Skate Park	20,000
Green Bank Leisure Centre Refurbishment - Phase 2	547,354
<i>Etwall Leisure Centre - Fitness / Community Facilities</i>	<i>360,000</i>
<i>Melbourne Leisure Centre</i>	<i>335,637</i>
<i>Melbourne Sports Partnership</i>	<i>1,191,683</i>
	<b>3,156,856</b>

4.21 The schemes highlighted in the above table are substantially complete. The three remaining schemes are still subject to external funding and/or procurement, although some preliminary works have been undertaken. The Melbourne Sports Partnership also has resources of approximately £900,000 earmarked in future years, covering 2016/17 and 2017/18.

4.22 Resources for Disabled Facility Grants are totally reliant on Government funding. Currently, this is expected to continue at around £250,000 per year, although this is only confirmed one year in advance.

4.23 A funding bid, subject to contractual and procurement arrangements being agreed will be submitted to develop the Grove Hall in Swadlincote into an

Extreme Sports Zone. When implemented, the revenue implications (as approved in October 2013) will need to be built into revenue budgets

### **Proposed Fees and Charges 2015/16**

4.24 **Appendix 3** provides a schedule of the proposed level that will operate from 1st April 2015, together with a comparison to the existing charge. Where applicable, VAT is also added at the appropriate rate.

4.25 A detailed review of fees and charges has been undertaken as part of this budget round. Where possible, charges have been increased to reflect inflation and demand for services.

4.26 The main changes proposed are those relating to Cemeteries and in Parks, where a 5% increase is proposed to cover additional maintenance costs. No changes are proposed for Supported Housing (Telecare, etc.) following a fundamental review and change to the charging structure in 2013/14.

### **Strategic Housing**

4.27 Under the Mobile Homes Act of 2013, several new charges are being implemented for licensing residential park homes. These were approved by the Committee in April 2014 and followed a period of consultation. The proposed charges are based on a calculation of officer time and costs, as detailed in the report in April 2014.

### **Rosliston Forestry Centre**

4.28 Charges applied at Rosliston Forestry Centre for lodge hire and activities, etc. are set by the Executive Board of the Partnership in accordance with the Business Plan for the Centre. They are not reproduced in this report but are available direct from the Centre.

## **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