
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 8
DATE OF MEETING:	7th JANUARY 2021	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
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SUBJECT:	SERVICE BASE BUDGETS 2021 - 2022	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2021/22 as detailed in **Appendix 1** for the Committee's Services are considered and included in the consolidated proposals for the General Fund.
- 1.2 That the proposed fees and charges as detailed in **Appendix 2** for 2021/22 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2021/22 for Concurrent Functions.

2.0 Purpose of Report

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2021/22, with a comparison to the current year budget. This includes an overview of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2021/22 subject to the Council's overall medium-term financial position. This will be subject to a separate report to the Committee on 11th February 2021.
- 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, 2021/22.

3.0 Summary and Overview

- 3.1 The Committee is responsible for large spending areas, in particular the main support service functions, together with the corporate, management and democratic costs of the Council.

- 3.2 It is also responsible for the strategic management of the Council's property portfolio, revenue collection, benefit payments and treasury management, etc. As such, the associated income and expenditure is a significant part of the Council's financial position.
- 3.3 In addition, several of these spending areas provide statutory, governance, legal and advisory support for the Council.
- 3.4 In accordance with local government accounting regulations, Central Support Services are no longer required to be recharged and allocated across other Policy Committees.

The Council's Overall Financial Position

- 3.5 The Council's MTFP was reviewed and updated in November 2020. The overall position on the General Fund has not changed fundamentally over the last year. The current level of the General Fund Reserve remains above the £1.5m statutory balance by the end of the planning cycle.
- 3.6 However, the continuing issue is the projected deficits each year over the life of the Plan. Although the current level of reserves can be utilised to meet the projected deficits, this is not a sustainable solution in the longer-term. Delays to the Fair Funding Review also leaves the Council with uncertainty regarding future funding past 2021/22.
- 3.7 Therefore, ahead of considering the wider Council position, it is important that the Committee scrutinises its own spending base closely to identify potential budget savings and carefully examines any areas where there are cost pressures, together with any proposals to increase spending.

Summary of Expenditure

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

	2021/22 £	2020/21 £	Movement £
Central Support Services	4,075,360	3,913,496	161,864
Corporate & Democratic Costs	534,770	500,053	34,717
Elections & Registration	228,425	222,502	5,922
Parishes, Interest, S106 Receipts & Provisions	725,594	618,745	106,849
Estate Management	-267,508	-276,481	8,972
Revenues & Benefits	676,265	629,479	46,786
	5,972,905	5,607,795	365,110

- 3.9 The above table shows that the Committee's net expenditure is estimated to increase overall between 2020/21 and 2021/22 by £365,110. An analysis of the changes within each service area is detailed in **Appendix 1**. Although this increase looks significant at approximately 6%, a large proportion of the movement between years was expected and included in the MTFP, such as a reduction in interest on investments and an increase in Members Allowances. Transfers from other policy Committees are also included within the above movement which are not an increased cost to the Council overall.

3.10 A summary of the changes is shown in the following table.

	£'000
Salaries	80
Bad Debt provision	75
Transfer from Housing & Community Services	50
Investment income	30
Member's Allowances	24
Earmarked reserve drawdown	22
ICT Strategy	20
Transfer from Environmental & Development Services	18
Industrial unit void allowance	10
NNDR charges	6
Cleaning materials	6
Protective clothing due to growth	6
Benefits and grant income	5
Insurance	5
Van hire	4
Professional fees	3
Stationery	-5
Printing and postage	-10
Computer maintenance agreements	-24
HRA recharge	-36
	289
Depreciation	76
Base Budget Increase	365

3.11 Excluding the increase in Depreciation, which is an accounting adjustment and not a cost to the Council, the increase in actual expenditure based on the proposed budgets, is £289k.

3.12 The main reasons for the variances are detailed in the following sections.

Salaries

3.13 The budget has increased for incremental salary rises plus career graded trainee posts. Both areas were included within the MTFP in November.

Bad Debt Provision

3.14 The bad debt provision for the General Fund includes debtors for Housing Benefit Overpayments, Bed and Breakfast and Sundry Debt. Over the past two years, the average provision charge has been approximately £150k.

3.15 It is proposed to increase the provision to £175k as the MTFP currently includes a provision of £100k each year. This is in light of the fact that there has been an additional cost incurred each year previously but also with the risk that debt recovery will be affected due to the pandemic therefore it is prudent to make an allowance for this.

Transfers between Committees

- 3.16 As noted within both reports to Housing and Community Services and Environmental and Development Services, proposals have been made to transfer budgets from these Policy Committees into Finance and Management.
- 3.17 The responsibility for repairs and maintenance was transferred to the Head of Corporate Property as part of the Senior Management restructure in 2019. It is proposed to now transfer budgets for Green Bank Leisure Centre and Melbourne Assembly Rooms of £50k from Housing and Community Services for more transparent monitoring going forward.
- 3.18 A transfer of the budget of £18k for computer maintenance agreements for GIS from Street Naming and Numbering within Environmental and Development Services Committee into Digital Services within Finance and Management Committee has also been made.

Investment Income

- 3.19 The reduction expected on investment income is in line with the MTFP as reported in November and is due to interest rates falling and likely lower levels of cash.

Members Allowances

- 3.20 The remuneration review was reported to Full Council in July and included an increase on allowances that are to be phased over a three-year period. This additional cost was included in the updated MTFP in November.

Earmarked Reserves

- 3.21 There is a reduction in reserve funding proposed in 2021/22 for the Housing Benefits Service.
- 3.22 Earmarked funding in 2020/21 was for professional services, undertaken with Erewash Borough Council, regarding the production of documents and eligibility checks. The Council is no longer looking to use the support going forwards as the Council's own technology is being upgraded to provide these services. Therefore, there has also been a budgeted saving included within this service area.

ICT Strategy

- 3.23 There has been an increased budget proposed on licences and computer maintenance agreements (£42k) controlled by the Head of Business Change and ICT with a reduction on telephones and internet charges (£22k).
- 3.24 Movements in these cost lines were expected and included within the ICT Strategy provision in the MTFP. The strategy budget will now be reduced to compensate for the base budget increase.

Industrial Unit Voids

- 3.25 It has been proposed to increase the income losses through void properties, as a result of Covid-19, as a prudent measure for budgeting purposes.

HRA Recharges

- 3.26 A full review was undertaken for recharges from the General Fund to the HRA and reported in February 2020. It was expected based on the 2020/21 budget that there would be a reduction to these charges, and this was built into the MTFP.
- 3.27 Further to the collation of the budget, General Fund services that are recharged to the HRA have moved significantly due to differing factors.
- 3.28 The total impact of the increase in HRA recharges is £36k and after a full review of all charges, the following table details the movement by service area.

	Movement £'000
Head of Legal and Democratic	36
Head of Corporate Property	23
Strategic Director (Corporate Resources)	12
Head of Business Change and ICT	-2
Head of Customer Services	-16
Head of Organisational Development and Performance	-36
Head of Finance	-53
Total HRA Recharge Movement	-36

- 3.29 Corporate and Democratic costs plus Civic Offices overheads were reduced as part of the HRA review and Customer Services was increased due to call volumes now being diverted from HRA staff as approved by this Committee. The main increases are from direct support through Organisational Development and Finance which are based on transactional volumes, head count and cash responsibility.

Computer Maintenance Agreements

- 3.30 There have been marginal increases and reductions proposed in the budget for different service areas, but the main movement is within Finance.
- 3.31 An upgrade to the Financial Management System was approved by this Committee in August 2020 and the implementation costs were then included in the budget. A reduction of £25k is due to the one-off implementation cost removal.

Other Changes

- 3.32 Insurance cover is an overall increase to the Council of £31k between 2020/21 and 2021/22. The impact on this Committee is £5k across varying insurance lines. Computer insurance has increased by £2k however due to the purchase of the new laptops.
- 3.33 Van hire has been proposed for the Repairs Officer who maintains all public buildings. This was not included in the MTFP as a cost. The hire will be for twelve months to determine the amount of travel and type of vehicle required. This will enable cost benefit analysis to be undertaken with the potential that a new van may need to be added to the vehicle replacement schedule.
- 3.34 Protective clothing increases were included as part of the growth report that came to this Committee in October and have therefore been included within the MTFP.

- 3.35 A proposal to increase the budget for cleaning materials has been suggested due to the cleaning regime currently in place across the Civic Offices due to the pandemic. It is unlikely that the level of cleaning currently undertaken will reduce for at least the first half of next financial year.
- 3.36 Business Rates charges are included at an increase of 2% in the MTFP. The increase proposed is slightly more than the provision in the MTFP at 2.5% due to the void property losses expected as noted at 3.25.
- 3.37 Reductions were not expected for printing, postage and stationery but after full review of usage and with new ways of working due to the pandemic, it is considered that a reduction will be manageable.
- 3.38 Professional fee increases are covered by an inflationary increase within the MTFP and the increases in Benefit costs and reduction in grant income for the administration of Benefits were also expected and included in the MTFP.

4.0 Detail

- 4.1 The Committee's budgets by service area are detailed in **Appendix 1**.

Basis of the Budget

- 4.2 Budgets are generally calculated on a "no increase basis," i.e. they are maintained at the same level as the previous year adjusted only for known changes, price increases, inflation and variations due to contractual conditions, etc.
- 4.3 In addition, budgets are also subject to a base line review which is used to justify proposed spending. This process places responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner. This is supported by the Financial Services Unit, who analyse recent trends across services compared to current budgets.

On-going Service Provision

- 4.4 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 4.5 The full year effects of previous year's restructures and budget savings have been included, with any non-recurring items removed.

Changes in Pay

- 4.6 A pay award is not included within the Base Budget at this stage as no official notification has been submitted to the Council although it is expected that no award will be made in 2021/22 in accordance with the Government's national pay freeze.
- 4.7 The MTFP includes a provision for a potential pay award increase of 2.5% per year for all employees from 2022/23.

Inflation

- 4.8 The base budget for 2021/22 has been uplifted by 2% for inflation/indexation where this applies, for example contract obligations.

- 4.9 Some base costs will be subject to inflation during future years and in some cases, it will be unavoidable, for example employee costs, when national pay increases are approved.
- 4.10 Allowances for inflation based on various assumptions regarding price increases, etc. are calculated across the main spending heads at an average of 2%.

Increase in Payments for Concurrent Functions to Parish Councils

- 4.11 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution in payments to recognise inflationary pressures. Increases in recent years have been as follows:
- 2020/21 – 2.0%
 - 2019/20 – 2.0%
 - 2018/19 – 2.0%
 - 2017/18 – 1.0%
 - 2016/17 – 2.0%
 - 2015/16 – 2.3%
- 4.12 Latest inflation shows CPI running at 0.7%. The Office for Budget Responsibility is assuming that inflation will remain at this lower level, not returning to 2% until late in 2024. The Council includes a 2% increase in the MTFP.
- 4.13 Every 1% increase in the base level equates to approximately £3k per annum in total.

Risks

- 4.14 All Committee budgets have been reviewed and known changes to income and expenditure have been reflected in the proposed base budget for 2021/22 as detailed in the report.

Housing Benefit

- 4.15 The main financial risk is considered to be the payment and recovery of Housing Benefit. The total amount administered and paid in respect of Rent Allowances and Rent Rebates is approximately £11m per year. A 1% variance equates to £110k and therefore it is important that the Council maximises the subsidy it reclaims from the DWP. The DWP Regulations set a threshold for errors which, if exceeded, would mean subsidy being withdrawn.
- 4.16 As previously reported, the rollout of Universal Credit (UC) is having an impact on both the amount of benefit paid and the administration grant received. The rollout of UC for new claims went live in South Derbyshire in November 2018 and existing claimants have started to transfer across. The impact will be kept under review.

Factory Premises, Hearthcote Road

- 4.17 The tenant of the above property has an option to break the lease on 24th March 2023, subject to six months' written notice. If the break is exercised, it is unlikely that the property could be let in the short-term. This is due to the overall size and configuration of the buildings at the property which could make it unattractive to a single occupier.

4.18 The current tenant pays a rental income of £190k per annum and the potential loss of income has been included in the MTFP.

Proposed Fees and Charges 2021/22

4.19 **Appendix 2** provides a schedule of the proposed charges that will operate from 1st April 2021, together with a comparison to the existing charge. All charges are exclusive of VAT and where applicable, VAT is added at the appropriate rate in accordance with HMRC regulations.

4.20 The charges are mainly standard ones for the recovery of court costs, change notifications and payment fees.

4.21 No change to fees is proposed.

5.0 Financial Implications

5.1 As detailed in the report.

6.0 Corporate Implications

Employment Implications

6.1 None.

Legal Implications

6.2 None.

Corporate Plan Implications

6.3 The proposed budgets and spending under the responsibility of the Committee provides the financial resources to enable many of the on-going services and Council priorities to be delivered.

Risk Impact

6.4 The Financial Risk Register is detailed in the Medium-Term Financial Plan and financial risks specific to this Committee are detailed in Section 4.

7.0 Community Impact

Consultation

7.1 The Budget will be disseminated through Local Area Forums and separate consultation will be undertaken with the local business community.

Equality and Diversity Impact

7.2 None.

Social Value Impact

7.3 None.

Environmental Sustainability

7.4 None.

8.0 Conclusions

8.1 That the proposed base budgets are scrutinised and approved to provide the financial resources for continuation of service delivery.

9.0 Background Papers

9.1 None.

FINANCE & MANAGEMENT - BUDGET SETTING 2021/22

	Proposed Budget 2021/22 £	Approved Budget 2020/21 £	Variance £	Comments
Business Change	98,042	100,362	-2,320	Favourable HRA recharge £8k; Adverse salaries £3k, training £2k, insurance £1k
Digital Services	153,559	170,552	-16,994	Favourable HRA recharge £31k, printing £8k; Adverse salaries £2k, computer main trf from CPD30 £18k, training £2k
Caretaking	135,993	121,423	14,570	Adverse materials £6k, HRA recharge £9k
Senior Management	445,826	427,426	18,399	Favourable salaries £1k; Adverse HRA recharge £19k
Financial Services	387,047	433,607	-46,560	Favourable HRA recharge £42k, comp maintenance £25k; Adverse salaries £17k, printing £3k
Internal Audit	109,307	108,340	967	Favourable HRA recharge £2k; Adverse prof fees £3k
Merchant Banking Services	61,200	69,942	-8,742	HRA recharge
ICT Support	732,555	616,900	115,655	Adverse salaries £2k, depreciation £55k, HRA recharge £37k, insurance £2k, computing costs to be drawn from Strategy budget £20k
Legal Services	264,534	250,898	13,636	Adverse salaries £2k, HRA recharge £12k
Performance & Policy	36,720	37,841	-1,120	Favourable HRA recharge £3k; Adverse salaries £2k
Personnel/HR	361,327	358,600	2,728	Favourable HRA recharge £12k; Adverse salaries £9k, comp maintenance £4k, long service awards £1k, insurance £1k
Communications	75,667	96,989	-21,322	Favourable salaries £3k, HRA recharge £18k
Customer Services	492,308	505,543	-13,235	Favourable stationary £5k, postage £5k, HRA recharge £16k; Adverse salaries £13k
Health & Safety	48,073	50,531	-2,458	Favourable HRA recharge £3k; Adverse salaries £1k

Admin Offices & Depot	632,236	524,261	107,975	Adverse salaries £3k, training £3k, trf of R&M from CCA00 & CCD30 £50k, refuse £2k, NNDR £3k, HRA recharge £22k, depreciation £20k, van hire £4k, insurance £1k
Protective Clothing	28,819	23,250	5,569	Growth approved Oct 20
Procurement	12,149	17,033	-4,885	HRA recharge
CENTRAL SUPPORT SERVICES	4,075,360	3,913,496	161,864	
Democratic Representation & Management	85,473	83,003	2,471	Favourable comp maintenance £3k, subs £1k; Adverse salaries £1k, HRA recharge £5k
Corporate Management	64,458	63,905	554	Subscriptions
Corporate Finance Management	37,437	37,114	323	Favourable HRA recharge £2k; Adverse prof fees £2k
Elected Members	347,401	316,032	31,369	Favourable prof fees £10k, expenses £2k; Adverse Allows £25k, HRA recharge £19k
CORPORATE & DEMOCRATIC COSTS	534,770	500,053	34,717	
Registration of Electors	56,531	58,729	-2,198	Training
Conducting Elections	171,893	163,773	8,120	Salaries
ELECTIONS & REGISTRATION	228,425	222,502	5,922	
Funded Pension Schemes	280,072	278,341	1,731	Actuary fees
Increase/Decrease in Provision for Bad or Doubtful Debts (GF)	175,000	100,000	75,000	Allowance for Benefits
Parish Councils	417,607	417,441	166	
Interest & Investment Income (GF)	-147,585	-177,738	30,152	Investment income
External Interest Payable (GF)	500	700	-200	
PARISHES, INTEREST, S106 RECEIPTS & PROVISIONS	725,594	618,745	106,849	
Estate Management	-267,508	-276,481	8,972	Favourable HRA recharge £8k; Adverse salaries £3k, NNDR £3k, void allowance £10k, depreciation £1k
ESTATE MANAGEMENT	-267,508	-276,481	8,972	
Council Tax Collection	116,327	110,110	6,217	Salaries
Non-Domestic Rates Collection	-84,500	-84,500	0	
Revenues & Benefits Support & Management	136,633	114,957	21,676	Favourable prof fees £7k; Adverse salaries £5k, grant income £3k, reserve funding £21k
Rent Allowances Paid	53,047	84,266	-31,219	Recovery rate of overpays

Net cost of Rent Rebates Paid	81,999	48,809	33,191	Recovery rate of overpays
Corporate Fraud	45,474	44,500	974	Reserve funding
Universal Credit	0	0	0	
Housing Benefits Administration	327,285	311,337	15,947	Favourable training £6k; Adverse salaries £7k, prof fees £13k
REVENUES & BENEFITS	676,265	629,479	46,786	
TOTAL BUDGET	5,972,905	5,607,795	365,110	

PROPOSED FEES AND CHARGES 2021/22

APPENDIX 2

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

MISCELLANEOUS FEES AND CHARGES	Fee 2020/21 £:P	Proposed Fee 2021/22	Note
Court Costs			
Court Costs Recovered	67.50	67.50	
National Bus Pass Scheme			
Replacement Card Scheme	5.00	5.00	
Benefit Fraud			
Fraud Investigation Court Costs recovered	At Cost	At Cost	
Sale of Radar Keys			
Sale of Radar Keys - disabled	2.55	2.55	
Penalty Charge			
Penalty charge for Council Tax payers who fail to notify us of a change in circumstances relating to a discount or exemption. Second or subsequent failure to notify	250.00	250.00	
Penalty charge for Council Tax accounts who fail to notify us of a change in circumstances relating to a discount or exemption.	70.00	70.00	