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| REPORT TO: | FINANCE AND MANAGEMENT COMMITTEE SPECIAL - BUDGET | AGENDA ITEM: 6 |
| DATE OF MEETING: | 9th JANUARY 2020 | CATEGORY: RECOMMENDED |
| REPORT FROM: | STRATEGIC DIRECTOR (CORPORATE RESOURCES) | OPEN |
| MEMBERS' CONTACT POINT: | VICKI SUMMERFIELD (01283 595939) victoria.summerfield@southderbyshire.gov.uk | DOC: s/finance/committee/2018-19/Jan 19/budget |
| SUBJECT: | BUDGET REPORT 2020/21 INCORPORATING THE CONSOLIDATED BUDGET PROPOSALS AND MEDIUM-TERM FINANCIAL PLAN TO 2025 | REF: |
| WARD (S) AFFECTED: | ALL | TERMS OF REFERENCE: FM 08 |

1.0 Recommendations

- 1.1 That the estimates of revenue income and expenditure for 2020/21 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 2020/21 of 34,474 (equivalent Band D) properties as detailed in **Appendix 3** is approved.
- 1.4 That an estimated Council Tax Surplus of £800,000 is declared on the Collection Fund for 2019/20 and the Council's proportion of £83,200 is transferred to the General Fund in 2020/21.
- 1.5 That consideration is given to the rate of Council Tax for 2020/21.
- 1.6 That the updated 5-year financial projection on the General Fund to March 2025 as detailed in **Appendix 1**, including associated assumptions and risks as detailed in the report, is approved.
- 1.7 That efficiencies and budget savings continue to be pursued where opportunities arise to sustain the current financial position.
- 1.8 That the decisions made in recommendations 1.1 to 1.7 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. This builds on the financial plan and strategy approved in October 2019. The report covers the following:

- The Council's current spending and proposed base budget position for 2020/21 including proposed spending by Policy Committees.
- The proposed Council Tax Base for 2020/21 and projected Collection Fund position, 2019/20.
- Planned Council Tax levels in 2020/21 and future years.
- 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 – General Fund Financial Projection to March 2025
- Section 4 – Proposed Base Budget and Consolidated Spending 2020/21
- Section 5 – Council Tax, Tax Base and Collection Fund Position
- Section 6 – Overall Risk Analysis

Appendices:

- Appendix 1 – General Fund Summary Budget and 5-year projection
- Appendix 2 – Proposed Base Budgets of Policy Committees
- Appendix 3 – Calculation of Council Tax Base 2020/21
- Appendix 4 – Estimated Collection Fund Position 2019/20

3.0 General Fund Financial Projection to March 2025

The Position entering the 2020/21 Budget Round

3.1 The updated medium-term financial projection was considered and approved by the Committee on 10th October 2019. This set out the projected level of net revenue expenditure on the General Fund, together with the level of the General Fund Reserve to March 2025.

3.2 The overall projected position at that time is summarised in the following table.

Medium-Term Projection October 2019

| | Budget Deficit £ | Capital Contributions £ | General Reserve £ |
|-------------------------|---------------------|----------------------------|----------------------|
| Approved Budget 2019/20 | 262,652 | 1,667,139 | -8,496,623 |
| Projection 2020/21 | 397,023 | 610,000 | -7,489,600 |
| Projection 2021/22 | 334,745 | 610,000 | -6,544,855 |
| Projection 2022/23 | 553,105 | 610,000 | -5,381,750 |
| Projection 2023/24 | 1,205,570 | 610,000 | -3,566,180 |
| Projection 2024/25 | 1,378,332 | 610,000 | -1,577,848 |

- 3.3 At that stage, it was reported that the overall position on the General Fund had not changed fundamentally over the last year. The current level of the General Fund Reserve remained healthy and was projected to remain so over the next 3 to 4 years based on current forecasts.
- 3.4 Although the current level of reserves could be used to meet the projected deficits, this is not considered a sustainable solution in the longer-term. The MTFP continued to assume that base budget expenditure would increase year-on-year, but overall core funding would reduce in accordance with the Government's Spending Review (2015).

The Updated General Fund Position

- 3.6 As part of the annual budget round, the Council's base budget has been reviewed in detail. This has identified some additional cost pressures, although there have also been some budget savings arising out of the review.
- 3.7 Due to confirmation of the Financial Settlement for 2020/21 not yet being released to Local Authorities, the core funding contained in the MTFP is the same as reported in October 2019. The MTFP has been updated for all proposals contained in the Base Budget for 2019/20 and is summarised in the following table.

Medium-Term Projection January 2020

| | Budget Deficit £ | Capital Contributions £ | General Reserve £ |
|-------------------------|---------------------|----------------------------|----------------------|
| Approved Budget 2019/20 | 273,185 | 1,667,139 | -8,486,090 |
| Proposed Budget 2020/21 | 75,812 | 570,000 | -7,840,278 |
| Projection 2021/22 | 232,196 | 568,000 | -7,040,082 |
| Projection 2022/23 | 616,234 | 567,000 | -5,856,848 |
| Projection 2023/24 | 1,236,687 | 566,000 | -4,054,161 |
| Projection 2024/25 | 1,373,801 | 565,000 | -2,115,360 |

3.8 Initial forecasts suggest that the overall financial profile of the General Fund has improved from that previously reported. Base Budget expenditure has increased at a lower level than projected (as detailed in Section 5), and the proposed increased surplus for Council Tax has been updated. As noted previously, the Settlement has not yet been released and therefore core funding has not been updated at this stage.

3.9 A large contributor to the reduction in expenditure is due to items being funded from the Growth provision during the budget round. Overall, without this provision, net expenditure would have increased. A review of the impact of growth on statutory services has been undertaken and will be reported in the February.

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

| | £'000 |
|--|---------------|
| Projected 5-year General Fund Balance (Oct 19) | -1,578 |
| Net Increase in Projected Spending (Section 4) | 391 |
| Reduction in the Growth Provision (Section 4) | -900 |
| Increased Council Tax Surplus (Section 5) | -28 |
| Projected Reserve Balance as at 2024/25 | -2,115 |

3.11 Although the overall reduction in projected expenditure has improved the General Fund reserve position, the underlying issue of potential significant deficits in future years still remains.

3.12 The General Fund is forecast to incur a deficit for 2020/21 of £76k based on current projections, although this is 80% lower than that forecast in October 2019. Deficits are projected to continue for the full term of the MTFP.

3.13 The current General Fund Balance is healthy and is forecast to remain above the minimum level of £1.5m in 2024/25. Therefore, the annual deficits could be financed by drawing down the current level of the General Reserve.

3.14 The financial projection shows the implications of taking that action, but it is considered that this is a high-risk strategy. The annual budget deficits are still projected to be significant even after reducing the contribution to the Growth provision.

3.15 If no action is taken to reduce future deficits, it could quickly de-stabilise the financial position given that any action to achieve budget savings may take time to fully implement. Effectively, the current base budget remains unsustainable in the medium-term based on current projections.

3.16 However, it is likely that income from the New Homes Bonus, Business Rates and the increasing Council Tax Base will exceed projections, although this cannot be guaranteed, and prudent estimates continue to be made for future years.

3.17 It is considered that a balanced approach needs to be undertaken by utilising reserves, identifying some budget savings and at the same time providing for additional costs associated with growth.

3.18 Therefore, it is recommended that the Council continues to pursue efficiencies and budget savings where opportunities arise to sustain the financial position.

4.0 Proposed Base Budget and Consolidated Spending 2020/21

4.1 All Policy Committees (including an earlier report on this Agenda) have considered their detailed budget proposals for 2020/21. All services were asked to carefully consider their base income and expenditure.

Basis of the Budget

4.2 Budgets have generally been calculated on a “no increase basis,” i.e. they are maintained at the same level of service as the previous year adjusted only for known changes, price increases and variations due to contractual obligations, etc.

4.3 In addition, 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. This is supported by the Financial Services Unit who analyse recent trends in expenditure 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 and 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 being removed.

Changes in Pay

4.6 A pay award is not included within Service Base Budgets at this stage as discussions are still on-going between the Local Government Unions and the National Employers. A decision is not expected until later in the year.

4.7 The MTFP includes a provision for a potential pay award increase of 2.5% for all employees and the individual service budgets will be updated once an agreement is reached.

Inflation

4.8 The base budget for 2020/21 has been uplifted by 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%.

Base Budgets 2020/21

4.11 An analysis of each Committee's proposed budget has been detailed in separate reports to the respective Policy Committee ahead of this Committee. The main spending areas are summarised in **Appendix 2**, with a summary of each Committee's proposed spending shown in the following table.

| | 2020/21 £ | 2019/20 £ | Movement £ |
|--|-------------------|-------------------|----------------|
| Environmental and Development Services | 5,366,303 | 5,106,688 | 259,615 |
| Housing and Community Services | 2,439,216 | 2,336,844 | 102,372 |
| Finance and Management | 5,353,306 | 5,370,546 | -17,240 |
| | 13,158,824 | 12,814,078 | 344,746 |

4.12 The above table shows that overall base budget Committee expenditure is estimated to increase between 2019/20 and 2020/21 by £344,746. An analysis of the variances across each Committee is detailed in the following table.

| | EDS £'000 | HCS £'000 | FM £'000 | Total £'000 |
|-----------------------------------|--------------|--------------|-------------|----------------|
| Salary Changes | 75 | 6 | 101 | 182 |
| Professional Fees | 42 | 0 | 101 | 143 |
| Waste Disposal/Collection Costs | 55 | 2 | 0 | 57 |
| Computer Maintenance | -23 | 0 | 59 | 36 |
| Utility and Telephone Costs | 0 | 5 | 29 | 34 |
| HRA Recharges | 0 | 0 | 24 | 24 |
| Business Rates | 0 | 10 | 13 | 23 |
| Staff Training | 13 | 2 | 0 | 15 |
| Increased Fuel Cost | 10 | 0 | 0 | 10 |
| Bank Charges | 0 | 0 | 10 | 10 |
| Agency Cost for Refuse Collection | 9 | 0 | 0 | 9 |
| Employment Costs | 0 | 0 | 6 | 6 |
| Wildflower Planting | 4 | 0 | 0 | 4 |
| Transfers between Committees | 11 | -1 | -10 | 0 |
| Insurance Charges | 6 | 6 | -21 | -9 |
| Materials | 5 | -15 | 0 | -10 |
| Vehicle Hire Reduction | -12 | 0 | 0 | -12 |
| Housing Benefits | 0 | 0 | -12 | -12 |
| Audit Fees | 0 | 0 | -16 | -16 |
| Spare Parts Reduction | -25 | 0 | 0 | -25 |
| Reserve Funding | 0 | 46 | -84 | -38 |
| Elections | 0 | 0 | -111 | -111 |

| | | | | |
|------------------------|-----|-----|------|------|
| Income / Contributions | -7 | -12 | -100 | -119 |
| | 163 | 49 | -11 | 201 |
| Depreciation | 97 | 53 | -6 | 144 |
| | 260 | 102 | -17 | 345 |

4.13 Many of the changes listed in the table were known and already included within the MTFP.

4.14 The change in Depreciation is an accounting adjustment and not a cost to the Council; this amount is reversed out of the Budget on consolidation and is shown separately in Appendix 1.

Base Budget Increases

4.15 Salary changes include incremental rises and restructures during 2019/20. All restructures have been reported to Finance and Management Committee and incremental rises are known costs and therefore both items were included within the MTFP.

4.16 Professional fees include costs for the Local Plan (£25k), changes to the Payroll service (£65k), Corporate Fraud (£23k) and inflationary increases (£3k) which were all included in the MTFP in October. Additional costs for support with Data Protection (£13k), additional requirements for support with Planning Appeals (£6k) and the deficit incurred for Off-Street Parking (£8k) were not included within the MTFP.

4.17 Waste disposal costs are mainly in relation to charges for Recycling due to growth and therefore £44k is to be drawn down from the Growth provision in 2020/21. Further sums to be drawn down from the Growth provision are £40k for the Community Safety Enforcement Officer (approved February 19), £50k protection for Parish Concurrent Functions (approved November 19) and £45k for the increased contribution to Parks and Open Spaces (see 4.29)

4.18 Computer maintenance costs are due to an upgrade to the Revenues and Benefits system of £50k which is to be drawn down from an earmarked reserve. The additional £9k cost is an inflationary increase across numerous systems and was included in the MTFP. The saving on Environmental Services is due to the new Planning and Land Charges system implemented in July 2019. The reduced cost of this contract has now been included in the MTFP going forward.

4.19 Utility and telephone charges have been reviewed in year and it has been determined that the current MTFP projection does not include enough provision in these areas. The Base budget for 2020/21 is to be increased in line with actual charges and a further review regarding telephones is currently underway.

4.20 An increase to the training budgets for employees to ensure continual professional development has been proposed. This was not included within the MTFP.

- 4.21 Due to inflation plus growth of the District, the cost of fuel (both diesel and petrol) is expected to increase during 2020/21. Inflationary costs are included within the MTFP and therefore this increase was expected.
- 4.22 A full transaction cost review of bank charges has been completed and an additional budget of £10k is proposed.
- 4.23 Increases in staffing and cover for absences in Direct Services has resulted in a proposed increase in Agency costs of £9k. An inflationary increase was included within the MTFP but not to this extent.
- 4.24 Employment costs are in relation to occupational health referrals, recruitment support costs for psychometric testing and long service awards.
- 4.25 Wildflower planting and the associated cost was reported in August 2019 and was included in the MTFP.
- 4.26 Business Rates costs have been based on current year actuals with a 2% inflationary increase.
- 4.27 The HRA recharges have reduced in the Base Budget by £24k due to a lower budgeted cost for Financial Services and External Audit. A review into the recharge mechanism is currently underway and will be reported in February.

Savings

- 4.28 The purchase of a new fleet of vehicles has resulted in a reduced cost for spare parts and vehicle hire in 2020/21 totalling £37k.
- 4.29 Increases on earmarked reserve funding are mainly to fund additional expenditure noted within the report. The reduction in earmarked funding for Housing and Community Services is due to the proposal to increase the General Fund contribution for Parks and Open Spaces going forward. This proposal is put forward as funding from the earmarked reserve is unsustainable and will put additional pressure onto the General Fund over the next few years.
- 4.30 The saving on Elections is mainly due to the removal of the District Election budget. The MTFP includes a sum of £125k every four years and this sum is included for the next election in 2023/24.
- 4.31 There are proposals to increase fee income on services to a small extent and an additional contribution from Forestry England has been agreed as a one-off sum in 2020/21 towards the costs of Rosliston Forestry Centre. The main additional income included within the budget is for investments that the Council has on deposit. This was included in the MTFP in October.
- 4.32 External Audit fees have reduced by £20k between years and Internal Audit fees are to increase by inflation. The inflationary increase was included in the MTFP.

4.33 Housing Benefit administration is reducing due to Universal Credit and therefore an overall saving of £12k is expected in 2020/21.

4.34 The insurance charge for 2020/21 is due to increase in total for the Council by £17k. The General Fund is due to make a saving of £9k as the largest cost is in relation to tenant's contents insurance due to the costs being under budgeted in 2019/20. This area is the responsibility of the HRA.

4.35 Material costs are due to decrease overall which is mainly due to the reduced budget for Stenson Fields Community Centre. The 2019/20 budget included set up costs which are no longer required.

Individual Committee Risks

4.36 In addition to the cost pressures highlighted above, as part of the base budget review, each Committee identified several risk areas. The main issues are detailed in the following table.

| Risk | Issue / Potential Effect | Mitigating Action |
|---------------------|--|---|
| Reduction in Income | Budgeted income from Planning, Licensing etc. totals £1.6m is not sustainable | Base budgets reflect actual income but remain prudent. This report contains detail on changes in anticipated income and is based on known marketplace conditions |
| Recycling | The Council has been made aware that the cost of kerbside recycling may be subject to increase | This is still under review. A provision of £100k has been set-aside in the MTFP to offset any additional costs |
| Growth | The Council's MTFP identifies underlying cost pressures yet to surface as a risk due to pressure from residential development. | A provision for growth has been set-aside in the MTFP each year over the life of the Plan. |
| External funding | As detailed in the report, several services are reliant on external contributions and reserve funding | Earmarked reserves to maintain spending over several years. These reserves are currently estimated to remain at £942k by 2021 but the reserve position is continually kept under review with service managers |

Grants to Voluntary Bodies and Payments under Concurrent Functions

4.37 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution in grants to recognise inflationary pressures. Increases in recent years have been as follows:

- 2018/19 – 2.0%
- 2017/18 – 1.0%
- 2016/17 – 2.0%
- 2015/16 – 2.3%

- 4.38 Latest inflation rates show CPI running at 1.6% as at November 2019. At this stage no forecasts regarding CPI have been issued by the Government and it is unlikely that any forecast will be issued until the Spring. The Council includes a 2% increase in the MTFP
- 4.39 Every 1% increase in the base level across all grants and payments equates to approximately £6,000 per year.
- 4.40 Housing and Community Services Committee considered an increase for grants to voluntary bodies and this Committee considered an increase for Concurrent Functions in the detailed budget report earlier on the Agenda.

5.0 Council Tax, Tax Base and Collection Fund

The Council Tax Base

- 5.1 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.
- 5.2 The calculation of the estimated Tax Base for 2020/21 is detailed in **Appendix 3** and is based on the number of properties on the Council Tax register as at 31st October 2019.
- 5.3 This produces a “Band D equivalent” which will be used to calculate the amount to be collected from Council Tax in 2020/21, of 34,474. This is an increase of 1,172 (3.5%) compared to 2019/20.
- 5.4 At this stage and whilst waiting for the Financial Settlement, the Tax Base currently used in the MTFP reported in October is an increase of 828 Band D properties.

The Future Tax Base

- 5.5 The MTFP assumes that the overall Tax Base will increase by 828 properties in 2021/22 and will then reduce to an increase of 674 properties per year. Over the last 3 years, average 4-year growth on a rolling basis in Band D properties has been 426, 540 and 674 respectively; the forecast for future growth in the tax base is positive.
- 5.6 Based on sites under construction, together with sites which have obtained outline and full planning permission, the estimates noted within the Housing Position Paper forecast the following completions in each year:
- 2019/20 – 1,250 properties
 - 2020/21 – 1,476 properties
 - 2021/22 – 1,298 properties
 - 2022/23 – 869 properties
 - 2023/24 – 724 properties

- 5.7 Even allowing for some slippage, it is considered likely that the Tax Base will increase to a greater extent than the average in recent years. Locally, the housing market remains buoyant, although clearly a change in economic circumstances could have an impact on the above figures. In addition, it is difficult to estimate the Band D equivalents from the overall number of properties.

Collection Fund Surplus / Deficit

- 5.8 In setting the level of Council Tax for 2020/21, the Council is also required to calculate the estimated balance on its Collection Fund for the current financial year, 2019/20.
- 5.9 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.
- 5.10 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.
- 5.11 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 relating to Council Tax is transferred to the General Fund of the major preceptors, the biggest preceptor being Derbyshire County Council.

Estimated Position 2019/20

- 5.12 The estimated position on the Collection Fund for 2019/20 is summarised in **Appendix 4**. The Fund is split between Council Tax and Business Rates.
- 5.13 The overall balance on the Council Tax element 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. The surplus or deficit on the Business Rates element is adjusted and allocated in year.
- 5.14 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.

Council Tax

- 5.15 The balance on the Council Tax element is estimated at £1,647k based on transactions up to November 2019. This is in line with that reported to the Committee in November following the half-yearly review. The main reason for the estimated surplus is the increase in the Tax Base above that budgeted, as detailed earlier in this section (above).

- 5.16 At this stage, it is considered prudent to declare a surplus of £800,000 for 2019/20, to leave a balance and ensure that the Fund does not fall into deficit.
- 5.17 If the surplus again continues to increase in 2020/21 above that budgeted, then it will be declared in next year's budget – any surplus remains in the Fund until it is declared by the Council.
- 5.18 Consequently, it is recommended that the surplus (in proportion to individual Precepts) is declared and shared as shown in the following table.

| Share of Council Tax Surplus 2019/20 | % | £ |
|---|---------------|----------------|
| Derbyshire County Council | 73.4% | 587,200 |
| Police and Crime Commissioner | 12.0% | 96,000 |
| Fire and Rescue | 4.2% | 33,600 |
| South Derbyshire District Council | 10.4% | 83,200 |
| | 100.0% | 800,000 |

- 5.19 The amount attributable to the Council of £83,200 has been included in the updated MTFP for 2020/21. An estimated surplus of £55,000 per year remains in the MTFP in future years.

Business Rates

- 5.20 As previously reported to the Committee, Business Rates incurred a deficit in 2018/19 due to significant provisions for bad debts and appeals. A deficit balance was reported on the Fund in 2018/19 of £377k.
- 5.21 During the budget round of 2019/20, the Council reported an estimated deficit on Business Rates for 2018/19 in its statutory return (known as NNDR 1) to the Government in January 2019.
- 5.22 Therefore, a deficit of £472,785 is being deducted from Preceptors (including the Council) from their share of expected Business Rates in 2019/20.
- 5.23 As shown in **Appendix 4**, the actual in-year (2019/20) position is currently better than the target, with a small surplus of £76k projected which will leave an overall surplus balance of £171k on the Fund.

The Rate of Council Tax

- 5.24 An increase of 1.95% per year is included in the MTFP, subject to annual review. This is below the Government's limit of 3% or £5 at a Band D, above which a local referendum would be required to set a higher increase.
- 5.25 The Band D Tax for 2019/20 is £162.31. The 1.95% increase in the MTFP will raise Band D to £165.48, an increase of £3.17 in 2020/21.

- 5.26 An increase of 3% would raise Band D in 2020/21 to £167.17. A £5 increase would raise Band D in 2020/21 to £167.31 – 3.1%.
- 5.27 The updated MTFP continues to assume an increase of 1.95%. If an increase of £5 was applied in 2020/21, this would generate additional revenue of approximately £63k per year – cumulatively £320k over 5-years.

6.0 Overall Risk Analysis

- 6.1 The summary in **Section 3** highlights that the Council's current financial position is likely to come under a considerable challenge over the forthcoming spending period.
- 6.2 Each Policy Committee has identified specific financial risks, and these have been detailed in **Section 4** with mitigating actions being put in place.
- 6.3 There are many variables that are included in the projection that carry a risk in that should they impact, they could also affect the overall financial position. Specifically, the MTFP sets-aside in year contingencies and provisions to guard against pay/pension increases, growth and unforeseen expenditure, etc.
- 6.4 More generally, the main risks in the financial register (as previously reported) are:

Higher Risks

- Further changes to the national funding system
- A reduction in Business Rates income due to appeals
- Additional pressure on service costs due to growth

Lower Risks

- A budget overspend
 - A downturn in the national economy
 - Impact of Welfare Reform
- 6.5 The risk register details the arrangements in place to mitigate the impact of these risks. Currently, any issues arising from the lower risks (above) are not significantly impacting upon the Council's financial position. The impact of the higher risks is or has the potential to be more significant.
- 6.6 The MTFP has already factored in overall reductions in core funding from the national system; a large provision was made in the Council's Accounts in 2015/16 due to Business Rate appeals and continuing population growth could eventually put further pressure on the cost of services.

Financial Strengths

6.7 The financial position is currently healthy. However, it still faces a challenge to maintain a resilient and sustainable financial base. Currently, the Council's financial position is underpinned by several strengths that will help to mitigate its financial risks; these are as follows:

- A positive cashflow
- No debt outstanding (on the General Fund)
- Not reliant on interest rates rising to generate additional income
- Current General Reserves healthy
- Contingent sums in the Base Budget to guard against inflation and growth
- Budget for a full employee establishment – no vacancy rate is assumed
- Earmarked reserves for capital replacements for IT, vehicles and plant
- Separate provision made for bad debts, appeals and pensions
- Earmarked reserves to sustain project and capital works
- Steady growth in the Tax Base.
- Capital expenditure not heavily reliant on revenue funding or borrowing

6.8 The Council also has a history of spending within its overall Net Budget and has generated additional income through growth. However, this cannot be guaranteed in future years and is never assumed for future budgeting purposes in the MTFP.

Financial Risks and the Minimum Level of General Reserves

6.9 Although the Council has several areas of financial strengths to mitigate risks, the Council still needs to be prudent in ensuring that it maintains an adequate level of unallocated General Reserves on its General Fund to act as a contingency.

6.10 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.

6.11 Based on this, the Council's minimum level, as set out in the Financial Strategy, is **£1.5m** on the General Fund at the end of every 5-year planning period. This level has existed since 2017/18 after being uplifted from £1m during the Budget round in 2017/18. It is calculated based on an assessment of the major financial risks and reflects the relatively healthy level that currently exists.

6.12 Based on the estimated net revenue expenditure on the General Fund for 2020/21 of approximately £13m, £1.5m is 11%. By 2024/25, £1.5m will be around **10%**. As a general guide, a balance of between 5% and 10% should be maintained.

7.0 Financial Implications

7.1 As detailed in the report.

8.0 Corporate Implications

Employment Implications

8.1 None

Legal Implications

8.2 None

Corporate Plan Implications

8.3 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.

Risk Impact

8.4 The Financial Risk Register is detailed within the Medium-Term Financial Plan, but individual Committee risks are listed in Section 4.

9.0 Community Impact

Consultation

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

Equity and Diversity Impact

9.2 None

Social Value Impact

9.3 None

Environmental Sustainability

9.4 None.

10.0 Background Papers

10.1 The review of the Medium-Term Financial Plan as reported to the Committee in October 2019.

[MTFP October 2019](#)

10.2 The detailed budget reports of each Policy Committee.

[Environmental and Development Services](#)

[Housing and Community Services](#)

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at JANUARY 2020

| | Proposed Budget £ 2019.20 | Projection £ 2020.21 | Projection £ 2021.22 | Projection £ 2022.23 | Projection £ 2023.24 | Projection £ 2024.25 |
|--|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| BASE BUDGET | | | | | | |
| Environmental & Development | 5,106,688 | 5,366,303 | 5,540,154 | 5,690,849 | 5,845,497 | 6,001,679 |
| Housing & Community | 2,336,844 | 2,439,216 | 2,539,138 | 2,582,631 | 2,626,403 | 2,671,049 |
| Finance & Management | 5,370,548 | 5,353,306 | 5,541,000 | 5,691,466 | 5,849,787 | 6,003,646 |
| Net Service Expenditure | 12,814,080 | 13,158,825 | 13,620,291 | 13,964,946 | 14,321,687 | 14,676,374 |
| Accounting Adjustments | | | | | | |
| Reverse out Depreciation | -842,289 | -988,536 | -988,536 | -988,536 | -988,536 | -988,536 |
| Minimum Revenue Provision (MRP) | 197,409 | 189,512 | 181,932 | 174,654 | 167,668 | 160,962 |
| Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone) | 131,226 | 131,226 | 75,891 | 20,556 | 20,556 | 1,639 |
| | 12,300,426 | 12,491,027 | 12,889,578 | 13,171,620 | 13,521,375 | 13,850,438 |
| Add: Known Variations | | | | | | |
| Proposed Senior Management Restructure - One-Off Costs Provision | 0 | 21,090 | 21,618 | 9,216 | 0 | 0 |
| Vehicle Maintenance Plan (Tyres and Spare Parts) | 0 | 0 | 20,000 | 43,000 | 40,000 | 75,000 |
| Restructures Approved in August | 10,895 | 0 | 0 | 0 | 0 | 0 |
| Local Plan Review | 0 | 0 | 15,000 | 15,000 | 0 | 0 |
| Incremental Salary Increases | 0 | 0 | 20,610 | 29,125 | 37,853 | 46,800 |
| Pay Award 2020/21 | 0 | 243,244 | 249,325 | 255,558 | 261,947 | 268,496 |
| Reverse Pension Deficit Increase Included in Base Budget | 0 | -51,493 | 0 | 0 | 0 | 0 |
| Pension Revaluation | 0 | 88,688 | 91,725 | 94,813 | 97,954 | 101,147 |
| Concurrent Functions Protection Approved Nov 19 | 0 | 50,059 | 50,059 | 50,059 | 50,059 | 50,059 |
| Organisational Development and Performance Restructure Approved Nov 19 | 0 | 2,590 | 3,159 | 4,449 | 784 | 2,026 |
| Savings from the Senior Management Restructure | -23,646 | 0 | 0 | 0 | 0 | 0 |
| Investment Income | -100,000 | 0 | 30,000 | 51,000 | 81,000 | 98,040 |
| Administration of Childcare Vouchers | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 |
| Temporary Posts and Rosliston | 0 | -182,422 | -285,336 | -285,306 | -276,382 | -265,521 |
| Potential Cost of New Waste Disposal Site | 0 | 0 | 47,400 | 49,770 | 52,259 | 54,871 |
| Potential Loss of Industrial Unit Income | 0 | 0 | 0 | 190,000 | 190,000 | 190,000 |
| Pension Earmarked Reserve Drawdown | -8,481 | -38,794 | -41,122 | -43,589 | -6,783 | 0 |
| Pictorial Wildflower Planting Approved August 19 | 7,286 | 0 | 0 | 0 | 0 | 0 |
| Community Safety Enforcement Officer Approved February 19 | 40,000 | 0 | 0 | 0 | 0 | 0 |
| District Election May 2023 | 0 | 0 | 0 | 0 | 125,000 | 0 |
| TOTAL ESTIMATED SPENDING | 12,228,230 | 12,625,739 | 13,113,766 | 13,636,465 | 14,176,816 | 14,473,107 |

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at JANUARY 2020

| | Proposed Budget £ 2019.20 | Projection £ 2020.21 | Projection £ 2021.22 | Projection £ 2022.23 | Projection £ 2023.24 | Projection £ 2024.25 |
|--|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Provisions | | | | | | |
| Provision for Employer's NIC on "off-payroll" payments | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Contingent Sum - Growth | 460,000 | 395,941 | 419,941 | 419,941 | 419,941 | 419,941 |
| Waste and Recycling | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| TOTAL PROJECTED SPENDING | 12,798,230 | 13,131,680 | 13,643,707 | 14,166,406 | 14,706,757 | 15,003,048 |
| FINANCING | | | | | | |
| Business Rates Retention | -3,707,693 | -3,678,425 | -3,667,438 | -3,687,623 | -3,706,624 | -3,724,368 |
| Discretionary Business Rate Relief Scheme | -20,000 | -3,000 | 0 | 0 | 0 | 0 |
| New Homes Bonus | -3,281,951 | -3,643,502 | -3,791,597 | -3,679,233 | -3,342,528 | -3,239,425 |
| Council Tax Income | -5,405,401 | -5,647,740 | -5,897,476 | -6,128,316 | -6,365,917 | -6,610,454 |
| Core Spending Power | -12,415,045 | -12,972,668 | -13,356,511 | -13,495,173 | -13,415,069 | -13,574,247 |
| Add Estimated Collection Fund Surplus - Council Tax | -110,000 | -83,200 | -55,000 | -55,000 | -55,000 | -55,000 |
| TOTAL FINANCING | -12,525,045 | -13,055,868 | -13,411,511 | -13,550,173 | -13,470,069 | -13,629,247 |
| REVENUE DEFICIT | 273,185 | 75,812 | 232,196 | 616,234 | 1,236,687 | 1,373,801 |
| Capital Contributions | | | | | | |
| Melbourne Sports Park Drainage | 433,799 | 0 | 0 | 0 | 0 | 0 |
| IT and Digital Strategy | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 |
| Purchase of Town Centre Land | 44,335 | 0 | 0 | 0 | 0 | 0 |
| Community Partnership Scheme (2017 contribution) | 239,005 | 0 | 0 | 0 | 0 | 0 |
| Community Partnership Scheme (2019 contribution) | 275,000 | 0 | 0 | 0 | 0 | 0 |
| Swadlincote Woodlands Nature Reserve | 15,000 | 0 | 0 | 0 | 0 | 0 |
| Rosliston Forestry Centre - Play Project | 50,000 | 0 | 0 | 0 | 0 | 0 |
| Asset Replacement and Renewal Fund | 400,000 | 360,000 | 358,000 | 357,000 | 356,000 | 355,000 |
| TOTAL CAPITAL CONTRIBUTION | 1,667,139 | 570,000 | 568,000 | 567,000 | 566,000 | 565,000 |
| TOTAL GENERAL FUND DEFICIT | 1,940,324 | 645,812 | 800,196 | 1,183,234 | 1,802,687 | 1,938,801 |

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at JANUARY 2020

| Proposed Budget | Projection | Projection | Projection | Projection | Projection |
|-----------------|------------|------------|------------|------------|------------|
| £ | £ | £ | £ | £ | £ |
| 2019.20 | 2020.21 | 2021.22 | 2022.23 | 2023.24 | 2024.25 |

GENERAL FUND RESERVE BALANCE

| | | | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Balance b/fwd | -10,426,414 | -8,486,090 | -7,840,278 | -7,040,082 | -5,856,848 | -4,054,161 |
| Revenue Surplus (-) / Deficit | 273,185 | 75,812 | 232,196 | 616,234 | 1,236,687 | 1,373,801 |
| Capital Contributions | 1,667,139 | 570,000 | 568,000 | 567,000 | 566,000 | 565,000 |
| Balance c/fwd | -8,486,090 | -7,840,278 | -7,040,082 | -5,856,848 | -4,054,161 | -2,115,360 |

Environmental and Development Services

| | 2020/21 £ | 2019/20 £ | Movement £ |
|----------------------------|------------------|------------------|----------------|
| Economic Development | 327,622 | 314,716 | 12,906 |
| Environmental Education | 79,897 | 79,897 | -0 |
| Environmental Health | 617,322 | 554,759 | 62,563 |
| Highways | 127,666 | 125,825 | 1,841 |
| Licensing and Land Charges | 16,878 | 27,388 | -10,510 |
| Planning | 569,919 | 529,590 | 40,329 |
| Street Scene | 1,021,582 | 974,021 | 47,561 |
| Waste and Transport | 2,605,417 | 2,500,491 | 104,925 |
| | 5,366,303 | 5,106,688 | 259,615 |

Housing and Community Services

| | 2020/21 £ | 2019/20 £ | Movement £ |
|--|------------------|------------------|----------------|
| Community Development and Support | 670,850 | 653,671 | 17,179 |
| Leisure Centres and Community Facilities | 677,637 | 656,585 | 21,052 |
| Parks and Open Spaces | 505,961 | 443,031 | 62,930 |
| Private Sector Housing | 432,556 | 434,107 | -1,552 |
| Recreational Activities | 152,212 | 149,450 | 2,762 |
| | 2,439,216 | 2,336,844 | 102,372 |

Finance and Management

| | 2020/21 £ | 2019/20 £ | Movement £ |
|---|------------------|------------------|----------------|
| Central and Departmental Accounts | 3,696,543 | 3,486,458 | 210,085 |
| Corporate and Democratic Costs | 601,292 | 605,807 | -4,515 |
| Electoral Registration | 219,703 | 333,112 | -113,408 |
| Payments to Parish Councils | 362,430 | 368,883 | -6,453 |
| Pensions, Grants Interest Payments and Receipts | 144,930 | 228,684 | -83,753 |
| Property and Estates | -281,179 | -250,058 | -31,121 |
| Revenues and Benefits | 609,586 | 597,661 | 11,925 |
| | 5,353,306 | 5,370,546 | -17,240 |

TOTAL ALL COMMITTEES

| | | | |
|--|-------------------|-------------------|----------------|
| | 13,158,824 | 12,814,078 | 344,746 |
|--|-------------------|-------------------|----------------|

COUNCIL TAX BASE

APPENDIX 3

| PARISH | 2019/20 | 2020/21 | Change |
|------------------------|---------------|---------------|--------------|
| ASH | 23 | 23 | -0 |
| ASTON ON TRENT | 753 | 724 | -29 |
| BARROW ON TRENT | 247 | 241 | -6 |
| BARTON BLOUNT | 32 | 31 | -2 |
| BEARWARDCOTE | 13 | 13 | -0 |
| BRETBY | 403 | 407 | 4 |
| BURNASTON | 690 | 690 | -0 |
| CALKE | 9 | 8 | -1 |
| CASTLE GRESLEY | 578 | 626 | 48 |
| CATTON | 22 | 22 | 0 |
| CAULDWELL | 46 | 44 | -2 |
| CHURCH BROUGHTON | 240 | 241 | 1 |
| COTON IN THE ELMS | 268 | 277 | 9 |
| DALBURY LEES | 130 | 125 | -5 |
| DRAKELOW | 183 | 206 | 23 |
| EGGINGTON | 258 | 257 | -1 |
| ELVASTON | 986 | 1,062 | 76 |
| ETWALL | 1,090 | 1,131 | 42 |
| FINDERN | 956 | 1,168 | 212 |
| FOREMARK | 33 | 31 | -2 |
| FOSTON & SCROPTON | 239 | 247 | 8 |
| HARTSHORNE | 1,081 | 1,079 | -2 |
| HATTON | 883 | 883 | -0 |
| HILTON | 2,685 | 2,735 | 50 |
| HOON | 21 | 21 | -0 |
| INGLEBY | 49 | 49 | -0 |
| LINTON | 722 | 748 | 26 |
| LULLINGTON | 62 | 59 | -3 |
| MARSTON ON DOVE | 17 | 17 | 0 |
| MELBOURNE | 1,941 | 1,996 | 55 |
| NETHERSEAL | 325 | 328 | 3 |
| NEWTON SOLNEY | 298 | 336 | 38 |
| OSLESTON & THURVASTON | 124 | 122 | -2 |
| OVERSEAL | 853 | 864 | 11 |
| RADBOURNE | 79 | 230 | 151 |
| REPTON | 1,157 | 1,172 | 15 |
| ROSLISTON | 268 | 290 | 22 |
| SHARDLOW & GREAT WILNE | 413 | 424 | 11 |
| SMISBY | 125 | 127 | 2 |
| STANTON BY BRIDGE | 119 | 120 | 1 |
| 115 STENSON | 1,493 | 1,500 | 7 |
| SUTTON ON THE HILL | 68 | 67 | -1 |
| SWADLINCOTE | 9,300 | 9,464 | 164 |
| SWARKESTONE | 189 | 297 | 108 |
| TICKNALL | 296 | 303 | 7 |
| TRUSLEY | 42 | 43 | 1 |
| TWYFORD & STENSON | 69 | 69 | 0 |
| WALTON ON TRENT | 311 | 311 | 0 |
| WESTON ON TRENT | 479 | 567 | 88 |
| WILLINGTON | 1,000 | 1,016 | 16 |
| WOODVILLE | 1,642 | 1,661 | 19 |
| TOTAL | 33,308 | 34,472 | 1,164 |

APPENDIX 4

COLLECTION FUND MONITORING 2019/20 (as at 30th November 2019)

| | Actual 2018/19 | Estimated 2019/20 | Nov Projection 2019/20 |
|---|-------------------|----------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| COUNCIL TAX - INCOME & EXPENDITURE | | | |
| INCOME | | | |
| Council Tax Collectable | 57,262 | 61,270 | 61,451 |
| EXPENDITURE | | | |
| County Council Precept | 41,302 | 44,054 | 44,054 |
| Police and Crime Commissioner Precept | 6,253 | 7,213 | 7,213 |
| Fire and Rescue Authority Precept | 2,427 | 2,538 | 2,538 |
| SDDC Precept | 5,169 | 5,405 | 5,405 |
| SDDC Parish Precepts | 773 | 798 | 798 |
| Increase in Bad Debts Provision | 440 | 613 | 615 |
| Total Expenditure | 56,364 | 60,621 | 60,623 |
| Surplus for the Year | 898 | 650 | 828 |
| COUNCIL TAX BALANCE | | | |
| Opening Balance 1st April | 1421 | 1,819 | 1,819 |
| Share of Previous Surplus to County Council | -367 | -733 | -733 |
| Share of Previous Surplus to Police | -56 | -112 | -112 |
| Share of Previous Surplus to Fire Authority | -22 | -45 | -45 |
| Share of Previous Surplus to SDDC | -55 | -110 | -110 |
| Surplus for Year (as above) | 898 | 650 | 828 |
| Closing Balance as at 31st March | 1,819 | 1,469 | 1,647 |
| BUSINESS RATES - INCOME & EXPENDITURE | | | |
| INCOME | | | |
| Business Rates Collectable | 25,226 | 27,070 | 27,177 |
| Transitional Protection Payments | 771 | 705 | 600 |
| Total Income | 25,997 | 27,775 | 27,777 |
| EXPENDITURE | | | |
| Central Government Precept | 0 | 13,398 | 13,398 |
| SDDC Precept | 13,338 | 10,718 | 10,718 |
| Derbyshire County Council Precept | 13,071 | 2,411 | 2,411 |
| Fire and Rescue Service Precept | 267 | 268 | 268 |
| Cost of Collection | 91 | 91 | 91 |
| Increase in Bad Debts Provision | 250 | 242 | 272 |
| Provision for Appeals | -72 | 646 | 544 |
| Total Expenditure | 26,945 | 27,774 | 27,701 |
| Surplus / Deficit (-) | -948 | 1 | 76 |
| BUSINESS RATES BALANCE | | | |
| Opening Balance 1st April | -192 | -377 | -377 |
| Transfer of Previous Year's Surplus (-) / Deficit | 382 | -286 | -286 |
| Transfer of Previous Year's Surplus (-) / Deficit | 305 | 293 | 293 |
| Transfer of Previous Year's Surplus (-) / Deficit | 69 | 460 | 460 |
| Transfer of Previous Year's Surplus (-) / Deficit | 7 | 5 | 5 |
| Surplus / Deficit (-) for the Year as above | -948 | 1 | 76 |
| Closing Balance as at 31st March | -377 | 96 | 171 |