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<b>REPORT TO:</b>	<b>HOUSING AND COMMUNITY SERVICES COMMITTEE (SPECIAL – BUDGET)</b>	<b>AGENDA ITEM:</b> 6
<b>DATE OF MEETING:</b>	<b>14th JANUARY 2014</b>	<b>CATEGORY:</b> <b>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 2014 / 2015</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE:</b> HCS

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## **1.0 Recommendations**

- 1.1 That the proposed revenue income and expenditure for 2014/15 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 2014/15.

## **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 2014/15, with a comparison to the current year, 2013/14. 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 2014/15 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 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 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 and health, is delivered in partnership with other agencies. Expenditure is financed in part from their contributions which can also be reliant on specific central government funding.
- 3.3 This funding is not always secured from year to year and has been steadily reducing. The Council maintains a grants reserve which holds funding awarded in previous years and is drawn down to meet projects and costs on a yearly basis. Some of this funding is replaced each year.
- 3.4 In recent budget rounds some posts have been mainstreamed into the Council's 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 (beyond 2014/15) and this will be kept under review.
- 3.6 Furthermore, expenditure of approximately £90,000 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 2013 following the public sector spending review (CSR 13) which reported in the summer. After considering the updated financial position and the projected outcomes from CSR 13 on the Council, Finance and Management Committee approved a further round of budget savings.
- 3.8 Consequently, an amount of £500,000 needed to be found from within the current base budget of the Council before next year's Budget Round (2015/16) in order to sustain the overall financial position into the future. As part of the Strategy, the Finance Committee also approved that all service budgets are scrutinised closely to identify potential savings.
- 3.9 The Finance and Management Committee will consider the detail of the overall financial position on 16<sup>th</sup> January 2014, 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 2013/14	Proposed Budget 2014/15	Change £
	£	£	£
Community Development & Support	535,841	643,517	107,676
Leisure and Recreational Activities	108,967	66,798	-42,169
Leisure Centres and Community Facilities	620,226	498,967	-121,260
Parks and Open Spaces	700,821	710,065	9,244
Private Sector Housing	459,095	420,566	-38,528
<b>Total - Net Expenditure</b>	<b>2,424,950</b>	<b>2,339,913</b>	<b>-85,037</b>

- 3.11 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2013/14 and 2014/15 by £85,037. 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.

£'000	
Pay	-25
Depreciation	-43
Leisure Management	-48
Cost Increases (net)	21
Other minor Variations	10
<b>Total Change</b>	<b>-85</b>

## Pay (reduction of £25,000)

- 3.12 There have been some internal reallocation of pay costs following the senior management restructure which is reflected in individual cost centres. This has also meant some transfers between policy committees as senior management costs have been aggregated. The overall reduction is due to a combination of several factors as detailed in the following table.

Pay Award 2013	16,073
Transfers	-34,290
Incremental Increases	4,146
Other Changes	-11,352
<b>-25,422</b>	

- 3.13 The pay award relates to the national agreement of 1% in 2013 and is financed from the inflation contingency in the MTFP; the base budget has been updated accordingly.
- 3.14 Incremental increases relate to employees on career graded posts and those subject to incremental steps within a specific grade which recognises experience and development. A provision is included for this in the MTFP.
- 3.15 Other changes reflect the ending one of one post which had been employed on a fixed term basis and was partly funded from external contributions.

### **Depreciation (reduction of £43,000)**

- 3.16 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.
- 3.17 The reduction relates to items of plant and equipment as assets are written down and out of the Council's accounts.

### **Leisure Management (reduction of £48,000)**

- 3.18 In accordance with the Contract for managing the Council's two main leisure centres (Green Bank and Etwall) the annual price is reducing as efficiencies and increased income are achieved. This reduction had been built into the MTFP.

### **Cost Increases (net £21,000)**

- 3.19 The main increase of approximately £15,000 relates to community parks and open spaces. Additional costs have been identified for clearing litter, utility charges, general maintenance and tidying, together with the replacement of small items of play equipment.

### **Departmental Restructure**

- 3.20 A restructure of the Community and Planning Directorate was approved in December 2013. The financial implications have previously been considered by the Committee.
- 3.21 The effects on the Committee's services *have not*, at this stage, been included in the base budget. The restructure is currently being implemented and updated figures will be reflected in the final budget proposals at the Finance and Management Committee on 20<sup>th</sup> February.

## **4.0 Detail**

- 4.1 **Appendix 1** summarises the Committee's budgets at cost centre level with **Appendix 2** analysing changes between 2013/14 and 2014/15 for each cost centre.

## **Zero Based Budgeting**

- 4.2 Budgets are usually calculated on an incremental basis, i.e. they are maintained at the same level as the previous year adjusted only for known changes and variations that have been identified through a restructure or efficiency programme.
- 4.3 However, many budgets are also subject to a base line review which is used to justify proposed spending. This process places greater responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner.
- 4.4 As well as identifying possible budget savings, it can also identify potential cost pressures; this approach has been well used across the Committee's services.
- 4.5 As usual, the base budgets exclude the costs of internal central support service charges, together with any statutory pension adjustments.
- 4.6 These are considered by the Finance and Management Committee in detail and will be allocated across services in accordance with accounting regulations, when approved through the budget process.

## **Inflation**

- 4.7 The base budget for 2014/15 has been uplifted by inflation in 2013/14 where this applies, for example, the 2013 national pay award. However, proposed budgets for 2014/15 do not at this stage allow for future inflation.
- 4.8 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.
- 4.9 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.
- 4.10 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.

## **General Basis of the 2014/15 Base Budget**

- 4.11 Although the principle of a zero based budget was adopted to justify spending in individual budget heads, the estimates are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 4.12 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.

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

- 4.13 For 2013/14, the Council approved an increase in base contributions to reflect inflation, as measured by the Retail Price Index (RPI), as it stood in September 2012, i.e. 2.6%
- 4.14 Due to the reduction in the Council's general grant funding for 2011/12 and 2012/13, no increase was applied for these years although the base level of funding was maintained.
- 4.15 As at September 2013, RPI stood at 3.2%. The MTFP includes a provision of 2%.
- 4.16 An increase of 2% equates to approximately £4,200 in total across all grants, with 3.2% equating to around £6,800.
- 4.17 The actual increase will be considered by the Finance and Management Committee as part of the Council's overall Budget for 2014/15 and this Committee are requested to make an appropriate recommendation.

## **Capital Investment**

- 4.18 The Committee currently has a substantial capital programme financed through external sources in addition to the Council's own resources.

## **Disabled Facility Grants (DFGs) and Private Sector Housing Works**

- 4.19 Subject to Government allocations, there is a budgeted programme in the MTFP to 2018/19 of £1/4m per year. This includes approved allocations of £450,000 covering the 2 years, 2012/13 and 2013/14. Subsequent years are dependent upon Government allocations.

## **Integrated Transformation Fund (ITF)**

- 4.20 Money to help local housing authorities meet the cost of providing DFGs for disabled people is currently paid directly to each authority by the DCLG as a capital grant. As part of CSR 13, it was announced that from 2015/16, this funding will be transferred to the Department of Health and aggregated into a new ITF.
- 4.21 This will become a single pooled budget to bring about integration of health and social care. Current proposals indicate that local social services authorities will be allocated money and they will distribute their proportion across each region. The detailed framework for accessing this funding is expected in March 2014.

## **Stock Condition Survey and Strategic Housing Market Assessment**

- 4.22 These have recently been completed at a total cost of £75,000 (compared to a budget provision of £120,000) following a competitive tendering exercise.

## **Leisure, Recreational and Community Schemes**

4.23 The Committee has several projects designed to develop and upgrade sporting and leisure facilities across the area. Associated works on some major projects will be phased until 2016/17. The following table summarises the schemes showing the gross estimated cost for each project.

	£'000
<b>Community Partnership Scheme – funds now allocated</b>	43
<b>Melbourne Sporting Partnership – initial works commenced</b>	2,510
<b>Melbourne Assembly Rooms – funding bids being developed</b>	336
<b>Rosliston Forestry Centre – Glade Improvements – work complete</b>	50
<b>Green Bank Leisure Centre Refurbishment - Phase 2 – tender and works being evaluated</b>	550
<b>Etwall Leisure Centre - Fitness / Community Facilities – awaiting external funding</b>	360
<b>Etwall Leisure Centre - Artificial Grass Pitch – completed and in use</b>	550
<b>Eureka Park - Community Programme – project manager appointed and specification of works being progressed</b>	500

4.24 Progress on the schemes will continue to be reported to the Committee on a regular basis and at least, on a quarterly basis in accordance with the performance and financial monitoring framework.

## **Proposed Fees and Charges 2014/15**

4.25 **Appendix 3** provides a schedule of the proposed level that will operate from 1st April 2014, together with a comparison to the existing charge. Where applicable, VAT is also added at the appropriate rate.

4.26 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.

4.27 Proposed charges for Telecare Services in Supported Housing reflect the new pricing structure implemented for private customers approved by the Committee in June 2013 following a service review.

## **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