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REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: <b>6</b>
DATE OF MEETING:	12th JANUARY 2012	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF EXECUTIVE	OPEN
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SUBJECT:	SERVICE BASE BUDGETS 2012 / 2013	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

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## 1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2012/13 for the Committee's Services are considered and included in the consolidated proposals for the General Fund.
- 1.2 That the proposed fees and charges as detailed in **Appendix 4** for 2012/13 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2012/13 under 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 2012/13, with a comparison to the current year, 2011/12. 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 2012/13 subject to the Council's overall medium-term financial position. This is subject to the next item on this Committee Agenda.
- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year. A summary is also included of the Committee's existing capital investment programme.

### **3.0 Summary and Overview**

- 3.1 The Committee is responsible for some large spending areas, in particular the main support service functions, together with the corporate, management and democratic costs of the Council.
- 3.2 It is also responsible for the strategic management of the Council's property portfolio, revenue collection, benefit payments and treasury management, etc. As such, the associated income and expenditure can have a big influence on the Council's overall financial position.
- 3.3 In addition, several of these spending areas provide statutory, governance, legal and advisory support for the Council.
- 3.4 Several of the main spending areas are delivered by Northgate Public Services as part of the wider Strategic Partnership for Corporate Services.
- 3.5 They act as direct service provider for a range of services including revenue collection, benefits administration, customer services, ICT, finance, payroll, HR and organisational development.
- 3.6 In accordance with local government accounting regulations, a substantial amount of the Committee's costs are recharged and allocated across other services and accounts within this Committee and across other Policy Committees.

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

- 3.7 The Council's Medium-Term Financial Plan (MTFP) was reviewed and approved by the Committee in October 2011 ahead of the Government's detailed financial settlement for local authorities. This highlighted that pressure remains on the medium term position with the continuing economic situation and the possible reductions in central funding beyond 2012/13.
- 3.8 During this budget round, all services were asked to look closely at current spending and adopt a zero based approach to budgeting. Given the on-going financial situation, it is important that this Committee scrutinises its spending base closely ahead of the consolidated position.

#### **Summary of Expenditure**

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

<b>Analysis of Net Revenue Expenditure Budgets 2011/12 and 2012/13</b>	<b>Approved Budget 2011/12</b>	<b>Proposed Budget 2012/13</b>	<b>Change</b>
Central and Departmental Accounts	£3,397,756	£3,383,391	-£14,365
Concessionary Travel	£6,000	£3,000	-£3,000
Corporate and Democratic Costs	£1,147,772	£1,073,906	-£73,866
Electoral Registration	£189,771	£132,930	-£56,840
Interest Payments and Receipts	-£5,605	-£25,401	-£19,796
Payments to Parish Councils	£299,643	£310,980	£11,337
Property and Estates	£1,647	-£23,719	-£25,366
Revenues and Benefits	£256,034	£277,710	£21,676
<b>Committee Total</b>	<b>£5,293,017</b>	<b>£5,132,797</b>	<b>-£160,220</b>

3.10 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2011/12 and 2012/13 by approximately £160,000. Over £100,000 of this is known and planned in the MTFP and includes one-off items falling out.

3.11 In addition, although additional costs have been built into the base budget following the review, these have been offset by savings, efficiencies and increased income elsewhere within the Committee.

3.12 In summary, the main reasons for the decrease are as follows:

<b>Known and Internal Changes</b>	
One-off Expenditure falling out	-£114,457
Items included in MTFP	£14,903
Employee Costs	£2,233
Decrease in Insurance Premiums	-£6,491
Sub - Total	-£103,812
<b>Additional Changes</b>	
Interest	-£19,796
Changes in Income Levels	-£63,694
Additional Costs	£71,866
Savings/Efficiencies	-£44,784
<b>TOTAL CHANGE</b>	<b>-£160,220</b>

### **One-off Expenditure**

3.13 This relates to services where additional budget was provided in 2011/12 for that year only or where one-off costs have been incurred due to a restructure. This expenditure can be funded either from external sources or from approved under spending brought forward from the previous year.

3.14 The main items relate to one-off pension strain costs paid in 2011/12 following approved restructures, falling out of the base budget, together with the cost of the District Council Election in May 2011 falling out of the base budget. The MTFP contains a provision to meet the cost of the next District election in May 2015.

## **Items included in the MTFP**

- 3.15 This relates to known events that have previously been included in the Council's future spending plans and have now been confirmed in the base budget.
- 3.16 This mainly includes an approved growth item of £12,000 which has been added to the base budget. This reflects the phased increase in resources and to protect those Parishes potentially losing under the new system introduced in April 2010 for reimbursements under the Concurrent Functions framework.

## **Employee Costs**

- 3.17 These costs have changed due to the full year effects of restructures reducing costs from 2012/13 onwards. Some of this may have been offset by incremental changes in pay as employees move through their pay grade. Costs may also increase where employees join the pension fund.
- 3.18 Generally, these costs are taken into account as part of the overall Medium-Term Financial Planning and as such are known and built into forward budgets.
- 3.19 In addition, some time allocations of senior offices have been reviewed and reallocated to reflect a change of responsibilities following the senior management and service restructures during 2010/11. Overall, the effect within this Committee is fairly neutral.

## **National Insurance Contributions (NIC)**

- 3.20 In addition, within employee costs, there is a fairly large increase in NIC from April 2012. This is due to changes announced in the Government's 2011 Budget which will reduce the current rebate given for contracted out (of the second state) pension schemes. This applies to the local government pension scheme and will increase the Council's NIC by approximately £90,000 per year (£17,000 for this Committee).

## **Reduction in Insurance Premiums**

- 3.21 The Council renewed its premiums in September 2011 following a review of its claims experience by the Council's insurers. This produced a saving in overall premiums across the Council's main policies of approximately £30,000 per year.
- 3.22 The reduction for this Committee is £6,000 per year and mainly relates to insurance for the Civic Offices.

## **Interest Payments and Receipts**

- 3.23 Overall, it is estimated that net interest received will increase in 2012/13. This is mainly due to the final covenant repayments in 2011/12 saving £11,000 in interest from 2012. In addition, it is anticipated that interest on cash deposits will increase by approximately £5,000 based on current cash flow projections.

This shows a higher average level of monies on deposit, continuing the trend in 2011/12.

### **Changes in Income Levels**

3.24 There are three main changes/variances anticipated in 2012/13 and these are detailed below.

#### **Income from Court Costs and Other Penalties**

3.25 Where the Council is required to recover debts for council tax in particular through court or legal proceedings, amounts are usually awarded to cover costs. Income has exceeded budget for the last 2 years and generates around £100,000 per year.

3.26 Typically, costs awarded can range between a few pounds to hundreds of pounds depending on the nature of the case and debt outstanding. Therefore, it is proposed to increase the base budget to reflect this by £39,000.

#### **Estate Management**

3.27 The Council generates approximately £400,000 per year from its property portfolio in rents from shops and industrial units. An increase in rent of £10,000 per year is due from the main factory site in accordance with the lease agreement.

3.28 Other lease renewals and less void properties are estimated to generate a further £10,000 per year from 2012/13. In addition, lettings within the Civic Offices will generate around £27,500 in 2012/13, rising in future years from 2013/14 to £50,000 per annum.

#### **Housing Benefits Administration Subsidy**

3.29 As part of on-going reductions by the DWP, it is expected that this grant will be reduced in 2012/13 by 5% or £25,000 per year.

#### **Additional Costs**

3.30 The earlier variance table showed £71,000 in additional costs across the Committee's services. There are three main reasons for this and they are detailed below.

#### **Rent of Property**

3.31 The head rent at one of the industrial sites is subject to a periodic review. A provision of £8,000 has been included in the base budget to cover this.

#### **Provision of Car Parking**

3.32 A sum of £15,000 has been included in the base budget which relates to the costs (rates, heat and lighting, etc) of extra car parking in Swadlincote Town

Centre. This will be covered by the additional rental income from the Civic Offices as highlighted earlier.

### **Annual Indexation Payment to Northgate**

- 3.33 As contained in the contract, the fee was increased by 1.4% for 2011/12. The on-going effects on the base budget amounts to approximately £40,000 per year from 2012/13. Provision for this is contained in the Council's central inflation contingency.

### **Savings/Efficiencies**

- 3.34 The main items relate to the running costs of the Civic Offices and the Depot, together with the some further corporate and democratic costs.

### **Civic Offices and the Depot**

- 3.35 The cost of national non-domestic rates following the 2010 rating valuation will reduce on the civic offices by £9,000 per year. In addition, following the budget review, overall utility and maintenance costs are estimated to reduce by £5,000. Within this, base electricity costs are set to rise due to price increases, with gas and water reducing mainly due to lower usage.
- 3.36 In respect of the depot, there is no longer a requirement for temporary accommodation on the site due to the relocation of staff within the civic offices. This will reduce costs by £9,000 per year.

### **Corporate and Democratic Costs**

- 3.37 With the final payment for the covenant financing being in 2011/12, savings in fees of £11,000 (in addition to the interest payments previously highlighted) will be generated from 2012/13.
- 3.38 In addition, total savings in various budgets have been identified across democratic and other corporate management costs of approximately £20,000 following the budget review. This includes a reduction in external audit fees passed across from the Audit Commission.

## **4.0 Detail**

- 4.1 A "line by line" analysis of the Committee's budgets as contained in the Council's main accounting system is detailed in **Appendix 3**. **Appendix 1** summarises the Committee's budgets at cost centre level with **Appendix 2** breaking down the changes between 2011/12 and 2012/13 for each cost centre.

### **Zero Based Budgeting**

- 4.2 Traditionally, budgets are been built up 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 For 2012/13, a different approach was taken in that budgets were built up from a zero base. This process places greater responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner.
- 4.4 This may account for some of the variances between budget heads when comparing 2012/13 back to 2011/12. In addition, the upgrade of the Council's Financial Management System has streamlined the Chart of Accounts and meant some budget reallocations within services. This has also allowed some new analysis of budgets.
- 4.5 The base budgets exclude the costs of internal support service recharges, together with any statutory pension adjustments. They will be allocated across services in accordance with accounting regulations, when approved through the budget process.

### **Inflation**

- 4.6 The proposed base budget for 2012/13 does not at this stage allow for inflation. Clearly, some base costs will be subject to inflation during the year and in some cases it will be "unavoidable," for example employee costs, if a national pay increase is settled.
- 4.7 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.
- 4.8 In line with current policy, this contingency will be reviewed and monitored separately by the Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

### **Concurrent Functions – Contributions to Parish Councils**

- 4.9 As previously reported, the method of allocation of the overall pot was changed from 2010/11. The changes effects have been phased in over three years, with the final transitional year being 2012/13.
- 4.10 Parishes that gained from the revised allocation have seen their share increased over the three years. The Council decided to protect the minority of "losers" by cash limiting their allocation at 2010/11 levels.
- 4.11 In order to do this, additional funding was approved for the overall pot, and this will cost an additional £12,000 in 2012/13. This has been built into the base budget as previously highlighted.
- 4.12 In previous years, the Council has approved an increase to parishes for inflation as measured by the Retail Price Index (RPI) as at September of the preceding year.

- 4.13 However, due to the reduction in the Council's general grant funding for 2011/12, no increase was applied for 2011/12 although the base level of funding was maintained and indeed increased to fund the new system.
- 4.14 As at September 2011, RPI stood at 5.6%. The MTFP includes a provision of 3%.
- 4.15 An increase of 5.6% equates to approximately £17,100 in total across all parishes, with 3% equating to around £9,200.
- 4.16 Prior to reviewing the consolidated position, the Committee are requested to make a recommendation regarding any inflationary increase.

### **General Basis of the 2012/13 Base Budget**

- 4.17 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, etc.).
- 4.18 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.

### **Capital Investment**

- 4.19 The Committee currently has the following schemes in the Council's approved capital investment programme.

<b>SCHEME</b>	<b>BUDGET £000</b>	<b>NOTE</b>
Repairs to Village Halls and Community Facilities	49	Amount set-aside pending transfer of management to parish/community groups. Remaining budget held for Walton on Trent and Netherseal Village Halls.
Planned Maintenance Programme (on public buildings and commercial portfolio) including Disability Access Improvements, stock condition surveys and EMAS works.	58	Originally, £1/2m approved in 2005. Essential works have been completed based on completed stock condition surveys. The remaining budget is being held as a contingency and to fund any ad-hoc emergency works.
Contributions to Renewals Fund	1,450	Fixed amount per year of £225k, rising to £250k from 2013/14 to replace vehicles and plant in accordance with the replacement schedule.
Replacement of Civic Car	20	Provision made in 2015/16

### **New Investment**

- 4.20 Currently, 14 schemes are being evaluated for investment following additional capital funding generated from the sale of Bretby Crematorium in May 2011.



4.21 A proposal relevant to this Committee is to top-up the Planned Maintenance Programme to undertake further works and also provide some funding to create further car parking space.

### **Proposed Fees and Charges 2011/12**

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

4.23 The main change is a proposal to set a fee for recovering court costs associated with fraud cases taken for prosecution. The court normally awards costs but the Council can request an amount in advance. This is proposed at £500 reviewed on a case by case basis.

### **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

