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Our Ref: DS
Your Ref:

Date: 3 January 2018

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 11 January 2018 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Mrs Coe, Mrs Coyle, Ford, Hewlett, Smith, Watson and Wheeler

Labour Group

Councillors Rhind, Richards, Southerd and Wilkins

AGENDA

Open to Public and Press

- | | | |
|----------|---|----------------|
| 1 | Apologies and to note any Substitutes appointed for the Meeting. | |
| 2 | To note any declarations of interest arising from any items on the Agenda | |
| 3 | To receive any questions by members of the public pursuant to Council Procedure Rule No.10. | |
| 4 | To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11. | |
| 5 | IMPLICATIONS OF THE HOMELESSNESS REDUCTION ACT 2017 | 3 - 10 |
| 6 | LONE WORKER DEVICE | 11 - 13 |
| 7 | SERVICE BASE BUDGETS 2018-19 | 14 - 25 |
| 8 | BUDGET REPORT 2018-19 INCORPORATING THE CONSOLIDATED BUDGET PROPOSALS AND MEDIUM TERM FINANCIAL PLAN TO 2023 | 26 - 54 |

Exclusion of the Public and Press:

- 9** The Chairman may therefore move:-
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 10** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 11** HEALTH PARTNERSHIP MANAGER & PARK LIFE OFFICER
- 12** PAY AND GRADING REVIEW - TRANSFERRED POSTS

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE: SPECIAL - BUDGET	AGENDA ITEM: 5
DATE OF MEETING:	11th JANUARY 2018	CATEGORY: DELEGATED
REPORT FROM:	INTERIM STRATEGIC DIRECTOR	OPEN
MEMBERS' CONTACT POINT:	EILEEN JACKSON – STRATEGIC HOUSING MANAGER 01283 595763 Eileen.Jackson@south-derbys.gov.uk	DOC:
SUBJECT:	IMPLICATIONS OF THE HOMELESSNESS REDUCTION ACT 2017	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 That following approval at Housing and Community Services Committee on 5.10.2017, Members note the content of this report and the proposed amendments to the delivery of the Council's front line statutory homeless service.
- 1.2 That approval is granted for the Strategic Director to agree the use of the Flexible Support Grant, the DCLG grant allocation and homeless prevention budget to deliver the Act and its associated enhanced prevention services and review functions.
- 1.3 That within the £25k received (since the October Housing and Community Services Committee in December 2017) from the DCLG New Burdens funding, £15k is ring fenced to provide rent deposits and or rent in advance to people who are homeless or threatened with homelessness in order to secure accommodation in the private rented sector. The payments will be repayable back to the Council over the initial 12 months of the tenancy. This scheme will provide Officers with an additional prevention tool to assist homeless households.

2.0 Purpose of Report

- 2.1 This report provides an update to Members on the implications of the Homeless Reduction Act 2017 and seeks approval to utilise the Flexible Support Grant allocation and future DCLG New Burdens funding to re-align the front line

homelessness service provision to meet the new legislative requirements from next April.

3.0 Executive Summary

- 3.1 The Council's Housing Options Service provide assistance to homeless households under part 7 of the 1996 Housing Act (as amended by Homelessness Act 2002). In April next year, the service will come under increased pressure when the requirements of the 2017 Homelessness Reduction Act are introduced and the way the Council provides its front line services to homeless households needs to change.
- 3.2 Back in April 2017 the Council received an allocation of over £85k in Flexible Support Grant from the DCLG (this replaced the previous Temporary Accommodation Management Funding). In addition, the Council will receive an allocation of 'New Burdens' Funding from the £61m total DCLG allocation, the government are currently deciding the fairest methodology for calculating each local authorities payment. These additional resources are to be utilised to fund the prevention of homelessness and to mitigate the financial impact on the Council caused by the additional requirements of the Act.
- 3.3 The Council are already preparing for the changes and staff have attended training on how to prepare for the Act and are also delivering training to the Homeless Forum in October so that partner agencies and the voluntary sector are also prepared for the changes. In preparation for the changes to service delivery, an action plan has been compiled to provide officers with a task focussed timeline over the next 6 months (see Appendix A). Approval of the recommendations contained in this report would allow the Strategic Director to utilise the allocated funding to re-shape the front line service delivery to ensure the Council's statutory obligations towards homeless households continue to be met post April 2018. The appointment of additional staff within the housing options team will be reviewed and amended where necessary to reflect the evolving needs of the service which cannot be predicted at this stage, the Strategic Director will therefore need the flexibility to make recruitment decisions based on service demands which may change during the first two years of the Act's implementation.

4.0 Background / Detail

- 4.1 The new Homelessness Reduction Act 2017, originated as a private Members Bill, tabled by Conservative back bencher Bob Blackman, has been widely supported by Ministers and homeless charities and focuses on the need for increased prevention of homelessness.
- 4.2 The Act gained Royal Assent on 27th April 2017, much sooner than originally predicted so many local authorities are having to react to the required changes sooner than they had planned to.

- 4.3 A revised code of guidance will be published in Autumn in conjunction with the New Burdens funding allocation and will cover the policy amendments. The Act will also be accompanied by a new code of practice in addition to the published guidance.
- 4.4 In response to the legislative changes below, the Strategic Director will need the autonomy to approve the appointment of any additional staffing resources, the funding of new prevention initiatives and the introduction of any new IT / self-help products associated with the enhanced service provision.
- 4.5 During 2016/17, the Council's housing options service dealt with 567 approaches for assistance and investigated 168 applications under the current Homelessness legislation. It is predicted that approaches for assistance are likely to rise by around 50% as non-priority need applicants will be owed a prevention duty under the revised legislation. This significant increase in caseload will require additional resources both in terms of staffing and new initiatives that specifically tackle and prevent the root causes of homelessness in the district.
- 4.6 The changes to front line service delivery will need to be in place by 1st April 2018 to ensure South Derbyshire District Council remains compliant with all Homelessness legislation.
- 4.7 The main changes required as a result of the amended legislation are summarised below:
 - The requirement for each homeless household to have a personal housing plan - whilst penalty can be incurred for non-cooperation, this is an extension of the duty to provide advice and assistance where Local Authorities need to compile individual housing plans for each homeless household to effectively provide a pathway out of homelessness.
 - Local Authorities to try to prevent homelessness or find alternative accommodation for all homeless applicants irrespective of whether they have a priority need or the Council have a statutory duty to accommodate them.
 - The changes to the meaning of homelessness – The 1996 Housing Act has been amended to change section 175 relating to when an applicant is owed a statutory duty, this duty currently starts when an applicant is threatened with homelessness within 28 days but under the new legislation this has now increased to 56 days. This will give local authorities longer to work with the applicants and prevent the crisis or cause of losing their home.
 - An increased number of reviews to be dealt with as applicants will have a right to review at each stage of the process under the new duties.

- A significant increase in administration and paperwork for homeless teams as individual housing plans are devised and new letters are compiled and sent out during each stage of the process.
 - Changes relating to the loss of an assured shorthold or periodic tenancy – applicants will now be deemed homeless from the date of expiry of the notice and not have to wait until the landlord executes the warrant.
 - Specified public authorities will have a duty to refer to the Local Housing Authority if they think they may be homeless or at risk of homelessness (with applicants consent).
- 4.8 In addition to the recommendations above, the Council should pro-actively consider the longer term strategic tasks that would make delivery of the new responsibilities easier when considering the escalating numbers of households approaching during recent years and the reasons behind the increasingly complex needs of homeless people in addition to their lack of housing. The following strategic actions should therefore be considered by the Council, in conjunction with the preparations for changes in front line service delivery;
- Establish better links with private sector landlords to deliver support to young people's housing in shared accommodation in the private sector.
 - Amendments of Choice Based lettings policy as the definition of 'reasonable preference categories' change.
 - Deliver / enable delivery and seek new supply of accommodation suitable for single people under 35 that will be available within Local Housing Allowance rates (single room rate).
 - Ensure new performance monitoring arrangements are in place to reflect the new measures and the revised data collation requirements.
- 4.9 Finally, the Council need to work strategically with other neighbouring authorities and across the County to ensure funding opportunities are maximised and good practice, ideas and protocols are shared and implemented consistently across geographical boundaries.

5.0 Financial Implications

- 5.1 It is the government's intention that, any revenue costs incurred with implementation of new ways of working will be met entirely by the grant allocations and there will be no impact on the Council's General Fund or HRA in relation to the initial recruitment and enhanced services provided.
- 5.2 The new legislation will lead to an increase in demand for the Council's housing options service which may lead to increased costs in the future beyond the scope of the two year DCLG funding allocations.

- 5.3 The Flexible Homelessness Support Grant is ring-fenced for three years and our allocation of £85,117 has been received from DCLG for 2017/18. We are to receive £90,506 in 2018/19 but have had no confirmation regarding the allocation for 2019/20.
- 5.4 New Burdens Funding is also due to the Council during 2017/18 but it has not yet been announced how much our allocation is likely to be.
- 5.5 Derbyshire County Council has committed to fund £62k in 2017/18 and 2018/19 through their second homes programme. This was reported to Members in June 2017 and will fund a Housing Options Officer (£27k) and homeless support to young people with complex needs (£35k). This income has been received in 2017/18.
- 5.6 The risks to the Council associated with not preparing for the changes in legislation have been summarised below;
 - Insufficient capacity within the team to deal with reactive demands leading to non-compliance of the local authority's statutory obligations towards homeless households in the district.
 - Increased levels of reviews and possible judicial reviews if failure to comply or make homeless decisions within required timescales.
 - Increased spend on bed and breakfast accommodation as decisions are delayed due to workload.
 - Reduced levels of practical assistance and time spent on each homeless household as caseload increases.

6.0 Corporate Implications

- 6.1 The content of this report has a direct positive impact on the Council's commitment to;

"Protect and help support the most vulnerable, including those affected by financial challenges" outlined within the People theme of the Corporate Plan

The impact of the changes will enable the Council's front line services to deal with the increase caseload (expected to increase by 50%) and ensure that specific prevention initiatives are in place to assist the additional non-priority need applicants to whom a prevention duty is owed.
- 6.2 The Homelessness Reduction Act amends Part 7 of the 1996 Housing Act and from April 2018, local authorities will have to work to the requirements of the new legislation. South Derbyshire District Council needs to ensure that the front line staffing structure is prepared and financially resourced to deal with the increased number of applicants and reviews to meet its statutory obligations and duties towards homeless households in the district.

- 6.3 Additional staff will be required within the shared service to deal with the extra prevention duties and increased numbers of reviews. Due to the short term nature of the funding arrangements, the additional post may need to be recruited on a fixed term basis until end March 2019.
- 6.4 Staff within the Housing Options team will be consulted and kept informed of any changes with regards to their service area.

7.0 Community Implications

- 7.1 The Impact of the implementation of the Homelessness Reduction Act will have a wide scale positive impact on communities within the district as households without priority need status will be owed a prevention duty and will benefit from a personalised housing plan. It is envisaged that through early intervention and an increase in prevention activity, homeless households will avoid the traumatic and costly experience of being placed in interim temporary accommodation that can have a detrimental effect on families both in the short and longer term.

8.0 Background Papers

- 8.1 Letter from Marcus Jones MP (Minister for Local Government – DCLG) outlining timescales for funding and guidance publication.

APPENDIX A

Homelessness Reduction Act – Tasks to be completed prior to April 2018 implementation

Task	Timescale	Who is involved	Budget implications
Deliver training session to Homeless Forum members and develop joint protocols for new areas of working to assist non-priority need applicants	October 2017 February 2017	Ann Mills NPSS staff Andy Gale Training for all Housing Options Staff	Within existing resources
Improve and review our corporate self-help advice and resources available on the Council's website	January 2017	Corporate Communications Team	Within existing resources
Design / test templates for new personalised housing plans	December 2017	Housing Operations Staff	Within existing resources
Review and implement new structure within the housing options team	January 2017	Eileen Jackson Ann Mills	Flexible Support grant / New burdens / existing prevention budget
Ensure IT in place to deliver new working practices and collate the required performance data from April 2018	March 2017	Eileen Jackson Ann Mills	New burdens funding (DCLG grant)
Update Scrutiny panel about new front line service delivery and increased activity prior to changes being implemented	January 2018	Eileen Jackson Ann Mills	Within existing resources
Establish new schemes for rent in advance and rent deposit to assist with new prevention duties	February 2018	Ann Mills Corporate Communications Team	New burdens funding (DCLG grant)

Liaise with private landlords to develop new initiatives that focus on people losing their homes through S21 notices	March 2018	Ann Mills New post within structure	Flexible support grant (ring fenced DCLG grant)
Investigate the potential to deliver a range of new prevention activity based on identified need and established good practice across the county that could be replicated at SDDC	February 2018	Eileen Jackson Ann Mills	Within existing resources
Work with private landlords to gauge if private sector leasing / discharging duty within the private sector could be considered	March / April 2018	Eileen Jackson Ann Mills / Private sector team	Within existing resources until cost is established
Work with registered providers and stakeholders who will be the referring agents post April 2018 to ensure referral mechanisms are understood and in place prior to the legislative changes	January 2018	Ann Mills New post within structure	Within existing resources

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE: SPECIAL – BUDGET	AGENDA ITEM: 6
DATE OF MEETING:	11th JANUARY 2018	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	TONY GUEST, HEALTH AND SAFETY OFFICER Antony.guest@south-derbys.gov.uk	DOC:
SUBJECT:	LONE WORKER DEVICE	REF:
WARD(S) AFFECTED:	NONE	TERMS OF FM05 REFERENCE:

1.0 Recommendations

- 1.1 To approve the purchase of an IT solution, Solo-Protect, to enhance the health and safety management arrangements for employees of the Council who are assessed at risk due to the requirement to lone work or undertake work activities where there is an increased risk to their health and safety – working out of hours for example.

2.0 Purpose of Report

- 2.1 To outline the benefits of using an IT based lone working system to improve the health and safety management arrangements used by the Council.

3.0 Detail

Lone Working

- 3.1 Whilst working alone is perfectly legal, any employer owes all staff a duty of care, and as such they need to consider the risks to that worker's health and safety in the workplace.
- 3.2 The Health and Safety Executive (HSE) define lone workers as "those who work by themselves without close or direct supervision." An organisation will need to consider and put in to place adequate and appropriate control measures to mitigate any risk to employees.
- 3.3 The Council has a range of control measures in place to mitigate such risk that includes provision of mobile phones for staff, call in arrangements and other local methods developed to meet the needs of the service.
- 3.4 To enhance the arrangements, an IT based solution, Solo-Protect, has been identified that is both easy to use, effective and following discussions at the Health and Safety Committee is recommend to be implemented across the Council.

Solo-Protect – Lone worker system

- 3.5 In 2002, Craig Swallow (MD of Solo-Protect) attended a Suzy Lamplugh Trust event focused on Lone Worker Safety. With a background in telecommunications, and an idea based around a wearable device to improve staff safety, he developed a system, around the delegate name badges and the first steps towards the Solo-Protect device were established.
- 3.6 The Solo-Protect solution has since been widely used in the UK and worldwide. A number of local authorities, NHS Trusts, Housing Associations and internationally recognised organisations have recognised the benefits of using the solution and implemented as part of their health and safety management arrangements for their workforce.

Solo-Protect – the solution

- 3.7 The solution is basically a two-way audio lone worker device uniquely styled as an identity badge. It's easy to wear, discreet to use and always within reach by a lone worker. It is also accredited with the British Standard for such devices (see 3.10)
- 3.8 Equipped with Global Positioning System (GPS) commonly used in Sat Navs and other directional IT solutions it enables the wearer to be instantly located when the device is activated and support summoned. It also has an automatic incapacitation alarm (commonly referred to as 'Man Down') if for any reason the device cannot be activated by the wearer but the device is moved to a different position – this can also help to summon assistance of the wearer is knocked unconscious or collapsing due to ill health.
- 3.9 When the system is activated, an Alarm Receiving Centre (ARC) staffed by fully trained employees is able to listen in to conversations and then determine if support is required for the wearer. Due to their unique relationship with the Police any calls are responded to quicker by the Police when compared with 999 calls. This ensures that the wearer is not put at increased risks when summoning support and the decision of when to request support is taken by staff that are trained to recognise when this is appropriate.

Standards for Lone Working Solutions

- 3.10 The British Standard for Lone Worker Device Services [BS 8484:2016] is the benchmark for a credible lone worker solution in the United Kingdom. The standard is important for three key reasons:

- It determines the category of Police response a lone worker receives. A BS8484 approved solution is escalated directly into the relevant control room one level higher than a 999 call.
- It gives a clear indication about whether or not, the Alarm Receiving Centre (ARC) element of a solution is accredited to EN 50518 (The European Standard for Alarm Receiving Centres).
- It indicates that a supplier is on a financial footing to successfully deliver your solution for the duration of a contract.

Data Protection Act (1988)

- 3.11 A fundamental consideration when recording conversations and the storage and handling of data relates to the requirements of the Data Protection Act 1988. The first data principle deals with fair & lawful processing. Section 29 (1) (a) of the Data Protection Act 1988, outlines the exemptions to this principle that includes for the purpose of the prevention and detection of crime and the protection of persons at work for the reasons of Health & Safety. The solution offered by Solo-Protect is fully complaint with the DPA.

Health and Safety Committee

- 3.12 The Committee, at its meeting held on 25 October 2017, received a report on this device and the benefits it would provide to the Council and its workforce. The Committee, that includes Elected Member and Trade Union representatives, supported the implementation of Solo-Protect and the development of local arrangements around where and how it would be used for staff.
- 3.13 Those service areas that have lone workers have also been consulted and have also given their support for the introduction of the proposed solution.

4.0 Financial Implications

- 4.1 The annual cost for the supply of 20 devices is £4,440 based on a three year service contract with the option to opt out after 12 months. It is therefore proposed to review the appropriateness of this system before continuing into years 2 & 3 of the service contract. The cost will be charged to and financed from the Corporate Health and Safety Budget.

5.0 Corporate Implications

- 5.1 The provision of an IT based solution will enhance and promote a positive safety culture at the Council and provide an additional control measure for those staff that are identified as lone workers.

6.0 Background Papers

- 6.1 Supporting information produced for the Health & Safety Committee held on 25th October 2017 can also be referenced.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE: SPECIAL – BUDGET	AGENDA ITEM: 7
DATE OF MEETING:	11th JANUARY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2017-18/budget
SUBJECT:	SERVICE BASE BUDGETS 2018 / 2019	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2018/19 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 2018/19 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2018/19 for Concurrent Functions.
- 1.4 That an increased one-off repairs and maintenance sum of £75,000 is approved and included in the Base Budget for expenditure on the Boardman Industrial units car park.

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 2018/19, with a comparison to the current year, 2017/18. 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 2018/19 subject to the Council's overall medium-term financial position. This is subject to a separate report on this 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, 2018/19.

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 Several of the main spending areas within this Committee were previously managed by Northgate Public Services and were transferred back to the Council on 1st February 2017.
- 3.5 Savings achieved with the transfer back of services have been included within the Base Budget for 2018/19 and have been reported in October within the Medium-Term Financial Plan.
- 3.6 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

- 3.7 The Council's MTFP was reviewed and updated in October 2017. In principle, the overall position on the General Fund has not changed fundamentally over the last year. The current level of the General Fund Reserve remains healthy and is projected to remain so over the next 3 to 4 years based on current forecasts.
- 3.8 However, the continuing issue is the projected budget deficit over the medium-term from 2019/20 when the impact of the reduction in core funding takes effect. Although the current level of reserves can be used to meet the projected deficit, this is not a sustainable solution in the longer-term. The MTFP continues to assume that base budget expenditure will increase year-on-year but overall core funding will reduce.
- 3.9 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

- 3.10 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 2017/18 £	Proposed Budget 2018/19 £	Change £
Corporate and Democratic Costs	609,093	655,193	46,100
Pensions, Grants Interest Payments and Receipts	273,156	263,625	-9,531
Revenues and Benefits	472,350	507,142	34,793
Electoral Registration	177,032	180,841	3,809
Payments to Parish Councils	348,058	353,571	5,513
Central and Departmental Accounts	3,500,889	3,153,984	-346,905
Property and Estates	-207,054	-243,698	-36,644
Total Net Expenditure	5,173,525	4,870,659	-302,866

3.11 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2017/18 and 2018/19 by £302,866. An analysis of the changes within each service area is detailed in **Appendix 1**.

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

Changes in Base Budget 2017/18 to 2018/19		£'000
Termination of Shared Services Contract		-421
Procurement Savings		-31
Other Staffing Costs		20
Senior Management Restructure		-92
HRA Recharges		87
Bad Debt Provision		100
Reduced Industrial Unit Voids		-46
Pension Deficit		15
Reduced Admin Subsidy Grant		25
Additional Investment Interest		-25
Approved Changes		-368
Loss of Credit Card Surcharge Income		5
Additional Changes		5
Change in Service Expenditure		-363
Add: Depreciation		60
Base Budget Decrease		-303

3.13 Many factors included within the Committee's Base Budget have been provided for in the MTFP. In particular, the pension deficit, the termination of the Shared Services Contract, the Bad Debt Provision and the reduced Admin Subsidy grant, are all factors provided for in the MTFP.

3.14 The Senior Management Restructure saving is to be set-aside in contingent sums further to a larger Council wide restructure currently underway. This has been included within the updated MTFP.

3.15 The main changes are detailed in the following sections.

3.16 As a result of the termination of the Shared Services Contract, savings made have reduced recharges for Central Services by £67k. A total provision of £54k was made in the MTFP for this alongside an assumed saving of £400k so the reduced recharge is off-set by the additional budgeted saving.

3.17 The Senior Management restructure has reduced recharges to the HRA by an additional £20k. This has not been included within the MTFP.

Procurement Savings

3.18 A post has been removed from the Establishment in Procurement with the main service provision carried out off-site in a shared service arrangement after Committee approval on 30th November.

3.19 The reduced salary cost (£61k) has been partially offset by the cost of the new Shared Service arrangement (£30k) resulting in a total saving of £31k.

Cash and Bank Movements

3.20 Credit card surcharge income has been removed from the Budget for 2018/19 due to the implementation of the EU Payments Directive (PSD2). From January 2018 the Council are no longer able to pass on the cost of credit card charges to the consumer resulting in a loss of income of £5k.

3.21 The Budget for interest received on investment income has been increased by £25k in 2018/19 due to the recent £1m investment in the CCLA Property Fund which is anticipated to increase our returns due to higher interest rates.

Other Staffing Changes

3.22 Changes to other staffing areas are summarised in the following table and further detail is given below.

Other Staffing Costs	£'000
Incremental/Career Graded Pay Rises	22
Legal Restructure	8
Fraud Officer Deleted Post	-35
Derby City Fraud Partnership	25
Total Other Staffing Changes	20

3.23 Due to the transfer of the Fraud Officer (£35k) to the DWP in December 2015 and the subsequent partnership with Derby City Council (£25k), a net saving of £10k is included within the Base Budget for Fraud Investigation.

3.24 Incremental and career graded salary rises have increased Establishment costs by £22k. This cost has been included within the MTFP.

3.25 The restructure of Legal Services and further Job Evaluation of approved posts after the budget round in 2017/18 has resulted in an increased cost of £8k compared to original estimate

Repairs & Maintenance

- 3.26 The Boardman Industrial Estate is leased to the Council on a 40 year lease expiring in October 2024, on full repairing and insuring terms. The surface of service yard and rear car park at the site has now deteriorated to the point where patching repairs are no longer effective.
- 3.27 Complaints have been received by tenants in respect of possible damage to vehicles arising from the surface's condition, and it is also possible that the Council could be held in breach of its repairing obligations by the landlord if the surface is not repaired.
- 3.28 Two specifications for resurfacing the service yard and car park have been provided to date; one at a cost of £82,000 and the other at £58,500. A procurement exercise needs to be undertaken so a proposal of £75,000 is put forward to cover the cost.

Depreciation

- 3.29 Depreciation charges are reversed out of the Accounts on consolidating the Council's budget. They reflect charges for using capital assets in service delivery in accordance with accounting regulations. The increase for the Committee of £60k relates to upward revaluations for the Civic Offices and Town Centre buildings. There is no impact on actual spending levels.

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 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 discussions are still on-going between the Local Government Unions and the National Employers. The MTFP includes a provision of 2% for a potential increase.

Inflation

4.7 The base budget for 2018/19 has been uplifted by inflation/indexation where this applies, for example contract obligations and employee pay awards.

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.

Increase in Payments for Concurrent Functions to Parish Councils

4.9 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:

- 2017/18 – 1.0%
- 2016/17 – 2.0%
- 2015/16 – 2.3%
- 2014/15 – 2.0%
- 2013/14 – 2.6%
- 2012/13 – No increase

4.10 Latest inflation rates show CPI running at 3%. The Government's Autumn Statement forecasts CPI inflation falling to 2% by the end of 2018/19. The Council's MTFP currently provides for a 2% increase.

4.11 Every 1% increase in the base level equates to approximately £3,000 per year in total.

Risks

4.12 All Committee budgets have been reviewed and known changes to income and expenditure have been reflected in the proposed base budget for 2018/19 as detailed in the report.

Housing Benefit

4.13 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 £17m per year. However, in July 2018 working age claimants, in receipt of one of the six benefits that are moving over to the Universal Credit arrangements, who are living in postcodes that SDDC shares with Derby City will transition to that scheme and no longer receive Housing Benefit from this Council.

4.14 In November 2018 the majority of the remaining working age claimants will also move over to Universal Credit leaving only pensioners and a number of

people in supported accommodation on Housing Benefit. (Council Tax Support is not affected)

4.15 It is therefore estimated that Housing Benefit expenditure will fall from £17m to £14.2 m in 2018/19, a reduction of £1.3m in Council tenant Rent Rebates and £1.5 in Rent Allowances to private tenants. This equates to a full year reduction in expenditure to £8m in 2019/20, a reduction of £3.3m Rent Rebates and £5.7m Rent Allowances.

4.16 The change in nature of the retained caseload to predominately people of pensionable age should mean a modest increase in the rate recharged to the DWP increasing to 98.3% compared to the current rate of 97.8%. This arises from a reduction in overpaid housing benefit. However, given the amounts involved, the evolving nature of Universal Credit roll out and a falling caseload, the service remains sensitive to small variations in the recharge having a substantial impact on the budget.

4.17 The DWP Regulations set a threshold for errors which, if exceeded, would mean further subsidy being withdrawn.

4.18 The MTFP and Base Budget have not been updated for any of the risks regarding Housing Benefit at this stage.

Factory Premises, Hearthcote Road

4.19 The tenant of the above property has an option to break the lease on 24th March 2019, 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.

4.20 The current tenant pays a rental income of £185k per annum which increases to £190k per annum on 25th March 2018. The potential loss of income has been included in the MTFP.

4.21 Communication is on-going with the current tenant and the Council should have more clarity regarding the uptake of the break option in due course.

Proposed Fees and Charges 2018/19

4.22 **Appendix 2** provides a schedule of the proposed charges that will operate from 1st April 2018, 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.

4.23 The charges are mainly standard ones for the recovery of court costs, change notifications and payment fees. There are no proposals to change any of the charges that currently apply.

5.0 Financial Implications

6.0 Corporate Implications

- 6.1 There are no other legal, personnel or other corporate implications apart from any 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

APPENDIX 1

BUDGET 2018/19

Finance & Management

f's		BUDGET			
		2018/19	2017/18	VARIANCE	
PSX40	Senior Management	390,893	461,020	70,128	Favourable Senior Management restructure (£92k); adverse HRA recharges (£20k), salaries (£2k)
PSX50	Reprographic/Print Room	213,060	79,188	(133,872)	Favourable HRA recharge (£12k); adverse Northgate (£145k)
PSX55	Financial Services	298,323	318,815	20,492	Favourable Northgate (£74k); adverse HRA recharge (£19k), salaries from PSX95 (£23k), training (£4k), salaries (£8k)
PSX56	Internal Audit	103,115	103,115	0	
PSX57	Merchant Banking Services	78,186	61,137	(17,049)	Favourable HRA recharges (£4k); adverse bank charges (£21k)
PSX60	ICT Support	750,044	661,571	(88,473)	Favourable HRA recharge (£25k); adverse Northgate (£34k), TPP other (£79k)
PSX65	Legal Services	189,210	183,425	(5,785)	Salaries
PSX75	Personnel/HR	222,498	217,544	(4,954)	Favourable HRA recharges (£2k); adverse Northgate (£7k)
PSX76	Policy & Communications	149,658	236,995	87,337	Favourable Northgate (£103k); adverse HRA recharge (£16k)
PSX77	Customer Services	233,756	599,566	365,810	Favourable Northgate (£419k); adverse HRA recharge (£53k)
PSX78	Health & Safety	27,834	36,239	8,405	Favourable Northgate (£12k); adverse HRA recharge (£4k)
PSX81	Admin Offices & Depot	385,993	337,386	(48,607)	Favourable Tools (£5k); adverse depreciation (£53k)
PSX95	Procurement Unit	12,407	105,477	93,070	Favourable Northgate (£73k), salary trf to PSX55 (£23k), deleted post (£60k); adverse HRA recharge (£32k), shared service agreement (£30k)
KJE40	Caretaking	99,008	99,412	403	
Central and Departmental Accounts		3,153,984	3,500,889	346,905	
AAD00	Democratic Representation & Management	78,376	77,983	(393)	

AAM00	Corporate Management	61,509	55,786	(5,723)	Risk Management Fund (insurance - previously split across multiple cost centres)
AAM01	Corporate Finance Management	56,227	47,218	(9,009)	Adverse service professional fees (£16k); Favourable charges (£3k); HRA recharges (£4k)
ABS00	Impairment and Fixed Assets Written-off	0	0	0	
ABU00	Adjustments to Bad Debts and other Provisions	100,000	0	(100,000)	MTFP approved
ACD00	Elected Members	298,699	299,589	890	
KJW00	Debt Management Costs	60,383	128,517	68,134	Northgate
Corporate and Democratic Costs		655,193	609,093	(46,100)	
ACE00	Registration of Electors	49,473	37,537	(11,936)	Adverse postage (£15k); Favourable printing (£3k)
ACE10	Conducting Elections	131,368	139,495	8,127	Favourable printing (£41k); Adverse income
Electoral Registration		180,841	177,032	(3,809)	
ACT01	Parish Councils	353,571	348,058	(5,513)	Adverse TPP Grants (£3k), Insurance (£2k)
Payments to Parish Councils		353,571	348,058	(5,513)	
ABP00	Funded Pension Schemes	262,116	246,204	(15,912)	Adverse Enhanced Pension
W4A00	Interest & Investment Income (GF)	(42,818)	(18,174)	24,643	Favourable interest (re CCLA deposit)
W7A00	External Interest Payable (GF)	700	1,500	800	
W8A00	Other Operating Income & Expenditure (GF)	43,627	43,627	0	
Pensions, Grants Interest Payments and Receipts		263,625	273,156	9,531	
PSX85	Estate Management	(243,698)	(207,054)	36,644	Favourable voids (£46k); adverse depreciation (£7k)
Property and Estates		(243,698)	(207,054)	36,644	
ACA00	Council Tax Collection	(42,731)	(45,960)	(3,229)	Northgate
ACA40	Non Domestic Rates Collection	(26,805)	31,053	57,858	Favourable court fee income (£6k); adverse Northgate (£65k)
KGF00	Revenues & Benefits Support & Management	60,480	0	(60,480)	Favourable Admin subsidy grant trf from KGP00 (£225k); adverse Northgate (£286k)
KGL00	Rent Allowances Paid	142,561	176,637	34,076	Movement in Allowances to be paid

KGL10	Net cost of Non-HRA Rent Rebates	0	0	0	
KGN00	Net cost of Rent Rebates Paid	64,584	67,122	2,538	
KGP00	Housing Benefits Administration	284,032	243,498	(40,535)	Favourable Northgate (£212k), adverse Admin subsidy grant trf to KGF00 (£249k)
KGR00	Corporate Fraud	25,020	0	(25,020)	
Revenues and Benefits		507,143	472,350	(34,793)	
		4,870,660	5,173,525	302,866	

APPENDIX 2

PROPOSED FEES AND CHARGES 2018/19

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

FINANCIAL SERVICES	Fee 2017/18 £:p	Proposed Fee 2018/19 £:p	Note
Court Costs			
Court Costs Recovered	70.00	70.00	Generally applied across Derbyshire authorities
National Bus Pass Scheme			
Replacement Card Scheme	5.00	5.00	
Benefit Fraud			
Fraud Investigation Administration Charge	50% of overpayment	Remove	Fraud Partnership
Fraud Investigation Court Costs recovered	500.00	At Cost	Recovery of actual costs incurred, due to wide spread of potential costs
Sale of Radar Keys			
Sale of Radar Keys - disabled	2.55	2.55	
Debit Card/Credit Card Submission			
Credit Card	Variable equivalent to charge made to the Council	Defunct	HM Treasury directive - no longer able to apply surcharges to card payments with effect from 13/01/2018
Debit Card	No Charge	Defunct	
Penalty Charge			
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	
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	

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE: SPECIAL - BUDGET	AGENDA ITEM: 8
DATE OF MEETING:	11th JANUARY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2017-18/budget
SUBJECT:	BUDGET REPORT 2018/19 Incorporating the Consolidated Budget Proposals and Medium Term Financial Plan to 2023	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the estimates of revenue income and expenditure for 2018/19 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 2018/19 of 32,467 (equivalent Band D) properties as detailed in **Appendix 3** is approved.
- 1.4 That a Council Tax Surplus of £500,000 is declared on the Collection Fund for 2017/18 and the Council's proportion of £55,000 is transferred to the General Fund in 2018/19.
- 1.5 That consideration is given to the rate of Council Tax for 2018/19.
- 1.6 That the updated 5-year financial projection on the General Fund to 2023 as detailed in **Appendix 1**, including associated assumptions and risks as detailed in the report, is approved.
- 1.7 That the General Fund Statutory Balance is increased from £1m to £1.5m.
- 1.8 That a strategy and action plan is drawn up to generate budget savings on the General Fund ahead of 2019/20.
- 1.9 That the decisions made in recommendations 1.1 to 1.8 are used as the basis for consultation with local residents, businesses, voluntary and community groups, etc. and are subject [Page 20 of 54](#) 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 2017. The report covers the following:
- Confirmation of the Council's financial settlement from Central Government for 2018/19.
 - The Council's current spending and proposed base budget position for 2018/19 including proposed spending by Policy Committees.
 - The proposed Council Tax Base for 2018/19 and projected Collection Fund position, 2017/18.
 - Planned Council Tax levels in 2018/19 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 – Summary and Overall Commentary
- Section 4 – The Council's Financial Settlement for 2018/19
- Section 5 – Proposed Base Budget and Consolidated Spending 2018/19
- Section 6 – Revised General Fund Financial Projection to 2023
- Section 7 – Council Tax, Tax Base and Collection Fund Position
- Section 8 – 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 2018/19
- Appendix 4 – Estimated Collection Fund Position 2017/18

3.0 Summary and Overall Commentary

The Position entering the 2018/19 Budget Round

- 3.1 The updated medium-term financial projection was considered and approved by the Committee on 12th October 2017. This set out the projected level of net revenue expenditure on the General Fund, together with the level of the General Fund Reserve to 2023.
- 3.2 The overall projected position at that time is summarised in the following table.

	Budget Deficit / Surplus (-)	Earmarked against Reserve	Balance of General Reserve
	£	£	£
Base Budget 2017/18	-864,352	236,029	-9,061,743
Projection 2018/19	512,558	102,294	-8,446,891
Projection 2019/20	1,247,664	249,559	-6,949,668
Projection 2020/21	1,278,588	248,421	-5,422,659
Projection 2021/22	1,690,767	247,261	-3,484,631
Projection 2022/23	1,622,504	246,077	-1,616,050

- 3.3 At this 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 However, the main issue identified was the projected budget deficit over the medium-term from 2018/19 when the impact of the next reduction in core funding takes effect.
- 3.5 Although the current level of reserves could be used to meet the projected deficit, this was 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 Following the Government's provisional Financial Settlement which was published on 19th December 2017, together with proposals contained in the Base Budget for 2018/19, the medium-term position has been updated. This is summarised in the following table.

	Budget Deficit / Surplus (-)	Earmarked against Reserve	Balance of General Reserve
	£	£	£
Base Budget 2017/18	-876,205	236,029	-9,073,596
Projection 2018/19	83,460	482,294	-8,507,842
Projection 2019/20	977,975	381,830	-7,148,037
Projection 2020/21	877,290	380,394	-5,890,353
Projection 2021/22	1,050,306	378,922	-4,461,125
Projection 2022/23	1,392,486	377,413	-2,691,226

- 3.8 Initial forecasts suggest that the overall financial profile of the General Fund has improved from that previously reported. Base Budget expenditure has slightly increased (as detailed in Section 5) but the detail regarding NNDR and RSG are still under review and therefore have not yet been updated in the MTFP. This is detailed more in Section 4. The increase in Base Budget has been offset by additional receipts from the growth in Council Tax and New Homes Bonus. A summary of the overall change is shown in the following table:

	£'000
Projected 5-year General Fund Balance (pre-Budget)	-1,616
Net Increase in Projected Spending (Section 5)	543
Asset Replacement Fund increased contribution	900
Increase in Council Tax (Section 7)	-491
Increase in New Homes Bonus (Section 4)	-2,027
NNDR	0
RSG	0
Projected Reserve Balance as at 2022/23	-2,691

- 3.9 The increase in projected income has improved the overall position. However, the underlying issue of a significant deficit in future years still remains.
- 3.10 The General Fund is forecast to achieve a budget surplus for 2017/18 based on current projections. A deficit is then forecast from 2018/19, as Revenue Support Grant falls out and the full impact of the revised allocations for the New Homes Bonus take effect.
- 3.11 The current General Fund Balance is healthy and is forecast to remain above the minimum level of £1m in 2022/23. Therefore, the annual deficits could be financed by drawing down the current level of the General Reserve.
- 3.12 Effectively, the financial projection shows the implications of taking that action. However, it is considered that this is a high risk strategy. The annual budget deficits are still projected to be significant even after increasing income as detailed above. A proposal to increase the minimum level is detailed in **Section 8**.
- 3.13 If no action is taken to reduce ~~future deficits~~ **Page 29 deficit**, 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.

3.14 However, provision for certain cost pressures and potential risks have been included in the MTFP

3.15 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.

3.16 Therefore, it is recommended that the Council takes action during 2018/19 on plans to generate savings to alleviate the projected budget deficit of £978k in 2019/20. This would ease the pressure in future years and help to maintain a sustainable financial position.

DETAIL, BACKGROUND and BASE BUDGET ANALYSIS

4.0 The Council's Financial Settlement 2018/19

4.1 The provisional financial settlement (subject to consultation) was announced on 19th December 2017. This provided actual figures for 2018/19, together with a provisional allocation for 2019/20.

New Homes Bonus (NHB)

4.2 The allocation of NHB was also published within the main financial settlement. The Government has not amended the funding formula for 2018/19 allocations.

4.3 Further to the Government's Consultation in 2016, nothing has progressed with plans to penalise a planning authority by removing NHB on new homes built which were initially rejected by the planning authority but then overturned on appeal. This was due to be in place for 2018/19 and will be kept under review.

4.4 The growth baseline set at 0.4% by the Government for 2017/18 has remained the same for 2018/19 allocations. This is subject to annual review depending on any significant changes to annual growth.

NHB - Implications for the MTFP

4.5 The Council's allocation for 2018/19 is £2.7m, compared to an estimate in the MTFP of £2.3m. This is based on growth of 974 properties, of which 138 were deemed as "affordable units". Within the growth numbers, empty properties increased by 27 compared to the previous year which reduces the NHB allocation.

4.6 The specific allocation for 2018/19 was £0.89m, the highest annual allocation since the Bonus was introduced in 2011/12. The remaining allocation of £1.81m relates to fixed amounts for the previous 3 years.

- 4.7 Future allocations have been based on the Government's final proposals arising from the Consultation. Annual growth of 651 properties has been assumed in future years. The effect in the MTFP is summarised in the following table.

New Homes Bonus - MTFP	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	Actual	Budget	Forecast	Forecast	Forecast	Forecast	
	£	£	£	£	£	£	
Forecast October 2017	2,601,787	2,343,398	2,300,884	2,270,758	2,046,056	1,983,822	13,546,705
Actual/Provisional Allocations	2,613,640	2,701,973	2,704,378	2,749,171	2,578,703	2,238,936	15,586,801
Projected Increase	11,853	358,575	403,494	478,413	532,647	255,114	2,040,096

- 4.8 As the table shows, the overall increase in resources over the MTFP based on current forecasts is £2m. This is mainly due to the on-going effect of the 2018/19 allocation and the increase in future growth from 508 to 651 properties per year. The increase in forecasted average properties is still well below Planning predicted growth data. The allocation reduces in 2021/22 and 2022/23 due to the higher bonus allocations in 2017/18 and 2018/19 falling out.

Business Rates

- 4.9 As previously reported, an application from the Derbyshire Business Rate Pool was submitted to Central Government to be included in 100% Business Rates Retention pilot for 2018/19.
- 4.10 The Derbyshire application has been accepted along with 9 other applications across the Country and was announced alongside the Local Government Settlement on 19th December.
- 4.11 Financial implications of the change in Business Rates funding is still to be reviewed and has therefore not been updated in the MTFP at this stage. Revenue Support Grant will be lost as part of the pilot but this has also not been factored into the MTFP until after the review of the impact across all Derbyshire authorities has been performed.
- 4.12 There is a 28 day cooling off period set by the Government for all authorities in the Pool to confirm that they still wish to proceed with the Pilot scheme. If any authority in Derbyshire decides they wish to pull out of the Pilot scheme then it will not go ahead in 2018/19. Derbyshire authorities would revert back to the current pooling arrangements in this instance.
- 4.13 The Pilot is for one year only and it is assumed that in 2019/20 all Derbyshire authorities will revert back to the previous pooling arrangements. From 2020/21 proposals for 75% retention of Business Rates has been announced but the detail regarding the change is still to be released. This has not been included within the MTFP at this stage.
- 4.14 A separate review by Central Government of spending needs is planned to take place ahead of 2019/20. This will be kept under review.

5.0 Proposed Base Budget and Consolidated Spending 2018/19

- 5.1 All Policy Committees (including an earlier report on this Agenda) have considered their detailed budget proposals for 2018/19. All services were asked to carefully consider their base income and expenditure.

Basis of the Budget

- 5.2 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.
- 5.3 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

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

Inflation

- 5.6 The base budget for 2018/19 has been uplifted by inflation/indexation where this applies, for example contract obligations.
- 5.7 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.

Base Budgets 2018/19

- 5.8 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.

Summary of Net Service Expenditure Page 32 of 54	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Environmental and Development Services	3,978,193	4,103,020	124,827

Housing and Community Services	2,185,406	2,372,074	186,668
Finance and Management	5,173,525	4,870,659	-302,866
Total Net Service Expenditure	11,337,124	11,345,754	8,630

5.9 The above table shows that overall base budget Committee expenditure is estimated to increase between 2017/18 and 2018/19 by £8,630. An analysis of the variances across each Committee is detailed in the following table.

	EDS £'000	HCS £'000	FM £'000	Total £'000
Termination of Shared Services Contract	0	0	-421	-421
Pension Deficit Increase	0	0	15	15
Etwall Leisure Centre - County Council Funding Withdrawal	0	23	0	23
Reduced Admin Subsidy Grant Funding	0	0	25	25
Changes in Pay	28	8	30	66
Inflation	27	0	0	27
HRA Recharges - due to Termination of Shared Services Contract	0	0	67	67
Depreciation	-79	108	60	89
Bad Debt Provision	0	0	100	100
Included in MTFP October 2017	-24	139	-124	-9
Additional Grant Funding	0	-118	0	-118
Senior Management Restructure	0	0	-92	-92
Additional Budgeted Income	-48	0	0	-48
Reduced Industrial Unit Voids	0	0	-46	-46
Additional Investment Income	0	0	-25	-25
Etwall Leisure Centre - Repairs and Maintenance	0	5	0	5
HRA Recharges - due to Senior Management Restructure	0	0	20	20
Derbyshire Fraud Partnership cost (offset by salary reduction)	0	0	25	25
Procurement Shared Service cost	0	0	30	30
Software costs	27	28	0	55
Increase in Recycling costs	66	0	0	66
Establishment Changes	59	139	-96	102
Additional Approved Changes	104	54	-184	-26
Planning Software Upgrade	25	0	0	25
Other Changes	20	-6	5	19
Other Changes	45	-6	5	44
TOTAL CHANGES	125	187	-303	9

5.10 The table shows that of the total change, a £9k reduction in cost was expected and has been included within the MTFP. This mainly relates to inflation, changes in pay, HRA recharges, Bad Debts Provision (this is now directly included in the Base Budget of Finance and Management Committee) together with savings from the termination of the Shared Services Contract.

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

- 5.12 The preceding table does highlight that there is an overall increase in the proposed base budget of £9k. The most significant changes are the Establishment changes, additional income and an increase in Recycling costs.
- 5.13 The budget for Recycling has been aligned with actual costs incurred over the last year. The increase mainly relates to additional collection costs for “bring sites” and calendar distribution.
- 5.14 Additional income for Land Charges, Trade Waste and Street Naming of £48k in total has been included in the Base Budget due to an overall increase annually of income generated which is expected to continue.
- 5.15 Industrial Unit income has been increased by £46k due to a lower percentage of expected void properties. This is in line with current income projections and previous year favourable variances.
- 5.16 A Planning Software upgrade is due to take place during 2018/19 which has not previously been reported. This increases the Base Budget costs by £25k as a one-off with an expected increase of £5k per year thereafter for maintenance.
- 5.17 Other Planning Software for GIS and S106 has been purchased during 2017/18 and was reported in year. This adds on-going costs of £27k to the Base Budget.
- 5.18 As reported to this Committee, the main variances for Finance and Management are the Senior Management Restructure saving (£92k), reduced HRA Recharges as a result of the restructure (£20k) and additional Investment income (£25k).
- 5.19 The current savings from the Senior Management Restructure (£92k) have been set-aside separately in the MTFP for reinvestment pending the next stage of the structure review. This is shown in Appendix 1.
- 5.20 It is proposed to make 2 temporary apprentice posts permanent on the Council's Establishment and they have been included in the Base Budget for 2018/19. These posts have previously been approved on 2 year fixed-term contracts and were due to expire in September 2018.
- 5.21 The increase of 6 months will cost £18k per year. This is designed to help the Council achieve its target of employing 8 Modern Apprentices per year and to maximise the Apprenticeship Levy.

Other Changes

- 5.22 The Establishment has been updated to reflect additional approved resources for refuse collection, the expiry of short-term posts and the reduction in posts due to implementation of shared service arrangements.

5.23 Additional changes due to the requirements for implementation of the Homeless Reduction Act 2017 have also been made and funding has been received for. A summary of the additional cost of the Establishment changes, software requirements and funding is provided in the following table.

	EDS £'000	HCS £'000	FM £'000	Total £'000
Waste Collection Establishment Increase due to Growth	127	0	0	127
Transfer of Staff between Environmental and Development and Housing and Community	-38	38	0	0
Short-term Posts Expiry and Reduced Hours	-30	-11	0	-41
Disabled Adaptations Additional Short-term Post	0	27	0	27
Homeless Prevention Additional Short-term Posts	0	48	0	48
Deleted Fraud Officer and Head of Procurement Posts	0	0	-96	-96
Transfer of Strategic Housing Staff Responsibilities from HRA to General Fund	0	37	0	37
Derbyshire Fraud Partnership	0	0	25	25
Procurement Shared Service Cost	0	0	30	30
Software for Implementation of Homeless Reduction Act 2017	0	28	0	28
Additional Cost	59	167	-41	185
County Council Grant	0	-27	0	-27
Flexible Support Grant	0	-91	0	-91
Funding	0	-118	0	-118
NET COST	59	49	-41	67

5.24 Additional costs associated with Waste Collection are to be funded from the growth provision set-aside each year.

5.25 Savings made on deleted posts by moving to shared service arrangements are offset in part by costs of the service providers. There is a net saving of £41k budgeted in 2018/19 due to these arrangements.

Individual Committee Risks

5.26 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 Service income	Budgeted income from Planning, Licensing, etc. totals £1.6.m and is not sustainable.	Base Budgets reflect actual income but remain prudent. Building Control income has been reducing in recent years due to commercial competition. The budget for 2018/19 has remained at £200k after a

		reduction in 2017/18 and current income is in line with the budget. The report to EDS has highlighted potential changes in charges for Planning Fees. Current income, although lower than 2015/16 and 2016/17, is in line with the Budget for 2017/18; a budget of £750k has been proposed for 2018/19 with regular review in the MTFP. With the adoption of the Local Plan, this should bring forward some major planning applications but will result in less speculative applications going forward.
Recycling	The Council has been made aware that the cost of the Kerbside Recycling Scheme may need to increase.	This is still under review. A provision of £100,000 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. In addition, there is additional demand on current resources in Planning and Land Charges to meet the volume of planning applications and land searches associated with development. It is also considered that this is likely to impact on services such as parks and open space provision / maintenance.	A provision for growth has been set-aside in the MTFP and this is forecast to increase every year over the length of the Plan. Additional resources have been invested in Waste Collection and these costs, together with their financing, have been included in the proposed budgets for 2018/19.
External Funding	Several Community based services are reliant on external contributions and reserve funding.	Earmarked reserves maintained to spread expenditure over a number of years. These are currently estimated to remain at approximately £2.0m by 2019 as detailed in the report. It is considered that this will maintain existing services over the MTFP period to 2023, but clearly this will need to be kept under review. Get Active in the Forest and the School Sports Partnership reserves are forecasted to be fully drawn down by 2019/20 as reported to HCS.

Grants to Voluntary Bodies and Payments under Concurrent Functions

5.27 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:

- 2017/18 – 1.0%

- 2016/17 – 2.0%
- 2015/16 – 2.3%
- 2014/15 – 2.0%
- 2013/14 – 2.6%
- 2012/13 – No increase

5.28 Latest inflation rates show CPI running at 3%. The Government's Autumn Statement forecasts CPI inflation falling to 2% by the end of 2018/19. The Council's MTFP currently provides for a 2% increase.

5.29 Every 1% increase in the base level across all grants and payments equates to approximately £6,000 per year.

5.30 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.

6.0 General Fund 5-Year Financial Projection to 2023

- 6.1 The projection has been updated following the financial settlement (as detailed in Section 4) the proposed base budget (as detailed in Section 5) together with the proposed Tax Base and Collection Fund Surplus for 2018/19 (as detailed in Section 7).
- 6.2 The projection is calculated from a financial model, the summary of which is shown in **Appendix 1**. This also shows how certain items, such as future income levels and known changes to the base budget, are expected to change over the planning period. The key matters are detailed in the following sections.

Projected Budget Surplus/Deficit and Reserve Balances

6.3 This is summarised in the following table.

General Fund: Medium-Term Projection as at Jan 2018

	Budget Deficit / Surplus (-)	Earmarked against Reserve	Balance of General Reserve
	£	£	£
Base Budget 2017/18	-876,205	236,029	-9,073,596
Projection 2018/19	83,460	482,294	-8,507,842

Projection 2019/20	977,975	381,830	-7,148,037
Projection 2020/21	877,290	380,394	-5,890,353
Projection 2021/22	1,050,306	378,922	-4,461,125
Projection 2022/23	1,392,486	377,413	-2,691,226

- 6.4 Initial forecasts suggest that the overall financial profile of the General Fund has improved from that previously reported. Base Budget expenditure has slightly increased (as detailed in Section 5) but the detail regarding NNDR and RSG are still under review and therefore have not yet been updated in the MTFP. This is detailed more in Section 4. The increase in Base Budget has been offset by additional receipts from the growth in Council Tax and New Homes Bonus.

- 6.5 A summary of the overall change is shown in the following table:

	£'000
Projected 5-year General Fund Balance (pre-Budget)	-1,616
Net Increase in Projected Spending (Section 5)	543
Asset Replacement Fund increased contribution (see below)	900
Increase in Council Tax (Section 7)	-491
Increase in New Homes Bonus (Section 4)	-2,027
NNDR	0
RSG	0
Projected Reserve Balance as at 2022/23	-2,691

- 6.6 A proposal to increase the contribution to the Asset Replacement Fund has been included within the MTFP. This increased contribution will supplement the Growth provision and provide resources for future capital work on Council assets.
- 6.7 The increase in projected income has improved the overall position. However, the underlying issue of a significant deficit in future years still remains.
- 6.8 The General Fund is forecast to achieve a budget surplus for 2017/18 based on current projections. A deficit is then forecast from 2018/19, as Revenue Support Grant falls out and the full impact of the revised allocations for the New Homes Bonus take effect.
- 6.9 The current General Fund Balance is healthy and is forecast to remain above the minimum level of £1m in 2022/23. Therefore, the annual deficits could be financed by drawing down the current level of the General Reserve. Effectively, the financial projection shows the implications of taking that action. A proposal to increase the minimum level is detailed in **Section 8**.
- 6.10 However, this is considered to be a high risk strategy. The annual budget deficits are still projected to be significant even after increasing income as detailed above. 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.

6.11 Effectively, the current base budget remains unsustainable in the medium-term. Provision for certain cost pressures and potential risks have been included in the MTFP.

6.12 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.

6.13 Therefore, it is recommended that the Council takes action during 2018/19 on plans to generate savings to alleviate the projected budget deficit of £978k in 2019/20. This would ease the pressure in future years and help to maintain a sustainable financial position.

Provisions and Contingencies

6.14 In addition to base budget expenditure, the MTFP continues to set-aside other sums. These are detailed and shown separately in the MTFP in Appendix 1 and provide resources to cover:

- Pay and Grading – the cost of the external facilitator to undertake future job evaluations.
- Pay and Grading – the cost of support to employees currently protected under job evaluation.
- Incremental salary increases
- “Off payroll” payments - implemented in April 2017
- Future increases in the National Living Wage
- Provision for Growth
- Potential Loss of Industrial Unit Income
- Potential Pay Award from 2018/19 onwards
- Senior Management Restructure – reinvestment of the saving made
- Cost of a District Election in May 2019
- Apprenticeship Levy – implemented in April 2017
- Waste and Recycling – additional contract costs (to be determined)
- Increase in the Pension Deficit

6.15 The Growth Provision has been revised and phased over the term of the financial plan to £500k per annum. In October the forecast for growth was set

to increase in line with New Homes Bonus. It is proposed to change this to a set amount per annum to prevent large fluctuations year-on-year.

Summary Position

- 6.16 It is considered that the Council's overall Base Budget is prudent whilst also being realistic based on the most up-to-date information. The MTFP reflects current spending priorities and also allows for potential cost pressures.
- 6.17 The financial risks that the Council faces, together with mitigating actions, are detailed in **Section 8**.
- 6.18 It has been anticipated for some time that the General Fund would face reductions in core funding. Consequently, the Council has taken a cautious approach and built up a good level of General Reserves.
- 6.19 However, there are still considerable challenges. Firstly, to meet future budget deficits in the medium-term and in particular to achieve a level of budget savings before 2019/20 and secondly, to address potential service pressures arising from growth.

7.0 Council Tax, Tax Base and Collection Fund

The Council Tax Base

- 7.1 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.
- 7.2 The calculation of the estimated Tax Base for 2018/19 is detailed in **Appendix 3** and is based on the number of properties on the Council Tax register as at 31st October 2017.
- 7.3 This produces a “Band D equivalent” which will be used to calculate the amount to be collected from Council Tax in 2018/19, of 32,467. This is an increase of 820 (2.6%) compared to 2017/18.
- 7.4 The approved MTFP estimated an increase of 539 Band D properties in 2018/19 with a 4 year average of 470 additional Band D properties in future years. The proposed Tax Base of 32,467 will generate additional revenue of approximately £44,000 per year compared to the MTFP, assuming the rate of Council Tax is increased by 1.95% per year.

The Future Tax Base

- 7.5 The MTFP has previously assumed that the overall Tax Base will continue to increase by 470 properties per year. Over the last 3 years, average 4 year growth on a rolling basis in Band D properties has been 446 and 426 and 540 respectively; the forecast for future growth in the tax base is positive.

- 7.6 Based on sites under construction, together with sites which have obtained outline and full planning permission, the latest planning estimates forecast the following completions in each year:
- 2017/18 – 835 properties
 - 2018/19 – 1,316 properties
 - 2019/20 – 1,555 properties
 - 2020/21 – 1,473 properties
 - 2021/22 – 1,392 properties

- 7.7 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.
- 7.8 However, it is considered both realistic and prudent to increase the figure used in the MTFP for planning purposes from 470 to 540 per year respectively. Although this will only generate additional revenue of approximately £8,000 per year, the biggest impact is on the revenue generated from the New Homes Bonus as detailed in **Section 4** earlier in the report.

Collection Fund Surplus / Deficit

- 7.9 In setting the level of Council Tax for 2018/19, the Council is also required to calculate the estimated balance on its Collection Fund for the current financial year, 2017/18.
- 7.10 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. The accounting treatment of Business Rates is now subject to the Pilot.
- 7.11 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.
- 7.12 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 2017/18

- 7.13 The estimated position on the Collection Fund for 2017/18 is summarised in **Appendix 4**. The Fund is split between Council Tax and Business Rates.

7.14 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.

7.15 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

7.16 The balance on the Council Tax element is estimated at £974,000 based on transactions up to November 2017. 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).

7.17 At this stage, it is considered prudent to declare a surplus of £500,000 for 2017/18, to leave a balance and ensure that the Fund does not fall into deficit.

7.18 If the surplus again continues to increase in 2018/19 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.

7.19 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 2016/17		£'000
Derbyshire County Council	73.35%	367
Police and Crime Commissioner	11.15%	56
Fire and Rescue Authority	4.48%	22
South Derbyshire District Council	11.02%	55
	100.00%	500

7.20 The amount attributable to the Council of £55,000 has been included in the updated MTFP for 2017/18. An amount of £55,000 per year remains in the MTFP in future years.

Business Rates

7.21 As previously reported to the Committee, Business Rates incurred a deficit in 2015/16 and again in 2016/17 due to significant provisions for appeals (subject to determination) which were lodged by businesses with the District Valuer regarding Rateable Values. Consequently, there was a deficit balance carried forward on Business Rates of £1.3m as at 31st March 2017.

7.22 During the budget round of 2017/18, the Council reported an estimated deficit on Business Rates for 2016/17 in its statutory return (known as NNDR 1) to the Government in January 2017.

7.23 Therefore, a deficit of £712,280 is being deducted from Preceptors (including the Council) from their share of expected Business Rates in 2017/18.

7.24 As shown in Appendix 4, the actual in-year (2017/18) position is currently on target, with the deficit to be marginally lower than originally forecast at £639k.

7.25 2018/19 is now subject to the Pilot and further detail on this will be confirmed before the next Committee in February.

The Rate of Council Tax

7.26 Following changes to national and local policy regarding Council Tax increases from 2016/17, an increase of 1.95% per year is included in the MTFP, subject to annual review. This was just below the Government's limit of 2%, above which a local referendum would be required to set a higher increase.

7.27 As part of the settlement the referendum limit has been increased to 3% or £5 at Band D.

7.28 The Band D Tax for 2017/18 is £156.17. The 1.95% increase in the MTFP will raise Band D to £159.21, an increase of £3.04 in 2018/19.

7.29 An increase of 3% would raise Band D in 2018/19 to £160.86. A £5 increase would raise Band D in 2018/19 to £161.17 – 3.2%.

7.30 The updated MTFP continues to assume an increase of 1.95%. If an increase of £5 was applied in 2018/19, this would generate additional revenue of approximately £63k per year – cumulatively £341k over 5-years.

8.0 Overall Risk Analysis

8.1 The summary in **Section 6** highlights that the Council's current financial position is likely to come under a considerable challenge over the forthcoming spending period.

8.2 Each Policy Committee has identified specific financial risks and these have been detailed in **Section 5** with mitigating actions being put in place.

8.3 There are many variables that are included in the projection that carry a risk in that should they impact, they could have also effect 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.

8.4 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

- 8.5 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.
- 8.6 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 population growth could eventually put pressure on the cost of services.

Financial Strengths

- 8.7 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 cash flow
 - 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
- 8.8 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

- 8.9 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.
- 8.10 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.
- 8.11 Based on this, the Council's minimum level, as set out in the Financial Strategy, is currently **£1m** on the General Fund at the end of every 5-year planning period. This level has existed for many years. It is calculated based on an assessment of the major financial risks and reflects the relatively healthy level that currently exists.
- 8.12 To ensure that resources are sufficient to maintain service delivery and capital investment it would be prudent to increase the minimum level to £1.5m. Based on the estimated net revenue expenditure on the General Fund for 2018/19 of approximately £12m, £1.5m is **12%**. By 2022/23, £1.5m will be around **11%**. As a general guide, a balance of between 5% and 10% should be maintained.

9.0 Financial Implications

9.1 As detailed in the report.

10.0 Corporate Implications

10.1 There are no other direct legal, personnel or other corporate implications apart from any highlighted in the report.

11.0 Community Implications

- 11.1 The proposed budgets and spending, provide the financial resources to enable services and Council priorities in the Corporate Plan to be delivered to the local community.
- 11.2 The MTFP and associated projections provide an indication of the Council's longer term financial position and the potential effects upon the Council's services.

12.0 Background Papers

12.1 The Government's Financial Settlement for 2018/19 and background papers are available at:

12.2 The review of the Medium-Term Financial Plan as reported to the Committee in October 2017.

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2076/Committee/442/Default.aspx>

12.3 The detailed budget reports of each Policy Committee.

Environmental and Development Services

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2067/Committee/440/Default.aspx>

Housing and Community Services

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2084/Committee/445/Default.aspx>

Finance and Management

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2078/Committee/442/Default.aspx>

APPENDIX 1

GENERAL FUND MEDIUM TERM FINANCIAL PLAN

BUDGET & PROJECTION as at JANUARY 2018

	Approved Budget	Proposed Budget	Projection £	Projection £	Projection £	Projection £
	£	£				
	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23
BASE BUDGET						
Environmental & Development	4,005,133	4,103,021	4,333,952	4,431,893	4,532,294	4,635,219
Housing & Community	2,199,646	2,372,074	2,405,972	2,446,461	2,487,937	2,530,424
Finance & Management	5,186,851	4,870,659	4,973,646	5,096,634	5,222,748	5,352,069
Net Service Expenditure	11,391,630	11,345,754	11,713,569	11,974,987	12,242,979	12,517,712
Accounting Adjustments						
Reverse out Depreciation	-783,025	-871,666	-871,666	-871,666	-871,666	-871,666
Minimum Revenue Provision (MRP)	214,202	205,634	197,409	189,512	181,932	174,654
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	131,226	131,226	131,226	131,226	75,891	20,556
	10,954,034	10,810,948	11,170,538	11,424,059	11,629,135	11,841,256
Add: Known Variations						
External Facilitator - Pay and Grading Review	10,000	10,000	0	0	0	0
Pay and Grading - On-going Costs of Supporting Downgraded Posts	0	0	8,750	8,750	8,750	8,750
Restructure of Land Charges	3,694	0	0	0	0	0
Restructure of Housing	-5,388	0	0	0	0	0
Grants to Voluntary Bodies	-3,207	0	0	0	0	0
Concurrent Functions	3,329	0	0	0	0	0
Savings from Shared Services Contract	-400,000	0	0	0	0	0
Reduction to HRA recharges	54,161	0	0	0	0	0
Boardman Industrial Estate Repairs (subject to approval)	0	75,000	0	0	0	0
Senior Management Restructure - Reinvestment of Saving	0	92,000	94,300	96,658	99,074	101,551
Pension Deficit	0	0	18,170	19,606	21,078	22,587

GENERAL FUND MEDIUM TERM FINANCIAL PLAN

BUDGET & PROJECTION as at JANUARY 2018

	Approved Budget	Proposed Budget	Projection	Projection	Projection	Projection
	£	£	£	£	£	£
	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23
Incremental Salary Increases	0	0	11,065	11,065	11,065	11,065
Apprenticeship Levy (April 2017)	23,695	28,985	29,565	30,304	31,061	31,838
Phased Implementation of National Living Wage	5,990	10,604	14,099	14,099	14,099	14,099
Potential Pay Award 2018/19	0	234,050	239,901	245,899	252,046	258,347
Potential Loss of Industrial Unit Income	0	0	190,000	190,000	190,000	190,000
District Election May 2019	0	0	125,000	0	0	0
TOTAL ESTIMATED SPENDING	10,646,308	11,261,587	11,901,387	12,040,439	12,256,308	12,479,492

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	200,000	500,000	500,000	500,000	500,000	500,000
Contribution to Bad Debt Provision (now in Finance Committee)	100,000	0	0	0	0	0
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	11,056,308	11,871,587	12,511,387	12,650,439	12,866,308	13,089,492

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at JANUARY 2018

	Approved Budget £ 2017.18	Proposed Budget £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23
FINANCING						
Revenue Support Grant	-668,239	-338,367	0	0	0	0
Transitional Grant	-3,230	0	0	0	0	0
Business Rates Retention	-3,093,222	-3,103,510	-3,095,347	-3,113,500	-3,130,509	-3,146,306
Discretionary Business Rate Relief Scheme	-100,832	-49,000	-20,000	-3,000	0	0
Section 31 Grants	-456,133	-371,133	-301,133	-301,133	-301,133	-301,133
New Homes Bonus	-2,613,640	-2,701,973	-2,704,378	-2,749,171	-2,578,703	-2,238,936
Council Tax Income	-4,942,217	-5,169,145	-5,357,554	-5,551,345	-5,750,657	-5,955,631
Core Spending Power	-11,877,513	-11,733,128	-11,478,412	-11,718,149	-11,761,002	-11,642,006
Add Estimated Collection Fund Surplus - Council Tax	-55,000	-55,000	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	-11,932,513	-11,788,128	-11,533,412	-11,773,149	-11,816,002	-11,697,006
General Fund yearly Surplus (-) / Deficit	-876,205	83,460	977,975	877,290	1,050,306	1,392,486
GENERAL FUND RESERVE BALANCE						
Balance b/fwd	-8,433,420	-9,073,596	-8,507,842	-7,148,037	-5,890,353	-4,461,125
General Fund Yearly Surplus (-) / Deficit (as above)	-876,205	83,460	977,975	877,290	1,050,306	1,392,486
Purchase of Town Centre Land	44,335	0	0	0	0	0
General Fund Capital Bids Remaining	214,925	112,000	0	0	0	0
Pension Earmarked Reserve Drawdown	-43,231	-29,706	-18,170	-19,606	-21,078	-22,587
Contribution to Asset Replacement Fund (previously planned)	20,000	400,000	400,000	400,000	400,000	400,000
Balance c/fwd	-9,073,596	-8,507,842	-7,148,037	-5,890,353	-4,461,125	-2,691,225

APPENDIX 2

Environmental and Development Services Committee

Net Revenue Expenditure	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Transport Services	700,824	597,562	(103,262)
Economic Development	246,592	244,622	(1,970)
Environmental Education	73,789	75,674	1,885
Environmental Services	504,854	507,079	2,225
Highways	24,468	44,548	20,080
Licencing and Land Charges	(15,732)	(23,788)	(8,056)
Off-Street Parking	89,585	95,137	5,551
Planning	492,175	475,179	(16,996)
Waste Collection & Street Cleansing	1,861,637	2,087,008	225,371
Total - Net Expenditure	3,978,193	4,103,021	124,828

Housing and Community Services Committee

Net Revenue Expenditure	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Community Development and Support	547,471	561,821	14,351
Recreational Activities	144,901	153,753	8,852
Leisure Centres and Community Facilities	455,738	573,484	117,747
Parks and Open Spaces	650,272	669,939	19,667
Private Sector Housing	387,025	413,077	26,052
Total - Net Expenditure	2,185,406	2,372,074	186,668

Finance and Management Committee

Net Revenue Expenditure	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Central and Departmental Accounts	3,500,889	3,153,984	(346,905)
Corporate and Democratic Costs	609,093	655,193	46,100
Electoral Registration	177,032	180,841	3,809
Payments to Parish Councils	348,058	353,571	5,513
Pensions, Grants, Interest Payments and Receipts	273,156	263,625	(9,531)
Property and Estates	(207,054)	(243,698)	(36,644)
Revenues and Benefits	472,350	507,142	34,792
Total - Net Expenditure	5,173,525	4,870,658	(302,867)
TOTAL - ALL COMMITTEES	11,337,124	11,345,753	8,630

APPENDIX 3
COUNCIL TAX BASE (as at October)

PARISH	2017/18	2018/19	Change
ASH	24	22	-2
ASTON ON TRENT	677	717	40
BARROW ON TRENT	243	239	-3
BARTON BLOUNT	33	33	1
BEARWARDCOTE	12	13	1
BRETBY	411	408	-3
BURNASTON	719	693	-26
CALKE	8	9	1
CASTLE GRESLEY	528	558	30
CATTON	22	22	0
CAULDWELL	38	46	8
CHURCH BROUGHTON	235	234	-1
COTON IN THE ELMS	272	271	-0
DALBURY LEES	125	128	3
DRAKELOW	109	158	49
EGGINTON	253	259	6
ELVASTON	814	895	81
ETWALL	988	1,017	29
FINDERN	633	802	169
FOREMARK	33	33	0
FOSTON & SCROPTON	241	241	0
HARTSHORNE	1,062	1,086	23
HATTON	868	878	10
HILTON	2,601	2,640	40
HOON	20	22	2
INGLEBY	49	49	-0
LINTON	661	663	2
ULLINGTON	60	61	1
MARSTON ON DOVE	16	16	-0
MELBOURNE	1,912	1,944	32
NETHERSEAL	321	327	6
NEWTON SOLNEY	282	284	2
OSLESTON & THURVASTON	120	123	3
OVERSEAL	796	813	17
RADBOURNE	49	51	2
REPTON	1,082	1,114	32
ROSLISTON	265	268	4
SHARDLOW & GREAT WILNE	415	413	-2
SMISBY	125	126	1
STANTON BY BRIDGE	115	119	5
STENSON*	1,101	1,479	378
SUTTON ON THE HILL	64	65	0
SWADLINCOTE	9,042	9,203	161

SWARKESTONE	89	122	33
TICKNALL	300	299	-1
TRUSLEY	41	41	-0
TWYFORD & STENSON*	408	67	-341
WALTON ON TRENT	308	305	-3
WESTON ON TRENT	480	483	4
WILLINGTON	946	975	29
WOODVILLE	1,632	1,633	1
TOTAL	31,647	32,467	820

* The Stenson boundary change is the reason for the large movement of the Tax Base between years.

APPENDIX 4

COLLECTION FUND MONITORING 2017/18 (as at 30th November 2017)

	Actual 2016/17	Estimated 2017/18	Projection 2017/18	Notes
COUNCIL TAX - INCOME & EXPENDITURE	£'000	£'000	£'000	
INCOME				
Council Tax Collectable	50,265	52,778	53,316	
EXPENDITURE				
County Council Precept	36,109	38,345	38,345	As approved by Full Council 1st March 2017
Police and Crime Commissioner Precept	5,487	5,715	5,715	As above
Fire and Rescue Authority Precept	2,206	2,297	2,297	As above
SDDC Precept	4,747	4,942	4,942	As above
SDDC Parish Precepts	679	756	756	As above
Increase in Bad Debts Provision	655	396	400	Estimated at 0.75% of income
Total Expenditure	49,883	52,451	52,455	
Surplus for the Year	382	327	861	
COUNCIL TAX BALANCE				
Opening Balance 1st April	407	613	613	Per Final Accounts 2016/17
Share of Previous Surplus to County Council	-128	-367	-367	As approved by Full Council 1st March 2017
Share of Previous Surplus to Police	-20	-56	-56	As above
Share of Previous Surplus to Fire Authority	-8	-22	-22	As above
Share of Previous Surplus to SDDC	-20	-55	-55	As above
Surplus for Year (as above)	382	327	861	
Closing Balance as at 31st March	613	440	974	

Business Rates Collectable	23,787	24,805	24,831
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EXPENDITURE

Central Government Precept	11,767	12,402	12,402	Per NNDR1 Submission
SDDC Precept	9,414	9,922	9,922	As above
Derbyshire County Council Precept	2,118	2,232	2,232	As above
Fire and Rescue Service Precept	235	248	248	As above
Cost of Collection	91	91	92	As above
Transitional Protection Payments	15	15	15	Nominal
Increase in Bad Debts Provision	226	236	236	Estimated at 0.95% of income
Provision for Appeals	312	322	323	Estimated at 1.3% of income
Total Expenditure	24,178	25,468	25,470	
Surplus / Deficit (-)	-391	-663	-639	

BUSINESS RATES BALANCE

Opening Balance 1st April	-400	-1,339	-1,339	Per Final Accounts 2016/17
Transfer of Previous Year's Surplus (-) / Deficit	-274	356	356	Per NNDR1 Submission
Transfer of Previous Year's Surplus (-) / Deficit	-49	285	285	As above
Transfer of Previous Year's Surplus (-) / Deficit	-5	64	64	As above
Transfer of Previous Year's Surplus (-) / Deficit	-220	7	7	As above
Surplus / Deficit (-) for the Year as above	-391	-663	-639	
Closing Balance as at 31st March	-1,339	-1,290	-1,266	