
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	13th JANUARY 2022	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS’ CONTACT POINT:	VICKI SUMMERFIELD victoria.summerfield@southderbyshire.gov.uk	DOC: s/finance/committee/202122/Jan /budget
SUBJECT:	SERVICE BASE BUDGETS 2022 / 2023	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2022/23 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 2022/23 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2022/23 for Concurrent Functions.

2.0 Purpose of Report

- 2.1 As part of the annual financial planning cycle, the report details the Committee’s proposed base budget for 2022/23, with a comparison to the current year budget. This includes an overview of the Committee’s main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2022/23 subject to the Council’s overall medium-term financial position. This will be subject to a separate report to the Committee on 10 February 2022.
- 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, 2022/23.

3.0 Detail

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

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

The Council's Overall Financial Position

- 3.5 The Council's Medium-Term Financial Plan (MTFP) was reviewed and updated in November 2021. The overall position on the General Fund has changed considerably over the last year due to numerous additional service pressures and the General Fund Reserve is now predicted to be well below the minimum balance of £1.5m by 2025/26.
- 3.6 The continuing issue is the projected increasing deficits each year over the life of the Plan. Although the current level of reserves can be utilised in the short-term to meet the projected deficits, this is not a sustainable solution. Delays to the Fair Funding Review leaves the Council with uncertainty regarding future funding past 2022/23.
- 3.7 Finance and Management Committee will consider the detail of the overall financial position on 10 February 2022.
- 3.8 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

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

	Proposed Budget 2022/23 £	Approved Budget 2021/22 £	Movement £
Central Support Services	4,178,558	4,086,049	92,509
Corporate & Democratic Costs	544,070	534,770	9,300
Elections & Registration	222,703	228,425	-5,721
Parishes, Interest, S106 Receipts & Provisions	745,976	733,788	12,188
Estate Management	-248,364	-245,318	-3,046
Revenues & Benefits	680,891	676,265	4,626
	6,123,834	6,013,978	109,856

- 3.10 The above table shows that the Committee's net expenditure is estimated to increase overall between 2021/22 and 2022/23 by £109,856. An analysis of the changes within each service area is detailed in **Appendix 1**.

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

	Movement £'000
Computer Maintenance	38
Subscriptions and Professional Fees	37
Earmarked Reserves	20
Utilities	17
Members Allowances	14
Interest	11
Employee Costs	11
Bank Charges	10
Training	9
Business Rates	8
Telephone Costs	8
Insurance	4
Housing Benefit	3
Printing and Postage	-5
Books and Stationery	-8
Protective Clothing	-8
Concessionary Fares	-9
Canvas Reform	-12
HRA Recharges	-34
	113
Depreciation	-4
Budget Increase	110

3.12 Excluding the decrease in depreciation, which is an accounting adjustment and not a cost to the Council, the increase in actual expenditure based on the proposed budgets, is £113k.

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

Staff Costs

3.14 The budget has increased for incremental salary rises, regraded posts plus career graded trainee posts. The MTFP included provision for the incremental and career graded posts (£13k) but not for the regraded posts (£8k).

3.15 An increase to medical fees has also been proposed of £5k to support employees through Occupational Health and counselling services when required. An increase in actual costs has been seen during the pandemic.

3.16 In addition, a reduction in salaries has been budgeted due to the three-year protection on regraded posts expiring in 2022/23 saving £15k.

3.17 Training costs in year are expected to increase due to new posts and career graded posts all requiring external training support.

Subscriptions and Professional Fees

- 3.18 An increase of £11k is proposed for Legal Services professional fees to enable external support where required. £5k of this additional budget has been transferred from Planning Services and reported to Environmental and Development Services Committee.
- 3.19 Additional handsets for Officers and Members of Soloprotect units costing £11k are included within the budget in 2022/23 to ensure safety when lone working.
- 3.20 The Council utilises Thomas Tests when recruiting to provide candidate profiles prior to interview. It is expected that recruitment will increase during 2022/23 and therefore the costs of this testing method is proposed to increase in line by £3k.
- 3.21 Internal Audit costs increase by inflation each year which is included within the MTFP. The proposed increased budget is £6k.
- 3.22 Subscriptions increases are budgeted at an additional £6k for 2022/23. Of this £3k relates to an additional subscription for Finance for forum and technical updates from CIPFA. The inflationary increase for renewed subscriptions is included within the MTFP of £2k which is slightly less than the proposed budget.

Computer Maintenance

- 3.23 A charge for complying with payment card industry regulations of £17k has now been included within the budget after being reported to the Committee in January 2021. This was expected and included within the MTFP reported in November.
- 3.24 Additional software has been purchased to keep a centralised record of all drivers using Council vehicles at a cost of £2k. This enables checks to reduce the risk of unqualified or disqualified drivers using Council vehicles.
- 3.25 Microsoft licence costs are expected to increase by approximately £28k between 2021/22 and 2022/23. After review on the budgets already in place, contingencies previously included have now been removed meaning the overall additional cost will be approximately £9k.
- 3.26 As part of the move to working from home, scanners required by the Elections team were not compatible with the new laptops issued or Windows 365. An additional licence was required from Microsoft to enable the scanners to work at an annual cost of £5k. The cost has been incurred in 2021/22 and will now be included within future budgets
- 3.27 Smaller inflationary increases have been updated within the budget of approximately £5k and these were expected and included within the MTFP in November.

Investment Income

- 3.28 The reduction expected on investment income (£11k) is in line with the MTFP as reported in November and is due to interest rates falling and likely lower levels of cash.

Members Allowances

- 3.29 The remuneration review was reported to Full Council in July 2020 and included an increase on allowances that are to be phased over a three-year period. This additional cost was included in the MTFP in November.

Earmarked Reserves

- 3.30 There is a reduction in reserve funding proposed in 2022/23 due to a lower cost for processing forms for Housing Benefits and the Fraud partnership.

Utilities

- 3.31 The provider of gas used by the Council went into receivership recently and after review of the marketplace, the costs of this area are now significantly higher. The proposed budget is to increase by £11k.
- 3.32 Movements in electricity and water usage are also expected to increase by approximately £6k. An inflationary increase of £2k for water, gas and electric was included in the MTFP.

HRA Recharges

- 3.33 The total impact of the increase in HRA recharges is £34k and after a full review of all charges, the following table details the movement by service area.

	Movement £'000
Head of Corporate Property	4
Head of Customer Services	-1
Head of Organisational Development & Performance	-2
Strategic Director (Corporate Resources)	-3
Head of Legal & Democratic	-6
Head of Business Change & ICT	-8
Head of Finance	-17
	-34

- 3.34 The main increase is from Finance which is based on transactional volumes and cash responsibility.

Housing Benefit

- 3.35 Housing Benefit is being replaced with Universal Credit (UC) for all new claimants. As a result of this, the Council receives less subsidy and less expenditure. The value of subsidy has reduced significantly since 2018 when the introduction of UC began across South Derbyshire.
- 3.36 Although the impact on the budget appears to be low at £3k, there are a number of factors included within this which are split out in the following table.

	2022.23 £	2021.22 £	Variance £
Rent Allowances	37,005	53,047	-16,042
Rent Rebates	80,882	81,999	-1,118
Administration Grant	-180,469	-200,521	20,052
	-62,582	-65,475	2,892

3.37 The above table shows the net position of the individual types of Housing Benefit included within the subsidy. The Council budgets for a loss of subsidy 2% on Rent Rebates and 2.5% on Rent Allowances and any cost incurred is offset by the Administration grant received as part of the subsidy claim. The remaining balance supports the resource to manage Housing Benefit on a daily basis.

3.38 The MTFP makes provisions for the losses of the Administration grant and the value budgeted is the figure included within the MTFP. The Council will not receive detail of the allocated grant for 2022/23 until later in 2022.

Other Changes

3.32 Insurance cover is an overall increase to the Council of £48k between 2021/22 and 2022/23. The impact on this Committee is £4k across varying insurance lines. Public Liability is the main increase of £2k and is based on salary and headcount.

3.33 Bank charges are expected to increase based on the transactional volumes and overspend against the budget in the current year. The transaction levels currently going through the bank accounts are not expected to decrease in any great number over the next twelve months.

3.34 Protective clothing increases were included as part of the growth report that came to the Committee in October 2020 and are now to reduce after initial up front purchases for new staff have been made in 2021/22.

3.35 Business Rates charges are not increasing as the Government is not expected to increase the multiplier. There is an additional cost expected however for the new Innovation Centre purchased in 2021. Although the intention is to let to a small business, a cost has been included as it is unclear how quickly a tenant will be found.

3.36 Based on the call charges seen throughout the pandemic, it is proposed to increase the land line budget by £4k in line with current charges. Due to the number of additional mobile phone handsets provided that were not originally budgeted for, it is necessary to also increase the mobile budget by £4k.

3.37 Printing is proposed to increase by £4k between years due to the additional requirement of the Communications team. This team has never previously had a budget for printing but there is always a level of expenditure incurred each year. Postage is proposed to decrease by £9k in Customer Services after review of the costs incurred over the last two years. Additional postage for new properties receiving Council Tax bills has been considered in the budget but a reduction still appears likely.

3.38 Books are proposed to reduce by £4k mainly in Legal Services as publications are now online and updates are no longer paid for. Stationary costs have been reviewed

over the last three years and are not expected to return to pre-covid levels due to staff not being in the offices full time so a reduction of £4k is proposed.

- 3.39 The Council receives a grant each year from Derbyshire County Council for providing bus passes to elderly residents. The grant has never been included in the base budget previously but it has been confirmed that the grant will continue in the immediate future, so this is now included in the MTFP.
- 3.40 Due to the reform of canvassing requirements, the Council is no longer expected to send a registration form to every household annually if the residents are already registered for Elections purposes. This brings a saving on printing (£15k), postage (£10k) but also a grant income loss from the Cabinet Office (£10k).

4.0 Budget Basis

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

Basis of the Budget

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

On-going Service Provision

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

Changes in Pay

- 4.6 A pay award is not included within the Base Budget at this stage as no official notification has been submitted to the Council. The National Employers are currently in negotiation regarding a proposed pay award for 2021/22 after the Chancellor's original announcement in November 2020 to 'pause' public sector pay (excluding NHS workers).
- 4.7 The MTFP was updated in November 2021 to include a pay award for 2021/22 and also includes a provision for a potential pay award increase of 2.5% per year for all employees from 2022/23.

Inflation

- 4.8 The base budget for 2022/23 has been uplifted by 2% for inflation/indexation where this applies, for example contract obligations.

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

Increase in Payments for Concurrent Functions to Parish Councils

- 4.11 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution in payments to recognise inflationary pressures. Increases in recent years have been as follows:
- 2021/22 – 2.0%
 - 2020/21 – 2.0%
 - 2019/20 – 2.0%
 - 2018/19 – 2.0%
 - 2017/18 – 1.0%
 - 2016/17 – 2.0%
- 4.12 Latest inflation as at October 2021 shows CPI increasing by 3.8% year on year. The Office for National Statistics is assuming that inflation will average 2.4% by the end of 2021/22. The Council includes a 2% increase in the MTFP.
- 4.13 Every 1% increase in the base level equates to approximately £4k per annum in total.

Risks

- 4.14 All Committee budgets have been reviewed and known changes to income and expenditure have been reflected in the proposed base budget for 2022/23 as detailed in the report.

Housing Benefit

- 4.15 The main financial risk is considered to be the payment and recovery of Housing Benefit. The total amount administered and paid in respect of Rent Allowances and Rent Rebates is approximately £10m per year. A 1% variance equates to £102k and therefore it is important that the Council maximises the subsidy it reclaims from the DWP. The DWP Regulations set a threshold for errors which, if exceeded, would mean subsidy being withdrawn.
- 4.16 As previously reported, the rollout of Universal Credit (UC) is having an impact on both the amount of benefit paid and the administration grant received. The rollout of UC for new claims went live in South Derbyshire in November 2018 and existing claimants have started to transfer across. The impact will be kept under review.

Factory Premises, Hearthcote Road

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

4.18 The current budget is £196k which is for 51 weeks. The MTFP includes a loss of income of £190k from 2022/23.

Proposed Fees and Charges 2022/23

4.19 **Appendix 2** provides a schedule of the proposed charges that will operate from 1 April 2022, together with a comparison to the existing charge. All charges are exclusive of VAT and where applicable, VAT is added at the appropriate rate in accordance with HMRC regulations.

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

4.21 A new charge is proposed of £50 which equates to time taken for Land Registry Conveyancing paperwork.

4.22 The only change proposed is within Legal Fees where a Deed Assignment has been increased by £100 to cover the costs and time taken to complete.

5.0 Financial Implications

5.1 As detailed in the report.

6.0 Corporate Implications

Employment Implications

6.1 None.

Legal Implications

6.2 None.

Corporate Plan Implications

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

Risk Impact

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

7.0 Community Impact

Consultation

7.1 The Council is statutorily required to consult on its budget proposals, prior to setting the annual Council Tax rate, with the local business and community sector. The Council has an established process in place to meet this requirement. Consultation takes place for approximately four weeks following approval of the draft budget proposals by Finance and Management Committee in January each year. Any feedback is reported to the Council as part of the final approval process.

7.2 There is no statutory requirement to consult with residents or other stakeholders, although it is considered good practice to do so. Traditionally, the Council has disseminated proposals through Area/Community Forums and via a presentation at the South Derbyshire Partnership Board. Many authorities do consult formally regarding their budget proposals and medium-term financial plans prior to setting budgets, using panels, representative groups, etc. as a way of fully engaging local people.

Equality and Diversity Impact

7.3 None.

Social Value Impact

7.4 None.

Environmental Sustainability

7.5 None.

8.0 Conclusions

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

9.0 Background Papers

9.1 None.

FINANCE & MANAGEMENT - BUDGET SETTING 2022/23

	Proposed Budget 2022/23 £	Approved Budget 2021/22 £	Movement £	Comments
Business Change	102,031	98,042	3,989	Increased staff costs £5k; increased HRA recharge £1k
Digital Services	168,106	153,559	14,548	Increased staff costs £5k, software £11k; increased HRA recharge £2k
Caretaking	138,799	135,993	2,806	Increased staff costs
Senior Management	450,941	445,826	5,115	Increased staff costs £6k; increased HRA recharge £1k
Financial Services	390,463	387,047	3,416	Increased staff costs £4k, training £3k, software £1k, subs £3k, reduced reserve drawdown £5k; Increased HRA recharge £13k
Internal Audit	113,373	109,307	4,066	Increased prof fees £6k; increased HRA recharge £2k
Merchant Banking Services	68,075	61,200	6,875	Increased bank charges £10k; HRA recharge £3k
ICT Support	752,323	734,355	17,968	Increased software costs £9k, depreciation £12k, telephones £8k; reduced staff costs £7k, increased HRA recharge £5k
Legal Services	266,382	264,534	1,848	Increased prof fees £11k; reduced staff costs £2k, legal fee income £2k, reduced books £5k
Performance & Policy	36,656	36,720	-64	
Personnel/HR	356,897	361,327	-4,430	Increased training £3k, prof fees £3k, reduced HRA recharge £1k, software £4k; reduced staff costs £15k
Communications	77,959	75,667	2,292	Increased printing £4k; reduced training £1k, staff costs £1k, increased HRA recharge £1k
Customer Services	496,677	492,197	4,480	Increased staff costs £1k, software £18k; reduced stationary £3k, postage £10k, increased HRA recharge £1k
Health & Safety	57,016	48,073	8,944	Increased prof fees £11k; increased HRA recharge £2k

Admin Offices & Depot	660,702	632,236	28,466	Increased staff costs £25k, utilities £17, insurance £3k; reduced depreciation £16k
Protective Clothing	29,809	37,819	-8,010	Reduced requirement
Procurement	12,349	12,149	200	
CENTRAL SUPPORT SERVICES	4,178,558	4,086,049	92,509	
Democratic Representation & Management	85,361	85,473	-112	
Corporate Management	65,951	64,458	1,493	Subscriptions £1k
Corporate Finance Management	37,969	37,437	531	Increased prof fees £1k
Elected Members	354,789	347,401	7,388	Increased allowances £13k; increased HRA recharge £4k, reduced training £2k
CORPORATE & DEMOCRATIC COSTS	544,070	534,770	9,300	
Registration of Electors	44,271	56,531	-12,261	Canvas reform
Conducting Elections	178,432	171,893	6,539	Increased staff costs £2k, software £5k
ELECTIONS & REGISTRATION	222,703	228,425	-5,721	
Funded Pension Schemes	280,298	280,072	226	
Increase/Decrease in Provision for Bad or Doubtful Debts	175,000	175,000	0	
Planning Agreements	0	0	0	
Parish Councils	426,407	425,801	606	Increased insurance
Interest & Investment Income (GF)	-136,229	-147,585	11,356	Reduced investment income
External Interest Payable (GF)	500	500	0	
PARISHES, INTEREST, S106 RECEIPTS & PROVISIONS	745,976	733,788	12,188	
Estate Management	-248,364	-245,318	-3,046	Increased training £6k, NNDR £8k, reduced HRA recharge £4k; reduced staff costs £22k
ESTATE MANAGEMENT	-248,364	-245,318	-3,046	
Council Tax Collection	118,286	116,327	1,958	Increase staff costs £1k, advertising £1k
Non-Domestic Rates Collection	-87,500	-84,500	-3,000	Prof fees (now in-house)
Revenues & Benefits Support & Management	343,977	136,633	207,344	Increased staff costs £5k, income budget trf to HB Admin £200k, reduced reserve drawdown £12k; reduced software costs £10k
Rent Allowances Paid	37,005	53,047	-16,042	Reduced benefit claims reduces costs
Net cost of Rent Rebates Paid	80,882	81,999	-1,118	Reduced benefit claims reduces costs
Corporate Fraud	48,150	45,474	2,676	Reduced reserve drawdown

Housing Benefits Administration	149,691	327,285	-177,593	Increased staff costs £1k, prof fees £2k, reduced income for admin subsidy £20k; income trf £200k
Concessionary Fares	-9,600	0	-9,600	Derbyshire County Council
REVENUES & BENEFITS	680,891	676,265	4,626	
	6,123,834	6,013,978	109,856	

PROPOSED FEES AND CHARGES 2022/23

APPENDIX 2

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

MISCELLANEOUS FEES AND CHARGES	Fee 2021/22 £:P	Proposed Fee 2022/23	Notes
Court Costs			
Court Costs Recovered	67.50	67.50	
National Bus Pass Scheme			
Replacement Card Scheme	5.00	5.00	
Benefit Fraud			
Fraud Investigation Court Costs recovered	At Cost	At Cost	
Sale of Radar Keys			
Sale of Radar Keys - disabled	2.55	2.55	
Penalty Charge			
Penalty charge for C Tax payers who fail to notify us of a change in circumstances relating to a discount or exemption. Second or subsequent failure to notify	250.00	250.00	
Penalty charge for Council Tax accounts who fail to notify us of a change in circumstances relating to a discount or exemption.	70.00	70.00	
Legal Fees			
Conveyancing Certificate required by the HM Land Registry		50.00	Time taken to complete paperwork - new charge
LPE 1 & Deed Assignment	50.00	150.00	Time taken to complete paperwork