

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	10 FEBRUARY 2022	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	VICKI SUMMERFIELD Victoria.summerfield@southderbyshire.gov.uk	DOC: S/Finance/Committee/2021-22/Feb
SUBJECT:	GENERAL FUND CONSOLIDATED BUDGET REPORT 2022/23 AND MEDIUM-TERM FINANCIAL PLAN TO 2026/27	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the estimates of revenue income and expenditure on the General Fund for 2022/23 are considered and approved.
- 1.2 That consideration is given to a level of increase on grants to voluntary bodies and Parish Councils for concurrent functions.
- 1.3 That consideration is given to the rate of Council Tax for 2022/23.
- 1.4 That the updated five-year financial projection for the General Fund to 2026/27 as detailed in **Appendix 2**, and all the associated assumptions and risks as included in the report, is approved.
- 1.5 That the Council's National Non-Domestic Rates return (NNDR1) for 2021/22 showing retained business rates of £10,838,722 for 2022/23 is noted.

2.0 Purpose of the Report

- 2.1 To detail the Council's financial position following a full review of current income and expenditure plus confirmation of the Local Government Financial Settlement for 2022/23.
- 2.2 The report is divided into four sections as follows:
 - The Council's financial position including the update to the Medium-Term Financial Plan (MTFP) to 2026/27
 - Detail of the Local Government Financial Settlement for 2022/23
 - Proposed base budget and consolidated expenditure for 2022/23
 - Financial risk analysis

Appendices

- Appendix 1 – Council Tax Setting
- Appendix 2 – General Fund MTFP to 2026/27
- Appendix 3 – Proposed base budgets for Policy Committees

3.0 The Council's Financial Position

3.1 The MTFP was considered and approved by the Committee in November 2021 and this set out the forecasted revenue income and expenditure budget for the period 2021/22 to 2026/27. At this stage, the proposed budget for 2022/23 had not been finalised and detail on the Financial Settlement was unknown. The following table summarises the balances predicted on the General Reserve at that time.

MTFP November 2021	2021.22 £	2022.23 £	2023.24 £	2024.25 £	2025.26 £	2026.27 £
Projected Expenditure	14,250,484	14,894,743	15,488,547	15,779,593	16,199,947	16,657,195
Projected Financing	-13,720,196	-13,503,754	-13,406,910	-13,366,498	-13,374,548	-13,675,822
Capital Contributions	1,049,208	517,000	516,000	515,000	521,500	528,000
Deficit	1,579,497	1,907,989	2,597,637	2,928,095	3,346,899	3,509,373
PROJECTED RESERVE BALANCE	-11,614,027	-9,706,039	-7,108,402	-4,180,307	-833,408	2,675,965

3.2 At this stage, it had been assumed that expenditure would increase in line with inflation and that income would reduce due to changes to Government funding decisions. The projected balance at the end of 2025/26 was expected to be significantly below the minimum balance of £1.5m with the Council having no reserves to call on during 2026/27.

3.3 The main issue presented within the MTFP in November 2021 was the increasingly high deficit levels projected over the life of the plan. These deficits increased further due to the provision for a pay award in 2021/22 which had initially been removed due to the Chancellor announcing that pay would be “paused” for all public sector workers excluding the NHS in November 2020.

3.4 Although the balance in the General Reserve can be utilised to fund the projected deficits over the next few years, this is not a sustainable solution in the longer-term.

3.5 After the release of the Local Government Financial Settlement in December 2021 plus the finalised proposed revenue budget, an update to the MTFP has been completed and is attached at **Appendix 2**. A summary of the projected balances on the General Reserve are shown in the following table.

MTFP February 2022	2021.22 £	2022.23 £	2023.24 £	2024.25 £	2025.26 £	2026.27 £
Projected Expenditure	14,461,905	14,740,532	15,589,929	15,864,800	16,297,013	16,732,943
Projected Financing	-13,719,996	-13,768,402	-13,450,042	-13,423,861	-13,502,735	-13,806,899
Capital Contributions	1,049,208	517,000	516,000	515,000	521,500	528,000
Deficit	1,791,117	1,489,130	2,655,887	2,955,939	3,315,779	3,454,044
PROJECTED RESERVE BALANCE	-11,402,407	-9,913,277	-7,257,390	-4,301,451	-985,672	2,468,372

3.6 The General Fund balance has improved marginally due to an increase to projected funding as detailed in the following table.

	£
Projected Reserve Balance (pre budget)	-833,408
Increased New Homes Bonus	-1,895,661
Council Tax Increase	-562,864
Services Grant Allocation	-173,984
Council Tax Surplus Increase	-149,767
Business Rates Increase	-60,115
Increased Service Expenditure (Section 5)	340,865
Reduction in Lower Tier Services Grant	2,349,262
Projected Reserve Balance 2025/26	-985,672

3.7 Funding within the plan assumes an increase of 1.95% per annum on Council Tax, that Business Rates retention will remain at a set level over the life of the plan and that Government funding will reduce to the Council's Settlement Funding Assessment (SFA) of £2.5m as determined as part of the Settlement for 2013/14 after changes to Business Rate Retention. This was the last time that the funding system was fundamentally changed.

3.8 As noted above, Council Tax is assumed to increase by 1.95% over the life of the plan. The level of Council Tax is higher in 2022/23 than originally forecast in the November MTFP due to higher growth in new properties compared to the previous forecast. The impact of higher growth is detailed below.

	2022.23 £	2023.24 £	2024.25 £	2025.26 £
Forecast November 2021	6,158,100	6,412,322	6,687,869	6,980,282
Amended Forecast January 2022	6,284,747	6,554,928	6,833,257	7,128,505
Revenue Increase	126,647	142,607	145,388	148,223

3.9 The Council Tax Base as approved at Full Council in January was an increase of 1,484 equivalent Band D properties. The forecast in the MTFP included an increase of 744 properties.

3.10 The forecasted growth of the Tax Base was updated at the Budget round in 2021/22 to a lower number due to the assumed impact of the economic downturn as a result of the pandemic. The Tax Base is taken as at September and due to the significant growth between years, it is proposed to increase the estimated growth. The revised forecasted growth is detailed in the following table.

	2022.23	2023.24	2024.25	2025.26
Property Growth Nov 2021	744	768	846	893
Amended Property Growth Jan 2022	1,484	846	846	893
Increase	740	77	0	0

3.11 Overall, the impact of the increase in the Tax Base results in an increase of income from Council Tax of approximately £563k over the MTFP to 2025/26 (as shown in 3.6 and 3.8 above).

Council Tax Setting

- 3.12 The Council can increase the Council Tax by up to £5 per Band D or 2%, whichever is the higher. It is also however able to opt for a lower increase or freeze the Council Tax.
- 3.13 There are a number of tables listed in Appendix 1 that give further detail of the impact to the General Fund balance should the Council decide to increase the Council Tax by anything outside of the 1.95% included within the MTFP.
- 3.14 In summary, if the Council was to increase the Council Tax by £5 per Band D in 2022/23, this would not put the Council back to the minimum balance by 2025/26, but it would certainly ensure a stronger position into the future. The balance would sit at approximately £1,255,623, an increase of £269,951.
- 3.15 A 1.95% increase already leaves the Council below £1m in balances by 2025/26 and opting for anything lower than a 1.95% increase will ensure that savings measures (without any other funding changes) will need to be implemented sooner for the Council to remain in a sustainable financial position into the future.
- 3.16 A summary of the approximate income loss and balance for a range of increase options is listed below.

	Income (Gain) / Loss £	Reserve Balance 2025/26 £
£5 or 2.98% Increase	-269,951	-1,255,623
2.5% Increase	-144,588	-1,130,260
1.5% Increase	118,300	-867,372
1.0% Increase	249,744	-735,928
Council Tax Freeze	512,632	-473,040

4.0 Detail of the Local Government Financial Settlement

- 4.1 The Provisional Local Government Financial Settlement was released on 16 December 2021 and was a one-year settlement awaiting the outcome of the Fair Funding Review and Business Rates Retention reform which has been delayed for another year.

New Homes Bonus

- 4.2 The New Homes Bonus allocation was higher than forecasted as it was assumed that New Homes Bonus would no longer be received as part of the Settlement going forwards. A legacy payment for 2019/20 totalling £1,122,625 is to be paid alongside an allocation of £1,895,865 for 2022/23 – this allocation was not included within the forecast.
- 4.3 It was also assumed that the new Lower Tier Services Grant (announced as part of the Settlement for 2021/22) would support losses of New Homes Bonus. The Council's allocation under this funding stream was £219,313 which is a net reduction in funding compared to the forecast for 2022/23 of £2,096,640.
- 4.4 In addition to the above funding streams, a one-off allocation of £173,984 entitled 'Services Grant' has also been allocated to the Council. This will not however be

included as part of the transitional arrangements once the Funding Reviews are complete.

- 4.5 After considering all of the above, the Council has received reduced funding of £26,795 for 2022/23 and a forecasted reduction of funding to 2025/26 of approximately £279,617 compared to the MTFP in November 2021. Although a reduction in funding was included within the MTFP, this was expected to be a worst-case scenario.
- 4.6 The expectation now after the last two financial settlements is that the Funding Reviews are likely to reduce the Council's Central support significantly, and the losses may well be far greater than forecast. The actual loss of Government funding from 2021/22 to 2022/23 totals £416,868.
- 4.7 The basis for the funding as set out in the MTFP assumes that no further New Homes Bonus will be received.
- 4.8 It has then been assumed that the Lower Tier Services Grant will continue, and that the Council's funding allocation overall will reduce by approximately 8% in 2023/24 and 10% in 2024/25 to take the funding down to the SFA as noted at 3.6.
- 4.9 The SFA was brought into being during the 2013/14 Settlement and makes up the overall Core Spending Power of all local authorities. It was determined by reviewing the likely baseline funding received through Business Rates retention then topping this up to bring the authority to a minimum balance. The Council's SFA is set at £2.5m, increases by RPI each year and was only supposed to be in place until 2020 but due to the delay on the funding reviews, this appears to have been pushed to 2023.
- 4.10 In the intervening years, the Council has been receiving larger allocations above its SFA due to extra New Homes Bonus and Business Rates growth, both of which are under pressure in the current Fair Funding reviews.

Business Rates

- 4.11 The Council has always received more through Business Rates than the SFA because it has outperformed its Baseline. The Fair Funding Review has indicated that baselines could be reset to reflect this and therefore it would be safe to assume that the Council is unlikely to receive a greater balance of funding from the Government. This could be complicated further if the proposal to increase Business Rates retention at a local level, to 75% from 40% is put in place.
- 4.12 Business Rates has been assumed to remain the same over the life of the plan after being updated in 2022/23 for the NNDR1 return. It would not be prudent to assume that 75% retention will go ahead as this increase would probably mean a funding reduction elsewhere or additional expenditure responsibilities.
- 4.13 The multiplier for Business Rates has been frozen for 2022/23 therefore no increase to the baseline is anticipated across the country. The Council will receive additional funding through S31 grants for the loss of income due to the multiplier freeze which is incorporated within the Business Rates figure in the MTFP for 2022/23.

5.0 Proposed Base Budget and Consolidated Expenditure 2022/23

- 5.1 All Policy Committees have considered their revenue income and expenditure budgets at meetings in early January and no specific issues or challenges were raised with proposed budgets generally in line with the MTFP.
- 5.2 Detail of the individual base budgets for the Policy Committees is attached in **Appendix 3**.

Basis of the Budget

- 5.3 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.
- 5.4 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

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

Changes in Pay

- 5.7 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).
- 5.8 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

- 5.9 The base budget for 2021/22 has been uplifted by 2% for inflation/indexation where this applies, for example contract obligations.
- 5.10 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.
- 5.11 Allowances for inflation based on various assumptions regarding price increases, etc. are calculated across the main spending heads at an average of 2%.

Parish Concurrent Functions and Grants to Voluntary Bodies

- 5.12 As part of the budget approval process, Policy Committees are asked to consider and recommend increases to Parishes for concurrent functions and grants to voluntary bodies.
- 5.13 Housing and Community Services and Finance and Management Committees both recommended an increase of 2% in line with 2021/22.
- 5.14 The increase to the base budget of these proposals is approximately £11k and is included within the MTFP.

Proposed Base Budgets 2022/23

- 5.15 A summary of the proposed base budgets and movements between 2021/22 and 2022/23 is included in the following table.

COMMITTEE SUMMARY - BUDGET SETTING 2022/23

Summary by Policy Committee

	Proposed Budget 2022/23 £	Approved Budget 21/22 £	Variance £
Environmental and Development Services	6,127,447	6,214,931	-87,485
Housing and Community Services	2,765,816	2,678,371	87,445
Finance and Management	6,167,461	6,057,605	109,856
Net Service Expenditure	15,060,724	14,950,908	109,816

- 5.16 The budget between years has increased by £109,816 although this includes depreciation which is an accounting adjustment and does not need considering by the Committee. A large proportion of the increases were expected and included in the MTFP in November. Detail of the proposed changes are listed below.

	EDS £'000	HCS £'000	F&M £'000	Total £'000
Employee Costs	84	17	20	120
Vehicle Costs	68	0	0	68
Subscriptions and Professional Fees	6	5	37	48
Computer Maintenance	0	2	38	40
Utilities	0	22	17	40
Insurance	25	4	4	33
Forestry England Contribution	0	20	0	20
Members Allowances	0	0	14	14
Investment Income	0	0	11	11
Bank Charges	0	0	10	10
Telephone Costs	0	0	8	8
Waste Management	3	4	0	7
Housing Benefit	0	0	3	3
Repairs and Tools	0	1	0	1
Business Rates	-13	1	8	-3
Cemetery Fee Income	0	-4	0	-4

Protective Clothing	0	0	-8	-8
Concessionary Fares	0	0	-9	-9
Canvas Reform	0	0	-12	-12
Printing, Postage, Books and Stationery	0	0	-13	-13
Earmarked Reserves	-72	24	20	-28
Grant Payments and Income	-10	-20	0	-30
HRA Recharge	-6	0	-34	-40
	86	76	113	276
Depreciation	-174	11	-4	-167
Base Budget Increase	-87	87	110	109

5.17 As noted previously, depreciation is an accounting adjustment totalling £167k. This decrease is due mainly for the aging vehicle fleet that are now fully depreciated. The actual base budget increase is £276k and a summary of the main movements are detailed in the following paragraphs.

Employee Costs

5.18 There has been a large increase in Environmental and Development Services due mainly to the temporary posts recruited into the Planning team. These additional costs have however been offset by earmarked reserve drawdowns.

5.19 The budget has increased for incremental salary rises (£25k), regraded posts (£8k), the approved Housing restructure (£17k) and training (£9k). The MTFP included provision for all except the regraded posts.

5.20 Included within employee costs is an increase to medical fees of £5k to support employees through Occupational Health and counselling services when required. An increase in actual costs has been seen during the pandemic.

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

Vehicle Costs

5.22 Due to the increase per litre of diesel during 2021/22, it is proposed to increase the expected cost for 2022/23. The budget is based on a price per litre of £1.16 (the Council pays a discounted rate in comparison to the forecourt) which is an increase of approximately £0.12 between years.

5.23 In addition, the usage of litres has been reduced by 10% in line with the approval to implement a route optimisation solution. Analysis on usage and cost will be completed quarterly and reported to Finance and Management Committee as part of the revenue monitoring cycle.

5.24 Spare parts have been increased in line with a provision included within the MTFP as costs were expected to increase as the vehicle fleet ages.

5.25 Vehicle hire increases were expected and reported within the Recycling report in August 2021 and were therefore included within the MTFP.

Subscriptions and Professional Fees

- 5.26 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.
- 5.27 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.
- 5.28 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.
- 5.29 Internal Audit costs increase by inflation each year which is included within the MTFP. The proposed increased budget is £6k.
- 5.30 Vet and kennelling costs are expected to increase based on previous years activity and an increase of £7k has been included within the budget.
- 5.31 An increase of £4k has been proposed for the Route Optimisation software. Savings are expected from reduced litres of fuel but unfortunately this has been offset by the increased cost per litre of diesel.
- 5.32 Subscription increases are budgeted at an additional £12k for 2022/23. Of this, £3k relates to an additional subscription for Finance for forum and technical updates from CIPFA and £6k for the Homelessness service due to a specific agreement with Derby City Council for their Decent and Safe Homes (DASH). The inflationary increase for renewed subscriptions is included within the MTFP of £3k which is slightly less than the proposed budget.

Computer Maintenance

- 5.33 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.
- 5.34 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.
- 5.35 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.
- 5.36 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
- 5.37 Smaller inflationary increases have been updated within the budget of approximately £7k and these were expected and included within the MTFP in November.

Utilities

- 5.38 The increase for utilities is in relation to the Leisure Centres (£19k) and Public Buildings (£11k).
- 5.39 The Council is not charged directly for the Leisure Centres but through a recharge mechanism from the Council's contractor, Active Nation. Contractually, the base line tariff and usage rates were set on commencement of the contract eleven years ago. Market conditions have seen the tariff charges increase and efficiencies of the contractor have seen a decrease in usage. The Council is subject to a charge if the contractor consumes less electricity and gas and is subject to a charge for any increase above the base tariff. The increase is a prudent assessment, and the actual costs are not expected to be this high.
- 5.40 Public Buildings costs are expected to increase due to the gas provider used by the Council going into administration. After a review of the marketplace the costs in this area appear to be significantly higher and therefore an increased budget is proposed.
- 5.41 An increase of £2k for inflation was included within the MTFP which is short of the proposed budget.

Insurance

- 5.42 Insurance cover is an overall increase to the Council of £48k between 2021/22 and 2022/23. The General Fund increase is £33k. The increase is due to varying reasons across all policies held, the main one being vehicle insurance of £26k.

Investment Income

- 5.43 The reduction expected on investment income is in line with the MTFP as reported in November and is due to interest rates falling and likely lower levels of cash. However, this will be kept under review in line with interest rate increases as potential additional investment income would be a benefit to the MTFP.

Member's Allowances

- 5.44 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 updated MTFP.

Forestry England Contribution

- 5.45 On transfer of Rosliston Forestry Centre to the Council from the previous contractor in 2018, Forestry England agreed to contribute £20k per annum towards the management of the site whilst the Council reviewed options.
- 5.46 Forestry England (FE) informed the Council earlier in 2021 that they were no longer going to continue providing any contribution towards the site and therefore the budget has now been removed. The impact of this decision will affect the current financial year as £20k was included as part of the budget process for 2021/22 and FE have agreed to pay a reduced sum of £6k. The reduction in income has been included in the MTFP for 2021/22

HRA Recharges

5.47 The total impact of the increase in HRA recharges is £40k 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
Trade Waste	-6
Head of Business Change & ICT	-8
Head of Finance	-17
	-40

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

Grant Payments and Income

5.49 A budget for grant payments in Planning Policy of £10k has been included for a number of years but has not actually been utilised since 2013. There are no plans to spend in 2022/23 and it is therefore proposed to remove this budget going forwards.

5.50 Affiliations with schools are expected to increase in 2022/23 and an increased budget of £20k is proposed. The increase in income is offset by the reduction in reserve funding and so is not a benefit overall to the General Fund.

Earmarked Reserve Funding

5.51 As noted earlier in the report, an increase in the reserve drawdown has been budgeted for the Planning service to support the increase in temporary staffing costs approved by the Committee during 2021.

5.52 The main reduction in funding for Housing and Community Services is due to the increased grant receipt expected from the affiliation with schools as noted at 5.48.

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

Printing, Postage, Stationery and Books

5.54 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.

5.55 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.

5.56 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

Canvas Reform

5.57 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).

6.0 Financial Risk Analysis

6.1 In addition to the cost pressures noted in section 5, as part of the base budget review, each Committee identified several risk areas. The main issues are detailed in the following table.

Risk	Issue / Potential Effect	Mitigating Action
Reduction in Income	Budgeted income from Planning, Licensing etc. totals £1.5m is not sustainable	Base budgets reflect actual income but remain prudent. This report contains detail on changes in anticipated income and is based on known marketplace conditions
Recycling	The service went out to tender in 2021/22 with a risk share contract being in place from October 2021. Collection of waste is now in-house.	An additional budget of £100k has been implemented for collection of waste with a further provision of £50k per annum being set-aside in the MTFP.
Transport	With the increase of the vehicle fleet due to the Recycling service being in-house, vehicle management arrangements for the Council's Operating licence may be inadequate	A review on the management process is underway and it is likely that an inspection pit costing approximately £60k is required. This is included as a provision in the MTFP.
Land Charges	The service is currently being managed by Lichfield District Council due to having no resource internally at a significantly larger cost than the savings on vacancies	At the Finance and Management Committee in November, it was proposed to create a provision of £100k for 2021/22 and 2022/23 in the MTFP whilst a plan is developed for longer-term management of the service.
Growth	The Council's MTFP identifies underlying cost pressures yet to surface as a risk due to pressure from residential development.	A provision for growth has been set-aside in the MTFP each year over the life of the Plan and this is kept under review. In addition, the Council can put some reliance on S106 maintenance contributions to meet additional costs
External Audit	Concern over audit resource and scope of auditing requirements	It is likely that the Council will have to fund at least an additional

	under accounting standards has resulted in a review by the Public Sector Audit Appointments	£20k per annum for external audit. This has been updated in the MTFP.
Parish Growth	Additional Concurrent Function claims may become payable if Parishes form a Meeting or Council	An update to the MTFP now includes provision for this into the future with a specific provision for Drakelow who have put forward a Precept request for the first time in 2022/23
External funding	As detailed in the report, several services are reliant on external contributions and reserve funding	Earmarked reserves to maintain spending over several years. These reserves are currently estimated to remain at £1.1m by 2023 but the reserve position is continually kept under review with service managers

6.2 Provisions for risks are made within the MTFP where the impact can be measured or estimated. A risk not included in the above analysis is included as a potential loss of income within the MTFP and is detailed below.

Factory Premises, Hearthcote Road

6.3 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.

6.4 Rental income of £196k per annum is currently paid by the tenant and the potential loss of income has been included in the MTFP.

7.0 Financial Implications

7.1 Detailed in the report.

8.0 Corporate Implications

Employment Implications

8.1 None.

Legal Implications

8.2 None.

Corporate Plan Implications

8.3 The proposed budgets and spending provide the financial resources to enable many of the on-going services and Council priorities to be delivered.

Risk Impact

- 8.4 The Financial Risk Register is detailed within the Medium-Term Financial Plan, but individual Committee risks are listed in Section 6.

9.0 Community Impact

Consultation

- 9.1 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.
- 9.2 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

- 9.3 None.

Social Value Impact

- 9.4 None.

Environmental Sustainability

- 9.5 None.

10.0 Conclusions

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

11.0 Background Papers

- 11.1 None

COUNCIL TAX SETTING

APPENDIX 1

	2022.23 £	2023.24 £	2024.25 £	2025.26 £	2026.27 £
Council Tax @ 1.95% Increase	-6,284,747	-6,554,928	-6,833,257	-7,128,505	-7,432,669
Council Tax @ £5 Increase in 2022/23	-6,348,049	-6,620,951	-6,902,083	-7,200,305	-7,507,533
Revenue Increase	-63,301	-66,023	-68,826	-71,800	-74,864

General Reserve Balance	-9,976,578	-7,386,714	-4,499,601	-1,255,623	2,123,558
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	2022.23 £	2023.24 £	2024.25 £	2025.26 £	2026.27 £
Council Tax @ 1.95% Increase	-6,284,747	-6,554,928	-6,833,257	-7,128,505	-7,432,669
Council Tax @ 2.5% Increase in 2022/23	-6,318,652	-6,590,291	-6,870,121	-7,166,962	-7,472,767
Revenue Increase	-33,905	-35,363	-36,864	-38,457	-40,098

General Reserve Balance	-9,947,182	-7,326,657	-4,407,582	-1,130,260	2,283,686
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	2022.23 £	2023.24 £	2024.25 £	2025.26 £	2026.27 £
Council Tax @ 1.95% Increase	-6,284,747	-6,554,928	-6,833,257	-7,128,505	-7,432,669
Council Tax @ 1.5% Increase in 2022/23	-6,257,007	-6,525,995	-6,803,095	-7,097,040	-7,399,862
Revenue Reduction	27,740	28,933	30,162	31,465	32,807

General Reserve Balance	-9,885,536	-7,200,716	-4,214,616	-867,372	2,619,479
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	2022.23 £	2023.24 £	2024.25 £	2025.26 £	2026.27 £
Council Tax @ 1.95% Increase	-6,284,747	-6,554,928	-6,833,257	-7,128,505	-7,432,669
Council Tax @ 1.0% Increase in 2022/23	-6,226,184	-6,493,848	-6,769,583	-7,062,080	-7,363,410
Revenue Reduction	58,563	61,081	63,674	66,426	69,260

General Reserve Balance	-9,854,714	-7,137,746	-4,118,133	-735,928	2,787,376
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	2022.23 £	2023.24 £	2024.25 £	2025.26 £	2026.27 £
Council Tax @ 1.95% Increase	-6,284,747	-6,554,928	-6,833,257	-7,128,505	-7,432,669
Council Tax Freeze in 2022/23	-6,164,539	-6,429,552	-6,702,557	-6,992,158	-7,290,505
Revenue Reduction	120,209	125,376	130,700	136,347	142,165

General Reserve Balance	-9,793,068	-7,011,805	-3,925,166	-473,040	3,123,169
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**GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at FEBRUARY 2022**

	Approved Budget £ 2021.22	Proposed Budget £ 2022.23	Projection £ 2023.24	Projection £ 2024.25	Projection £ 2025.26	Projection £ 2026.27
BASE BUDGET						
Environmental & Development	6,227,089	6,127,447	6,459,707	6,648,845	6,841,902	7,042,482
Housing & Community	2,650,462	2,765,816	2,871,210	2,924,361	2,978,079	3,048,401
Finance & Management	6,038,722	6,167,461	6,307,621	6,475,909	6,645,992	6,818,113
Net Service Expenditure	14,916,273	15,060,724	15,638,538	16,049,115	16,465,973	16,908,996
Accounting Adjustments						
Reverse out Depreciation	-1,435,413	-1,268,382	-1,268,382	-1,268,382	-1,268,382	-1,268,382
Minimum Revenue Provision (MRP)	181,932	174,654	167,668	160,962	154,523	148,342
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	75,891	20,556	20,556	1,639	0	0
	13,738,682	13,987,551	14,558,379	14,943,334	15,352,114	15,788,956
Add: Known Variations						
Vehicle Maintenance Plan (Tyres and Spare Parts)	0	0	25,000	30,000	40,000	55,000
Operational Services - Allocated Growth Excluded from Base Budget	243,274	146,652	382,329	160,367	164,376	168,486
Growth Provision Drawdown	0	0	-172,294	0	0	0
Land Charges Service Review Provision	100,000	100,000	0	0	0	0
Public Sector Audit Appointments - Additional External Audit Fees	20,000	20,000	20,000	20,000	20,000	20,000
Drakelow Concurrent Functions	0	2,185	2,229	2,273	2,319	2,365
Operating Licence Inspection Pit	60,000	0	0	0	0	0
Income Loss - Forestry England Reported January 2022	14,000	0	0	0	0	0
Licensing Posts Regrade - approved July 2021	2,445	0	0	0	0	0
PCI Compliance Reported January 2021	17,235	0	0	0	0	0
Parish Concurrent Functions and Grants to Voluntary Bodies	13,488	10,452	10,661	10,874	11,092	11,313
Driver and Mechanic Incentive Payment	33,350	33,350	0	0	0	0
Route Optimisation Potential Project Delay	0	43,235	0	0	0	0
Local Plan Review	15,000	15,000	0	0	0	0
Potential Pay Award	151,173	156,385	160,295	164,302	168,410	172,620
Incremental Salary Increases	0	0	18,425	6,671	2,253	0
Investment Income	0	0	51,000	68,040	70,000	70,000
Administration of Childcare Vouchers	1,750	1,750	1,750	1,750	1,750	1,750
Potential Cost of New Waste Disposal Site	0	47,560	49,938	52,435	55,057	57,809
Potential Loss of Industrial Unit Income	0	0	196,500	196,500	196,500	196,500
Pension Earmarked Reserve Drawdown	-41,122	-43,589	-6,783	0	0	0
District Election May 2023	0	0	125,000	0	0	0
TOTAL ESTIMATED SPENDING	14,369,275	14,520,532	15,422,429	15,656,546	16,083,869	16,544,799

GENERAL FUND MEDIUM TERM FINANCIAL PLAN BUDGET & PROJECTION as at FEBRUARY 2022

	Approved Budget £ 2021.22	Proposed Budget £ 2022.23	Projection £ 2023.24	Projection £ 2024.25	Projection £ 2025.26	Projection £ 2026.27
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	32,630	160,000	105,000	143,254	143,144	113,144
New Parishes - Concurrent Functions	0	0	2,500	5,000	10,000	15,000
Waste and Recycling	50,000	50,000	50,000	50,000	50,000	50,000
TOTAL PROJECTED SPENDING	14,461,905	14,740,532	15,589,929	15,864,800	16,297,013	16,732,943
FINANCING						
Business Rates Retention	-3,779,996	-3,795,025	-3,795,025	-3,795,025	-3,795,025	-3,795,025
Services Grant Allocation	0	-173,984	0	0	0	0
Lower Tier Services Grant Allocation	-519,414	-291,393	-3,045,089	-2,740,580	-2,524,205	-2,524,205
New Homes Bonus	-3,381,317	-3,018,486	0	0	0	0
Council Tax Income	-5,915,215	-6,284,747	-6,554,928	-6,833,257	-7,128,505	-7,432,669
Core Spending Power	-13,595,942	-13,563,635	-13,395,042	-13,368,861	-13,447,735	-13,751,899
Add Estimated Collection Fund Surplus - Council Tax	-124,054	-204,767	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	-13,719,996	-13,768,402	-13,450,042	-13,423,861	-13,502,735	-13,806,899
Revenue Surplus (-) / Deficit	741,909	972,130	2,139,887	2,440,939	2,794,279	2,926,044
Capital Contributions						
Melbourne Sports Park Drainage	166,020	0	0	0	0	0
IT and Digital Strategy	166,000	160,000	160,000	160,000	166,500	173,000
Purchase of Town Centre Land	44,335	0	0	0	0	0
Community Partnership Scheme	264,853	0	0	0	0	0
Rosliston Forestry Centre - Play Project	50,000	0	0	0	0	0
Asset Replacement and Renewal Fund	358,000	357,000	356,000	355,000	355,000	355,000
TOTAL CAPITAL CONTRIBUTION	1,049,208	517,000	516,000	515,000	521,500	528,000
TOTAL GENERAL FUND DEFICIT	1,791,117	1,489,130	2,655,887	2,955,939	3,315,779	3,454,044
GENERAL FUND RESERVE BALANCE						
Balance b/fwd	-13,193,524	-11,402,407	-9,913,277	-7,257,390	-4,301,451	-985,672
Revenue Surplus (-) / Deficit	741,909	972,130	2,139,887	2,440,939	2,794,279	2,926,044
Capital Contributions	1,049,208	517,000	516,000	515,000	521,500	528,000
Balance c/fwd	-11,402,407	-9,913,277	-7,257,390	-4,301,451	-985,672	2,468,372

ENVIRONMENTAL & DEVELOPMENT SERVICES - BUDGET SETTING 2022/23

	Proposed Budget 2022/23 £	Approved Budget 2021/22 £	Change £	Comments
Tourism Policy, Marketing & Development	72,915	67,746	5,169	Increased staff costs £4k, insurance £1k
Promotion and Marketing of the Area	266,007	273,252	-7,245	Reduction in grants to cover costs of VIC
Community Development	10,000	10,027	-27	
ECONOMIC DEVELOPMENT	348,922	351,025	-2,103	
Food Safety	63,821	68,606	-4,785	Reduced staff costs £1k, prof fees £4k
Pollution Reduction	385,974	410,289	-24,315	Reduced staff costs £26k; increased prof fees £2k
Pest Control	15,955	15,752	203	
Public Health	0	0	0	
Public Conveniences	25,113	30,367	-5,253	Reduced NNDR £7k; increased depreciation £2k
Community Safety (Safety Services)	190,379	173,485	16,893	Increased staff costs £11k, vet fees £6k
Environmental Education	96,157	95,721	436	
Welfare Services	1,800	1,800	0	
ENVIRONMENTAL SERVICES	779,199	796,020	-16,822	
Environmental Maintenance (Other Roads)	-70,557	-70,557	0	
Public Transport	29,302	29,001	301	
Off-Street Parking	97,251	103,357	-6,106	Reduced NNDR
HIGHWAYS & PARKING	55,996	61,801	-5,805	
Local Land Charges	6	-3,539	3,545	Reduced staff costs £2k; increased comp licence £4k, prof fees £2k
Licensing	10,277	5,773	4,504	Increased staff costs £2k, comp licence £2k
LICENSING & LAND CHARGES	10,282	2,234	8,049	
Emergency Planning and Works	16,000	16,000	0	
Building Regulations	35,200	35,200	0	
Dealing with Development Control Applications	274,891	281,178	-6,287	Increased staff costs £81k; reduced insurance £1k, legal budget trf to F&M £5k, increased reserve drawdown £81k

Structure and Local Planning	305,250	313,807	-8,557	Removed grant pays £10k, increased training £2k
Street Name & Numbering	-6,986	-7,556	570	
PLANNING	624,354	638,628	-14,274	
Grounds Maintenance	674,977	653,399	21,578	Reduced staff costs £2k; increased depreciation £18k, HRA recharge reduction £6k
Street Cleansing (not chargeable to highways)	531,284	540,678	-9,394	Increased staff costs £5k, tools £1k; increased income £2k, reduced depreciation £14k
STREET SCENE	1,206,261	1,194,076	12,185	
Household Waste Collection	1,581,052	1,745,163	-164,111	Increased staff costs £12k, bins £5k, waste disposal £32k; reduced depreciation £178k, insurance £3k, increased DCC income £34k
Trade Waste Collection	-98,559	-99,563	1,004	Increased internal recharges £14k, increased waste disposal costs £15k
Recycling	429,938	417,249	12,689	Increased vehicle hire £8k, disposal costs £8k, insurance £11k, contract income increase £22k, reduced reserve funding £8k
Direct Services Central Admin	346,843	347,325	-482	
Transport Services	843,159	760,974	82,185	Increased fuel £37k, spare parts £23k, insurance £18k, subscription £4k
WASTE & TRANSPORT	3,102,433	3,171,147	-68,714	
	6,127,447	6,214,931	-87,485	

HOUSING & COMMUNITY SERVICES - BUDGET SETTING 2022/23

	Proposed Budget 2022/23	Approved Budget 2021/22	Movement	Comments
General Grants, Bequests & Donations	305,653	305,714	-62	
Community Centres	207,127	210,725	-3,598	Increased staff costs £1k, NNDR costs £1k; reduced depreciation £6k
Community Safety (Crime Reduction)	130,521	129,952	569	Reduced reserve funding
Defences Against Flooding	56,142	56,237	-95	
Market Undertakings	2,138	878	1,260	Trade waste recharge
Village Halls	0	0	0	
COMMUNITY DEVELOPMENT & SUPPORT	701,581	703,506	-1,925	
Arts Development & Support	15,040	15,040	0	
Events Management	116,237	115,668	570	
Midway Community Centre	34,256	13,066	21,190	Increased utilities £2k, depreciation £19k
Stenson Fields Community Centre	6,988	9,216	-2,228	Increased trade waste recharge £1k; reduced NNDR cost £2k, ext refuse collection £1k
RECREATIONAL ACTIVITIES	172,521	152,990	19,531	
Melbourne Assembly Rooms	32,460	-1,668	34,128	Increased depreciation
Get Active in the Forest	31,292	31,175	116	Reduced staff costs £3k; reduced reserve drawdown £3k
Sports Development & Community Recreation	171,988	171,118	870	Reduced staff costs £3k, mileage £2k; reduced reserve drawdown £4k, increased insurance £1k
Indoor Sports & Recreation Facilities	497,336	537,233	-39,896	Increased utilities £19k; reduced depreciation £56k, increased income £3k
Outdoor Sports & Recreation Facilities (SSP)	0	0	0	Increased staff costs £5k, reserve drawdown £15k; increased grant income £20k
Play schemes	20,004	19,950	55	Reduced staff costs £8k, tools £4k; reduced reserve drawdown £12k
LEISURE CENTRES & COMMUNITY FACILITIES	753,081	757,807	-4,727	

Allotments	-799	-1,091	292	
Rosliston Forestry Centre	297,213	263,450	33,763	Increased repairs £3k, NNDR cost £2k, depreciation £6k, insurance £2k, utilities £1k, loss of income Forestry England £20k
Cemeteries	17,086	18,950	-1,863	Increased repairs £2k; increased fees £4k
Closed Churchyards	7,608	7,241	366	
Parks and Open Spaces	317,369	303,035	14,334	Increased depreciation £14k, insurance £1k, trade waste recharge £1k, reduced income £3k; reserve drawdown £4k
PARKS & OPEN SPACES	638,477	591,585	46,892	
Housing Standards	94,453	93,369	1,084	Increased staff costs £2k; reduced prof fees £1k
Housing Strategy	95,959	97,880	-1,921	Reduced staff costs £1k, subs £1k
Administration of Renovation & Improvement Grants	52,119	50,298	1,821	Software maintenance
Bed / Breakfast Accommodation	6,500	6,500	0	
Pre-tenancy Services	216,660	190,421	26,238	Increased staff costs £26k, subs £7k; reserve drawdown £7k
Other Housing Support Costs (GF)	34,466	34,014	451	
PRIVATE SECTOR HOUSING	500,156	472,482	27,674	
	2,765,816	2,678,371	87,445	

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, tools £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	