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<b>REPORT TO:</b>	<b>FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>16th JANUARY 2014</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE &amp; CORPORATE SERVICES</b>	<b>OPEN</b>
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<b>SUBJECT:</b>	<b>SERVICE BASE BUDGETS 2014 / 2015</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That the proposed revenue income and expenditure for 2014/15 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 3** for 2014/15 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2014/15 under Concurrent Functions.

## **2.0 Purpose of Report**

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2014/15, with a comparison to the current year, 2013/14. This includes an overview of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2014/15 subject to the Council's overall medium-term financial position. This is subject to the next item on this Committee Agenda.
- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year. A summary is also included of the Committee's existing capital investment programme.

### **3.0 Summary and Overview**

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

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

- 3.6 The Council's Medium Term Financial Plan (MTFP) was reviewed and updated in October 2013 following the public sector spending review (CSR 13) which reported in the summer. After considering the updated financial position and the projected outcomes from CSR 13 on the Council, the Committee approved a further round of budget savings.
- 3.7 Consequently, an amount of £500,000 needs to be found from within the current base budget of the Council before next year's Budget Round (2015/16) in order to sustain the overall financial position into the future. As part of the Strategy, the Finance Committee also approved that all service budgets are scrutinised closely to identify potential savings.
- 3.8 Therefore, it is important that this Committee scrutinises its spending base closely to identify potential budget savings and carefully examines any areas where there are any proposals to increase spending

#### **Summary of Expenditure**

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

Summary of Net Revenue Expenditure	Approved Budget 2013/14 £	Proposed Budget 2014/15 £	Change £
Central and Departmental Accounts	3,487,588	3,470,177	-17,410
Concessionary Travel	3,000	0	-3,000
Corporate and Democratic Costs	867,498	782,469	-85,030
Electoral Registration	106,754	143,728	36,974
Payments to Parish Councils	311,182	318,108	6,927
Pensions and Interest	211,027	194,952	-16,075
Property and Estates	-79,724	-111,772	-32,048
Revenues and Benefits	294,819	350,109	55,290
<b>Total - Net Expenditure</b>	<b>5,202,144</b>	<b>5,147,772</b>	<b>-54,373</b>

3.10 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2013/14 and 2014/15 by £54,373. An analysis of the changes within each service area is detailed in Appendix 2. A summary of the changes is shown in the following table.

	£'000
Budget Savings	-97
Pay	-30
Interest Received	-17
Depreciation	-10
Indexation/Inflation	68
Reduction in Income	16
Other Cost Increases (net)	16
<b>Total Change</b>	<b>-54</b>

### **Budget Savings (£97,000)**

3.11 Based on earlier approvals and a review of budgets following the 2012/13 budget out-turn, several savings have been identified and built into the proposed base budget. These effectively count towards the approved target of £300,000 required in 2013/14.

3.12 The main savings follow the introduction of E-committees (£21k), retender of software licenses (£25k), professional fees (£24k), cash collection charges (£8k) and a reduction in external audit fees of £6,000.

### **Pay (reduction of £30,000)**

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

Senior Management Restructure	-112,112
Pay Award 2013	12,137
Transfers	46,069
Incremental Increases	4,256
Other Increases	19,420
	<u>-30,230</u>

3.14 Following the Senior Management Restructure approved in March 2013, the saving of £112,112 is the amount relevant to this Committee. This has been taken out of the Base Budget as set out in the MTFP.

3.15 The pay award relates to the national agreement of 1% in 2013 and is financed from the inflation contingency in the MTFP; the base budget has been updated accordingly.

3.16 Incremental increases relate to employees on career graded posts and those subject to incremental steps within a specific grade which recognises experience and development. A provision is included for this in the MTFP.

3.17 Other increases mainly relate to additional national insurance contributions following an increase in rates.

#### **Annual Indexation Payment/Inflation (£68,000)**

3.18 In accordance with the contract for the corporate services partnership, the service fee was increased by 0.8% in August 2013 with a provisional increase of 1% from August 2014 being included in the proposed base budget for 2014/15.

3.19 The increase is mainly based on the pay award for local authority staff and is applied on the anniversary of the contract in August each year; provision for the increase is contained in the central inflation contingency.

#### **Reduction in Income (£16,000)**

3.20 Firstly, the base income budget from property rents has been increased by approximately £30,000 for 2014/15. This is in accordance with the MTFP and reflects a phased increase in rent from the main factory unit in accordance with the lease agreement, together with a reduction in empty properties.

3.21 However, there has been a much larger reduction in the specific government grant for housing benefit administration. The Council has been notified that the grant will be reduced from £420,000 in 2013/14 to £370,000 in 2014/15, a reduction of £50,000.

3.22 This was not expected and represents a 12% reduction - £250,000 over the medium term financial planning period.

## **Other Cost Increases (Net - £16,000)**

3.23 The main proposal is to increase the base budgets on the Civic Offices for repairs and utility costs by approximately £20,000, to reflect current costs and liabilities.

### **4.0 Detail**

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

### **Zero Based Budgeting**

4.2 Budgets are usually calculated on an incremental basis, i.e. they are maintained at the same level as the previous year adjusted only for known changes and variations that have been identified through a restructure or efficiency programme.

4.3 However, many budgets are also subject to a base line review which is used to justify proposed spending. This process places greater responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner.

4.4 As well as identifying possible budget savings, it can also identify potential cost pressures; this approach has been well used across the Committee's services.

4.5 As usual, the base budgets exclude the costs of internal central support service charges, together with any statutory pension adjustments. These will be allocated across services in accordance with accounting regulations, when approved through the budget process.

### **Inflation**

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

4.7 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.

4.8 Allowances for inflation based on various assumptions regarding price increases, etc. will be calculated across the main spending heads and in total, held as a central contingency.

4.9 In line with current policy, this contingency will be reviewed and monitored separately by this Committee and allocated into service budgets, as the actual effects of inflation become known over the year

## General Basis of the 2014/15 Base Budget

- 4.10 Although the principle of a zero based budget was adopted to justify spending in individual budget heads, the estimates are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 4.11 However, the full year effects of previous year's restructures and efficiencies are included, with any non-recurring items removed as identified in the report.

### Concurrent Functions – Contributions to Parish Councils

- 4.12 For 2013/14, the Council approved an increase in base contributions to reflect inflation, as measured by the Retail Price Index (RPI), as it stood in September 2012, i.e. 2.6%.
- 4.13 Due to the reduction in the Council's general grant funding for 2011/12 and 2012/13, no increase was applied for these years although the base level of funding was maintained.
- 4.14 As at September 2013, RPI stood at 3.2%. The MTFP includes a provision of 2%.
- 4.15 An increase of 2% equates to approximately £6,200 in total for all parishes, with 3.2% equating to around £9,250.

### Capital Investment

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

SCHEME	BUDGET £000	NOTE
Repairs to Village Halls and Community Facilities	25	Amount set-aside pending transfer of management to parish/community groups. Remaining budget held for Walton on Trent.
Planned Maintenance Programme (on public buildings and commercial portfolio) including Disability Access Improvements, stock condition surveys and EMAS works.	58	Originally, £1/2m approved in 2005. Essential works have been completed based on completed stock condition surveys. The remaining budget is being held as a contingency and to fund any ad-hoc emergency works.
Contributions to Renewals Fund	250	Fixed amount per year to replace vehicles and plant in accordance with the replacement schedule.
Replacement of Civic Car	20	Provision made in 2015/16

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

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

4.18 No charges are proposed from those currently in place. Following the award of a new banking contract, which will be fully operational from April, a review of charges for using credit and debit cards will be undertaken.

### **5.0 Financial Implications**

5.1 As detailed in the report.

### **6.0 Corporate Implications**

6.1 There are no other direct legal, personnel or other corporate implications apart from that considered in the report.

### **7.0 Community Implications**

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

### **8.0 Background Papers**

8.1 None