
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	15th JANUARY 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE & CORPORATE SERVICES	OPEN
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SUBJECT:	SERVICE BASE BUDGETS 2015 / 2016	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2015/16 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 2015/16 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2015/16 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 2015/16, with a comparison to the current year, 2014/15. 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 2015/16 subject to the Council's overall medium-term financial position. This is subject to the next item 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. A summary of the Committee's existing capital investment programme is also included.

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, and customer services, together with 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 2014. This showed that the General Fund has built up a good level of reserves, mainly due to budget underspends. Much of this has been due to one-off factors such as staffing vacancies and additional income.
- 3.7 Whilst in recent years, this has been a familiar pattern, it cannot be guaranteed in future years. Current spending is still projected to be greater than income as costs are expected to increase and overall core funding reduces. Consequently, there is an underlying budget deficit and this is still a key factor for financial planning.
- 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 2014/15 £	Proposed Budget 2015/16 £	Change £
Central and Departmental Accounts	3,297,130	3,310,216	13,086
Corporate and Democratic Costs	734,864	689,551	-45,313
Electoral Registration	143,336	276,104	132,768
Payments to Parish Councils	318,108	324,340	6,232
Pensions and Interest	204,620	205,820	1,200
Property and Estates	-167,696	-150,152	17,544
Revenues and Benefits	349,550	358,205	8,655
Total - Net Expenditure	4,879,913	5,014,086	134,173

3.10 The above table shows that the Committee's net expenditure is estimated to increase overall between 2014/15 and 2015/16 by £134,173. 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.

Change in Base Budget 2014/15 to 15/16	£'000
Overall Decrease in Income	(14)
Budget Savings	(51)
Pay Award	45
Service Cost Increases	139
Share of Savings transferred to the HRA	23
Other Variances (Net)	(8)
Change in Service Expenditure	134

3.11 The main changes are the increase in costs due to the provision made for the District Council Election in May 2015, together with a reduction in Housing Benefit Administration Grant. These amounts have been partly offset by the savings made from the restructure in Legal and Democratic Services. The main variances are detailed in the following sections.

Overall Increase in Income (£14,000)

3.12 The Housing Benefit Administration Grant will reduce by £27,000 in 2015/16. The reduction follows recent years and the grant in 2015/16 (£340,000) has reduced by approximately 25% since 2011/12. Future decreases are planned and these have now been built into the MTFP.

3.13 However, overall Committee income is estimated to increase in 2015/16, mainly due to additional court fee income from Council Tax collection (£30,000).

Budget Savings (£51,000)

- 3.14 This reflects the on-going savings arising from the restructure of Legal and Democratic Services, which was approved in March 2014.

Pay Award (£45,000)

- 3.15 A national pay award for local government staff was agreed in November 2014. This increased most pay scales by 2.2% from 1st January 2015, with larger increases for the 6 lowest pay points and smaller increases for Chief Officers.
- 3.16 In addition, a one-off, non-consolidated payment was awarded to most pay points equating to a further 1% of current pay, again rising for the lower pay points.
- 3.17 This award will run until March 2016 when pay will again be reviewed. The cost of the award in 2014/15 and 2015/16 will be financed from an inflation contingency, a separate amount set-aside corporately, in the Council's Budget. The increase relating to this Committee has been included in the Base Budget proposals.

Service Cost Increases (£139,000)

- 3.18 The main increase of approximately £130,000 is the provision required for the administration and associated costs of the District Council Election in May 2015. This is a one-off cost in 2015/16 and separate provision was made in the MTFP.
- 3.19 There are a range of other smaller increases and decreases across several service areas which largely offset each other.

4.0 Detail

- 4.1 **Appendix 1** summarises the Committee's budgets at cost centre level with **Appendix 2** analysing changes between 2014/15 and 2015/16 for each cost centre.

Basis of the Budget

- 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.

On-going Service Provision

- 4.5 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 4.6 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

Pension Contributions

- 4.7 Some changes have occurred to the allocation of pension costs due to the way that the lump sum payment to the Administering Authority has been allocated. The overall cost however, has not changed.

Inflation

- 4.8 The base budget for 2015/16 has been uplifted by inflation in 2014/15 where this applies, for example, the 2014 national pay award. However, proposed budgets for 2015/16 do not at this stage allow for future inflation.
- 4.9 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.
- 4.10 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.
- 4.11 In line with current policy, this contingency will be reviewed and monitored by this Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

Concurrent Functions – Contributions to Parish Councils

- 4.12 Each year, consideration is given to increasing the base contribution in concurrent functions to recognise inflation. For 2014/15, the Council approved an increase of 2% (2.6% in 2013/14). In the two years prior to that, the base contribution was frozen.
- 4.13 Inflation, as measured by the RPI, stood at 2.3% in September 2014 and has since fallen to 2% by November 2014. The forecast for 2015/16, included in the Government's Autumn Statement, shows 2.2%. The Council's MTFP provides for a 2% increase.
- 4.14 Every 1% increase in the base level for all parishes equates to approximately £3,000 per year.

Risks

- 4.15 The main financial risk identified for the Committee is the payment and recovery of Housing Benefit. The total amount administered and paid in respect of Rent Allowances and Rent Rebates is approximately £18.5m per year.
- 4.16 Of this, 98.5% is recharged to the DWP. Given the amounts involved, this is sensitive to small variations; if reimbursement is not maximised, every ½ % reduction equates to almost £100,000.

Capital Investment

- 4.17 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 Village Hall.
Planned Maintenance	58	Amount remaining from original budget of £1/2m for works completed some years ago. The remaining budget is being held as a contingency to fund emergency works.
Contributions to Renewals Fund	250	Fixed amount per year to replace vehicles and plant in accordance with the replacement schedule.

Proposed Fees and Charges 2015/16

- 4.18 **Appendix 3** provides a schedule of the proposed level that will operate from 1st April 2015, together with a comparison to the existing charge.
- 4.19 Where applicable, VAT is also added at the standard rate. No changes are proposed from those currently in place.

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