
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 7
DATE OF MEETING:	14th JANUARY 2016	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE & CORPORATE SERVICES	OPEN
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SUBJECT:	SERVICE BASE BUDGETS 2016 / 2017	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2016/17 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 2016/17 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2016/17 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 2016/17, with a comparison to the current year, 2015/16. 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 2016/17 subject to the Council's overall medium-term financial position. This is subject to a separate report on this Agenda.
- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year.

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 the 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 was reviewed and updated in October 2015. 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 in the medium term is projected to be greater than income as costs are expected to increase and overall core funding reduces. Consequently, there is a projected budget deficit from 2017/18 and this starts to rise sharply from 2018/19 based on current forecasts.
- 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.

Summary of Net Revenue Expenditure	Approved Budget 2015/16 £	Proposed Budget 2016/17 £	Change £
Central and Departmental Accounts	3,311,116	3,378,832	67,716
Corporate and Democratic Costs	677,852	654,192	-23,660
Electoral Registration / Elections	276,104	154,250	-121,854
Payments to Parish Councils	324,340	342,446	18,106
Backdated Pensions and Interest	205,820	172,033	-33,787
Property and Estates	-150,153	-149,566	587
Revenues and Benefits	358,203	400,384	42,181
Total - Net Expenditure	5,003,282	4,952,571	-50,711

3.10 The above table shows that the Committee's net expenditure is estimated to reduce overall between 2015/16 and 2016/17 by approximately £51,000. 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 2015/16 to 2016/17	£'000
Changes in Income	-12,142
Known Service Changes (mainly Election Costs)	-98,273
Inflation	92,744
Decrease in Insurance Premiums	-1,524
Changes in Pay	20,407
Changes in other Service Costs	-6,426
Costs recharged to the HRA	-40,460
Net Decrease in cost of Housing Benefits	-3,977
Decrease in Depreciation Charge	-1,060
Overall Base Budget Increase	-50,711

3.11 The main changes are a reduction in costs due to the District Council Election in 2015/16 falling out of the Base Budget, together with inflation or indexation increases on the Corporate Service Contract and Concurrent Functions.

3.12 The increase in pay is due to a new post of Payroll Manager (approximately £30,000) following the transfer of the service back to the Council. This cost has been offset by a reduction in the Contract Fee and is reflected in the overall reduction in other service costs.

3.13 After allowing for the new post of Payroll Manager, there is a reduction in pay costs (of approximately £10,000 per year) which is mainly due to the changes to the structure of Financial Services as approved by the Committee in September 2015.

3.14 The main changes specifically are detailed in the following table.

£'000

Additional Costs

Indexation on Corporate Services Contract (financed from Inflation Contingency)	78
Reduction in Housing Benefits Admin. Grant (as expected)	28
Additional resources provided in Revenues and Benefits Service	25
Additional maintenance costs at Civic Offices and Depot	16
Increase approved for Concurrent Functions in 2015/16 built into Base Budget	15
Other variances	4

Sub-Total - Additional Costs

166

Less Base Budget Reductions

Council Tax Costs recovered - budget aligned to actual	-10
Reduction of staffing costs in Financial Services (as approved in September 2015)	-15
Reduction in past service Pension costs	-25
Proportion of cost increases recharged to the HRA	-41
District Council Election - costs falling out in 2016/17	-126

Sub-Total - Base Budget Reductions

-217

Overall Reduction in Base Budget

-51

4.0 Detail

- 4.1 The Committee's budgets by service area are detailed in **Appendix 1**. **Appendix 2** details changes between 2015/16 and 2016/17 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.

Inflation

- 4.7 The base budget for 2016/17 has been uplifted by inflation in 2015/16 where this applies.
- 4.8 Clearly, some base costs will be subject to inflation during future years and in some cases it will be "unavoidable," for example employee costs, when national pay increases are approved.
- 4.9 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.
- 4.10 In line with current policy, this contingency will be reviewed and monitored separately by the Committee in the MTFP. It will only be allocated into budgets across Council services, as the actual effects of inflation become known over the year.

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:
- 2015/16 – 2.3%
 - 2014/15 – 2.0%
 - 2013/14 – 2.6%
 - 2012/13 – No increase
 - 2011/12 – No increase
- 4.12 Latest inflation rates show CPI running at 0.1% year on year, with RPI at 1.1%. The Government's Autumn Statement forecasts CPI inflation at 1% and RPI at 2% respectively in 2016/17. The Council's MTFP provides for a 2% increase.
- 4.13 Every 1% increase in the base level across all parish payments equates to approximately £3,500 per year.

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 2016/17 as detailed in the report.
- 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 £18.4m 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.
- 4.17 However, some of this risk lies with the Service Provider (Northgate) who are could face a financial penalty if error rates exceed thresholds set by the DWP.

Rollout of Universal Credit (UC) from May 2016

- 4.18 This is a further risk that currently, is difficult to quantify, although the consequences are likely to be more medium than short-term.
- 4.19 UC went live in South Derbyshire from October 2015 with a small number of claimants affected. Full implementation will begin in May 2016 and is planned to be completed by the middle of 2018.
- 4.20 The DWP has confirmed that benefits administration subsidy will continue unadjusted in 2016/17, whether or not implementation takes effect during the forthcoming financial year. The Council's subsidy for 2016/17 has been notified and this amount has been included in the base budget. The MTFP assumes continuing reductions in the subsidy level year on year to 2021.
- 4.21 It is not expected that the existing stock of housing benefit claims will be converted to UC until after 2018. According to the DWP timetable, this may not be complete until 2020/2021.
- 4.22 Consequently, there is likely to be a three to five year period for the gradual run-down of HB for people of working age. No proposals are currently in place to make changes to the delivery of HB for pensioners in this period.
- 4.23 The Government have confirmed that TUPE will not apply to existing local government staff. The Government have reached a firm conclusion that because of the nature of UC as a new benefit, delivered in a new and fundamentally different way, there will be no "relevant transfer" of staff working on HB today.
- 4.24 Therefore, at some point, the Council will need to start planning for this situation. The Government have also confirmed that where staff cannot be redeployed, the DWP will meet the full costs of compulsory redundancies, once councils can show that all redeployment and reassignment activity has been undertaken.
- 4.25 The position will be kept under review. During 2016, the Council is likely to be notified when UC will be implemented in full across South Derbyshire and where, between 2018 and 2020, the Council will need to address the resource implications.

Proposed Fees and Charges 2016/17

4.26 **Appendix 3** provides a schedule of the proposed charges that will operate from 1st April 2016, 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.

4.27 The charges are mainly standard ones for the recovery of court costs, change notifications and payment fees. There are no proposals to change any of the charges that currently apply in 2015/16.

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

APPENDIX 1

BUDGET - 2016/17

Finance & Management

£'s		BUDGET			
		2016/17	2015/16	VARIANCE	
PSX40	Senior Management	449,704	454,739	5,035	Adverse salaries (£8k), car allows (£1k), favourable staff prof fees (£9k), internal recharge (£3k)
PSX50	Reprographic/Print Room	78,355	71,992	(6,363)	Adverse contract fee (£1k), internal recharges (£5k)
PSX55	Financial Services	304,924	290,880	(14,045)	Adverse salaries (£14k), training (£2k), prof fees (£4k), comp maintenance (£4k), favourable internal recharge (£9k)
PSX56	Internal Audit	103,115	103,115	0	
PSX57	Merchant Banking Services	47,149	45,935	(1,214)	Bank charges
PSX60	ICT Support	656,868	651,783	(5,084)	Contract fee
PSX65	Legal Services	137,393	133,865	(3,528)	Adverse salaries (£3k), prof fees (£1k)
PSX75	Personnel/HR	215,842	235,916	20,074	Contract fee
PSX76	Policy & Communications	233,928	239,103	5,174	Contract fee
PSX77	Customer Services	592,635	535,600	(57,035)	Adverse contract fee (£69k), favourable internal recharges (£12k)
PSX78	Health & Safety	34,552	35,218	666	
PSX81	Admin Offices & Depot	322,892	317,412	(5,480)	Adverse R&M (£6k), business rates & utilities (£4k), favourable insurance (£4k)
PSX95	Procurement Unit	104,126	103,437	(689)	
PSX99	Corporate Services Partnership	0	0	0	
KJE40	Caretaking	97,349	92,122	(5,227)	Adverse salaries (£8k), favourable overtime (£3k)
Central and Departmental Accounts		3,378,832	3,311,116	(67,717)	
HTT00	Concessionary Fares	0	0	0	

Concessionary Travel

AAD00	Democratic Representation & Management
AAM00	Corporate Management
AAM01	Corporate Finance Management
ABS00	Impairment and Fixed Assets Written-off
ABU00	Adjustments to Bad Debts and other Provisions
ACD00	Elected Members
KJW00	Debt Management Costs

Corporate and Democratic Costs

ACE00	Registration of Electors
ACE10	Conducting Elections

Electoral Registration

ACT01	Parish Councils
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Payments to Parish Councils

ABP00	Funded Pension Schemes
W2A00	Taxation & non-specific grant income (GF)
W4A00	Interest & Investment Income (GF)
W6A00	Pensions Adjustment
W7A00	External Interest Payable (GF)
W8A00	Other Operating Income & Expenditure (GF)

0	0	0	
81,575	82,528	954	
75,412	75,400	(12)	
51,817	64,459	12,642	Favourable audit fee (£10k), bank charges (£10k), adverse internal recharges (£8k)
0	0	0	
0	0	0	
318,365	329,758	11,393	Favourable internal recharges (£5k), subsistence (£4k), insurance (£1k)
127,023	125,707	(1,316)	Contract fee
654,192	677,852	23,660	
22,324	20,122	(2,202)	Adverse training and sale of publications
131,926	255,981	124,055	Favourable salaries (£41k), election fees (£75k), fees (£20k), adverse insurance (£2k), printing & stationery (£8k), staff prof fees (£2k)
154,250	276,104	121,853	
342,446	324,340	(18,106)	Grant increase plus under budget in previous year
342,446	324,340	(18,106)	
215,793	241,505	25,712	Fee reduction
0	0	0	
(45,259)	(37,185)	8,074	Increased interest receivable
0	0	0	
1,500	1,500	0	Interest on small deposits
0	0	0	

Pensions, Grants Interest Payments and Receipts		172,033	205,820	33,787	
PSX85	Estate Management	(149,566)	(150,153)	(587)	
Property and Estates		(149,566)	(150,153)	(587)	
ACA00	Council Tax Collection	(76,390)	(66,652)	9,738	Favourable income court fees
ACA10	Council Tax Benefits Administration	0	0	0	
ACA30	Council Tax Benefits	0	0	0	
ACA40	Non Domestic Rates Collection	30,622	29,361	(1,261)	Contract fee
KGL00	Rent Allowances Paid	197,687	214,195	16,508	Government grant entitlement
KGL10	Net cost of Non-HRA Rent Rebates	0	0	0	
KGN00	Net cost of Rent Rebates Paid	68,546	56,015	(12,531)	Government grant entitlement
KGP00	Client Unit	179,920	125,284	(54,636)	Decrease in Gov't grant (£28k), contract fee increase (£28k), savings on essential user (£1k)
Revenues and Benefits		400,384	358,203	(42,181)	
		4,952,572	5,003,282	50,709	

APPENDIX 2

ANALYSIS OF CHANGES BETWEEN 2015/16 APPROVED & 2016/17 PROPOSED BASE BUDGETS

Figures all in £s

Cost Code	Service Area	Income	Known Service Changes	Inflation	Insurance	Pay	Deprn.	Service Costs	HRA Recharge	Benefit Payments	TOTAL
PSX40	Senior Management							(2,071)	(2,964)		(5,035)
PSX50	Reprographic/Print Room	5,858		870	(365)						6,363
PSX55	Financial Services			759	144	13,767		8,735	(9,360)		14,045
PSX56	Internal Audit										-
PSX57	Merchant Banking Services							1,214			1,214
PSX60	ICT Support and Development			5,238	629			886	(1,669)		5,084
PSX65	Legal Services				207	3,486		2,300	(2,465)		3,528
PSX75	Personnel/HR				432			(26,623)	6,117		(20,074)
PSX76	Policy & Communications			(6,087)					913		(5,174)
PSX77	Customer Services			69,271	44				(12,280)		57,035
PSX78	Health & Safety			434				(1,303)	203		(666)
PSX81	Civic Offices & Depot			(1,219)	(4,483)		(1,060)	12,242			5,480
PSX95	Procurement Unit			1,802				(536)	(577)		689
KJE40	Office Cleaning and Caretaking					5,374		3,749	(3,896)		5,227

[illegible]

			27,858	2,805				23,971			54,634
	TOTAL	(12,142)	(98,273)	92,744	(1,524)	20,407	(1,060)	(6,426)	(40,460)	(3,977)	(50,711)

PROPOSED FEES & CHARGES 2016/17

FINANCIAL SERVICES	Fee 2015/2016 £:P	Proposed Fee 2016/17 £:p	Note
Court Costs			
Court Costs Recovered	70.00	70.00	Generally applied across Derbyshire authorities
National Bus Pass Scheme			
Replacement Card	5.00	5.00	
Benefit Fraud			
Fraud Investigation Administration Charge	Up to 50% of overpayment as awarded	Up to 50% of overpayment as awarded	
Fraud Investigation Court Costs recovered	500.00	500.00	
Sale of Radar Keys			
Sale of Radar Keys - disabled	2.55	2.55	
Payments made by Cards			
Credit Card	Variable	Variable	Depends on bank charge incurred by the Council
Debit Card	No Charge	No Charge	
Penalty Charge			
Penalty charge for Council Tax accounts who fail to notify us of a change in circumstances relating to a discount or exemption.	70.00	70.00	
Penalty charge for Council Tax accounts 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	