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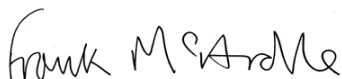
Date: 4 January 2017

Dear Councillor,

**Finance and Management Committee**

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 12 January 2017 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**  
Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Atkin, Mrs Coe, Mrs Coyle Hewlett, Smith, Watson and Wheeler.

**Labour Group**  
Councillors Rhind, Richards, Southerd and Wilkins.

## **AGENDA**

### **Open to Public and Press**

- 1** Apologies and to note any Substitutes appointed for the Meeting.
- 2** To note any declarations of interest arising from any items on the Agenda
- 3** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 4** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5** SERVICE BASE BUDGETS 2017-18 **3 - 15**
- 6** BUDGET REPORT 2017-18 incorporating the Consolidated Budget Proposals and Medium Term Financial Plan to 2022 **16 - 47**

### **Exclusion of the Public and Press:**

- 7** The Chairman may therefore move:-  
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 8** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 9** THE TRANSFER OF CORPORATE SERVICES - UPDATE ON TRANSITION
- 10** ELECTORAL SERVICES - TEMPORARY POST
- 11** MELBOURNE SPORTING PARTNERSHIP LOAN AGREEMENT

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<b>REPORT TO:</b>	<b>FINANCE and MANAGEMENT COMMITTEE: SPECIAL – BUDGET</b>	<b>AGENDA ITEM: 5</b>
<b>DATE OF MEETING:</b>	<b>12<sup>th</sup> JANUARY 2017</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE &amp; CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS’ CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/budget round1718/service base budgets/FM budget committee 1718
<b>SUBJECT:</b>	<b>SERVICE BASE BUDGETS 2017 / 2018</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 2017/18 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 2017/18 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2017/18 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 2017/18, with a comparison to the current year, 2016/17. 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 2017/18 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, 2017/18.

## **3.0 Summary and Overview**

- 3.1 The Committee is responsible for large spending areas, in particular the main support service functions, together with the corporate, management and democratic costs of the Council.
- 3.2 It is also responsible for the strategic management of the Council's property portfolio, revenue collection, benefit payments and treasury management, etc. As such, the associated income and expenditure is a significant part of the Council's financial position.
- 3.3 In addition, several of these spending areas provide statutory, governance, legal and advisory support for the Council.
- 3.4 Several of the main spending areas are currently 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 However, as previously reported to the Committee, these services are currently being transferred back to the Council following the end of the Contract. The service transfer date is 1<sup>st</sup> February 2017.
- 3.6 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**

- 3.7 The Council's MTFP was reviewed and updated in October 2016. In principle, the overall position on the General Fund has not changed fundamentally over the last year. The current level of the General Fund Reserve remains healthy and is projected to remain so over the next 3 to 4 years based on current forecasts.
- 3.8 However, the continuing issue is the projected budget deficit over the medium-term from 2017/18 and in particular from 2018/19 when the impact of the next reduction in core funding is expected to take effect. Although the current level of reserves can be used to meet the projected deficit, this is not a sustainable solution in the longer-term. The MTFP continues to assume that base budget expenditure will increase year-on-year but overall core funding will reduce.
- 3.9 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.

3.10 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 2016/17 £	Proposed Budget 2017/18 £	Change £
Central and Departmental Accounts	3,430,431	3,500,889	70,459
Concessionary Travel	0	0	0
Corporate and Democratic Costs	634,774	609,093	-25,681
Electoral Registration / Elections	154,560	177,032	22,472
Payments to Parish Councils	342,446	348,058	5,612
Backdated Pensions and Interest	215,661	273,156	57,496
Property and Estates	-147,811	-207,054	-59,243
Revenues and Benefits	397,813	472,350	74,537
<b>Total - Net Expenditure</b>	<b>5,027,875</b>	<b>5,173,525</b>	<b>145,651</b>

3.11 The above table shows that the Committee's net expenditure is estimated to increase overall between 2016/17 and 2017/18 by approximately £145,000. An analysis of the changes within each service area is detailed in **Appendix 2**.

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

Change in Base Budget 2016/17 to 2017/18	£'000
Changes in Income	38
Known Changes included in MTFP	36
Inflation	43
Changes in Pay	25
Recharges to the HRA	(12)
Changes in other Service Costs	(7)
<b>Change in Service Expenditure</b>	<b>123</b>
Add: Increase in Depreciation	22
<b>Overall Base Budget Increase</b>	<b>145</b>

3.13 Although there appears to be a relatively large increase in the Committee's proposed base budget for 2017/18, many factors have been provided for in the MTFP. In particular, "known changes" together with inflation and changes to pay, are all factors provided for in the MTFP.

3.14 Together, these total approximately £104,000 and after adding in Depreciation of £22,000, which is not a cost to the Council, this accounts for £126,000 of the overall increase. This leaves the main variance as a reduction in income of £38,000 as the main unplanned change compared to the MTFP.

3.15 The main changes are detailed in the following sections.

## Reductions in Income (£38,000)

- 3.16 This mainly relates to an anticipated reduction in interest on cash deposits. Although the amount on deposit is expected to remain healthy into 2017/18 due to the Council's level of reserves and positive cash flow position, the interest earned is expected to reduce.
- 3.17 The Council is currently benefitting from interest earned on several fixed-term deposits with other local authorities, which were made prior to the recent fall in the Bank Base Rate. The average rate of interest being currently earned is 0.34%, but this is expected to fall to below 0.2% in 2017/18.
- 3.18 Based on this assumption, it has been estimated that total interest will fall from £47,000 in 2016/17 to £20,000 in 2017/18.

### **Known Changes Included in the MTFP (£36,000)**

- 3.19 This comprises two elements. Firstly, an expected reduction in the Housing Benefit Administration Grant from the Department for Works and Pensions (DWP). This is part of an on-going reduction being applied to all councils.
- 3.20 Based on previous notifications, the budget has been reduced from £315,000 to £250,000 in 2017/18. The final figure is due to be confirmed shortly.
- 3.21 This reduction in income has been partly offset by a reduction in the cost of supporting the Pay and Grading Review. This was a one-off cost in 2016/17 of £29,000.

### **Inflation (£43,000)**

- 3.22 This amount mainly relates to the annual indexation on the Corporate Services Contract. This will be financed from the central inflation contingency in the MTFP.
- 3.23 The cost of Corporate Services in 2017/18 will be reviewed following the transfer of the Services back to the Council on 1<sup>st</sup> February 2017. For budgeting purposes, the current cost of the Service Fee (including this indexation) has been maintained at this stage.

### **Changes in Pay (£25,000)**

- 3.24 This relates to the 1% National Pay Award for local government workers due on 1<sup>st</sup> April 2017. It also includes the effects of the Job Evaluation exercise completed in 2016/17 and the approved establishment changes in Legal and Democratic Services. All of these factors have been provided for in the MTFP.

### **Overall Reduction in Other Service Costs (£7,000)**

- 3.25 The most significant variances are an increase in pension deficit costs of £30,000 and a reduction in the cost of Members' expenses of £20,000. The final pension figures following the recent triennial valuation of the Pension

Fund are due shortly. The budget for Members' expenses has been reduced to reflect recent expenditure.

- 3.26 As with all Committees, current service budgets have been compared to recent expenditure trends and budgets adjusted accordingly. There are also some budget savings associated with utility charges following a procurement exercise which has reduced costs.

### **Depreciation**

- 3.27 Depreciation charges are reversed out of the Accounts on consolidating the Council's budget. They reflect charges for using capital assets in service delivery in accordance with accounting regulations. The increase for the Committee of £22,000, relates to revised valuations for the Civic Offices. There is no impact on actual spending levels.

## **4.0 Detail**

- 4.1 The Committee's budgets by service area are detailed in **Appendix 1**. **Appendix 2** details changes between 2016/17 and 2017/18 for each cost centre.

### **Basis of the Budget**

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

### **On-going Service Provision**

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

### **Inflation**

- 4.6 The base budget for 2017/18 has been uplifted by inflation/indexation where this applies, for example pay awards and contract obligations.



- 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. are calculated across the main spending heads and in total, held as a central contingency.
- 4.9 In line with current policy, this contingency is reviewed and monitored separately by the Committee and allocated into service budgets, as the actual effects of inflation/indexation become known over the year.

### **Increase in Payments for Concurrent Functions to Parish Councils**

- 4.10 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:
- 2016/17 – 2.0%
  - 2015/16 – 2.3%
  - 2014/15 – 2.0%
  - 2013/14 – 2.6%
  - 2012/13 – No increase
  - 2011/12 – No increase
- 4.11 Latest inflation rates show CPI running at 1.2% year on year and RPI at 2.2%. The Government’s Autumn Statement forecasts CPI inflation rising to 2.5% in 2017/18 and RPI to 3.2% in 2017/18. The Council’s MTFP currently provides for a 2% increase.
- 4.12 Every 1% increase in the base level equates to approximately £4,000 per year in total.

### **Risks**

- 4.13 All Committee budgets have been reviewed and known changes to income and expenditure have been reflected in the proposed base budget for 2017/18 as detailed in the report.
- 4.14 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 £18m per year.
- 4.15 Of this, 97.8% 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.
- 4.16 The DWP Regulations set a threshold for errors which, if exceeded, would mean further subsidy being withdrawn.



- 4.17 **Appendix 3** provides a schedule of the proposed charges that will operate from 1st April 2017, 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.
- 4.18 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.

## **5.0 Financial Implications**

- 5.1 As detailed in the report.

## **6.0 Corporate Implications**

- 6.1 There are no other legal, personnel or other corporate implications apart from any 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

## BUDGET - 2017/18

## Finance &amp; Management

£'s		BUDGET			
		2017/18	2016/17	VARIANCE	
		£	£		
PSX40	Senior Management	461,020	455,105	(5,915)	Adverse salaries (£10k), NI (£1k), super (£1k); Favourable other pay (£2k), enhanced pension (£1k), insurance (£1k), internal recharge (£3k)
PSX50	Reprographic/Print Room	79,188	78,355	(833)	Adverse contract fee (£1k)
PSX55	Financial Services	318,815	309,186	(9,630)	Adverse salaries (£13k), NI (£2k), super (£1.5k), training (£2k), Favourable comp maintenance (£1k), internal recharge (£6k)
PSX56	Internal Audit	103,115	103,115	0	
PSX57	Merchant Banking Services	61,137	47,149	(13,988)	Bank charges
PSX60	ICT Support	661,571	656,868	(4,703)	Contract fee
PSX65	Legal Services	183,425	143,060	(40,365)	Salaries - restructure from PSX85, and SLO to PLO
PSX75	Personnel/HR	217,544	245,336	27,792	Favourable prof fees (£29k); Adverse contract fee (£3k)
PSX76	Policy & Communications	236,995	233,928	(3,067)	Contract fee
PSX77	Customer Services	599,566	592,635	(6,931)	Adverse contract fee (£8k), favourable internal recharges (£1k)
PSX78	Health & Safety	36,239	34,552	(1,687)	
PSX81	Admin Offices & Depot	337,386	325,310	(12,076)	Adverse R&M (£1k), depreciation (£22k); Favourable business rates & utilities (£3k), internal recharges (£11k)
PSX95	Procurement Unit	105,477	104,126	(1,351)	
PSX99	Corporate Services Partnership	0	0	0	
KJE40	Caretaking	99,412	101,705	2,293	Favourable salaries (£9k), NI (£1k), refuse (£1k); Adverse enhanced pension (£2k), essential user (£1k), T&E purchase (£1k), way leaves rent (£5k)
Central and Departmental Accounts		3,500,889	3,430,431	(70,459)	
HTT00	Concessionary Fares	0	0	0	

<b>Concessionary Travel</b>		<b>0</b>	<b>0</b>	<b>0</b>	
AAD00	Democratic Representation & Management	77,983	82,157	4,174	Adverse salaries (£2k); Favourable car allows (£4.5k), subsistence (£3.5k),
AAM00	Corporate Management	55,786	55,412	(373)	
AAM01	Corporate Finance Management	47,218	51,817	4,599	Favourable bank charges (£10k)
ABS00	Impairment and Fixed Assets Written-off	0	0	0	
ABU00	Adjustments to Bad Debts and other Provisions	0	0	0	
ACD00	Elected Members	299,589	318,365	18,776	Favourable training (£2k), public transport (£3k), car allows (£9k), refreshments (£4k), conference fees (£4k); Adverse salaries (£2k), internal recharges (£1k)
KJW00	Debt Management Costs	128,517	127,023	(1,494)	Contract fee
<b>Corporate and Democratic Costs</b>		<b>609,093</b>	<b>634,774</b>	<b>25,681</b>	
ACE00	Registration of Electors	37,537	22,324	(15,213)	Adverse printing (£24k), wages (£10k), subs (£2k); Favourable postage (£10k), fee income (£10k)
ACE10	Conducting Elections	139,495	132,236	(7,259)	Adverse salaries (£4k), wages (£32k), enhanced pension (£2k), room hire (£12k), printing (£38k), prof fees (£1.5k); Favourable training (£2k), stationery (£4.5k), postage (£3k), election fees (£25k), other fees (£50k)
<b>Electoral Registration</b>		<b>177,032</b>	<b>154,560</b>	<b>(22,472)</b>	
ACT01	Parish Councils	348,058	342,446	(5,612)	Adverse TPP Grants
<b>Payments to Parish Councils</b>		<b>348,058</b>	<b>342,446</b>	<b>(5,612)</b>	
ABP00	Funded Pension Schemes	246,204	215,793	(30,411)	Adverse Enhanced Pension
W2A00	Taxation & non-specific grant income (GF)				
W3A00	Contingent Sums (GF)				

W4A00	Interest & Investment Income (GF)	(18,174)	(45,259)	(27,085)	Adverse interest
W6A00	Pensions Adjustment	0	0	0	
W7A00	External Interest Payable (GF)	1,500	1,500	0	
W8A00	Other Operating Income & Expenditure (GF)	43,627	43,627	0	
<b>Pensions, Grants Interest Payments and Receipts</b>		<b>273,156</b>	<b>215,661</b>	<b>(57,496)</b>	
PSX85	Estate Management	(207,054)	(147,811)	59,243	Favourable salary due to restructure (£33k), business rates (£9k), comp maintenance (£2k); Adverse prof fees (£4k), recharge (£12k),
<b>Property and Estates</b>		<b>(207,054)</b>	<b>(147,811)</b>	<b>59,243</b>	
ACA00	Council Tax Collection	(45,960)	(76,390)	(30,431)	Adverse discretionary benefits (£14k), Court Fee income (£15k)
ACA10	Council Tax Benefits Administration	0	0	0	
ACA30	Council Tax Benefits	0	0	0	
ACA40	Non Domestic Rates Collection	31,053	30,622	(431)	Contract fee
KGL00	Rent Allowances Paid	176,637	197,687	21,050	Government grant entitlement
KGL10	Net cost of Non-HRA Rent Rebates	0	0	0	
KGN00	Net cost of Rent Rebates Paid	67,122	68,545	1,424	Government grant entitlement
KGP00	Housing Benefits Administration	243,498	177,349	(66,148)	Adverse Government Grants
<b>Revenues and Benefits</b>		<b>472,350</b>	<b>397,813</b>	<b>(74,537)</b>	
		<b>5,173,525</b>	<b>5,027,875</b>	<b>(145,651)</b>	

## APPENDIX 2

## ANALYSIS OF CHANGES BETWEEN 2016/17 APPROVED &amp; 2017/18 PROPOSED BASE BUDGETS

*Figures all in £'000*

Cost Code	Service Area	Income	Known Changes	Committee Transfer	Inflation	Pay	Pension	Deprn.	Service Costs	HRA Recharge	TOTAL
PSX40	Senior Management					9	1		(1)	(3)	6
PSX50	Reprographic/Print Room				1						1
PSX55	Financial Services				1	17	1		(3)	(6)	10
PSX57	Merchant Banking Services								17	(3)	14
PSX60	ICT Support and Development				6					(1)	5
PSX65	Legal Services					50	4		2	(16)	40
PSX75	Personnel/HR		(29)		2					(1)	(28)
PSX76	Policy & Communications				3						3
PSX77	Customer Services				8					(1)	7
PSX78	Health & Safety				1				2	(1)	2
PSX81	Civic Offices & Depot	3				1		22	(14)		12
PSX95	Procurement Unit				2					(1)	1
KJE40	Office Cleaning and Caretaking					(11)	2		7		(2)
AAD00	Democratic Representation and Management					3			(8)	1	(4)

ACD00	Elected Members				7	(12)			(20)	6	(19)
AAM00	Corporate Management										-
AAM01	Corporate Finance								(6)	2	(4)
KJW00	Debt Recovery Costs				1						1
ACE00	Registration of Electors								15		15
ACE10	Conducting Elections					7	2		(2)		7
ACT01	Parish Councils (Concurrent Functions)				6						6
ABP00	Funded Pension Schemes								30		30
W4A00	Interest Received (General Fund)	27									27
W7A00	Interest Paid (General Fund)										-
PSX85	Asset and Estate Management (Property Services)	(6)				(51)	(3)		(11)	12	(59)
ACA00	Council Tax Collection	15		14	1						30
ACA40	Non Domestic Rates Collection	(1)			1						-
KGL00	Net cost of Rent Allowances Paid			(14)					(7)		(21)
KGN00	Net cost of Rent Rebates Paid								(1)		(1)
KGP00	Housing Benefits Administration		65		3	4	1		(7)		66
<b>TOTAL</b>		<b>38</b>	<b>36</b>	<b>-</b>	<b>43</b>	<b>17</b>	<b>8</b>	<b>22</b>	<b>(7)</b>	<b>(12)</b>	<b>145</b>

## APPENDIX 3

### PROPOSED FEES AND CHARGES 2017/18

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

FINANCIAL SERVICES	Fee 2016/17 £:p	Proposed Fee 2017/18 £:p	Note
<b>Court Costs</b>			
Court Costs Recovered	70.00	70.00	Generally applied across Derbyshire authorities
<b>National Bus Pass Scheme</b>			
Replacement Card Scheme	5.00	5.00	
<b>Benefit Fraud</b>			
Fraud Investigation Administration Charge	50% of overpayment	50% of overpayment	
Fraud Investigation Court Costs recovered	500.00	500.00	
<b>Sale of Radar Keys</b>			
Sale of Radar Keys - disabled	2.55	2.55	
<b>Debit Card/Credit Card Submission</b>			
Credit Card	Variable	Variable	Dependent on bank charge incurred by the Council
Debit Card	No Charge	No Charge	
<b>Penalty Charge</b>			
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 payers who fail to notify us of a change in circumstances relating to a discount or exemption. Second or subsequent failure to notify	250.00	250.00	



<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE: SPECIAL - BUDGET</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>12<sup>th</sup> JANUARY 2017</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE &amp; CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/budget round 201718/service budget reports/ consolidated budget/FM Consolidated Report Jan 17
<b>SUBJECT:</b>	<b>BUDGET REPORT 2017/18 Incorporating the Consolidated Budget Proposals and Medium Term Financial Plan to 2022</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

## **1.0 Recommendations**

- 1.1 That the estimates of revenue income and expenditure for 2017/18 for the General Fund are considered and a level of income and expenditure is approved.
- 1.2 That consideration is given to the level of an increase in grants to voluntary bodies and payments to Parish Councils under concurrent functions.
- 1.3 That the Council Tax Base for 2017/18 of 31,647 (equivalent Band D) properties as detailed in **Appendix 3** is approved.
- 1.4 That a Council Tax Surplus of £500,000 is declared on the Collection Fund for 2016/17 and the Council's proportion of £55,000 is transferred to the General Fund in 2017/18.
- 1.5 That consideration is given to the rate of Council Tax for 2017/18.
- 1.6 That the updated 5-year financial projection on the General Fund to 2022 as detailed in **Appendix 1**, including associated assumptions and risks as detailed in the report, is approved.
- 1.7 That the annual amount set-aside for Growth in the General Fund is increased from £100,000 to £200,000 per year from 2016/17.
- 1.8 That a new Earmarked Reserve is established to fund service pressures relating to Growth.
- 1.9 That any unused sums each year set-aside in the General Fund regarding Growth and other Contingencies are transferred to the Earmarked Reserve in 1.8 above.

- 1.10 That a strategy and action plan is drawn up to generate budget savings of £800,000 on the General Fund ahead of 2018/19.
- 1.11 That the decisions made in recommendations 1.1 to 1.10 are used as the basis for consultation with local residents, businesses, voluntary and community groups, etc. and are subject to review by the Overview and Scrutiny Committee.

## **2.0 Purpose of the Report**

2.1 To detail the Council's overall financial position following a detailed review of current income and expenditure on the General Fund. This builds on the financial plan and strategy approved in October 2016. The report covers the following:

- Confirmation of the Council's financial settlement from Central Government for 2017/18.
- The Council's current spending and proposed base budget position for 2017/18 including proposed spending by Policy Committees.
- The proposed Council Tax Base for 2017/18 and projected Collection Fund position, 2016/17.
- Planned Council Tax levels in 2017/18 and future years.
- The overall impact on the General Fund's 5-year financial projection.

2.2 The report is divided into several sections as follows:

- Section 3 – Summary and Overall Commentary
- Section 4 – The Council's Financial Settlement for 2017/18
- Section 5 – Proposed Base Budget and Consolidated Spending 2017/18
- Section 6 – Revised General Fund Financial Projection to 2022
- Section 7 – Council Tax, Tax Base and Collection Fund Position
- Section 8 – Overall Risk Analysis

### ***Appendices:***

- Appendix 1 – General Fund Summary Budget and 5-year projection
- Appendix 2 – Proposed Base Budgets of Policy Committees
- Appendix 3 – Calculation of Council Tax Base 2017/18
- Appendix 4 – Estimated Collection Fund Position 2016/17

## **3.0 Summary and Overall Commentary**

- 3.1 The updated medium term financial projection was considered and approved by the Committee on 14<sup>th</sup> October 2016. This set out the projected level of net revenue expenditure on the General Fund, together with the level of the General Fund Reserve to 2022.
- 3.2 The overall projected position at that time, is summarised in the following table.

***General Fund: Medium-Term Projection as at October 2016***

Year	Budget Deficit / Surplus (-) £	Sums Earmarked against Reserve £	Balance of General Reserve £
Base Budget 2016/17	-947,590	596,211	7,339,878
Projection 2017/18	260,037	82,000	6,997,841
Projection 2018/19	1,412,845	20,000	5,564,996
Projection 2019/20	2,001,034	270,000	3,293,962
Projection 2020/21	2,028,625	270,000	995,337
Projection 2021/22	2,123,676	270,000	- 1,398,339

- 3.3 At this stage, it was reported that the overall position on the General Fund had not changed fundamentally over the last year. The current level of the General Fund Reserve remained healthy and was projected to remain so over the next 3 to 4 years based on current forecasts.
- 3.4 However, the main issue identified was the projected budget deficit over the medium-term from 2017/18 and in particular from 2018/19 when the impact of the next reduction in core funding was expected to take effect.
- 3.5 Although the current level of reserves could be used to meet the projected deficit, this was not considered a sustainable solution in the longer-term. The MTFP continued to assume that base budget expenditure would increase year-on-year but overall core funding would reduce in accordance with the Government's Spending Review (2015).

**The Updated General Fund Position**

- 3.6 As part of the annual budget round, the Council's base budget has been reviewed in detail. This has identified some additional cost pressures, although there have also been some budget savings arising out of the review.
- 3.7 Following the Government's provisional Financial Settlement which was published on 15<sup>th</sup> December 2016, together with proposals contained in the Base Budget for 2016/17, the medium term position has been updated. This is summarised in the following table.

**General Fund: Medium-Term Projection as at January 2017**

Year	Budget Deficit / Surplus (-) £	Earmarked Sums £	Balance of General Reserve £
Base Budget 2016/17	-1,199,598	581,211	7,606,886
Proposed Budget 2017/18	-529,104	147,000	7,988,990
Projection 2018/19	819,138	20,000	7,149,852
Projection 2019/20	1,562,427	270,000	5,317,425
Projection 2020/21	1,604,595	270,000	3,442,830
Projection 2021/22	2,041,764	270,000	1,131,066

- 3.8 The overall financial profile of the General Fund remains the same as previously reported over the last 2 years. Although overall Base Budget expenditure has slightly increased (as detailed in Section 5) this has been more than offset by additional receipts from the growth in Council Tax, New Homes Bonus and Business Rates. A summary of the overall change is shown in the following table:

	£'000
Projected 5-year Reserve Balance (pre-Budget)	-1,398
Net increase in Base Budget (Section 5)	-89
Projected increase in Business Rates (Section 4)	2,175
Projected increase in New Homes Bonus (Section 4)	761
Increase in Council Tax Base (Section 7)	282
Less proposed increase in Growth Provision (see below)	-600
<b>Projected Reserve Balance (updated) as 2021/22</b>	<b><u>1,131</u></b>

- 3.9 The increase in projected income has improved the overall position. However, the underlying issue of a significant deficit in future years still remains.
- 3.10 The General Fund is forecast to achieve budget surpluses for 2016/17 and 2017/18 based on current projections. A deficit is then forecast from 2018/19, as Revenue Support Grant falls out and the full impact of the revised allocations for the New Homes Bonus take effect.
- 3.11 The current General Fund Balance is healthy and is forecast to remain above the minimum level of £1m in 2021/22. Therefore, the annual deficits could be financed by drawing down the current level of the General Reserve.
- 3.12 Effectively, the financial projection shows the implications of taking that action. However, it is considered that this is a high risk strategy. The annual budget deficits are still projected to be significant even after increasing income as detailed above.

- 3.13 If no action is taken to reduce future deficits, it could quickly de-stabilise the financial position given that any action to achieve budget savings may take time to fully implement. Effectively, the current base budget remains unsustainable in the medium-term.
- 3.14 Provision for certain cost pressures and potential risks have been included in the MTFP. However, it is considered that additional income being generated may at some point need to be set-aside to pay for additional demand on services.
- 3.15 It is considered that a balanced approach needs to be undertaken by utilising reserves, identifying some budget savings and at the same time providing for additional costs associated with Growth.
- 3.16 Therefore, it is recommended that the Council takes action during 2017/18 to alleviate the projected budget deficit of £800,000 in 2018/19. This would ease the pressure in future years and help to maintain a sustainable financial position.

## **DETAIL, BACKGROUND and BASE BUDGET ANALYSIS**

### **4.0 The Council's Financial Settlement 2017/18**

- 4.1 The provisional financial settlement (subject to consultation) was announced on 15<sup>th</sup> December 2016. This provided actual figures for 2017/18, together with provisional allocations for the following two years 2018/19 and 2019/20.
- 4.2 The settlement for 2017/18 is the second year of a 4-year settlement for local councils, which covers the remaining parliamentary period.
- 4.3 The provisional allocations confirm the figures released in 2016/17 for Revenue Support Grant, together with baseline amounts for Business Rates and Tariff payments (see 4.5 below). There is very little change to the figures announced 12 months ago and included in the MTFP. The Council's figures are shown in the following table.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Revenue Support Grant	1,199	668	338	-30
Baseline Business Rates	2,310	2,357	2,433	2,519
<b>Total</b>	<b>3,509</b>	<b>3,025</b>	<b>2,771</b>	<b>2,489</b>

**Note:** The negative figure for Revenue Support Grant in 2019/20 is due to the formula in the national distribution system. It is expected that in practice, any balance would be adjusted through the Business Rates allocation.

- 4.4 The Revenue Support Grant is a fixed amount. The figure for Business Rates is not the amount that is retained in the General Fund. The actual amount depends on the total amount collected in the year, together with growth and the return from the Derbyshire Business Rates Pool. This is detailed later in the report in Section 7.
- 4.5 The Baseline effectively acts as a benchmark against which growth and any safety net payments are measured. The Baseline is net of the Tariff paid over to the Government as part of the national redistribution system. The Tariff is £6.25m in 2016/17, £6.19m in 2018/19, but this is forecast to rise to £6.62m by 2019/20.
- 4.6 The Baseline and Tariff figures have been amended slightly since last year to reflect the 2017 Business Rates revaluation.

### **New Homes Bonus (NHB)**

- 4.7 The allocation of NHB was also published alongside the main financial settlement. The Government also published a response to their consultation on future allocations for which the Council provided a detailed response in March 2016.
- 4.8 The proposals in the Government's Consultation will effectively reduce future allocations and the MTFP was updated last year to include the potential implications.

- 4.9 The Consultation was titled “*New Homes Bonus: Sharpening the Incentive.*” It set out proposals to effectively top slice bonus payments nationally to redistribute resources to fund Social Care. As part of the Consultation, there were four main proposals.

### **To reduce the period of Legacy Payments**

- 4.10 For each new home built in any one year, it currently attracts NHB at the average Council Tax rate for England in the appropriate band, for 6 years. The Government proposed to reduce these “legacy” payments from 6 to 4 years.
- 4.11 The Consultation also put forward options for the legacy period to be reduced down to 3 or even 2 years, or to phase it in stages from 6, to 5 to 4 years. The Government has opted for 4 years from 2018/19, with a transitional period in 2017/18 of 5 years. The MTFP had been based on this option.

### **To remove “Deadweight”**

- 4.12 This proposal would assume an underlying growth rate in new homes to remove the “deadweight” from future allocations. The Government proposed to use an average national growth rate in new homes of 0.25% as a baseline.
- 4.13 This effectively assumes that an initial proportion of growth in new homes would have occurred anyway and should not attract bonus payments. Councils who had a growth rate in any year of 0.25% would not receive any NHB.
- 4.14 Following the consultation, the Government has set the baseline at 0.4%, although 80% of 287 responses to the Consultation disagreed with the principle. The Government pointed to average growth nationally of 0.7% in the previous 10-years and 0.9% in 2015/16.
- 4.15 In addition, this proposal will be introduced a year earlier in 2017/18. These changes in the Baseline will enable the Government to top-slice a greater proportion of the New Homes Bonus to pay for an additional Adult Social Care Grant.
- 4.16 The baseline figure will be subject to annual review depending on any significant changes to annual growth.

### **Planning Appeals and the Local Plan**

- 4.17 There were two other proposals in the Consultation which are less quantifiable, but are aimed at penalising authorities who appear to be “stifling” growth.
- 4.18 Firstly, NHB would not be paid on new homes built which were rejected by the planning authority but then overturned on appeal. Following the Consultation, this will be applied from 2018/19 although the detailed framework will be subject to further consultation in 2017/18.



4.19 Secondly, there was a proposal whereby any council that has not adopted a Local Plan would lose a proportion of its NHB until a plan was adopted. Following the Consultation, the Government has decided not to introduce this measure.

4.20 However, the Government has re-iterated that they will review the case for withholding future payments from areas not delivering on housing growth from 2018/19.

### **NHB – Implications for the MTFP**

4.21 The Council's allocation for 2017/18 is £2.6m, compared to an estimate in the MTFP of £2.4m. This is based on 585 Band D equivalent properties, of which 64 were deemed as "affordable units". In addition, the number of empty properties reduced by 22 compared to the previous year.

4.22 The specific allocation for 2017/18 was £0.7m, the highest annual allocation since the Bonus was introduced in 2011/12. The remaining allocation of £1.9m relates to fixed amounts for the previous 4-years.

4.23 Future allocations have been based on the Government's final proposals arising from the Consultation. Annual growth of 508 properties has been assumed in future years. The effect in the MTFP is summarised in the following table.

New Homes Bonus - MTFP	2016/17 Actual £	2017/18 Budget £	2018/19 Forecast £	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £	TOTAL £
Forecasted October 2016	2,849,878	2,417,000	1,834,000	1,716,000	1,716,000	1,716,000	12,248,878
Actual/Provisional Allocations	2,849,878	2,601,787	2,171,399	2,008,315	1,860,405	1,518,254	13,010,038
<b>Projected Increase</b>	<b>0</b>	<b>184,787</b>	<b>337,399</b>	<b>292,315</b>	<b>144,405</b>	<b>-197,746</b>	<b>761,160</b>

4.24 As the table shows, the overall net increase in resources over the MTFP based on current forecasts is £761,000. This is mainly due to the on-going effect of the 2017/18 allocation and the increase in future growth from 400 to 508 properties per year. The allocation reduces in 2017/18 due to the move from six to five yearly allocations. The reduction in 2018/19 reflects the period being reduced from five to four years, with a further reduction in 2021/22 due to the allocation in 2017/18 falling out.

4.25 The phasing of the allocation period from 6 to 4 years, together with the transitional 5 years in 2017/18, had already been included in the MTFP. However, the increase in the "deadweight" percentage from 0.25% to 0.4% and its earlier implementation has reduced potential resources by approximately £3/4m over the MTFP.

### **Business Rates**

4.26 Due to receipts being generated well above the Baseline and growth retained locally from the Derbyshire Page 28 of 47

increase. The current MTFP includes a fairly low growth base over the Baseline compared to actual receipts over the last two years.

4.27 Receipts can fluctuate and perhaps pose a greater risk compared to the NHB as there are several external factors that can impact such as appeals and business failures, etc. However, it is considered that there is greater certainty regarding current forecasts in that they can be increased to reflect an increasing Baseline (due to inflation) together with continuing growth above the Baseline.

4.28 Current performance in 2016/17 is detailed in Section 7 on the Collection Fund. Based on that analysis the following amounts (with a comparison to the existing projections) have been included in the updated MTFP.

Retained Rates	2016/17 Budget £	2017/18 Budget £	2018/19 Forecast £	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £	TOTAL £
Total Receipts - SDDC Share	9,425,260	9,508,140	9,603,221	9,699,254	9,796,246	9,894,209	57,926,330
Less Tariff	-6,252,000	-6,194,000	-6,393,000	-6,620,000	-6,719,300	-6,820,090	-38,998,390
Add: Section 31 Grants	353,870	353,870	353,870	353,870	353,870	353,870	2,123,220
<b>Total</b>	<b>3,527,130</b>	<b>3,668,010</b>	<b>3,564,091</b>	<b>3,433,124</b>	<b>3,430,816</b>	<b>3,427,989</b>	<b>21,051,160</b>
<b>Comparison</b>							
MTFP - October	3,170,000	3,010,000	3,099,000	3,199,000	3,199,000	3,199,000	18,876,000
<b>Projected Increase</b>	<b>-357,130</b>	<b>-658,010</b>	<b>-465,091</b>	<b>-234,124</b>	<b>-231,816</b>	<b>-228,989</b>	<b>-2,175,160</b>

4.32 The revised figures now show an increase each year. There is a reduction in 2019/20 as the provisional Tariff Payment increases at the end of the Government's spending review period. This may be offset by additional receipts but will depend on how the redistribution system works in that year. However, the above table clearly shows that there is scope for increasing projected receipts in the MTFP and it has been updated accordingly.

4.33 The Council will be required to submit its statutory return to the Government by 31<sup>st</sup> January 2017. This will detail the estimated position on the Collection Fund for 2016/17, together with its forecasts for 2017/18. Any changes to the figures included in this report will be reported to the Committee in February.

4.34 As previously reported, the Government is currently consulting on proposals to change the distribution of resources from 2019/20, together with proposals to return all Business Rates to local councils. The implications of these proposals on the Council's financial position are not likely to be known for at least a further year.

## 5.0 Proposed Base Budget and Consolidated Spending 2017/18

- 5.1 All Policy Committees (including an earlier report on this Agenda) have considered their detailed budget proposals for 2017/18. All services were asked to carefully consider their base income and expenditure.

### **Basis of the Budget**

- 5.2 Budgets have generally been 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 and variations due to contractual obligations, etc.
- 5.3 In addition, 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. This is supported by the Financial Services Unit who analyse recent trends in expenditure across services compared to current budgets.

### **On-going Service Provision**

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

### **Inflation**

- 5.6 The base budget for 2017/18 has been uplifted by inflation/indexation where this applies, for example pay awards and contract obligations.
- 5.7 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.
- 5.8 Allowances for inflation based on various assumptions regarding price increases, etc. are calculated across the main spending heads and in total, held as a central contingency.
- 5.9 In line with current policy, this contingency is reviewed and monitored by this Committee and allocated into service budgets as the actual effects of inflation become known over the year.

### **Base Budgets 2017/18**

- 5.10 An analysis of each Committee’s proposed budget has been detailed in separate reports to the respective Policy Committee ahead of this Committee. The main spending areas are summarised in **Appendix 2**, with a summary of each Committee’s proposed spending shown in the following table.

Summary of Net Revenue Expenditure	Approved Budget 2016/17 £	Proposed Budget 2017/18 £	Change £
Environmental and Development Services	3,757,844	3,978,193	220,349
Housing and Community Services	2,337,318	2,185,406	-151,912
Finance and Management	5,027,875	5,173,525	145,651
<b>Total Net Revenue Expenditure</b>	<b>11,123,037</b>	<b>11,337,124</b>	<b>214,087</b>

5.11 The above table shows that overall base budget Committee expenditure is estimated to increase between 2016/17 and 2017/18 by £214,000. An analysis of the variances across each Committee is detailed in the following table.

	EDS £'000	HCS £'000	FM £'000	Total £'000
Inflation	7	4	43	54
Changes in Pay	31	41	25	97
Known Changes in MTFP		-44	36	-8
Recharges to the HRA	-40		-12	-52
Depreciation	98	-54	22	66
<b>Budgeted Changes</b>	<b>96</b>	<b>-53</b>	<b>114</b>	<b>157</b>
Reduction in income from Building Regulations	60			60
Increase in Recycling costs	46			46
Planning Services - Reduction in Specific Reserve	42			42
Increase in Maintenance of Car Parks	19			19
Increase in Income from Environmental Services	-17			-17
Reduction in Transport Fleet Costs - mainly Fuel	-20			-20
Depot - Recharge for Taxi Inspections	-10			-10
Lower budgets in Grounds Maintenance		-59		-59
Lower budgets in Private Sector Housing		-18		-18
Lower Utility Costs in Leisure Centres		-11		-11
Expected reduction from interest on Deposits			27	27
Reduction in the cost of Members' Expenses			-20	-20
Expected increase in Pension Deficit costs			30	30
Other variances	4	-11	-5	-12
<b>Total - Other Changes</b>	<b>124</b>	<b>-99</b>	<b>32</b>	<b>57</b>
<b>Total - all Changes</b>	<b>220</b>	<b>-152</b>	<b>146</b>	<b>214</b>

5.12 The table shows that of the total change, £157,000 is due to budgeted changes included in the MTFP, which were expected. These mainly relate to inflation, changes in pay and in particular the on-going cost of the 2016 Pay and Grading Review, together with Depreciation; this is an accounting adjustment and not a final cost to the Council and is reversed out of the Budget on consolidation.

## **Other Base Budget Changes**

- 5.13 The preceding table does highlight that there is an overall increase in the proposed base budget of £57,000. The most significant changes are the on-going reduction in income from Building Control, together with an increase in Recycling costs.
- 5.14 The budget for Recycling has been aligned with actual costs incurred over the last year. The increase mainly relates to additional collection costs for “bring sites” and trade refuse collections. In addition, the proposed budget for publicity and awareness has been increased to reflect current requirements.
- 5.15 The proposed budget for maintenance of car parks has also been increased. This is to meet essential works identified. As noted by the Environmental and Development Services Committee, there is a potential capital investment required to cover longer-term liabilities.
- 5.16 A large part of these additional costs have been offset by budget savings elsewhere in other services. In particular, these relate to Grounds Maintenance and Private Sector Housing.
- 5.17 Following an analysis of expenditure, several budgets in these service areas are being reduced to reflect actual costs. Some of the expenditure, for example new equipment in Grounds Maintenance, is being met from the Section 106 (Commutated Sums) Reserve.
- 5.18 As reported to this Committee, the main variances for Finance Committee are the expected reduction in interest on deposits, together with a reduction in the budget for Members’ Expenses.

## **Impact on the MTFP**

- 5.19 The on-going effect of the increase in the Base Budget regarding unplanned budget changes adds approximately £285,000 (*£57,000 per year for 5-years*) into the MTFP to 2021/22. However, this has been offset by a re-evaluation of the inflation contingency in the medium-term compared to that previously estimated.
- 5.20 This reduces projected expenditure by approximately £39,000 per year (£196,000 over 5-years). This equates to a net increase of £89,000 over 5-years.
- 5.21 It should be noted that net expenditure in the General Fund is still forecast to rise from £11.1m in 2016/17, to £12.6m in 2021/22.

## **Individual Committee Risks**

- 5.22 In addition to the cost pressures highlighted above, as part of the base budget review, each Committee identified several risk areas. The main issues are detailed in the following table. [Page 27 of 47](#)

Risk	Issue / Potential Effect	Mitigating Action
<b>Reduction in Service income</b>	Budgeted income from Planning, Licensing, etc. totals £1.6.m and is not sustainable.	Base Budgets reflect actual income but remain prudent. This report has highlighted the on-going reduction in income from Building Control. A joint working approach with other councils is currently being analysed to strengthen and help sustain future service provision. Current income from Planning Fees, although lower than 2014/15 and 2015/16, is in line with the Budget for 2016/17; a budget of £750,000 per year has been maintained for 2017/18. Clearly, with the development of the Local Plan in future years, this should bring forward some major planning applications. These <u>have not</u> been included at this stage.
<b>Recycling</b>	The Council has been made aware that the cost of the Kerbside Recycling Scheme may need to increase.	The Council is currently working with the main contractor to ascertain the issues and potential costs involved. A provision of £100,000 has been set-aside in the MTFP to offset any additional costs.
<b>Growth</b>	The Council's MTFP identifies "underlying cost pressures yet to surface" as a risk, due to pressure from residential development. In addition, there is additional demand on current resources in Planning and Land Charges to meet the volume of planning applications and land searches associated with development. It is considered that this is also likely to impact on services such as parks and open space provision / maintenance, together with waste collection.	An on-going amount of £100,000 has been set-aside in the MTFP. Additional resources have previously been invested in Planning and Land Charges and these costs, together with their financing, have been included in the proposed budgets for 2017/18. In addition, the Council can currently rely on a Section 106 Reserve to meet additional costs. <b><u>Section 6 sets out proposals to increase the annual growth provision and to set up an Earmarked Reserve.</u></b>
<b>External Funding</b>	Several Community based services are reliant on external contributions and reserve funding.	Earmarked reserves maintained to spread expenditure over a number of years. These are currently estimated to remain at approximately £1.9m by 2018 as detailed in the Budget report to HCS Committee. It is considered that this will maintain existing services over the MTFP period to 2022, but clearly this will need to be kept under review.
<b>Markets</b>	Based on latest figures, operational costs are likely to rise in 2016/17 which could increase the Council's contribution.	Currently, the Council's costs are minimal and it enjoys a surplus based on a profit share arrangement. The Council is working with the Markets Operator to limit the impact and a longer-term solution is being considered to ensure the sustainability of the Markets Service.

5.23 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution in grants to recognise inflationary pressures. Increases in recent years have been as follows:

- 2016/17 – 2.0%
- 2015/16 – 2.3%
- 2014/15 – 2.0%
- 2013/14 – 2.6%
- 2012/13 – No increase
- 2011/12 – No increase

5.24 Latest inflation rates show CPI running at 1.2% year on year, with RPI at 2.2%. The Government's Autumn Statement forecasts CPI inflation rising to 2.5% in 2017/18 and RPI to 3.2% in 2017/18. The Council's MTFP provides for a 2% increase.

5.25 Every 1% increase in the base level across all grants and payments equates to approximately £6,500 per year.

5.26 Housing and Community Services Committee considered an increase for grants to voluntary bodies and this Committee considered an increase for Concurrent Functions in the detailed budget report earlier on the Agenda.



- 6.1 The projection has been updated following the financial settlement (as detailed in Section 4) the proposed base budget (as detailed in Section 5) together with the proposed Tax Base and Collection Fund Surplus for 2017/18 (as detailed in Section 7).
- 6.2 The projection is calculated from a financial model, the summary of which is shown in **Appendix 1**. This also shows how certain items, such as future income levels and known changes to the base budget, are expected to change over the planning period. The key matters are detailed in the following sections.

### Projected Budget Surplus/Deficit and Reserve Balances

- 6.3 This is summarised in the following table.

#### *General Fund: Medium-Term Projection as at January 2017*

Year	Budget Deficit / Surplus (-) £	Earmarked Sums £	Balance of General Reserve £
Base Budget 2016/17	-1,199,598	581,211	7,606,886
Proposed Budget 2017/18	-529,104	147,000	7,988,990
Projection 2018/19	819,138	20,000	7,149,852
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Projection 2021/22	2,041,764	270,000	1,131,066

- 6.4 The overall financial profile of the General Fund remains the same as previously reported over the last 2 years. Although overall Base Budget expenditure has slightly increased (as detailed in Section 5) this has been more than offset by additional receipts from the growth in Council Tax, New Homes Bonus and Business Rates.
- 6.5 A summary of the overall change is shown in the following table:

	£'000
Projected 5-year Reserve Balance (pre-Budget)	-1,398
Net increase in Base Budget (Section 5)	-89
Projected increase in Business Rates (Section 4)	2,175
Projected increase in New Homes Bonus (Section 4)	761
Increase in Council Tax Base (Section 7)	282
Less proposed increase in Growth Provision (see below)	-600
<b>Projected Reserve Balance (updated) as 2021/22</b>	<b>1,131</b>

- 6.6 The increase in projected income has improved the overall position. However, the underlying issue of a significant deficit in future years still remains.

- 6.7 The General Fund is forecast to achieve budget surpluses for 2016/17 and 2017/18 based on current projections. A deficit is then forecast from 2018/19, as Revenue Support Grant falls out and the full impact of the revised allocations for the New Homes Bonus take effect.
- 6.8 The current General Fund Balance is healthy and is forecast to remain above the minimum level of £1m in 2021/22. Therefore, the annual deficits could be financed by drawing down the current level of the General Reserve. Effectively, the financial projection shows the implications of taking that action.
- 6.9 However, this is considered to be a high risk strategy. The annual budget deficits are still projected to be significant even after increasing income as detailed above. If no action is taken to reduce future deficits, it could quickly de-stabilise the financial position given that any action to achieve budget savings may take time to fully implement.
- 6.10 Effectively, the current base budget remains unsustainable in the medium-term. Provision for certain cost pressures and potential risks have been included in the MTFP. However, it is considered that additional income being generated may at some point need to be set-aside to pay for additional demand on services.
- 6.11 It is considered that a balanced approach needs to be undertaken by utilising reserves, identifying some budget savings and at the same time providing for additional costs associated with Growth.
- 6.12 Therefore, it is recommended that the Council takes action during 2017/18 to alleviate the projected budget deficit of £800,000 in 2018/19. This would ease the pressure in future years and help to maintain a sustainable financial position.

## **Growth**

- 6.13 The Council is currently benefiting from additional income as new properties continue to be built and receipts from Business Rates continue above the Baseline. However, it is considered that a more significant increase in costs associated with additional demand on services (from growth) is still yet to fully materialise, for example, additional waste collection costs.
- 6.14 The MTFP continues to set-aside a growth provision of £100,000 per year. In past years, where this has not been utilised, it has been transferred back to the General Reserve.
- 6.15 **Section 7** details current and projected growth in properties (the Tax Base) included in the MTFP. Based on sites under construction, together with sites which have obtained outline and full planning permission, the latest planning estimates forecast up to 6,000 new homes over the next 5-years.
- 6.16 Clearly, this would generate further receipts in Council Tax and the New Homes Bonus and would significantly benefit the MTFP. However, it is

considered that this level of growth would at some stage, place additional pressure on Council services.

6.17 This remains a key issue in the Financial Risk Register. Therefore, it is recommended that the annual provision is increased to £200,000.

### **Proposed Earmarked Reserve**

6.18 In addition, it is also recommended that the MTFP starts to provide for this eventuality in 2016/17. Consequently, it is proposed that where the annual growth contingency (or any of the other contingencies) are not utilised, then remaining amounts are transferred to a separate Growth Reserve.

6.19 This is a proposed change in Financial Policy. If the underlying budget deficit is addressed, this would allow the Council to provide for additional costs and investment whilst maintaining financial stability.

### **Provisions and Contingencies**

6.20 In addition to base budget expenditure, the MTFP continues to set-aside other sums. These are detailed and shown separately in the MTFP in Appendix 1 and provide resources to cover:

- Pay and Grading – the cost of the external facilitator to undertake future job evaluations.
- Pay and Grading – the cost of support to employees currently protected under job evaluation.
- Incremental salary increases
- Withdrawal of the County Council's contribution to Etwall Leisure Centre
- "Off payroll" payments - due to be implemented in April 2017
- Future increases in the National Living Wage
- Auto-enrolment - due to be implemented in October 2017
- Inflation
- Cost of a District Election in May 2019
- Apprenticeship Levy – due to be implemented in April 2017
- Waste and Recycling – additional contract costs (to be determined)

- 6.21 The Council is still waiting for the outcome of the triennial valuation of the Derbyshire Pension Fund. This will determine employer and employee contributions for the 3-years commencing on 1<sup>st</sup> April 2017. The MTFP has provided for an increase of 3.4% per year.
- 6.22 The results of the valuation are expected shortly and will be reported to the Committee in February.

### **Summary Position**

- 6.23 It is considered that the Council's overall Base Budget is prudent whilst also being realistic based on the most up-to-date information. The MTFP reflects current spending priorities and also allows for potential cost pressures.
- 6.24 The financial risks that the Council faces, together with mitigating actions, are detailed in **Section 8**.
- 6.25 It has been anticipated for some time that the General Fund would face reductions in core funding. Consequently, the Council has taken a cautious approach and built up a good level of General Reserves.
- 6.26 However, there are still considerable challenges. Firstly, to meet future budget deficits in the medium-term and in particular to achieve a level of budget savings of £800,000 before 2018/19 and secondly, to address potential service pressures.
- 6.27 On this second point, it is considered prudent to now set-aside greater sums to deal with future growth and investment. The strategy (as recommended earlier in this section) is to earmark some amounts, together with future income in order to maintain resources to meet additional demand.

## **The Council Tax Base**

- 7.1 This relates to the number of chargeable properties for Council Tax after taking account of exemptions and discounts, including the Local Council Tax Support Scheme.
- 7.2 The calculation of the estimated Tax Base for 2017/18 is detailed in **Appendix 3** and is based on the number of properties on the Council Tax register as at 31st October 2016.
- 7.3 This produces a “Band D equivalent” which will be used to calculate the amount to be collected from Council Tax in 2017/18, of 31,647. This is an increase of 657 (2.1%) compared to 2016/17.
- 7.4 The approved MTFP estimated an increase of 400 Band D properties. The proposed Tax Base of 31,647 will generate additional revenue of approximately £40,000 per year compared to the MTFP, assuming the rate of Council Tax is increased by 1.95% per year.

## **The Future Tax Base**

- 7.5 The MTFP has previously assumed that the overall Tax Base will continue to increase by 400 properties per year. Over the last 3 and 4 years, average growth in Band D properties has been 446 and 426 respectively; the forecast for future growth in the tax base is positive.
- 7.6 Based on sites under construction, together with sites which have obtained outline and full planning permission, the latest planning estimates forecast the following completions in each year:
- 2016/17 – 799 properties
  - 2017/18 – 1,088 properties
  - 2018/19 – 1,426 properties
  - 2019/20 – 1,510 properties
  - 2021/22 – 1,415 properties
- 7.7 Even allowing for some slippage, it is considered likely that the Tax Base will increase to a greater extent than the average in recent years. Locally, the housing market remains buoyant, although clearly a change in economic circumstances could have an impact on the above figures. In addition, it is difficult to estimate the Band D equivalents from the overall number of properties.
- 7.8 However, it is considered both realistic and prudent to increase the figure used in the MTFP for planning purposes from 400 to 426 per year respectively. Although this will only generate additional revenue of approximately £5,000 per year, the biggest impact is on the revenue generated from the New Homes Bonus as detailed in **Section 4** earlier in the report.

## **Collection Fund Surplus / Deficit**

- 7.9 In setting the level of Council Tax for 2017/18, the Council is also required to calculate the estimated balance on its Collection Fund for the current financial year, 2016/17.
- 7.10 The Collection Fund is a separate ring-fenced account. It records all income collected from Council Tax and Business Rates and the money paid out to other authorities who precept on the Fund, together with payments to the Government under the redistribution mechanism for Business Rates.
- 7.11 The account in principle should balance each year. However, not all Council Tax is collected as circumstances, such as the number of houses subject to tax and households receiving exemptions and discounts, changes during the year. In addition, final collection rates from previous years may be higher than estimated.
- 7.12 These factors inevitably provide a balance at the end of each year. The Council has traditionally carried a surplus on its Collection Fund. Any surplus or deficit relating to Council Tax is transferred to the General Fund of the major preceptors, the biggest preceptor being Derbyshire County Council.
- 7.13 Under the national redistribution system, the Government receive a share (50%) of any surplus on Business Rates.

#### **Estimated Position 2016/17**

- 7.14 The estimated position on the Collection Fund for 2016/17 is summarised in **Appendix 4**. The Fund is split between Council Tax and Business Rates.
- 7.15 The overall balance on the Council Tax element is distributed to the major precepting authorities on the Fund, i.e. the District Council, Derbyshire County Council, together with the Police and Fire Authorities, in proportion to their precepts on the Fund. The surplus or deficit on the Business Rates element is adjusted and allocated in year.
- 7.16 It should be noted that Parish Councils do not gain a share of any balance on the Fund as they are categorised as local (and not major) preceptors under the Local Government Finance Act 1992.

#### **Council Tax**

- 7.17 The balance on the Council Tax element is estimated at £658,000 based on transactions up to November 2015. This is in line with that reported to the Committee in December following the half-yearly review. The main reason for the estimated surplus is the increase in the Tax Base above that budgeted, as detailed earlier in this section (above).
- 7.18 At this stage, it is considered prudent to declare a surplus of £500,000 for 2016/17, to leave a balance and ensure that the Fund does not fall into deficit.

- 7.19 If the surplus again continues to increase 2017/18 above that budgeted, then it will be declared in next year's budget – any surplus remains in the Fund until it is declared by the Council.
- 7.20 Consequently, it is recommended that the surplus (in proportion to individual Precepts) is declared and shared as shown in the following table.

Share of Council Tax Surplus 2016/17		£'000
Derbyshire County Council	73.35%	367
Police and Crime Commissioner	11.15%	56
Fire and Rescue Authority	4.48%	22
South Derbyshire District Council	11.02%	55
<b>100.00%</b>		<b>500</b>

- 7.21 The amount attributable to the Council of £55,000 has been included in the updated MTFP for 201/18 and compares to a budgeted amount of £20,000 – an increase of £35,000. An amount of £20,000 per year remains in the MTFP in future years.

### **Business Rates**

- 7.22 As previously reported to the Committee, Business Rates incurred a deficit in 2015/16 due to a significant provision for appeals (subject to determination) which were lodged by businesses with the District Valuer regarding Rateable Values. Consequently, there was a deficit balance carried forward on Business Rates of £400,000 as at 31<sup>st</sup> March 2016.
- 7.23 During the budget round of 2016/17, the Council reported an estimated surplus on Business Rates for 2015/16 in its statutory return (known as NNDR 1) to the Government in January 2016. This was prior to the extent of the appeals situation being fully known.
- 7.24 Therefore, a surplus (estimated at £548,000) is being paid to Preceptors (including the Council) alongside their share of expected Business Rates in 2016/17.
- 7.25 As shown in Appendix 4, the actual in-year (2016/17) position is currently healthy, with total Business Rates generated of approximately £24.5m against an original forecast of £23.6m. Based on this position, it is currently forecast that Business Rates will return a surplus of £768,000 in 2016/17.
- 7.26 It is anticipated that this will reduce the deficit on the Fund by 31<sup>st</sup> March 2017 to £181,000.

### **Effect on the General Fund**

- 7.27 The amount of income eventually passed to the General Fund is affected by other variables in the Rates Retention system, namely growth above the Government's baseline, the Derbyshire Business Rates Pool and Section 31 Grants.



7.28 The latest position on the General fund for 2016/17 is shown in the following table.

<b>Business Rates Income 2016/17</b>	<b>Estimate £'000</b>	<b>Projection £'000</b>	<b>Variance £'000</b>
Total Business Rates Due (including estimated surplus 2015/16)	9,633	9,633	-0
Less: Tariff Paid to the Government (fixed)	-6,252	-6,252	0
Less: Levy paid to Derbyshire Pool	-577	-799	-222
Add: Growth receipts returned from the Pool	366	591	225
Add: Section 31 Grants	0	354	354
	<b>3,170</b>	<b>3,527</b>	<b>357</b>

7.29 The total Rates due is effectively fixed at the start of the year as part of the Financial Settlement and includes the estimated surplus declared to the Government for 2015/16.

7.30 Growth above the Baseline has remained strong in 2016/17, being approximately £1.6m above the settlement figure. Of this, 50% (£799,000) is paid into the Derbyshire Pool. However, the Council is expected to receive £591,000 back, which would otherwise have been paid to the Government.

7.31 Overall, the General Fund position is on budget. However, it will benefit from the additional Section 31 Grants, which is the Government's compensation for the various rate reliefs it provides to help businesses.

7.32 Although this will reduce the Council's receipts, it is being absorbed in the overall growth. Effectively the figure of £354,000 is additional funding in 2016/17.

7.33 The total figure in the above table of £3.527m has been included in the updated MTFP. Future year's figures have been detailed previously in Section 4.

7.34 The Government has indicated that the Derbyshire Pool will continue in 2017/18 and this has been confirmed in the Financial Settlement for 2017/18. At this stage, no authority has indicated that they wish to opt out.

### **The Rate of Council Tax**

7.35 Following changes to national and local policy regarding Council Tax increases from 2016/17, an increase of 1.95% per year is included in the MTFP, subject to annual review. This is just below the Government's limit of 2%, above which a local referendum would be required to set a higher increase.

7.36 However, as a shire district, the Council has the option of increasing its Council Tax rate by up to £5 at Band D, without it being subject to a local referendum.

7.37 The Band D Tax for 2016/17 is £153.18. The 1.95% increase in the MTFP will raise Band D to £156.17, an increase of £3 in 2017/18.

7.38 An increase of £5 would raise Band D in 2017/18 to £158.18 – 3.3%.

7.39 The updated MTFP continues to assume an increase of 1.95%. If an increase of 3.3% was applied in 2017/18, this would generate additional revenue of approximately £60,000 per year – cumulatively £340,000 over 5-years.

## **8.0 Overall Risk Analysis**

8.1 The summary in **Section 6** highlights that the Council's current financial position is likely to come under a considerable challenge over the forthcoming spending period.

8.2 Each Policy Committee has identified some financial risks and these have been detailed in **Section 5** with mitigating actions being put in place.

8.3 There are many variables that are included in the projection that carry a risk in that should they impact, they could have a significant effect on the overall financial position. Specifically, the MTFP sets-aside in year contingencies and provisions to guard against inflation, pay/pension increases, growth and unforeseen expenditure, etc.

8.4 More generally, the main risks in the financial register (as previously reported) are:

### **Higher Risks**

- Further changes to the national funding system
- A reduction in Business Rates income due to appeals
- Additional pressure on service costs due to growth

### **Lower Risks**

- A budget overspend
- A downturn in the national economy
- Impact of Welfare Reform

8.5 The risk register details the arrangements in place to mitigate the impact of these risks. Currently, any issues arising from the lower risks (above) are not significantly impacting upon the Council's financial position. The impact of the higher risks is or has the potential to be more significant.

8.6 The MTFP has already factored in overall reductions in core funding from the national system; a large provision was made in the Council's Accounts in 2015/16 due to Business Rate appeals and population growth could eventually put pressure on the cost of services.

- 8.7 A change in Financial Strategy has been recommended in Section 6 to address potential costs arising from growth.

### **Financial Strengths**

- 8.8 The financial position is currently healthy. However, it still faces a challenge to maintain a resilient and sustainable financial base. Currently, the Council's financial position is underpinned by several strengths that will help to mitigate its financial risks; these are as follows :

- A positive cash flow
- No debt outstanding (on the General Fund)
- Not reliant on interest rates rising to generate additional income
- Current General Reserves healthy
- Contingent sums in the Base Budget to guard against inflation and growth
- Budget for a full employee establishment – no vacancy rate is assumed
- Earmarked reserves for capital replacements for IT, vehicles and plant
- Separate provision made for bad debts, appeals and pensions
- Earmarked reserves to sustain project and capital works
- Steady growth in the Tax Base.
- Capital expenditure not heavily reliant on revenue funding or borrowing

- 8.9 The Council also has a history of spending within its overall Net Budget and has generated additional income through growth. However, this cannot be guaranteed in future years and is never assumed for future budgeting purposes in the MTFP.

### **Financial Risks and the Minimum Level of General Reserves**

- 8.10 Although the Council has several areas of financial strengths to mitigate risks, the Council still needs to be prudent in ensuring that it maintains an adequate level of unallocated General Reserves on its General Fund to act as a contingency.
- 8.11 The Local Government Act 2003, places the emphasis on each local authority to determine its minimum level of reserves, based on advice from the authority's Section 151 (Chief Finance) Officer. This will depend on local circumstances and the minimum level should be reviewed on a regular basis.
- 8.12 Based on this, the Council's minimum level, as set out in the Financial Strategy, is **£1m** on the General Fund at the end of every 5-year planning period. This level is calculated based on an assessment of the major financial risks and reflects the relatively healthy level that currently exists.
- 8.13 Based on the estimated net revenue expenditure on the General Fund for 2017/18 of approximately £11m, £1m is **9%**. By 2021/22, £1m will be around **8%**. As a general guide, a balance of between 5% and 10% should be maintained.

## **9.0 Financial Implications**

9.1 As detailed in the report.

## **10.0 Corporate Implications**

10.1 There are no other direct legal, personnel or other corporate implications apart from any highlighted in the report.

## **11.0 Community Implications**

11.1 The proposed budgets and spending, provide the financial resources to enable services and Council priorities in the Corporate Plan to be delivered to the local community.

11.2 The MTFP and associated projections provide an indication of the Council's longer term financial position and the potential effects upon the Council's services.

## **12.0 Background Papers**

12.1 The Government's Financial Settlement for 2017/18 and background papers are available at:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018>

12.2 The review of the Medium-Term Financial Plan as reported to the Committee in October 2016.

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1990/Committee/416/Default.aspx>

12.3 The detailed budget reports of each Policy Committee.

### **Environmental and Development Services**

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1959/Committee/414/Default.aspx>

### **Housing and Community Services**

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1982/Committee/419/Default.aspx>

### **Finance and Management**

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1992/Committee/416/Default.aspx>

## GENERAL FUND MEDIUM TERM FINANCIAL PROJECTION (January 2017)

	Approved Budget £ 2016.17	Proposed Budget £ 2017.18	Projection £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22
<b>BASE BUDGET</b>						
Environmental & Development	3,757,844	3,978,193	4,290,036	4,353,796	4,435,904	4,519,811
Housing & Community	2,337,318	2,185,406	2,351,307	2,385,173	2,427,148	2,606,015
Finance & Management	5,031,576	5,173,525	5,239,579	5,308,438	5,378,440	5,444,683
<b>Net Service Expenditure</b>	<b>11,126,738</b>	<b>11,337,124</b>	<b>11,880,921</b>	<b>12,047,407</b>	<b>12,241,492</b>	<b>12,570,509</b>
<b>Accounting Adjustments</b>						
Reverse out Depreciation	-718,738	-783,025	-783,025	-783,025	-783,025	-783,025
Minimum Revenue Provision (MRP)	223,127	214,202	205,634	197,409	189,512	181,932
Voluntary Revenue Provision (VRP)	131,226	131,226	131,226	131,226	131,226	75,891
	<b>10,762,353</b>	<b>10,899,528</b>	<b>11,434,757</b>	<b>11,593,017</b>	<b>11,779,205</b>	<b>12,045,306</b>
External Facilitator - Pay and Grading Review	0	20,000	0	0	0	0
Pay and Grading - On-going Costs	0	35,000	0	0	0	0
Restructure of Legal & Democratic Services	1,856	0	0	0	0	0
Incremental Salary Increases	0	0	22,130	11,065	11,065	11,065
Provision for Employer's NIC on "off-payroll" payments	0	27,000	27,000	27,000	27,000	27,000
County Withdrawal of Contribution To Etwall Leisure Centre	0	0	22,682	22,682	22,682	22,682
Phased Implementation of National Living Wage	0	5,990	10,604	14,099	14,099	14,099
Provision for Auto Enrolment (October 2017)	0	0	57,920	59,079	60,260	61,465
Reduction in Leisure Management Contract Fee	-32,240	0	0	0	0	0
Contingent Sum - Growth	200,000	200,000	200,000	200,000	200,000	200,000
Contingent Sum - Inflation	114,923	93,654	115,828	118,144	120,507	122,917
District Election May 2019	0	0	0	125,000	0	0
<b>TOTAL ESTIMATED SPENDING</b>	<b>11,046,892</b>	<b>11,281,172</b>	<b>11,890,920</b>	<b>12,170,086</b>	<b>12,234,819</b>	<b>12,504,535</b>

**Provisions**

Apprenticeship Levy (April 2017)	0	28,208	28,490	28,917	29,496	30,085
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
<b>TOTAL PROJECTED SPENDING</b>	<b>11,146,892</b>	<b>11,409,379</b>	<b>12,019,410</b>	<b>12,299,003</b>	<b>12,364,314</b>	<b>12,634,621</b>

Approved Budget £ 2016.17	Proposed Budget £ 2017.18	Projection £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22
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**FINANCING**

Revenue Support Grant	-1,199,194	-668,239	-338,367	0	0	0
Transitional Grant	-3,244	-3,230	0	0	0	0
Business Rates Retention	-3,527,130	-3,668,010	-3,564,091	-3,433,124	-3,430,816	-3,427,989
New Homes Bonus	-2,849,878	-2,601,787	-2,171,399	-2,008,315	-1,860,405	-1,518,254
Council Tax Income	-4,747,044	-4,942,217	-5,106,415	-5,275,137	-5,448,498	-5,626,613
<b>Core Spending Power</b>	<b>-12,326,490</b>	<b>-11,883,483</b>	<b>-11,180,272</b>	<b>-10,716,576</b>	<b>-10,739,719</b>	<b>-10,572,856</b>

Add Estimated Collection Fund Surplus - Council Tax	-20,000	-55,000	-20,000	-20,000	-20,000	-20,000
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**TOTAL FINANCING**

<b>-12,346,490</b>	<b>-11,938,483</b>	<b>-11,200,272</b>	<b>-10,736,576</b>	<b>-10,759,719</b>	<b>-10,592,856</b>
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**General Fund yearly Surplus (-) / Deficit**

<b>-1,199,598</b>	<b>-529,104</b>	<b>819,138</b>	<b>1,562,427</b>	<b>1,604,595</b>	<b>2,041,764</b>
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**GENERAL FUND RESERVE BALANCE**

Balance b/fwd	-6,988,499	-7,606,886	-7,988,990	-7,149,852	-5,317,425	-3,442,830
General Fund Yearly Surplus (-) / Deficit (as above)	-1,199,598	-529,104	819,138	1,562,427	1,604,595	2,041,764
Purchase of Town Centre Land	47,000	0	0	0	0	0
General Fund Capital Bids Remaining	301,211	127,000	0	0	0	0
Melbourne Sporting Partnership (Section 106 Funding)	213,000	0	0	0	0	0
Contribution to Vehicle Replacement Fund	20,000	20,000	20,000	270,000	270,000	270,000
<b>Balance c/fwd</b>	<b>-7,606,886</b>	<b>-7,988,990</b>	<b>-7,149,852</b>	<b>-5,317,425</b>	<b>-3,442,830</b>	<b>-1,131,066</b>

### Environmental and Development Services Committee

Summary of Net Revenue Expenditure	Approved Budget 2016/17 £	Proposed Budget 2017/18 £	Change £
Transport and Plant	855,766	839,928	-15,838
Economic Development	246,712	246,592	-120
Environmental Education	72,479	73,789	1,310
Environmental Services	504,921	504,854	-67
Highways	27,150	24,468	-2,682
Licencing and Land Charges	-31,608	-15,732	15,876
Planning Services	362,547	492,175	129,628
Off Street Parking	66,780	89,585	22,806
Waste Collection & Street Cleansing	1,653,097	1,722,532	69,435
<b>Total - Net Expenditure</b>	<b>3,757,844</b>	<b>3,978,193</b>	<b>220,349</b>

### Housing and Community Services Committee

Summary of Net Revenue Expenditure	Approved Budget 2016/17 £	Proposed Budget 2017/18 £	Change £
Community Development & Support	530,412	547,470	17,058
Leisure and Recreational Activities	150,722	144,901	-5,821
Leisure Centres and Community Facilities	570,199	455,738	-114,461
Parks and Open Spaces	701,473	650,272	-51,202
Private Sector Housing	384,511	387,025	2,513
<b>Total - Net Expenditure</b>	<b>2,337,318</b>	<b>2,185,406</b>	<b>-151,912</b>

### Finance and Management Committee

Summary of Net Revenue Expenditure	Approved Budget 2016/17 £	Proposed Budget 2017/18 £	Change £
Central and Departmental Accounts	3,430,431	3,500,889	70,459
Concessionary Travel	0	0	0
Corporate and Democratic Costs	634,774	609,093	-25,681
Electoral Registration / Elections	154,560	177,032	22,472
Payments to Parish Councils	342,446	348,058	5,612
Backdated Pensions and Interest	215,661	273,156	57,496
Property and Estates	-147,811	-207,054	-59,243
Revenues and Benefits	397,813	472,350	74,537
<b>Total - Net Expenditure</b>	<b>5,027,875</b>	<b>5,173,525</b>	<b>145,651</b>

TOTAL - ALL COMMITTEES

 Page 43 of 47  
 11,123,037 11,337,124 214,087

# COUNCIL TAX BASE

PARISH	2014/15	2015/16	2016/17	2017/18	Change
ASH	24	24	25	24	-0
ASTON ON TRENT	673	676	673	677	4
BARROW ON TRENT	234	234	235	243	7
BARTON BLOUNT	31	32	33	33	0
BEARWARD COTE	12	12	11	12	1
BRETBY	406	408	413	411	-2
BURNASTON	680	687	687	719	32
CALKE	10	11	10	8	-2
CASTLE GRESLEY	471	485	518	528	11
CATTON	20	21	22	22	0
CAULDWELL	47	47	40	38	-2
CHURCH BROUGHTON	235	233	234	235	1
COTON IN THE ELMS	256	269	271	272	1
DALBURY LEES	120	122	123	125	3
DRAKELOW	62	61	65	109	44
EGGINGTON	257	259	261	253	-7
ELVASTON	698	699	734	814	80
ETWALL	987	985	992	988	-5
FINDERN	622	624	636	633	-3
FOREMARK	33	33	33	33	-1
FOSTON & SCROPTON	241	247	240	241	1
HARTSHORNE	1,027	1,057	1,060	1,062	2
HATTON	806	838	853	868	15
HILTON	2,590	2,584	2,581	2,601	20
HOON	21	22	22	20	-2
INGLEBY	48	47	49	49	1
LINTON	626	641	645	661	16
LULLINGTON	61	59	62	60	-2
MARSTON ON DOVE	16	17	17	16	-1
MELBOURNE	1,818	1,875	1,869	1,912	43
NETHERSEAL	319	319	321	321	-0
NEWTON SOLNEY	281	278	282	282	0
OSLESTON & THURVASTON	125	123	125	120	-5
OVERSEAL	771	787	787	796	9
RADBOURNE	49	50	51	49	-2
REPTON	1,011	1,007	1,022	1,082	60
ROSLISTON	255	256	256	265	9
SHARDLOW & GREAT WILNE	413	418	415	415	-0
SMISBY	122	122	125	125	-1
STANTON BY BRIDGE	117	119	118	115	-3
STENSON FIELDS	1,085	1,094	1,099	1,101	2
SUTTON ON THE HILL	63	64	64	64	0
SWADLINCOTE	8,347	8,803	8,899	9,042	144
SWARKESTONE	85	89	89	89	1
TICKNALL	290	294	300	300	-0



TRUSLEY	38	37	39	41	2
TWYFORD & STENSON	67	173	277	408	131
WALTON ON TRENT	297	298	303	308	6
WESTON ON TRENT	473	474	477	480	3
WILLINGTON	858	878	909	946	37
WOODVILLE	1,522	1,615	1,621	1,632	12
<b>TOTAL</b>	<b>29,723</b>	<b>30,608</b>	<b>30,990</b>	<b>31,647</b>	<b>657</b>

<b>Total Calculation</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Change</b>
Total Dwellings on Valuation List	41,377	42,131	754
Less Exempt Dwellings	-377	-400	-23
Less Discounted Properties	-6,147	-6,317	-170
Less Properties subject to Council Tax Support	-3,863	-3,767	96
<b>Total Band D Equivalent Properties</b>	<b>30,990</b>	<b>31,647</b>	<b>657</b>

## COLLECTION FUND POSITION 2016/17

	Actual 2015/16 £'000	Estimated 2016/17 £'000	1st Qtr Projection 2016/17 £'000	2nd Qtr Projection 2016/17 £'000	November 2016 Projection £'000
<b>COUNCIL TAX - INCOME &amp; EXPENDITURE</b>					
<b>INCOME</b>					

Council Tax Collectable	47,471	49,702	49,835	50,207	50,207	<i>Debit from ct6140c system report</i>
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**EXPENDITURE**

County Council Precept	34,295	36,109	36,109	36,109	36,109	<i>Actual amount due as set in March 2016</i>
Police and Crime Commissioner Precept	5,313	5,487	5,487	5,487	5,487	<i>As above</i>
Fire and Rescue Authority Precept	2,137	2,206	2,206	2,206	2,206	<i>As above</i>
SDDC Precept	4,599	4,747	4,747	4,747	4,747	<i>As above</i>
SDDC Parish Precepts	668	679	679	679	679	<i>As above</i>
Increase in Bad Debts Provision	248	258	259	552	552	<i>1.1% of Council Tax Collectable</i>
<b>Total Expenditure</b>	<b>47,260</b>	<b>49,486</b>	<b>49,487</b>	<b>49,781</b>	<b>49,781</b>	

**Surplus for the Year**

<b>211</b>	<b>216</b>	<b>348</b>	<b>427</b>	<b>427</b>
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**COUNCIL TAX BALANCE**

Opening Balance 1st April	696	407	407	407	407	<i>As per final accounts 2015/16</i>
Share of Previous Surplus to County Council	-364	-128	-128	-128	-128	<i>Approved by Committee in Jan 2016</i>
Share of Previous Surplus to Police	-56	-20	-20	-20	-20	<i>As above</i>
Share of Previous Surplus to Fire Authority	-23	-8	-8	-8	-8	<i>As above</i>
Share of Previous Surplus to SDDC	-57	-20	-20	-20	-20	<i>As above</i>
Surplus for Year (as above)	211	216	348	427	427	<i>As above</i>
<b>Closing Balance as at 31st March</b>	<b>407</b>	<b>447</b>	<b>579</b>	<b>658</b>	<b>658</b>	

## BUSINESS RATES - INCOME & EXPENDITURE

### INCOME

Business Rates Collectable	23,351	23,626	24,284	24,492	24,592	<i>Debit from nr7050 system report</i>
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### EXPENDITURE

Central Government Precept	10,990	11,767	11,767	11,767	11,767	<i>As per NNDR1 2016/17</i>
SDDC Precept	8,792	9,414	9,414	9,414	9,414	<i>As above</i>
Derbyshire County Council Precept	1,978	2,118	2,118	2,118	2,118	<i>As above</i>
Fire and Rescue Service Precept	220	235	235	235	235	<i>As above</i>
Cost of Collection	92	91	91	91	91	<i>As above</i>
Transitional Protection Payments	26	0	0	0	0	
Increase in Bad Debts Provision	90	95	97	98	98	<i>0.4% of rates collectable</i>
Provision for Appeals	1,489	100	100	100	100	<i>One-off increase in 2015/16</i>

<b>Total Expenditure</b>	<b>23,677</b>	<b>23,820</b>	<b>23,822</b>	<b>23,824</b>	<b>23,824</b>	
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<b>Surplus / Deficit (-)</b>	<b>-326</b>	<b>-194</b>	<b>462</b>	<b>668</b>	<b>768</b>	
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### BUSINESS RATES BALANCE

Opening Balance 1st April	647	548	-400	-400	-400	
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#### Less: NNDR1 surplus payments declared:

Central Government	-361	-274	-274	-274	-274	
SDDC	-288	-220	-219	-219	-219	
Derbyshire County Council	-65	-49	-49	-49	-49	
Fire and Rescue Service	-7	-5	-5	-5	-5	

<b>Total surpluses declared (previous year)</b>	<b>-721</b>	<b>-548</b>	<b>-548</b>	<b>-548</b>	<b>-548</b>	
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Surplus / Deficit (-) for the Year as above	-326	-194	462	668	768	
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<b>Closing Balance as at 31st March</b>	<b>-400</b>	<b>-194</b>	<b>-486</b>	<b>-280</b>	<b>-181</b>	
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