
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 7
DATE OF MEETING:	12 JANUARY 2023	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
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SUBJECT:	SERVICE BASE BUDGETS 2023 / 2024	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2023/24 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 2** for 2023/24 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2023/24 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 2023/24, with a comparison to the current year budget. 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 2023/24 subject to the Council's overall medium-term financial position. This will be subject to a separate report to the Committee on 9th February 2023.
- 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, 2023/24.

3.0 Detail

- 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 In accordance with local government accounting regulations, Central Support Services are not required to be recharged and allocated across other Policy Committees.

The Council's Overall Financial Position

- 3.5 The Council's Medium-Term Financial Plan (MTFP) was reviewed and updated in November 2022. The overall position on the General Fund has changed considerably over the last year due to numerous additional service pressures and the General Fund Reserve is now predicted to be well below the minimum balance of £1.5m by 2025/26.
- 3.6 The continuing issue is the projected increasing deficits each year over the life of the Plan. Although the current level of reserves can be utilised in the short term to meet the projected deficits, this is not a sustainable solution. Delays to the Fair Funding Review leave the Council with uncertainty regarding future funding past 2023/24.
- 3.7 Finance and Management Committee will consider the detail of the overall financial position on 9th February 2023.
- 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 the main service level, of the Committee's net revenue expenditure.

	Proposed Budget 2023/24 £	Approved Budget 2022/23 £	Movement £
Central Support Services	4,503,154	4,418,635	84,519
Corporate & Democratic Costs	556,674	557,395	-721
Elections & Registration	350,267	232,013	118,255
Parishes, Interest, S106 Receipts & Provisions	479,148	754,334	-275,186
Estate Management	-240,342	-238,225	-2,117
Revenues & Benefits	736,801	744,631	-7,830
	6,385,702	6,468,784	-83,081

- 3.10 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2022/23 and 2023/24 by (£83,081). An analysis of the changes within each service area is detailed in **Appendix 1**.

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

	Movement £'000
Employee Costs	223
District Election	125
Professional fees	61
Computer Maintenance	45
Postage	29
Internet Services	24
Utilities	22
Housing Benefit	14
Business Rates	13
Concessionary Fairs	10
Income (Estates Management)	8
Medical Fees	7
Training	7
Bank Charges	4
Car Mileage	4
Subscriptions	3
Professional Fees (Legal)	2
Interest	-144
Pension Contributions	-135
Earmarked Reserves	-114
HRA Recharges	-94
Housing Programme Manager Recharge	-51
Benefits Processing Fees	-40
Computer Licenses	-33
Insurance	-31
Telephone charges	-22
Commercial Property (Income)	-20
Members Allowances	-7
Maintenance Agreement	-6
Stationery	-5
TOTAL	-100
Depreciation	17
Budget Reduction	-83

3.12 Excluding the increase in depreciation, which is an accounting adjustment and not a cost to the Council, the decrease in actual expenditure based on the proposed budgets, is (£101k).

3.13 The main reasons for the variances are detailed in the following sections.

Staff Costs

3.14 Employee costs have increased by approximately £223k including oncosts. This is mainly due to the inclusion in the budget of funded posts following the Customer Services Restructure in August 2022. Three new apprentice posts and one additional Customer Services Administrator are now included in the budget. The additional costs of £179k are offset by earmarked reserve funds. The impact to the General Fund from incremental salary rises and regraded posts is £44k.

District Election

- 3.15 Due to the District Election in 2023/24, previously provided for expenditure in contingent sums in the MTFP has now been moved to the base budget. The increase (£125k) is not a direct impact on the General Fund reserves, rather a movement of the funds from contingent to the base budget.
- 3.16 The base budget will reduce in 2024/25 by the same amount (£125k). The movement will allow the expenditure to be matched against the budgets ensuring financial control.

Professional Fees and Computer Maintenance

- 3.17 Professional fees have an inflationary increase provided for of 2% in the MTFP, however the pressure of high rates of CPI at 10.1% index linked to agreements is not the only factor affecting this budget increase (£61k).
- 3.18 External audit fees are under review and are expected to increase by up to 150%. The uplift to this budget is proposed at £30K with additional funds set aside in the MTFP of £20K. The results of a recent procurement exercise and consultation on Audit Fees will be announced later in the year. However, given on-going issues with resources for External Audit, it is considered inevitable that Fees will need to rise.
- 3.19 Inflationary uplifts of approximately £4k were covered within the MTFP. The financial year has recorded record highs in inflation resulting in Computer Maintenance Agreements (£45k) increasing which reflect this percentage uplift.

Postage

- 3.20 Business mail letters have increased in costs by 18% resulting in an additional £29k budget required to provide a postal service for the Council. Inflationary uplifts for postage are provided for in the MTFP (1%), but this level of increase in costs are difficult to predict.
- 3.21 The increase in charges relate to costs driven up by supply chain issues as a consequence of world events, plus an increase in paper prices of 40%. The 18% levied by the supplier is an average percentage to cover the cost of their services.

Internet Services

- 3.22 The additional budget for internet services £24K is offset by the reduction of telephone charges £22k. A new service has been implemented to provide additional circuits as a main line in defence against loss of internet connection. This has replaced the old services provided by Vodaphone.

Utility and Business Rates

- 3.23 The main increase for utilities (£22k) is in relation to the Civic Offices and the Depot. The current fixed tariff is due to finish in September 23, the volatility in the market makes predictions on expenditure difficult, and an increase of 10% has been applied. This is 8% higher than the predicted inflation rate within the MTFP at 2%. Business rate increases (£13k) reflect the change in ratable values for the Councils public buildings.

Housing Benefit

- 3.24 Housing Benefit is being replaced with Universal Credit (UC) for all new claimants. As a result of this, the Council receives less subsidy and less expenditure. The value of subsidy has reduced significantly since 2018 when the introduction of UC began across South Derbyshire.
- 3.25 The impact on the budget for 2023/24 is £14K. There are a number of factors included within this variance which are split out in the following table.

	2023.24 £	2022.23 £	Variance £
Rent Allowances	30,340	37,005	-6,665
Rent Rebates	83,400	80,882	2,518
Administration Grant	-162,422	-180,469	18,047
	-48,682	-62,582	13,900

- 3.26 The above table shows the net position of the individual types of Housing Benefit included within the subsidy. The Council budgets for a loss of subsidy 2% on Rent Rebates and 2.5% on Rent Allowances and any cost incurred are offset by the Administration grant received as part of the subsidy claim. The remaining balance supports the resource to manage Housing Benefit on a daily basis.
- 3.27 The MTFP makes provisions for the losses of the Administration grant and the value budgeted is the figure included within the MTFP. The Council will not receive detail of the allocated grant for 2023/24 until later in 2023.

Other Changes

- 3.28 Funding for administering the issues of concessionary bus passes has to date not been confirmed by Derbyshire County Council, therefore the income has not been included in the budget.
- 3.29 Property Estates reduction in income is due to a decrease in rechargeable insurance premiums for Commercial properties and an increase in the voids allowance for Town Centre lettings. The reduction of rechargeable insurance is £5K with £3k for the increase of void allowances.
- 3.30 Staff welfare has been a focus since the pandemic, this has resulted in the increased use of counselling services and occupational health referrals. Previously covid funding had absorbed the increased costs of providing these services. The funding is no longer available which will result in an overspend in 2022/23. The proposed increased budget of £7k is to continue to provide this service.
- 3.31 No inflationary increase for training courses is provided for within the MTFP, budgets are reviewed each year to ensure the specific training needs of departments are met. It is proposed to increase the budget by £7k to invest in staff skills and qualifications.

Favourable variances

Investment Income

3.32 2022/23 has seen a rise in investment rates of over 3%, the Council has on average £68m invested in various institutions, with a range of rates. Temporary loans are placed with other local authorities securing rates and amounts of investment income. The budget increase in interest receivable (£144k) is set with caution, calculations have included average rates lower than are currently seen in the market. This will secure the budget against a fall in investment interest rates. It is noted that interest rates are continuing to increase and this is currently generating substantial amounts of additional income which is helping to offset cost increases elsewhere.

Pension Contributions

3.33 The budget reduction of £132k is related to the added years payments. These were payments made to pensioners under older Local Government Regulations prior to 2008 and have been reducing for several years. Consequently, it is proposed that the budget is reduced accordingly. It should be noted that the Council has recently received the results of the 2022 Pension Fund Valuation which will set contributions for 2023/24 to 2025/26 inclusive. This will be reported to the Committee in February.

Earmarked Reserves

3.34 The increase in earmarked reserve is mainly due to the funding of posts as a result of the Customer Services Restructure approved in August 2022. Posts have been included in the base budget with the drawdown from reserves offsetting the costs in the General Fund.

HRA Recharges

3.35 The total impact of the increase in HRA recharges is £94k and after a full review of all charges, the following table details the movement by service area.

	Movement £'000
Head of Finance	-27
Head of Business Change & ICT	-15
Head of Legal & Democratic	-4
Strategic Director (Corporate Resources)	-9
Head of Customer Services	-14
Head of Corporate Property	-7
Head of Organisational Development & Performance	-18
	-94

3.36 The increases for each area represent the rise in the costs for providing direct support from each of the service areas. The biggest increase is due to staff costs resulting from the recent pay award, and the increased rates of inflation added to costs of service.

3.32 The Housing Programme Manager recharge is for services provided though Business Change that are part funded by the HRA. This is to assist with HRA projects in particular the housing decarbonisation project. This was approved at Finance and Management Committee in April 2021.

Other Variances

- 3.33 Benefits processing fees have been removed as approved in the Customer Services Restructure, the funds are no longer required for the extra resource, previously provided by Capita. The £40k will be utilised to cover the additional costs to fund the restructure.
- 3.36 Computer Licenses have been subject to a review during 2022/23, the results of this are the budget saving of £33k.
- 3.37 Insurance savings (£31k) are the result of the Council's tendering of its insurance services as reported in November 2022.
- 3.38 Estates have successfully agreed two new lease agreements resulting in additional income of £20k. The new Innovation Centre is expected to generate £10k with Dellner Woodville's new agreement yielding the other £10k of income.
- 3.34 Additional allowances were budgeted for with the Members budget for 2022/23 this has been removed for 2023/24 as it is not required.

4.0 Budget Basis

- 4.1 The Committee's budgets by service area are detailed in **Appendix 1**.

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, inflation 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.

Changes in Pay

- 4.1 A pay award is not included within the Base Budget at this stage as no official notification has been agreed and submitted to the Council.
- 4.2 The MTFP was updated in November 2022 to include a pay award for 2022/23 and also includes a provision for a potential pay award increase of 3.5% per year for all employees from 2023/24.

Inflation

- 4.3 The Base Budget for 2023/24 has been uplifted by inflation where this applies, for example contract obligations.
- 4.4 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.
- 4.5 Allowances for inflation based on various assumptions regarding price increases, etc. are calculated across the main spending heads at an average of 8.8%. Average increases in inflation are peaking to over 10% currently although this is deemed to be an anomaly in the market. It is expected that inflation will average around 8.4% during 2022/23.

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:
- 2022/23 – 2.0%
 - 2021/22 – 2.0%
 - 2020/21 – 2.0%
 - 2019/20 – 2.0%
 - 2018/19 – 2.0%
 - 2017/18 – 1.0%
- 4.6 Latest inflation as at October 2022 shows CPI increasing to 11.1% . The Office for National Statistics is assuming that inflation will average 8.4% during 2022/23. The Council includes a 2% increase in the MTFP.
- 4.7 Every 1% increase in the base level across all grants for this Committee equates to approximately £4k per annum.

Risks

- 4.12 All Committee budgets have been reviewed and known changes to income and expenditure have been reflected in the proposed base budget for 2023/24 as detailed in the report.

Housing Benefit

- 4.13 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 £10m per year. A 1% variance equates to £102k and therefore it is important that the Council maximises the subsidy it reclaims from the DWP. The DWP Regulations set a threshold for errors which, if exceeded, would mean subsidy being withdrawn.
- 4.14 As previously reported, the rollout of Universal Credit (UC) is having an impact on both the amount of benefit paid and the administration grant received. The rollout of UC for new claims went live in South Derbyshire in November 2018 and existing claimants have started to transfer across. The impact will be kept under review.

Proposed Fees and Charges 2022/23

4.19 **Appendix 2** provides a schedule of the proposed charges that will operate from 1 April 2023, 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.

4.20 The charges are mainly standard ones for the recovery of court costs, change notifications and payment fees.

5.0 Financial Implications

5.1 As detailed in the report.

6.0 Corporate Implications

Employment Implications

6.1 None.

Legal Implications

6.2 None.

Corporate Plan Implications

6.3 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.

Risk Impact

6.4 The Financial Risk Register is detailed in the Medium-Term Financial Plan and financial risks specific to this Committee are detailed in Section 4.

7.0 Community Impact

Consultation

7.1 The Council is statutorily required to consult on its budget proposals, prior to setting the annual Council Tax rate, with the local business and community sector. The Council has an established process in place to meet this requirement. Consultation takes place for approximately four weeks following approval of the draft budget proposals by Finance and Management Committee in January each year. Any feedback is reported to the Council as part of the final approval process.

7.2 There is no statutory requirement to consult with residents or other stakeholders, although it is considered good practice to do so. Traditionally, the Council has disseminated proposals through Area/Community Forums and via a presentation at the South Derbyshire Partnership Board. Many authorities do consult formally regarding their budget proposals and medium-term financial plans prior to setting budgets, using panels, representative groups, etc. as a way of fully engaging local people.

Equality and Diversity Impact

7.3 None.

Social Value Impact

7.4 None.

Environmental Sustainability

7.5 None.

8.0 Conclusions

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

9.0 Background Papers

9.1 None.

FINANCE & MANAGEMENT - BUDGET SETTING 2023/24

	Proposed Budget 2023/24 £	Approved Budget 2022/23 £	Movement £	Comments
Business Change	125,681	111,582	14,099	Increase salaries £22k, HRA recharge £7.8k
Digital Services	186,693	180,623	6,070	Decrease printing £4.2k, Computing £1.5k, HRA Recharge £1.4k
Caretaking	156,319	156,303	16	Decrease salaries £1.5k, HRA recharges £1.4k; Increase mileage £3k
Senior Management	467,067	471,253	-4,186	Decrease Training £1.4k, Mileage £1.1k, TPP £1.4k; Increase HRA recharges £3k salaries £3.2k
Financial Services	392,922	422,423	-29,501	Decrease professional fees £70k, Reserve Funding £15k; Increase salaries £37k, Training £3.8k, HRA recharges £1.2k
Internal Audit	126,633	113,373	13,260	Increase Professional Fees £19.5k, HRA Recharges £6.2k
Merchant Banking Services	69,283	68,075	1,208	
ICT Support	775,687	778,097	-2,410	Decrease salaries £6.4k, Telephones £13.8k, Mobiles £8.7k, Insurance £6.4k; Increase training £4k, Internet Circuits £24.5k, Depn £9.6k, HRA recharges £5.7k
Legal Services	280,115	283,535	-3,420	Decrease salaries £1k, Books £2.3k; Increase professional fees £2.3k, HRA recharges £2.6k
Performance & Policy	39,554	39,817	-264	
Personnel/HR	414,639	396,375	18,264	Decrease salaries £10k, Insurance 2.2k Licenses £20k, Computing £14kx2; Increase medical £6.6k, prof fees £70k, HRA recharges £14.5k
Communications	82,206	84,496	-2,290	Increase HRA recharges £2.3k
Customer Services	587,517	536,993	50,525	Reduce Stationery £2.9k; Increase salaries £37.4k, Postages £29k, HRA recharges £13.6k
Health & Safety	59,769	60,252	-483	
Admin Offices & Depot	695,910	673,282	22,629	Decrease insurance £6.1k; Increase salaries £3.3k, Utilities £14.8k, Rates £1.8k, Refuse £1k, Depn £8.3k, HRA recharges £9.6k, Van Hire £817, Licences £255
Protective Clothing	30,809	29,809	1,000	Increase protective clothing

Procurement	12,349	12,349	0	
CENTRAL SUPPORT SERVICES	4,503,154	4,418,635	84,519	
Democratic Representation & Management	92,058	91,850	207	
Corporate Management	69,435	65,951	3,484	Increase subs £3.5k
Corporate Finance Management	40,261	37,969	2,293	Decrease insurance £1.5k; Increase professional fees £30k, HRA recharges £25.6k
Elected Members	354,920	361,625	-6,705	
CORPORATE & DEMOCRATIC COSTS	556,674	557,395	-721	
Registration of Electors	43,481	44,271	-790	
Conducting Elections	306,786	187,742	119,045	Decrease Tools R&M £3.4k; Increase district election costs £125k
ELECTIONS & REGISTRATION	350,267	232,013	118,255	
Funded Pension Schemes	148,017	280,298	-132,281	
Increase/Decrease in Provision for Bad or Doubtful Debts	175,000	175,000	0	
Planning Agreements	0	0	0	
Parish Councils	435,009	434,765	243	
Interest & Investment Income (GF)	-281,578	-136,229	-145,349	Decrease insurance 1.7k; Increase Interest £144k
External Interest Payable (GF)	2,700	500	2,200	Increase - Parish Council Loans Interest
PARISHES, INTEREST, S106 RECEIPTS & PROVISIONS	479,148	754,334	-275,186	
Estate Management	-240,342	-238,225	-2,117	Decrease training £1.5k, Insurance £6.9k; Increase salaries £1k, Utilities £7.6k, Business Rates £11.5k, Prof fees £3k, Fees £12.1k
ESTATE MANAGEMENT	-240,342	-238,225	-2,117	
Council Tax Collection	135,133	144,212	-9,080	Decrease salaries £9.7k, Insurance £215; Increase training £864
Non-Domestic Rates Collection	-87,500	-87,500	0	
Revenues & Benefits Support & Management	381,042	357,680	23,362	Decrease salaries £4.7k; Increase computing £28.1k
Rent Allowances Paid	30,340	37,005	-6,665	
Net cost of Rent Rebates Paid	83,400	80,882	2,519	
Corporate Fraud	51,066	48,150	2,916	Increase prof fees £2.9k
Housing Benefits Administration	143,321	173,803	-30,482	Decrease salaries £15.3k, Benefits processing £40k, Grants (income) £18k; Increase Professional fees £6k
Concessionary Fares	0	-9,600	9,600	No confirmation of DCC contribution
REVENUES & BENEFITS	736,801	744,631	-7,830	
	6,385,702	6,468,784	-83,081	

PROPOSED FEES AND CHARGES 2023/24

APPENDIX 2

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

MISCELLANEOUS FEES AND CHARGES	Fee 2022/23 £:P	Proposed Fee 2023/24	Notes
Court Costs			
Court Costs Recovered	67.50	67.50	
National Bus Pass Scheme			
Replacement Card Scheme	5.00	5.00	
Benefit Fraud			
Fraud Investigation Court Costs recovered	At Cost	At Cost	
Sale of Radar Keys			
Sale of Radar Keys - disabled	2.55	2.55	
Penalty Charge			
Penalty charge for C 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	
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	
Legal Fees			
Conveyancing Certificate required by the HM Land Registry	50.00	50.00	
LPE 1 & Deed Assignment	150.00	150.00	

