
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	10th JANUARY 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
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SUBJECT:	SERVICE BASE BUDGETS 2019 / 2020	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2019/20 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 2019/20 are considered and approved.
- 1.3 That consideration is given to the level of any increase in contributions to Parish Councils in 2019/20 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 2019/20, with a comparison to the current year, 2018/19. 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 2019/20 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, 2019/20.

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 In accordance with local government accounting regulations, Central Support Services are no longer required to be recharged and allocated across other Policy Committees.

The Council's Overall Financial Position

3.5 The Council's MTFP was reviewed and updated in October 2018. 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.

3.6 However, the continuing issue is the projected budget deficit over the medium-term from 2019/20 when the impact of the reduction in core funding takes 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 following the phasing out of RSG.

3.7 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

3.8 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 2018/19 £	Proposed Budget 2019/20 £	Change £
Central and Departmental Accounts	3,210,540	3,326,065	115,524
Concessionary Travel	0	0	0
Corporate and Democratic Costs	671,110	613,418	-57,692
Electoral Registration	206,992	326,783	119,791
Payments to Parish Councils	359,832	362,497	2,665
Pensions, Grants Interest Payments and Receipts	263,625	228,684	-34,941
Property and Estates	-166,557	-263,375	-96,818
Revenues and Benefits	515,970	581,676	65,706
	5,061,511	5,175,747	114,235

3.9 The above table shows that the Committee's net expenditure is estimated to increase overall between 2018/19 and 2019/20 by £114,235. An analysis of the changes within each service area is detailed in **Appendix 1**.

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

Changes in Base Budget 2018/19 to 2019/20	£'000
Staffing Costs	137
District Election	125
HRA Recharge	20
Insurance	14
Boardman Industrial Estate – surface repairs	-75
Benefit Overpayments	-45
Interest Income and Bank Charges	-45
Rental and Service Charge Income	-19
Approved Changes	112
Transfer of Apprentice from ICT to Land Charges (EDS)	-20
Business Rates	23
Computer Licences and Maintenance	54
Additional Changes	57
Change in Service Expenditure	169
Less: Depreciation	-55
Base Budget Increase	114

3.11 Several of the above changes included within the Committee's Base Budget have been provided for in the MTFP. In particular, the District Election cost of £125k is incorporated into the MTFP every 4 years.

3.12 Excluding the decrease in Depreciation, which is an accounting adjustment and not a cost to the Council, the increase in actual expenditure based on the proposed budgets, is £169k. Of the £169k increase, known expenditure of £112k has previously been reported to Committee. The main reasons for the variances are detailed in the following sections.

3.13 The main variance is the increase in staffing costs which are as a result of the Revenues & Benefits and Finance restructures approved on 30th August plus incremental rises, the apprenticeship levy and the nationally agreed pay award. Detail of the increase is included below.

Staffing Costs Changes 2018/19 to 2019/20	£'000
Pay Award and National Living Wage	85
Incremental Pay Rises	32
Revenues & Benefits and Finance Restructures	30
Apprenticeship Levy	9
Vacant Posts Appointed on Lower Scale Point	-19
Total Staffing Changes	137

3.14 The other main changes are detailed in the following sections.

HRA Recharges

3.15 The HRA recharges are calculated as varying percentage charges of the proposed General Fund Base Budget. There are many fluctuations in proposed expenditure across central support services and therefore some significant adverse and favourable variances across individual cost centres.

3.16 The total impact of the reduction in HRA recharges is £7k but the actual reduction relating to this Committee is £20k. An additional charge of £13k has been generated

through Grounds Maintenance which is reported within the proposed Budget to Housing & Community Services Committee.

- 3.17 After a full review of all charges, the main cause of the reduction to the HRA is as a result of savings from the shared service arrangement with Chesterfield NHS Trust for Procurement.

Insurance

- 3.18 The overall proposed insurance budget has increased the cost to the Council by £8k but this is split over a number of individual policies, some of which are a saving from prior year. The additional cost to this Committee is £14k which is due mainly to the increase of Computer Insurance, Employee Insurance and Public Liability partially offset by other savings.

Interest and Bank Charges

- 3.19 The banking contract with Barclays Bank was retendered in 2018/19 with the new contract commencing on 1st April 2019. There have been minimal changes to the charging structure in the new contract.
- 3.20 Based on the number of transactions processed through the bank accounts, the current rate charged for each transaction and the total cost incurred over the past 3 years, a reduction of £10k is proposed in the Base Budget for 2019/20.
- 3.21 The Council has £2m invested within the CCLA fund which generates much better rates of interest than banks alone. Based on past experience during the last 2 financial years, it is proposed to increase the interest receivable budget by £35k as this is a more realistic expectation than has been previously been budgeted.

Boardman Industrial Estate – Surface Repairs

- 3.22 During the Budget round for 2018/19, repair works to the surface of the service yard at Boardman Industrial Estate of £75k were approved. This is a one-off cost and has now been removed from the Base Budget going forward.

Benefit Overpayments

- 3.23 Within the Revenues & Benefits restructure report approved on 30th August it was proposed to have dedicated employees for recovery purposes on both revenue collection for Council Tax and Business Rates and for benefit overpayments.
- 3.24 Further to this, it is expected that the increased focus on benefit overpayments will result in additional revenue for the Council and so it is proposed to increase the Base Budget by £45k in recognition of this.

Rental and Service Charge Income

- 3.25 Based on the current level of income generated from Industrial Units it is proposed to increase the budget in 2019/20 by £12k. Potential void periods are incorporated within the proposed budget and the increased income target is deemed achievable.
- 3.26 Service charge income received from County Council for occupying an area within the Civic Offices is always higher than the approved budget. It is proposed to increase this by £7k to £19k in 2019/20 to be more in line with actual receipts.

Business Rates

- 3.27 Increased costs for Business Rates have been based on the current year's actual charge with a 2% inflationary increase. Public Buildings such as the Civic Offices and the Depot are the areas of spend within this Committee.

Computer Licences and Maintenance

- 3.28 Microsoft licences, such as Windows, Excel and Outlook are purchased under an Enterprise Agreement (EA). This grants access to Microsoft products for the duration of the agreement which is always a 3 year period.
- 3.29 Every 3 years Microsoft, in collaboration with the Cabinet Office, publishes the terms and conditions of the next generation of EA which includes the cost and availability of each product. Microsoft offers 4 levels of discount on their EAs (Category A-D), with Local Authorities receiving the largest amount of discount.
- 3.30 However, up to 31st December 2018 a traditional model has been employed whereby these discounts have been applied to all products relating to on premise installation. The new EA (called DTA2018) removes all discounts from premise installations and places the reduction on cloud based products known as online services instead.
- 3.31 This means the Council would pay approximately £150,000 more over the next 3 years for the same products installed at present, but would receive less upgrades, updates and features as these will only be applied to online service products.
- 3.32 Online services products are not new (Office 365) but up until 1st Jan 2019 they have been cost prohibitive as discounts were applied to on premise installations. Even with the full Category D discounts applied in new Enterprise Agreements these products represent a growth in cost for Microsoft licences in the order of £60,000 over the next 3 years as opposed to £150,000.
- 3.33 Alongside the additional licence cost of approximately £20k in 2019/20, there will be additional costs during the first year for set-up which has been estimated at approximately £15k.
- 3.34 Computer maintenance costs for the operational systems used across the Council have been increased in the Base Budget by £19k due to inflation. Inflation is included within the MTFP and is therefore not an additional cost to the General Fund.

Depreciation

- 3.35 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 decrease for the Committee of £55k relates to downward revaluations for the Civic Offices and Town Centre buildings. 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. 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

- 4.6 The pay award is included within the Base Budget at 2% as agreed by Local Government Unions and the National Employers.

Inflation

- 4.7 The base budget for 2019/20 has been uplifted by 2% for inflation/indexation where this applies, for example contract obligations and employee pay awards.
- 4.8 Clearly, some base costs will be subject to inflation during future years and in some cases it will be "unavoidable," for example employee costs, when national pay increases are approved.

Increase in Payments for Concurrent Functions to Parish Councils

- 4.9 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:
- 2018/19 – 2.0%
 - 2017/18 – 1.0%
 - 2016/17 – 2.0%
 - 2015/16 – 2.3%
 - 2014/15 – 2.0%
 - 2013/14 – 2.6%

- 4.10 Latest inflation rates show CPI running at 2.3% as at the end of November. The Government's Autumn Statement forecasts CPI inflation falling to 2% by the end of 2019/20. The Council's MTFP currently provides for a 2% increase.

- 4.11 Every 1% increase in the base level equates to approximately £3,000 per year in total.

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 2019/20 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 £16m per year. A 1% variance equates to £160k 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 future roll-out of Universal Credit (UC) is likely to have an impact on both the amount of benefit paid and potentially, the resources that the Council employs to administer Benefits. The roll-out of UC for new claims went live in South Derbyshire in November 2018; existing claimants are expected to be phased across from July 2019. The impact will be kept under review.
- 4.15 The MTFP and Base Budget have not been updated for any of the risks regarding Housing Benefit at this stage.

Factory Premises, Hearthcote Road

- 4.16 The tenant of the above property has an option to break the lease on 24th March 2020, subject to six months' written notice. If the break is exercised, it is unlikely that the property could be let in the short-term. This is due to the overall size and configuration of the buildings at the property which could make it unattractive to a single occupier.
- 4.17 The current tenant pays a rental income of £190k per annum and the potential loss of income has been included in the MTFP.

Proposed Fees and Charges 2019/20

- 4.22 **Appendix 2** provides a schedule of the proposed charges that will operate from 1st April 2019, 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.
- 4.23 The charges are mainly standard ones for the recovery of court costs, change notifications and payment fees.
- 4.24 The only proposed change is a reduction to the Magistrates element of Court Costs from £70 to £67.50.

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 as outlined in the Corporate Plan.

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 Budget will be disseminated through Local Area Forums and separate consultation will be undertaken with the local business community.

Equality and Diversity Impact

7.2 None.

Social Value Impact

7.3 None.

Environmental Sustainability

7.4 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.

BUDGET - 2019/20

Finance & Management

£'s		BUDGET			
		2019/20	2018/19	VARIANCE	
PSX40	Senior Management	402,168	397,580	(4,588)	Favourable HRA recharges (£4k); adverse salaries (£8k), insurance (£1k)
PSX50	Reprographic/Print Room	241,136	221,916	(19,220)	Favourable HRA recharges (£2k); adverse salaries (£1k), stationary (£20k) (see PSX95)
PSX55	Financial Services	327,159	304,640	(22,519)	Favourable HRA recharges (£22k); adverse salaries (£42k), insurance (£1k), computer maintenance (£2k)
PSX56	Internal Audit	105,703	103,115	(2,588)	Inflationary increase to Audit fee
PSX57	Merchant Banking Services	62,701	78,186	15,486	Favourable bank charges (£10k), computer maintenance (£8k); adverse HRA recharges (£3k)
PSX60	ICT Support	783,133	758,283	(24,850)	Favourable salaries (£2k), HRA recharges (£15k), hardware (£20k); adverse insurance (£7k), licences (£55k)
PSX65	Legal Services	197,445	192,190	(5,255)	Favourable training (£1k), HRA recharges (£3k); adverse salaries (£9k)
PSX75	Personnel/HR	233,330	225,538	(7,792)	Favourable HRA recharges (£3k); adverse salaries (£6k), insurance (£1k), recruitment expenses (£1k), computer maintenance (£3k)
PSX76	Policy & Communications	158,343	152,487	(5,856)	Favourable HRA recharges (£2k); adverse salaries (£2k), insurance (£1k), computer maintenance (£5k)
PSX77	Customer Services	265,413	240,049	(25,364)	Favourable salaries (£5k); adverse computer maintenance (£11k), insurance (£1k), HRA recharges (£18k)
PSX78	Health & Safety	28,992	28,200	(791)	Favourable HRA recharges (£1k); adverse salaries (£1k), tools (£1k)
PSX81	Admin Offices & Depot	370,242	386,596	16,354	Favourable income (£7k), depreciation (£55k); adverse salaries (£1k), business rates (£30k), insurance (£1k), HRA recharges (£10k), new flag (£2k), refuse (£2k)
PSX95	Protective Clothing	25,000	15,207	(9,793)	Favourable stationary (£20k) (see PSX50), TPP (£30k) (see PSX96), computer maintenance (£1k); adverse protective clothing (£5k), HRA recharges (£56k)
PSX96	Procurement Unit	17,360	0	(17,360)	Favourable HRA recharges (£15k); adverse TPP (£31k) (see PSX95), computer maintenance (£1k)
KJE40	Caretaking	107,943	106,553	(1,390)	Adverse salaries
Central and Departmental Accounts		3,326,065	3,210,540	(115,525)	

HTT00	Concessionary Fares	0	0	0	
Concessionary Travel		0	0	0	
AAD00	Democratic Representation & Management	83,492	79,700	(3,791)	Favourable HRA recharges (£1k); adverse salaries (£3k), computer maintenance (£2k)
AAM00	Corporate Management	50,408	61,509	11,101	Favourable prof fees (£16k) (see ACG00); adverse subscriptions (£5k)
AAM01	Corporate Finance Management	56,331	56,227	(104)	Adverse insurance
ABU00	Adjustments to Bad Debts and other Provisions	100,000	100,000	0	
ACD00	Elected Members	307,188	312,350	5,162	Favourable insurance (£6k), HRA recharges (£3k); adverse Members allows (£4k)
ACG00	Emergency Planning	16,000	0	(16,000)	Adverse prof fees (see AAM00)
KJW00	Debt Management Costs	0	61,324	61,324	Favourable salaries
Corporate and Democratic Costs		613,418	671,110	57,692	
ACE00	Registration of Electors	48,595	49,473	878	Favourable subscriptions (£2k); adverse insurance (£1k)
ACE10	Conducting Elections	278,188	157,519	(120,669)	Favourable salaries (£4k); adverse District Election (£125k)
Electoral Registration		326,783	206,992	(119,791)	
ACT01	Parish Councils	362,497	359,832	(2,665)	Adverse Insurance
Payments to Parish Councils		362,497	359,832	(2,665)	
ABP00	Funded Pension Schemes	262,112	262,116	4	
W4A00	Interest & Investment Income (GF)	(77,755)	(42,818)	34,937	Favourable interest (re CCLA deposit)
W6A00	Pensions Adjustment	0	0	0	
W7A00	External Interest Payable (GF)	700	700	0	
W8A00	Other Operating Income & Expenditure (GF)	43,627	43,627	0	
Pensions, Grants Interest Payments and Receipts		228,684	263,625	34,941	
PSX85	Estate Management	(263,375)	(166,557)	96,818	Favourable repairs (£75k), business rates (£7k), rental income (£12k), prof fees (£10k); adverse salaries (£4k), HRA recharges (£1k), insurance (£2k)
Property and Estates		(263,375)	(166,557)	96,818	

ACA00	Council Tax Collection	153,920	(41,290)	(195,210)	Favourable discretionary benefits (£4k); adverse salaries (£167k), insurance (£1k), advertising (£2k), computer maintenance (£29k)
ACA40	Non Domestic Rates Collection	(93,000)	(25,925)	67,075	Favourable computer maintenance (£25k), subscriptions (£7k), salaries (£37k); adverse court fees (£2k)
KGF00	Revenues & Benefits Support & Management	(82,304)	63,622	145,927	Favourable salaries (£143k), prof fees (£2k)
KGL00	Rent Allowances Paid	107,535	142,561	35,026	Favourable overpayment income (£45k); adverse allowance costs (£10k)
KGN00	Net cost of Rent Rebates Paid	61,049	64,584	3,535	Favourable rebate costs
KGP00	Housing Benefits Administration	341,148	287,398	(53,750)	Adverse salaries (£53k), insurance (£1k)
KGR00	Corporate Fraud	93,328	25,020	(68,308)	Adverse salaries
Revenues and Benefits		581,675	515,970	(65,705)	
		5,175,747	5,061,511	(114,236)	

PROPOSED FEES AND CHARGES 2019/20

APPENDIX 2

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

MISCELLANEOUS FEES AND CHARGES	Fee 2018/19 exc VAT £:P	Proposed Fee 2019/20 £:P	Note
Court Costs			

Court Costs Recovered	70.00	67.50	Magistrates Court element reduced
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	