

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No 7

meeting date: 21 JANUARY 2020
title: ORIGINAL REVENUE BUDGET 2020/21
submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

- 1.1 To agree the draft revenue budget for 2020/21, for consideration at Special Policy and Finance Committee.

2 BACKGROUND

3 Year Budget Forecast

- 2.1 The Council's three year budget forecast was presented to Policy & Finance Committee in September. Whilst every year it is extremely challenging to predict funding, nearly all of our major income streams are currently very difficult to forecast in the present climate. Our forecast in September predicted the following budget gaps; £0k in 2020/21, £372k in 2021/22, £410k in 2022/23, after allowing for the use of general fund balances.
- 2.2 2019/20 is the last year of the Government's 4 year multi settlement. From 2020/21 we were expecting substantial local government finance reforms. However in September the Government wrote to all councils announcing that a decision has been taken to delay the implementation of 75% business rates retention and the Fair Funding Review until April 2021. They also announced that 75% business rates pilots will come to an end at the end of March 2020 with no new pilots planned for 2020/21.
- 2.3 Policy and Finance Committee recommend that service committees;
- budget based on the current levels of service provision
 - increase their fees and charges by inflation (2%) where possible
 - only consider growth items which can be funded by identified savings

Spending Round 2019

- 2.4 The Spending Round 2019 was announced on 4 September 2019 and whilst it is for one year only it does provide Councils with some certainty as to next year's funding.
- The Chancellor announced some extra funding for adult and children's social care. He also announced that key grants to local government will continue next year.
 - The future of the New Homes Bonus scheme remains uncertain. Legacy payments will be honoured but the scheme for 2020/21 is still for discussion with ministers. We currently rely on £1.105m to fund our revenue budget each year and also use some of our allocation to fund the capital programme
 - Funding to remove negative RSG will continue for 2020/21.

- A 2% maximum council tax increase and a further 2% increase for Adult Social Care Precept for illustrative purposes. As is customary however, the government will consult on Council Tax Referendum Principles as part of the Local Government Finance Settlement.

General Election

- 2.5 The General Election has resulted in the announcement of the Provisional Local Government Finance Settlement being put back until after the election.
- 2.6 There is also considerable uncertainty with further Local Government Funding as all the major parties set out quite different spending priorities. Hopefully by the time of your meeting the position will be clearer.
- 2.7 Given all of these uncertainties the service committee budgets have been prepared based on the current level of service plus inflation. Where unavoidable service costs have arisen, these are highlighted.

3 BUDGET PROCESS

- 3.1 Presented to committee for decision in November were the proposed fees and charges for 2020/21. The consequential impact of these approved fees and charges have been incorporated in to the service budgets shown within this report.
- 3.2 Following a great deal of in-depth service analysis and meetings with regard to this committee's budgets by the council's accountants, budget holders, heads of service and management team, a proposed draft budget is now presented to members. This budget is agreed as that which best reflects the services of this committee for the next financial year.
- 3.3 When all committees have approved their detailed estimates the overall position will be considered by Budget Working Group.
- 3.4 The Budget Working Group will then make recommendations in order to produce a balanced budget for consideration at the Special meeting of Policy and Finance Committee. The final budget report will then be presented to Full Council, at which point the Council Tax for 2020/21 will also be approved.

4 2020/21 DRAFT REVENUE BUDGET

- 4.1 As far as your budget is concerned, the estimates have been prepared on the current levels of service, and they allow for pay increases at 3% and price increases at 2%.
- 4.2 Within this report the budget is shown in the same manner in which they are reviewed. Each costs centre within the report is shown individually. Behind each costs centre is a great deal more subjective level detailed budgets, but for the purposes of this report they are summarised in to the standard local government CIPFA Service Reporting Code of Practice basis.

- **Employee Related:** this group includes the cost of employees, both direct and indirect to the council.

- **Premises Related:** this group includes expenses directly related to the running of premises and land.
- **Transport Related:** this group includes all costs associated with the provision, hire or use of transport, including travelling allowances.
- **Supplies and Services:** this group includes all direct supplies and service expenses to the council.
- **Third Party Payments:** a third party payment is a payment to an external provider which is operating independently, in return for the provision of a service.
- **Transfer Payments:** this includes the cost of payments to individuals for which no goods or services are received in return by the local authority. A key item here would be the payment of housing benefits.
- **Support Services:** charges for services that support the provision of services to the public. At this council the main support service cost is the support from staff based at the council offices building and the building's associated cost.
- **Depreciation and Impairment:** this is the revenue impact of capital items shown in the service revenue accounts of the council.
- **Income:** this includes income from fees and charges, grants, donations and contributions. Also shown here is the associated 'income' to a support service from the redistribution of its costs to those providing services to the public.

4.3 As you will see, the draft proposed budget for 2020/21 for each service area is also built up looking at a number of stages. The starting point is the base budget, being the Original Estimate for the current financial year. A summary of the various elements is given below.

- **Original Estimate 2019/20:** This represents the base budget for the council and assumes no change in service level from that set for the previous year's original estimate.
- **Savings:** Here any savings or additional income that is identified from past service experience or trends would be brought in to the budget to adjust the base budget.
- **Inflation at 3% Pay and 2% Other:** The budget forecast allows for inflation on pay at 3% and prices at 2% (with some exceptions such as grants). This is where that general allowance for inflation is brought in to the individual budget areas.
- **Variation to Standard Budgeted Inflation %:** Inevitably, as we undertake detailed work on the budget it becomes evident that there are some items of income or spend that experience a greater or lower level of inflation. This is where we adjusted for those differing levels of inflation. An example is energy costs.
- **Unavoidable Changes to Service Costs:** This relates to changes to a service, for example where costs are demand driven.
- **Support Services:** Any changes that relate to the recharging of support service costs are included in this column.
- **Capital:** Any changes relating to depreciation and impairment are included in this column

- **DRAFT Original Estimate 2020/21:** The final column is the total of all preceding columns and is constructed from the base budget and any necessary changes to the base that are needed. If approved this will then form the base budget in next year's budget process.

4.4 Detailed in the following section of the report are the individual budget areas under this committee. Shown are the movements from the 2019/20 Original Estimate, to the DRAFT Original Estimate for 2020/21. Comments are also provided on the main variances.

5 COMMITTEE SERVICE ESTIMATES

5.1 **Cost Centre and Description** CEXEC: Chief Executives Department

The Chief Executive's Department comprises two service units: Legal and Democratic Services and Environmental Health. Legal and Democratic services provide the council with advice on legal issues and support to the democratic process, it also has responsibility for the Committee Services section, which prepares and distributes agendas, and offers support to the Borough Mayor. Environmental Health provides commercial and domestic environmental health support and also the building control function within the area.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	1,056,790		31,470	-24,120	510			1,064,650
Transport Related Expenditure	25,620		510	-680	-30			25,420
Supplies & Services	41,210		830		1,770			43,810
Support Services	210,550		0			5,710		216,260
Total Expenditure	1,334,170	0	32,810	-24,800	2,250	5,710	0	1,350,140
Customer & Client Receipts	-560		-20					-580
Other Grants and Contributions	-8,810		0					-8,810
Departmental Recharges	-1,324,800		0			-15,950		-1,340,750
Total Income	-1,334,170	0	-20	0	0	-15,950	0	-1,350,140
Net Expenditure	0	0	32,790	-24,800	2,250	-10,240	0	0

CEXEC: Chief Executives Department

Commentary on Substantial Budget Changes

Employee Related Expenditure

As part of the pension contributions there has historically been payment towards the recovery of the deficit on the pension scheme. However, the latest actuarial valuation has indicated a surplus position for this council and has resulted in a switch from additional contributions to the pension scheme, to the council now receiving a share of the surplus indicated in the last actuarial valuation which has resulted in a variance of -£44k for this department. This variance, which is shown under 'variation to standard budgeted inflation' is partly offset by an increase the employer's superannuation contribution that is payable on pensionable salaries from 16.5% to 18.7% from 1st April 2020 (£18k).

Supplies & Services

Increase to the percentage of paper and stationery budget allocated to the Chief Executive's Department (moved in from other service areas).

Support Services

Net increase in support service costs due to changes in cost allocations from council premises, the ICT, Community and Resources Departments.

Departmental/Miscellaneous Recharges

The increase to the estimated net cost of the department for 2020/21 in turn increases the recharges out to other service areas.

5.2 **Cost Centre and Description** CIVCF: Civic Functions

The costs included here relate to all mayoral expenditure including the mayoral and deputy mayoral allowances and costs incurred in relation to events, functions, mayoral transport and the cost of associated support services.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	12,890		380	-170				13,100
Premises Related Expenditure	1,000		20		180			1,200
Transport Related Expenditure	6,470		130	-440	-360			5,800
Supplies & Services	22,420		450					22,870
Support Services	18,650		0			-1,100		17,550
Total Expenditure	61,430	0	980	-610	-180	-1,100	0	60,520
Net Expenditure	61,430	0	980	-610	-180	-1,100	0	60,520

CIVCF: Civic Functions

Commentary on Substantial Budget Changes

Support Services

Net decrease in support service costs due to changes in cost allocations from the Community, Chief Executives and Resources Departments.

5.3 **Cost Centre and Description** CIVST: Civic Suite

All running costs for the civic suite are shown here, including staffing and cleaning of the facility. On occasions the civic suite is hired out to external organisations, for which a charge is made. Council departments are also charged a proportion of the running costs.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	11,860		330	-260				11,930
Premises Related Expenditure	21,910		430	330	-1,420			21,250
Supplies & Services	1,980		40		60			2,080
Support Services	8,930		0			170		9,100
Depreciation and Impairment	24,610		0				4,850	29,460
Total Expenditure	69,290	0	800	70	-1,360	170	4,850	73,820
Customer & Client Receipts	-4,630		-90		2,320			-2,400
Departmental Recharges	-64,660		0			-6,760		-71,420
Total Income	-69,290	0	-90	0	2,320	-6,760	0	-73,820
Net Expenditure	0	0	710	70	960	-6,590	4,850	0

CIVST: Civic Suite

Commentary on substantial budget changes

Premises Related Expenditure

The estimate for premises related expenditure for the 2020/21 year has reduced. This is mainly due to variations in the estimates for utilities and also a reduction to the anticipated repairs and maintenance requirements at the Civic Suite, allowing for prioritisation of spend on other areas.

Depreciation

Increase in depreciation costs largely as a result of the refurbishment work undertaken in 2018/19.

Customer and Client Receipts

Reduction in demand for hire of the Civic Suite, particularly with regards to the Coroners office, has reduced the level of income estimated for the year.

Departmental Recharges

An overall increase to the net cost of the civic suite for the reasons detailed above increases the recharges out to other service areas.

5.4 **Cost Centre and Description** CLOFF: Council Offices

This budget is for the cost of our main council offices in Clitheroe. All running costs are collated under this budget and then recharged to the services that use the building.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	58,760		1,740	-3,350	-2,570			54,580
Premises Related Expenditure	165,280		3,300	2,680	-5,690			165,570
Supplies & Services	9,360		180		480			10,020
Third Party Payments	1,090		20		-310			800
Support Services	22,840		0			450		23,290
Depreciation and Impairment	50,570		0				-6,260	44,310
Total Expenditure	307,900	0	5,240	-670	-8,090	450	-6,260	298,570
Customer & Client Receipts	-28,980		-580	230				-29,330
Departmental Recharges	-278,920		0			9,680		-269,240
Total Income	-307,900	0	-580	230	0	9,680	0	-298,570
Net Expenditure	0	0	4,660	-440	-8,090	10,130	-6,260	0

CLOFF: Council Offices

Commentary on Substantial Budget Changes

Employee Related Expenditure

A post previously charged to the Council Offices budget is now being accounted for within the Resources Departmental budget. There has also been a reduction to the estimated superannuation costs allocated to this cost centre for the year as a result of the redistribution of a surplus of contributions to the pension deficit.

Premises Related Expenditure

The transitional surcharge that applied to the council offices annual business rates liability following a reduction in the premises rateable value has now ended, reducing the estimate for 2020/21 by -£2.4k. The repairs and maintenance budget has also reduced by -£3k as work that was expected to take place in the 2020/21 financial year has been brought forward to 2019/20. Increases above standard budgeted inflation relate to utility charges.

Depreciation and Impairment

Depreciation costs have decreased largely as a result of the last asset revaluation at 31 March 2019.

Departmental Recharges

The decrease to the net cost of the Council Offices reduces the recharges out to other service areas.

5.5 Cost Centre and Description

CLTAX: Council Tax

This budget is for the cost of administration and collection of council tax. It includes the costs of maintaining the software, postages, bailiff fees, court costs and support services costs.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Supplies & Services	71,580		1,440	-690	-4,620			67,710
Support Services	390,090		0			-5,060		385,030
Total Expenditure	461,670	0	1,440	-690	-4,620	-5,060	0	452,740
Customer & Client Receipts	-83,700		-1,670	1,670	1,910			-81,790
Other Grants and Contributions	-2,520		0					-2,520
Total Income	-86,220	0	-1,670	1,670	1,910	0	0	-84,310
Net Expenditure	375,450	0	-230	980	-2,710	-5,060	0	368,430

CLTAX: Council Tax**Commentary on Substantial Budget Changes****Supplies and Services**

Lower postage costs to the date of review following of a reduction to the number of postages has reduced the original estimate by -£2.6k. There has also been a reduction to court costs charged to the Council per summons which has reduced the estimate for the year by -£2k.

Support Services

Net decrease in support costs due to changes in cost allocations from the ICT, Community, Chief Executives and Resources Departments.

Customer and Client Receipts

Estimated annual income for the recovery of the cost of summonses is estimated on a 3-year average. Following analysis of the 2016/17 - 2018/19 financial years the budget has been reduced for 2020/21.

5.6 **Cost Centre and Description**

COMPR: Computer Services

The Computer (ICT) Services Section function supports all the services in the council where there is an ICT reliance. It is responsible for the installation and development of the computer based systems of the council. Management of the data protection responsibilities of the council also falls within this service area. These costs are fully recharged to service users. Additionally, digital communications such as the corporate website and work on the main corporate social media accounts is undertaken within this service

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Premises Related Expenditure	2,930		60		410			3,400
Supplies & Services	77,180		1,540	1,360	3,420			83,500
Support Services	236,630		0			4,490		241,120
Depreciation and Impairment	10,220		0				2,170	12,390
Total Expenditure	326,960	0	1,600	1,360	3,830	4,490	2,170	340,410
Departmental Recharges	-326,960		0			-13,450		-340,410
Total Income	-326,960	0	0	0	0	-13,450	0	-340,410
Net Expenditure	0	0	1,600	1,360	3,830	-8,960	2,170	0

COMPR: Computer Services

Commentary on Substantial Budget Changes

Supplies & Services

Increased costs relate to software maintenance costs increasing above the standard inflation rate plus the revenue impact of the Corporate Firewall capital scheme.

Support Services

Increase to support service costs charged to the Computer Section from the Resources Department.

Depreciation and Impairment

An increase in depreciation charges in respect of assets created as part of the 2019/20 capital programme.

Departmental Recharges

An increase to the net cost of the computer services section for the reasons detailed above increases the value of the recharge out to other service areas.

5.7 **Cost Centre and Description** CORPM: Corporate Management

Corporate Management concerns those activities and costs that provide the infrastructure to allow services to be provided and the information that is required for public accountability. This budget includes staff indirectly employed on corporate issues such as corporate planning, council and corporate policy making, preparation of published accounts, publicity, estimating and accounting for precepts.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Support Services	342,600		0			1,940		344,540
Total Expenditure	342,600	0	0	0	0	1,940	0	344,540
Net Expenditure	342,600	0	0	0	0	1,940	0	344,540

CORPM: Corporate Management
Commentary on Substantial Budget Changes

Support Services
 Net increase in support service costs due to changes in cost allocations from the Community, Chief Executives, Resources, and Economic Development and Planning Departments.

5.8 **Cost Centre and Description** COSDM: Cost of Democracy

This budget includes member allowances, special responsibility allowances, member travel expenses, council meeting expenses and miscellaneous costs relating to members.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	3,850		110	-180				3,780
Supplies & Services	246,060		7,170	0	10,520			263,750
Support Services	226,760		0			9,850		236,610
Total Expenditure	476,670	0	7,280	-180	10,520	9,850	0	504,140
Net Expenditure	476,670	0	7,280	-180	10,520	9,850	0	504,140

COSDM: Cost of Democracy

Commentary on Substantial Budget Changes

Supplies and Services

The unavoidable changes to service costs include the establishment of a budget for the cost of Member conferences (£3k) which has been moved in from other areas, with the majority being from the Resources Department cost centre where expenditures were previously accounted for. A budget has also been established for the annual software support cost of the modgov system, which was approved by this Committee in February 2019 (£7k).

Support Services

Net increase in support service costs due to changes in cost allocations from council premises, the ICT, Community, Chief Executives, Resources and Economic Development and Planning Departments.

5.9 **Cost Centre and Description**

CSERV: Corporate services

Costs here relate to performance management, policy development and review, consultation and corporate communications. This includes the production of the Ribble Valley News publication.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Supplies & Services	31,410		630	-1,220				30,820
Support Services	131,820		0			5,170		136,990
Total Expenditure	163,230	0	630	-1,220	0	5,170	0	167,810
Net Expenditure	163,230	0	630	-1,220	0	5,170	0	167,810

CSERV: Corporate Services

Commentary on Substantial Budget Changes

Supplies and Services

Below standard budgeted inflationary increase to the cost of the Ribble Valley News publications.

Support Services

Net increase in support service costs due to changes in cost allocations from the Community and Resources departments.

5.10 Cost Centre and Description

DISTC: District Elections

Shown here are the costs of holding the local elections, being once every four years. An earmarked reserve is set aside to fund this cost. The next elections are in 2023.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	120,000		3,600	-3,600	-120,000			0
Total Expenditure	120,000	0	3,600	-3,600	-120,000	0	0	0
Net Expenditure	120,000	0	3,600	-3,600	-120,000	0	0	0
Associated Movement in Earmarked Reserves	-90,000		-1,800	1,800	120,000			30,000
Net After Earmarked Reserves	30,000	0	1,800	-1,800	0	0	0	30,000

DISTC: District Elections**Commentary on Substantial Budget Changes****Employee Related Expenditure**

Shown in the original estimate 2019/20 budget are the anticipated costs of running the district election for 2019. Accordingly the budget has been removed for the 2020/21 financial year.

Associated Movement in Earmarked Reserves

The costs of the district elections is met from an earmarked reserve, where resources are set aside on an annual basis. For 2019/20 the -£90k movement was a release of -£120k from the reserve to fund the cost of the 2019 election, less a £30k contribution towards the next election. The estimate has been adjusted for 2020/21 to allow for a contribution to the reserve only.

5.11 **Cost Centre and Description**

ELADM: Election Administration

This budget is for the cost of administrating elections to the council. It only covers the support service costs.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Support Services	24,660		0			6,540		31,200
Total Expenditure	24,660	0	0	0	0	6,540	0	31,200
Net Expenditure	24,660	0	0	0	0	6,540	0	31,200

ELADM: Election Administration

Commentary on Substantial Budget Changes

Support Services

Net increase in support service costs due to changes in cost allocations from the Community, Chief Executives and Resources Departments.

5.12 **Cost Centre and Description** ELECT: Register of Electors

The council has a statutory duty to compile and maintain a register of all those entitled to vote.

Canvassers collect information on individuals living in the Ribble Valley which together with information from pre-printed forms posted out, are used to compile a register. The budget covers employee costs, printing and stationery costs, software maintenance costs and postages. Once completed part of the register is available for sale. Recently there has been a move from household information to an individual register, this has been grant funded with an earmarked reserve set up to fund future costs.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	10,680		320		-900			10,100
Supplies & Services	53,440		1,070	240	3,520			58,270
Support Services	46,810		0			-6,680		40,130
Total Expenditure	110,930	0	1,390	240	2,620	-6,680	0	108,500
Customer & Client Receipts	-1,360		-30					-1,390
Total Income	-1,360	0	-30	0	0	0	0	-1,390
Net Expenditure	109,570	0	1,360	240	2,620	-6,680	0	107,110

ELECT: Register of Electors

Commentary on Substantial Budget Changes

Employee expenditure

The employee cost of carrying out the canvas has reduced, showing as an unavoidable change in the table above.

Supplies & Services

The unavoidable movement is largely due to an increase to the cost of the council's annual data protection registration following a revision to the pricing structure under the Data Protection (Charges and Information) Regulations 2018.

Support Services

Net decrease in cost allocations from the Chief Executives and Resources Departments.

5.13 Cost Centre and Description

EMERG: Community Safety

The Council is designated as a Category 1 responder under the Civil Contingency Act and as such is required to work with other agencies to develop and provide a suitable robust response to a range of identified local civil emergency risks.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Supplies & Services	7,290		150	40	120			7,600
Third Party Payments	1,120		20					1,140
Support Services	56,800		0			-1,830		54,970
Total Expenditure	65,210	0	170	40	120	-1,830	0	63,710
Net Expenditure	65,210	0	170	40	120	-1,830	0	63,710

EMERG: Community Safety**Commentary on Substantial Budget Changes****Support Services**

Net decrease in support service costs due to changes in cost allocations from the ICT, Community, Chief Executives and Resources Departments.

5.14 **Cost Centre and Description**

ERNET: Emergency Radio Network

This cost centre holds contributions and associated expenditures of the Lancashire Emergency Radio Network.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Supplies & Services	0		0		3,000			3,000
Total Expenditure	0	0	0	0	3,000	0	0	3,000
Other Grants and Contributions	0		0		-3,000			-3,000
Net Expenditure	0	0	0	0	0	0	0	0

ERNET: Emergency Radio Network**Commentary on Substantial Budget Changes**

Budget that was previously held under the Two Way Radio cost centre (TWOWR) is now to be recorded separately under ERNET. The budget holds contributions from various Lancashire Councils towards the upkeep of the Lancashire Emergency Radio Network and associated expenditures.

5.15 **Cost Centre and Description** ESTAT: Estates

The council has many assets, which include land and property. Most are accounted for on their own cost centres, with other residual sites budgeted for here. Individual Heads of Service manage the properties that support their operations and the legal section support this work.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Premises Related Expenditure	9,570		190		-3,830			5,930
Supplies & Services	1,770		40					1,810
Support Services	34,440		0			520		34,960
Depreciation and Impairment	66,650		0				1,620	68,270
Total Expenditure	112,430	0	230	0	-3,830	520	1,620	110,970
Customer & Client Receipts	-42,070		-850	710	-2,120			-44,330
Miscellaneous Recharges	0		0		-70			-70
Total Income	-42,070	0	-850	710	-2,190	0	0	-44,400
Net Expenditure	70,360	0	-620	710	-6,020	520	1,620	66,570

ESTAT: Estates

Commentary on Substantial Budget Changes

Premises related expenditure

The rental of a council owned building has resulted in a reduction to the council's annual NNDR liability.

Depreciation and Impairment

Increased depreciation charges are largely due to the capital work undertaken in 2018/19 at Queensway Garages, Waddington.

Customer and Client Receipts

The unavoidable changes detailed above are due to an increase in annual income following rental of a council owned building, partly offset by a reduction in estimated income following termination of the Salvation Army lease (approved by this Committee in September 2019).

5.16 **Cost Centre and Description**

FGSUB: Grants & Subscriptions - Policy and Fin

Within this budget are various Grants, Contributions and Subscriptions paid by the Council from this Committee. The major payments under this budget are to Citizen's Advice Bureau, Ribble Valley Crossroads and Local Government Association (subscription). In addition, the concurrent function grants are allocated from this budget.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Supplies & Services	11,880		240					12,120
Transfer Payments	150,070		3,010	-240	-4,190			148,650
Support Services	7,720		0			-460		7,260
Total Expenditure	169,670	0	3,250	-240	-4,190	-460	0	168,030
Net Expenditure	169,670	0	3,250	-240	-4,190	-460	0	168,030

FGSUB: Grants & Subscriptions - Policy and Fin**Commentary on Substantial Budget Changes****Transfer Payments**

In June 2019 this Committee resolved to provide a one-off payment of £10k to LCC for financial support towards the operation of the 280 Preston to Skipton bus service for a period of 12 months, with the cost to be funded from the Council's voluntary organisation grant's budget from the 2019/20 and 2020/21 financial years. Accordingly, an increase to the grant budget of £4,190 in 2019/20 has been met by a decrease of the same value at original estimate for 2020/21.

5.17 Cost Centre and Description

FMISC: Policy & Finance Miscellaneous

Included in this budget are the council's external audit fees and charges for the council's bank accounts.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	-49,440		-990		12,850			-37,580
Premises Related Expenditure	590		20					610
Supplies & Services	77,510		1,550	-5,410	-2,700			70,950
Third Party Payments	0		0		2,180			2,180
Support Services	44,760		0			-4,000		40,760
Depreciation and Impairment	0		0				21,700	21,700
Total Expenditure	73,420	0	580	-5,410	12,330	-4,000	21,700	98,620
Interest	-50		0		-230			-280
Other Grants and Contributions	-30,000		0		10,000			-20,000
Total Income	-30,050	0	0	0	9,770	0	0	-20,280
Net Expenditure	43,370	0	580	-5,410	22,100	-4,000	21,700	78,340
Associated Movement in Earmarked Reserves	52,690		1,050		-12,850			40,890
Net After Earmarked Reserves	96,060	0	1,630	-5,410	9,250	-4,000	21,700	119,230

FMISC: Policy & Finance Miscellaneous

Commentary on Substantial Budget Changes

Employee Related Expenditure

The saving is as a result of paying the council's employer current service pension contributions in full at the beginning of the year. The saving for 2020/21 is estimated to be -£37,580 and is reflected under this budget heading.

Supplies & Services

The decreased costs shown as a variation to standard budgeted inflation result from a decrease to the rates charged from the council's banking provider for the processing of direct banking transactions. The estimate for audit fees (Housing Benefits Subsidy audit) has also been reduced following a recent procurement exercise.

Third Party Payments

An estimated budget has been brought in for the cost of the National Fraud Initiative exercise which is undertaken biennially.

Support Services

Decrease in support service cost allocation from the Resources Departments.

Depreciation and Impairment

Increase in depreciation charges as a result of schemes in the 2019/20 capital programme.

Other Grants and Contributions

Reduction in amount shown in respect of the Lancashire Business Rates Pool and the admin charges that would be due as a result of the movement back to the previous 50% business rates pool, following the Government's withdrawal of all pilot pools.

Associated Movement in Earmarked Reserves

Pension savings detailed under 'Employee Related Expenditure' are moved to an earmarked reserve at the end of the financial year. The reduction in the estimated saving for 2020/21 is therefore matched by a reduction in the estimated contribution to the reserve.

5.18 Cost Centre and Description

LANDC: Land Charges

The council holds and compiles the register of charges affecting properties, which then forms the basis of the local land charges search.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	3,330		70		1,080			4,480
Supplies & Services	12,220		240	-760				11,700
Support Services	84,680		0			-12,730		71,950
Total Expenditure	100,230	0	310	-760	1,080	-12,730	0	88,130
Customer & Client Receipts	-71,570		-1,440		-3,290			-76,300
Total Income	-71,570	0	-1,440	0	-3,290	0	0	-76,300
Net Expenditure	28,660	0	-1,130	-760	-2,210	-12,730	0	11,830

LANDC: Land Charges**Commentary on Substantial Budget Changes****Employee Related Expenditure**

The risk rating for Land Charges insurance has been increased by our insurers following an increase to the number of claims nationally, which has resulted in an increase to the annual cost of insurance charged to the Land Charges section.

Support Services

Net decrease in support service costs due to changes in cost allocations from the Community, Chief Executives, Resources and Economic Development and Planning Departments.

Customer and Client Receipts

The estimate for income from Land Charges is informed by prior year actuals. An increase to the number of searches undertaken to the date of review in the 2019/20 financial year has increased the original estimate for 2020/21.

5.19 **Cost Centre and Description** LICSE: Licensing

The council has a statutory duty to licence premises that serve alcohol, provide regulated entertainment or permit gambling and issue personal licenses to individuals. In addition the council licenses hackney and private hire drivers, vehicles and operators.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	2,860		60					2,920
Supplies & Services	22,370		440	100	1,550			24,460
Support Services	129,020		0			2,930		131,950
Total Expenditure	154,250	0	500	100	1,550	2,930	0	159,330
Customer & Client Receipts	-121,620		-2,430	1,530	-740			-123,260
Other Grants and Contributions	-2,860		0					-2,860
Total Income	-124,480	0	-2,430	1,530	-740	0	0	-126,120
Net Expenditure	29,770	0	-1,930	1,630	810	2,930	0	33,210

LICSE: Licensing

Commentary on Substantial Budget Changes

Supplies and Services

The increase is the result of the cost of membership to the National Anti Fraud Network in order to access the National Database for taxi drivers (Licensing Committee April 2018).

Customer & Client Receipts

Estimated income for licenses has been increased for the year following a review based on prior year averages.

Support Services

Net increase in support service costs due to changes in cost allocations from the Chief Executives and Resources Departments.

5.20 **Cost Centre and Description**

LUNCH: Luncheon Clubs

Financial support is provided by the Council to develop new and existing clubs to help them become self sustainable in the longer term

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Transfer Payments	13,430		270					13,700
Support Services	1,090		0			1,140		2,230
Total Expenditure	14,520	0	270	0	0	1,140	0	15,930
Net Expenditure	14,520	0	270	0	0	1,140	0	15,930

LUNCH: Luncheon Clubs

Commentary on Substantial Budget Changes

Support Services

Increase in service cost allocation from the Economic Development and Planning Department.

5.21 Cost Centre and Description

NNDRC: National Non Domestic Rates

The administration and collection of national non-domestic rates

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Supplies & Services	10,580		210	-380				10,410
Support Services	133,190		0			-710		132,480
Total Expenditure	143,770	0	210	-380	0	-710	0	142,890
Government Grants	-90,000		0					-90,000
Customer & Client Receipts	-5,030		-100	100	1,150			-3,880
Other Grants and Contributions	-170		0					-170
Total Income	-95,200	0	-100	100	1,150	0	0	-94,050
Net Expenditure	48,570	0	110	-280	1,150	-710	0	48,840

Commentary on Substantial Budget Changes**Customer and Client Receipts**

The estimated annual income for the recovery of the cost of summonses is based on a 3-year average. Following analysis of the 2016/17 - 2018/19 financial years the budget has been reduced.

5.22 **Cost Centre and Description**

RESOR: Resources Department

The Resources Department comprises three service units: Financial Services, Revenues & Benefits, and HR. The Financial Services Section provides the Accountancy and Internal Audit services of the Council. The section is responsible for all matters of financial administration. The section's main tasks are the preparation of budgets, closure of the Council's accounts, payment of invoices, the collection of debt, the treasury management function, and also the achievement of the annual internal audit plan. The Revenues and Benefits Section includes the collection of Council Tax and Business Rates, the processing of Housing and Council Tax Benefit and dealing with first point of contact for a range of council services and functions through the Contact Centre and also the Cash Office. the HR Section includes HR, Corporate policy, Communications, Health and Safety, Printing and Typing.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	1,897,780		56,260	-52,750	-2,390			1,898,900
Transport Related Expenditure	23,740		480		2,700			26,920
Supplies & Services	142,670		2,850	30	2,520			148,070
Support Services	209,510		0			-3,110		206,400
Depreciation and Impairment	26,210		0				-630	25,580
Total Expenditure	2,299,910	0	59,590	-52,720	2,830	-3,110	-630	2,305,870
Customer & Client Receipts	-5,120		-100					-5,220
Other Grants and Contributions	-20		0					-20
Departmental Recharges	-2,282,820		0			-17,810		-2,300,630
Total Income	-2,287,960	0	-100	0	0	-17,810	0	-2,305,870
Net Expenditure	11,950	0	59,490	-52,720	2,830	-20,920	-630	0

Employee Related Expenditure

As part of the pension contributions there has historically also been a lump sum payment towards the recovery of the deficit on the pension scheme. However, the latest actuarial valuation has indicated a surplus position for this council and has resulted in a switch from additional contributions to the pension scheme, to the council now receiving a share of the surplus indicated in the latest actuarial valuation. This accounts for -£76k of the variance to standard budgeted inflation shown above. The employers pension contributions payable as a percentage of pensionable pay on a monthly basis has increased from 16.5% to 18.7% for 2020/21 which has partly offset this variance by £29k. The remaining variance to standard inflation is the result of adjustments to estimated direct staffing costs for the department following costings using the most up to date staffing information at the time of the review. The adjustment to budget under unavoidable changes is largely due to movement of budget from the Resources Department cost centre to the Cost of Democracy cost centre (COSDM) in respect of conference expenses.

Transport Related Expenditure

Increase to estimated spend on mileage allowances of £1,360 following an increase to claims plus an increase to vehicle insurance costs of £1,340.

Supplies and Services

Increases to software maintenance costs within the department of £8k are partly offset by decreases in relation to printing and stationery allocations (-£4k) and savings generated from a change of supplier for the main telephone system (-£2k). Estimated software maintenance costs include the unavoidable costs of implementing the digital submission of VAT returns (Making Tax Digital), the purchase of additional adobe licences and a contingency to meet the potential cost of an over inflationary price increase to an annual licence (negotiations ongoing at the time of the budget review).

Support Services

Net increase in support service costs due to changes in cost allocations from the council premises and ICT.

Departmental Recharges

The increase in net expenditure is reflected in an increase in recharges to other services areas.

5.23 **Cost Centre and Description**

SUPDF: Superannuation Deficiency Payments

Cost here relate to historic liabilities arising from unfunded pension costs. It includes the cost of past added years' service, which is the cost of making up the years when employees retired early. Currently payments are made to Lancashire County Council and West Yorkshire pension funds. The budget also covers the cost of actuarial information of the pension fund.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	6,770		200	-50				6,920
Third Party Payments	92,240		1,840					94,080
Total Expenditure	99,010	0	2,040	-50	0	0	0	101,000
Net Expenditure	99,010	0	2,040	-50	0	0	0	101,000

6 SUMMARIES

6.1 The draft budget is summarised in two ways. One over the cost of the service provided by the committee (objective). The other is over the type of expenditure and income (subjective)

a) Cost of service provided by the committee (Objective)

Cost Centre and Description	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
CEXEC: Chief Executives Department	0		32,790	-24,800	2,250	-10,240		0
CIVCF: Civic Functions	61,430		980	-610	-180	-1,100		60,520
CIVST: Civic Suite	0		710	70	960	-6,590	4,850	0
CLOFF: Council Offices	0		4,660	-440	-8,090	10,130	-6,260	0
CLTAX: Council Tax	375,450		-230	980	-2,710	-5,060		368,430
COMPR: Computer Services	0		1,600	1,360	3,830	-8,960	2,170	0
CORPM: Corporate Management	342,600		0			1,940		344,540
COSDM: Cost of Democracy	476,670		7,280	-180	10,520	9,850		504,140
CSERV: Corporate services	163,230		630	-1,220		5,170		167,810
DISTC: District Elections	120,000		3,600	-3,600	-120,000			0

a) Cost of service provided by the committee (Objective)

Cost Centre and Description	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
ELADM: Election Administration	24,660		0			6,540		31,200
ELECT: Register of Electors	109,570		1,360	240	2,620	-6,680		107,110
EMERG: Community Safety	65,210		170	40	120	-1,830		63,710
ERNET: Emergency Radio Network	0		0		0			0
ESTAT: Estates	70,360		-620	710	-6,020	520	1,620	66,570
FGSUB: Grants & Subscriptions - Policy and Fin	169,670		3,250	-240	-4,190	-460		168,030
FMISC: Policy & Finance Miscellaneous	43,370		580	-5,410	22,100	-4,000	21,700	78,340
LANDC: Land Charges	28,660		-1,130	-760	-2,210	-12,730		11,830
LICSE: Licensing	29,770		-1,930	1,630	810	2,930		33,210
LUNCH: Luncheon Clubs	14,520		270			1,140		15,930
NNDRC: National Non Domestic Rates	48,570		110	-280	1,150	-710		48,840

a) Cost of service provided by the committee (Objective)

Cost Centre and Description	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
RESOR: Resources Department	11,950		59,490	-52,720	2,830	-20,920	-630	0
SUPDF: Superannuation Deficiency Payments	99,010		2,040	-50				101,000
Grand Total	2,254,700		115,610	-85,280	-96,210	-41,060	23,450	2,171,210
Associated Movement in Earmarked Reserves	-37,310	0	-750	1,800	107,150	0	0	70,890
Net After Earmarked Reserves	2,217,390	0	114,860	-83,480	10,940	-41,060	23,450	2,242,100

b) Type of Expenditure/Income (Subjective)

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Employee Related Expenditure	3,136,130		93,550	-84,480	-111,420			3,033,780
Premises Related Expenditure	201,280		4,020	3,010	-10,350			197,960
Transport Related Expenditure	55,830		1,120	-1,120	2,310			58,140
Supplies & Services	840,930		19,070	-6,690	19,640			872,950
Third Party Payments	94,450		1,880		1,870			98,200
Transfer Payments	163,500		3,280	-240	-4,190			162,350
Support Services	2,361,550		0			3,230		2,364,780
Depreciation and Impairment	178,260		0				23,450	201,710
Total Expenditure	7,031,930	0	122,920	-89,520	-102,140	3,230	23,450	6,989,870
Government Grants	-90,000		0					-90,000
Other Grants and Contributions	-44,380		0		7,000			-37,380
Customer & Client Receipts	-364,640		-7,310	4,240	-770			-368,480
Interest	-50		0		-230			-280
Departmental Recharges	-4,278,160		0			-44,290		-4,322,450
Miscellaneous Recharges	0		0		-70			-70
Total Income	-4,777,230	0	-7,310	4,240	5,930	-44,290	0	-4,818,660
Net Expenditure	2,254,700	0	115,610	-85,280	-96,210	-41,060	23,450	2,171,210
Associated Movement in Earmarked Reserves	-37,310		-750	1,800	107,150			70,890
Net After Earmarked Reserves	2,217,390	0	114,860	-83,480	10,940	-41,060	23,450	2,242,100

7 EARMARKED RESERVES

- 7.1 In the Original Estimate for 2019/20 this committee planned to take £37,310 from earmarked reserves to support its expenditure in future years. Looking forward to 2020/21, the proposal included in the estimates is that this committee add £70,890 to earmarked reserves
- 7.2 The table below provides a summary of the DRAFT Original Estimate for 2020/21 together with the budgeted impact on the relevant earmarked reserves. Also detailed is a summary of the reasons for the movements on the earmarked reserves.

	DRAFT Original Estimate 2020/21	Reason for Movement on Earmarked Reserve
Committee Net Cost of Services	2,171,210	
FNBAL/H230 Election Fund	30,000	Reserve established from monies set aside on an annual basis to smooth out the cost of local elections. Shown here is a contribution to the reserve of £30,000 in preparation for the next election.
FNBAL/H269 Revaluation Reserve	2,190	Reserve established from monies set aside on an annual basis to smooth out the costs of revaluation of assets carried out every five years. This contribution represents the annual contribution to the reserve for the financial year 2020/21
FNBAL/H369 Pensions Triennial Revaluation Reserve	38,700	Reserve established to set aside superannuation savings. This is as the payment will be made in full at the beginning of the year, rather than monthly, resulting in a lower amount due in year. This contribution to the reserve represents the estimated saving to be made in 2020/21.
Committee Net Cost of Services after Movements on Earmarked Reserves	2,242,100	

8 KEY VARIATIONS

- 8.1 The net expenditure for this committee has increased by £24,710 after allowing for associated movements on earmarked reserves. The main reasons for this net increase are summarised in the table below.

Description	Variance Original Estimate 2019/20 to DRAFT Original Estimate 2020/21 £
<p><u>Superannuation</u> As part of the council's pension contributions there has historically been a payment towards the recovery of the deficit on the pension scheme. However, the latest actuarial valuation has indicated a surplus position for this council and this has resulted in a switch from additional contributions to the pension scheme, to the council now receiving a share of the surplus indicated in the last actuarial valuation.</p>	-120,140
<p><u>Inflation</u> Provision for inflationary increases excluding the superannuation adjustment detailed above.</p>	151,520
<p><u>Depreciation and Impairment</u> Movements in Capital charges.</p>	23,450
<p><u>FMISC: Finance Miscellaneous</u> A reduction in membership of the Lancashire Business Rates Pool for 2020/21 reduces the amount of income the council receives for administering the scheme. This is a result of the movement back to the previous 50% business rates pool, following the Government's withdrawal of all pilot schemes.</p>	10,000
<p><u>Support Service Costs</u> There is a net decrease in support service costs charged to the committee following changes to various departmental cost allocations.</p>	-41,060
<p><u>COSDM: Cost of Democracy</u> The software maintenance budget within this cost centre has been increased for the annual revenue cost of the modgov system.</p>	7,250

9 RISK ASSESSMENT

- 9.1 The approval of this report may have the following implications

- Resources: approval of the original budget for 2020/21 would see a decrease in net expenditure of £83,490 compared with the original budget for 2019/20 or an increase of £24,710 after allowing for movements on earmarked reserves.

- Technical, Environmental and Legal: none identified
- Political: none identified
- Reputation: sound financial planning safeguards the reputation of the Council
- Equality and Diversity – Equality and diversity issues are considered in the

10 RECOMMENDED THAT COMMITTEE

- 10.1 Approve the revenue original estimate for 2020/21 and submit this to a special meeting of this committee.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES

PF3-20/VT/AC
20 December 2019

For further background information please ask for Valerie Taylor

BACKGROUND PAPERS - None