
REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	8th JANUARY 2004	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF FINANCE OFFICER	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget200405/ community committee
SUBJECT:	GENERAL FUND BUDGETS & CAPITAL PROGRAMMEE 2003/2004 AND 2004/2005	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the estimates of revenue income and expenditure for 2003/04 and 2004/05 for the Committee's Services are considered and referred to the Finance and Management Committee for approval.
- 1.2 That the proposals for revenue service developments for 2004/05 are considered subject to further consideration by the Service and Financial Planning Working Group.
- 1.3 That the proposals for new capital investment for 2004/05 are considered subject to further consideration by the Service and Financial Planning Working Group.
- 1.4 That the Committee's proposed fees and charges for 2004/05 are approved.

2.0 Purpose of Report

- 2.1 To detail the Committee's probable out-turn for 2003/04 and the base budget for 2004/05. It also details proposed revenue service developments and new capital investment for 2004/05, together with proposals for the level of fees and charges under the responsibility of this Committee for the next financial year.

3.0 Detail

The report is sub-divided into several appendices, as follows:

- **Appendix 1** showing the value and cost of capital of assets currently used in delivering this Committee's services.
- **Appendix 2** - a summary of central and departmental service recharges.

- **Appendix 3** – a summary of the proposals for revenue service developments (as they affect this Committee).
- **Appendix 4** – a summary of the proposals for new capital investment (as they affect this Committee).
- **Appendix 5** – a schedule showing the proposed fees and charges for the Committee's Services for 2004/05.

BUDGET BOOKLET

In addition, a detailed budget booklet should be enclosed with this report. This shows a "line by line" breakdown of the Committee's Services for 2003/04 and 2004/05. Clearly, when individual cost centres are scrutinised in detail, there are variances between figures year on year and it would be impractical to explain all of these in the report. Hopefully, officers will answer any specific queries raised before or at the meeting.

Capital Charges

- 3.1 In accordance with Government regulations, all services are required to show the capital cost of using assets that is used in providing services. These come in the form of internal recharges from the Council's Finance and Management Committee. They consist of 3 elements depending on the type of asset/expenditure incurred, as follows:
- An **Interest charge** of 6% (2003/04) and 3.5% or 4.8% (2004/05) on the value of the asset depending on asset type.
 - **Depreciation** on land and buildings to write down the value of the asset over its useful life.
 - A **Deferred Charge** that represents capital expenditure due its size but does not produce an asset for the Council. This is usually in the form of grants and contributions that are usually written off to the service in the year they are incurred.
- 3.2 Capital charges can vary from year to year, especially Deferred Charges as they depend on the level of capital grants and contributions in the year. However, it is important to note that they are purely accounting adjustments that are reversed out in the Council's Asset Management Account (Finance and Management Committee).
- 3.3 A summary of the Committee's capital charges is shown in **Appendix 1**.

Central and Departmental Service Recharges

- 3.4 The main recharges are summarised in **Appendix 2**. These can also vary between years in individual cost centres depending on how staff time is allocated across services. The appendix shows in total how the main departmental accounts relevant to this Committee have been recharged overall.

PROBABLE ESTIMATE 2003/2004

- 3.5 The Committee's projected out-turn for 2003/04 shows a total net expenditure of £3,490,960 which is an increase of approximately £1m over the original cash limit estimate. However, it should be noted that this is almost entirely due to internal recharges and in particular, capital charges in the form of deferred charges for Renovation and Community Partnership Grants (see 3.1 above and Appendix 1)
- 3.6 There are other variations, but these are not significant. For example, overall income from cemeteries is forecasted to be greater than estimated, and there are cost savings (business rates) for Greenbank Leisure Centre. There are additional costs, for example, Etwall Leisure Centre (building repairs) but this is being funded from approved resources brought forward from 2002/03.

BASIS OF 2004/05 ESTIMATES

- 3.7 The budget for 2004/05 has initially been compiled at November 2003 prices. An allowance for inflation has then been added where this is considered unavoidable, to cover for price increases from November 2003 to March 2005. This calculates the cash limit estimate for 2004/05, in which budgets should be managed. The assumptions built into estimates are as follows:

- Employee Costs (including employer's pension contributions) - 3.5%
- Transport Costs – 3.25 %
- Business Rates – 3%
- Office Expenses – 1%
- Utilities – 3% (taking account of current volume/usage figures)
- Grants to Voluntary Bodies – 3%
- Contracted Services (including agency temps & sub contractors) – 3%
- Insurance – 5%
- Other Services – 2.5%

- 3.8 The estimates are also based on service levels in 2003/04 continuing, and include any full year effects of previous year's growth and capital expenditure. However, any non-recurring items have been removed.

THE COUNCIL'S OVERALL (GENERAL FUND) FINANCIAL POSITION

- 3.9 The table below shows the probable level of council spending for this current year (2003/04) and for the next three years. This does not take into account any resources that still may be allocated to meet new spending demands.

DETAIL	2003/04 £	2004/05 £	2005/06 £	2006/07 £
Net Revenue Spending	9,070,205	8,710,945	9,457,442	10,025,436
Less Financing				
Government Grants	5,199,325	5,022,461	5,122,910	5,225,368
Council Tax	3,432,209	3,681,276	3,898,600	4,151,563
From Earmarked Reserves	359,360	65,940	53,137	54,996
Gross Surplus (-) Deficit (+)	79,311	-58,732	382,795	593,509
Projected Balances	2,389,624	2,448,356	2,065,561	1,472,052

- 3.10 The Council's overall financial position on its General Fund continues to stay fairly healthy, with projected balances (before any new spending is approved) well above the level of £1/2m approved as part of the Council's financial strategy. This is mainly due to increases in income from Planning and Building Regulation Fees, together with bank interest being earned on the Council's "set-aside" capital receipts.
- 3.11 In addition, the Council no longer needs to provide for the "Commutation Adjustment" as the Government has relaxed the requirement to meet future costs associated with this issue. The previous 3-year projection approved by the Council in July 2003 had planned to contribute around £575,000 into an earmarked reserve. This is no longer required.
- 3.12 The increase in resources has allowed some additional spending to be accommodated within the above projection. For example:
- A provision for further increases in contributions to the County Council's Pension Fund, based on an interim valuation.
 - Additional costs associated with the Local Plan Inquiry in 2003/2004.
 - The phasing in of increases in Members' Allowances over this planning period.
- 3.13 In addition, the projection also takes into account some contingencies, mainly relating to a fall in income (from current levels) in the last 2 years of this planning period. The projection allows for increases in Council Tax of 4.5% in the 3 years 2004-2007.
- 3.14 Whilst the current 3-year projection remains healthy, the position in the longer term gives cause for concern. There are still underlying budget pressures, as evidenced by the forecasted budget deficits in 2006 and 2007.
- 3.15 The extent of the deficit is increasing each year as projected spending is rising at a faster rate than projected income. In the medium term, action will need to be taken to address this position to reduce the impact on limited Council reserves.

THE COUNCIL'S CAPITAL RESOURCES

- 3.16 As reported to Finance and Management Committee in October 2003, with effect from 1 April 2004, Government funding in the form of "Credit Approvals" to support local authority borrowing will cease to exist. Councils will be free to borrow money within a pre-determined local limit, as long as they can demonstrate that the interest charges associated with it are affordable and sustainable in the medium to longer term.
- 3.17 The Government will continue to support new capital investment. However, the Council will probably need to continue to finance most of its new capital investment from its own resources generated from asset sales (mainly council houses and land). In addition, the Council is also relying more heavily on partnership funding.
- 3.18 In the last 2 to 3 years, asset sales have been fairly significant, and the Council has not yet committed all of its useable receipts from previous years. In addition, the Council has generated a relatively significant amount this year, mainly through Council House sales.

- 3.19 However, in accordance with Government regulations, the Council is only allowed to spend 25% from the sale proceeds of housing assets, the remaining 75% has to be set-aside for debt repayment; 100% of the proceeds from non-housing assets can be re-invested.
- 3.20 Given this, the Council will have the following resources available to finance new capital investment from 2004/2005.

	£'000
Government Allocation – Single Capital Pot	534
Useable Capital Receipts	2,225
Total Resources	2,759
Less: Approved Commitments	
Private Sector Renewal Grants 2004/05	550
Contribution to Maurice Lea Memorial Park	137
Potential Contribution to Etwall Leisure Centre	250
Geographical Survey in Gresley Cemetery 2004/05	10
Renovation of Cemeteries (4-year programme to 2006/07))	75
Repayment of Covenants	470
Resources now Available	1,267

- 3.21 The Council has complete freedom in how it uses these resources. However, they are finite and once used, there is no guarantee that they will be replenished in the future. In addition, it should be noted that the Council is committed until 2009/10 on repaying the Covenants at around £1/2m per year.

SERVICE AND FINANCIAL PLANNING WORKING GROUP

- 3.22 The Group met on 15th December 2003 to consider the Council's overall financial position and financial strategy, together with initial budget proposals for 2004/05. This also involved considering proposals for new spending, and focused on the General Fund, Housing Revenue Account and Capital.
- 3.23 The Group did not make any firm proposals and will meet again during the very early part of January 2004. An update will be provided at the meeting.

Revenue Service Development Proposals 2004/05

- 3.24 The new spending proposals submitted by Divisional Managers in so far as they affect this Committee are summarised in **Appendix 3**. These were scored against criteria approved by the Finance and Management Committee and members have previously received full details of all bids submitted. The appendix shows the scores of all proposals relevant to this Committee.

New Capital Investment Proposals 2004/05

- 3.25 The proposals submitted by Divisional Managers in so far as they affect this Committee is summarised in **Appendix 4**. These were scored against criteria approved by the Finance and Management Committee and members have

previously received full details of all bids submitted. The appendix shows the scores of all proposals relevant to this Committee.

PROPOSED FEES AND CHARGES 2004/05

- 3.26 **Appendix 5** provides a schedule of the proposed level that will operate from 1 April 2004, together with a comparison to the existing charge. Generally, charges proposed have been increased by around inflation (2.5% to 3%) and rounded where necessary. Larger increases in cemetery fees are part of a phased increase to bring them into line with neighbouring/comparable authorities.

5.0 Financial Implications

- 5.1 As detailed in the report

6.0 Corporate Implications

- 6.1 As detailed in the report

7.0 Community Implications

- 7.1 As detailed in the report

8.0 Conclusions

- 8.1 The Committee is requested to consider carefully the income and expenditure proposals (including proposed new spending) of its Services in the light of the Council's overall financial position, and to approve a level of net expenditure for Finance and Management Committee.

9.0 Background Papers

The Local Government Finance Settlement (and associated papers) 2004/05