
REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	6th JANUARY 2005	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget200506/ H&C Policy committee
SUBJECT:	GENERAL FUND ESTIMATES AND CAPITAL PROGRAMME 2004/2005 and 2005/2006	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: HCS

1.0 Recommendations

- 1.1 That the estimates of revenue income and expenditure for 2004/05 and 2005/06 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 and new capital investment for 2005/06 is approved for consideration by Finance and Management Committee.
- 1.3 That the Committee's proposed fees and charges for 2005/06 are approved.

2.0 Purpose of Report

- 2.1 To detail the Committee's probable out-turn for 2004/05 and the cash limit estimate for 2005/06. It is proposed that these estimates will be included in the consolidated budget of the Council subject to the Council's overall financial position.
- 2.2 The report also details proposed revenue service developments and new capital investment for 2005/06, together with proposals for the level of fees and charges under the responsibility of this Committee for the next financial year.

3.0 Executive Summary

- 3.1 The Committee's net revenue expenditure is summarised in the following table.

Cash Limit Estimate 2004/05 £'000	Probable Out-turn 2004/05 £'000	Cash Limit Estimate 2005/06 £'000
2,234	3,353	2,478

3.2 The main changes to the Committee's base budget are summarised below.

ANALYSIS OF NET EXPENDITURE	£'000	£'000
Cash Limit estimate 2004/05 (as above)		2,234
Changes to Internal Allocations		
• Capital Charges (Appendix 1)	985	
• Central/Departmental Support (Appendix 2)	63	
• Pensions (Appendix 3)	45	
		1,093
Approved Increases in Net Expenditure		
• Repairs to Melbourne Leisure Centre Car Park	11	
• Repairs at Etwall Leisure Centre	14	
		25
Other Increases in Net Expenditure		
• Parks and Grounds Maintenance (but being funded from Section 106 monies)	27	
• Additional wages and reduced income at Etwall Leisure Centre (SDDC share)	7	
• Other variations	13	
		47
Decreases in Net Expenditure		
• Reduction in cost of Meals on Wheels Service to SDDC	-9	
• Additional grant and rental income on Homelessness Service	-37	
		-46
Probable Out-turn 2004/05		3,353
Changes to Internal Allocations		
• Capital Charges (Appendix 1)	-1,023	
• Central/Departmental Support (Appendix 2)	17	
		-1,006
Increases in Net Expenditure		
• Approved on-going costs of Maurice Lea Park	29	
• Parks and Grounds Maintenance (but being funded from Section 106 monies)	14	
• Other Variations	8	
• Non-recurring items	33	
		84
Net Inflation 2005/06		47
Cash Limit Estimate 2005/06		2,478

4.0 Detail

4.1 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 the Committee's services.

- **Appendix 2** – an analysis of central and departmental service recharges into the Committee's services.
- **Appendix 3** – an analysis of a statutory pensions adjustment as it affects this Committee for 2004/05.
- **Appendix 4** – a summary of the proposals for revenue service developments and new capital investment for 2005/06 applicable to this Committee.
- **Appendix 5** – a schedule showing the proposed fees and charges for the Committee's Services for 2005/06.

➤ **BUDGET BOOKLET**

- *In addition, a detailed budget booklet has been circulated separately with this report. This shows a "line by line" breakdown of the Committee's Services for 2004/05 and 2005/06.*
- *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. Officers will answer any specific queries raised before or at the meeting.*
- *Appendices 1 and 2 are designed to supplement the Budget Booklet by bringing out and summarising capital charges, central and departmental support services across the Committee's services.*

Capital Charges

4.2 In accordance with Accounting regulations, all services are required to show the capital cost of using assets that are 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 3.5% or 4.8% (2004/05) and 3.5% or 4.95% (2005/06) on the value of the asset depending on asset type.
- **Depreciation** on land, buildings, plant and equipment 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 (e.g. Renovation Grants), contributions and purchase of computer software. These charges, representing the amount of capital investment, are usually written off to the service the year after they are incurred, i.e. they are included in the 2004/05 probable out-turn.

4.3 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 (in Finance and Management Committee).**

4.4 A summary of the Committee's capital charges is shown in **Appendix 1**.

Central and Departmental Service Recharges

4.5 The recharges into this Committee, analysed over the main activity heads are summarised in **Appendix 2**. These can also vary between years in individual cost centres depending on how staff time is broadly allocated across services, or on changes to volumes and activity levels (e.g. number of invoices paid).

4.6 In addition, these recharges reflect the senior management restructure which effectively eliminated "old" cost centres relating to Economic Development and Technical Services.

4.7 **Again, it is important to note that they are internal recharges from Finance and Management Committee.**

Pension Adjustment 2004/05

4.8 Due to a change in accounting standards during 2003/04, the Council's actual cash contributions to the Pension Fund are no longer charged to the Committee's services. The charge now made represents the amount that is required to make good the deficit on the Pension Fund in the longer-term.

4.9 In most cases, this is higher than current payments being made as these still need to be increased in the future to "catch up" the existing shortfall. The difference is known as the **FRS 17 adjustment** and is determined by the Fund's actuary.

4.10 This adjustment is effectively showing the true cost of pensions over the longer-term. However, this is purely an accounting adjustment. Although this does become a cost in individual services, the difference is reversed out in the Council's consolidated accounts so that a neutral effect remains on the council tax.

4.11 This adjustment is significant in 2004/05 as the original estimates were prepared on the cash basis and not in line with FRS 17. The additional cost for this Committee is shown in **Appendix 3**.

Basis of 2005/06 Estimates (The Base Budget)

4.12 The budget for 2005/06 has initially been compiled at November 2004 prices. An allowance for inflation has then been added where this is considered unavoidable, to cover for price increases from November 2004 to March 2006. This calculates the cash limit estimate for 2005/06, in which budgets should be managed. The assumptions built into estimates are as follows:

- Employee Costs – 2.95% (as per pay award settlement)
- Employers Pension Contributions – 11% (as per actuary notification)
- Repairs and Maintenance – 3%
- Fuel – 3.5%
- Office Expenses (equipment, stationery, etc.) – cash limited
- Utilities – 3% (taking account of current volume/usage figures)
- Payments/grants to Voluntary Bodies and Parish Councils – 2.5%
- Contracted/Agency Services – 2.5%
- Insurance Premiums – 5%
- All other Supplies and Services – 2.5%
- Grants and Reimbursements – 2.5%

- Fees, Charges, Rents, etc. – at least 2% overall
- Planning and Building Regulation Fees – to be advised

4.13 The estimates are also based on approved service levels in 2004/05 continuing, and include any full year effects of previous year's growth and capital expenditure. However, any non-recurring items have been removed.

Capital Investment

4.14 This Committee currently has the following schemes in the Council's approved capital investment programme.

Scheme	£'000
Disabled Facility Grants	222
Private Sector Improvement and Renewal Grants	338
Housing Needs Survey	50
Parks, Recreation and Leisure Facilities	1,022
Crime and Disorder Initiatives	43
Community Partnership Scheme	268

4.15 In addition, the Council's rolling **5-year programme** includes provisional spending as summarised in the following table.

Scheme	£'000
Disabled Facility Grants	846
Private Sector Improvement and Renewal Grants	1,904
Housing Needs Survey	40
Parks, Recreation and Leisure Facilities	130
Crime and Disorder Initiatives	300
Community Partnership Scheme	750

Service and Financial Planning Working Group (SFPWG)

4.16 The Group met on 20th December 2004 to consider the Council's overall financial position and financial strategy, together with initial budget proposals for 2005/06. The Group was also scheduled to meet early in January 2005 to progress proposals.

4.17 This also involved considering proposals for new revenue spending and capital investment. In line with the Council's approved scoring mechanism for considering spending bids, a separate panel evaluated various proposals on 21st December 2004.

4.18 A list of proposals relevant to this Committee is summarised in **Appendix 4. A separate booklet has been circulated to all Members detailing each bid.** The evaluated scores along with any proposals from the SFPWG will be tabled at the meeting.

Proposed Fees and Charges 2005/06

4.19 **Appendix 5** provides a schedule of the proposed level that will operate from 1st April 2005, together with a comparison to the existing charge.

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 and to approve a level of net expenditure for Finance and Management Committee.

9.0 Background Papers

9.1 None