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| REPORT TO: | HOUSING AND COMMUNITY SERVICES COMMITTEE | AGENDA ITEM: | 6 |
| DATE OF MEETING: | 9 JANUARY 2003 | CATEGORY: | RECOMMENDED |
| REPORT FROM: | CHIEF FINANCE OFFICER | OPEN | |
| MEMBERS' CONTACT POINT: | KEVIN STACKHOUSE (595811) | DOC: | c/ks/myfiles/budget200304/h&ccttee |
| SUBJECT: | GENERAL FUND BUDGETS 2002/2003 AND 2003/2004 | REF: | |
| WARD(S) AFFECTED: | ALL | TERMS OF REFERENCE: | FM08 |

1.0 Recommendations

- 1.1 That the estimates of income and expenditure for 2002/03 and 2003/04 for the Committee's Services are approved, and referred to the Finance and Management Committee.
- 1.2 That the proposals for service developments for 2003/04 are approved and referred to the Finance and Management Committee.
- 1.3 That the Committee's proposed fees and charges for 2003/04 are approved.

2.0 Purpose of Report

- 2.1 To detail the Committee's probable out-turn for 2002/03 and the base budget for 2003/04. It also details proposed service developments for 2003/04, together with proposals for the level of fees and charges under the responsibility of this Committee for 2003/04.

3.0 Executive Summary

Probable Estimate 2002/2003

- 3.1 The Committee's projected out-turn for 2002/03 shows a total net expenditure of £2,921,590. This is an increase of approximately £72,000 over the original cash limit estimate, although, after taking account of internal recharges, the overall position is a reduction in the total figure,
- 3.2 The main reasons for this increase are set out in the table on the following page.

| <u>DETAIL</u> | £'000 |
|--|-----------|
| Increase in internal capital charges associated with Partnership Schemes | 70 |
| Inter Committee adjustment - Rent from Ski centre transferred to Finance Committee | 30 |
| Approved Contribution to Asian Over 60's Club | 5 |
| Approved money b/f from 2001/02 for Housing Needs Survey | 4 |
| Reduction in income from Burials | 14 |
| Planned expenditure at Swadlincote Woodlands – to be financed from Section 106 Agreement | 31 |
| Additional contribution to Etwall Leisure Centre due to increase in repairs (previously approved) and from income being lower than estimated | 7 |
| Offset by | |
| One-Off NNDR rebate (backdated) following revaluation of Greenbank Leisure Centre | -74 |
| Other Variations | -15 |
| Total Overall Increase in Net Expenditure 2002/03 | 72 |

Cash Limit Estimate 2003/2004

- 3.3 The Committee's total estimate for 2003/04 is £2,313,970. This is a decrease of approximately £607,000 on the probable out-turn for 2002/03, although after allowing for inflation, this reduction is almost entirely due to internal recharging and allocations. The main variances are set out below.

| <u>DETAIL</u> | £'000 |
|---|-------------|
| Inflation (net) | 22 |
| Increase in internal departmental and technical support charges based on review of time allocations | 60 |
| One-Off NNDR rebate in 2002/03 (backdated) following revaluation of Greenbank Leisure Centre | 74 |
| Offset by | |
| Reduction in Internal Capital Charges, mainly associated with Renovation Grants | -763 |
| Total Overall Decrease in Net Expenditure 2003/04 | -607 |

4.0 Detail

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

- ◆ Appendix 1 - a summary of each cost centre under the responsibility of each Divisional Manager, showing the build-up to a "bottom line" total net expenditure for the Committee overall.
- ◆ Appendices 2 and 3 – an analysis detailing the major variances.

- ◆ Appendix 4 - a summary of the proposed service developments for 2003/04.
- ◆ Appendix 5 – a schedule showing the proposed fees and charges for the Committee's Services for 2003/04.

4.2 Basis of 2003/04 Estimates

The budget for 2003/04 has initially been compiled at November 2002 prices. An allowance for inflation has then been added where this is considered unavoidable, to cover for price increases from November 2002 to March 2004. This calculates the cash limit estimate for 2003/04, in which budgets should be managed. The assumptions built into estimates are as follows:

- Employee Costs – 3.5%
- Energy, Rates and Water Costs – 2.5%
- Transport Costs – 2.5%
- Contracted Services – 2.5%
- All other costs – no increase
- Fees and Charges – an average of 2.5% across the Committee's Services

The estimates are also based on service levels in 2002/03 continuing, and include any full year effects of previous year's growth and capital expenditure. However, any non-recurring items have been removed.

4.3 The Council's Overall Financial (General Fund) Position

The table below shows the probable level of council spending for this current year (2002/3) and for the next three years. This does not take into account any new money allocated to meet new spending demands.

| DETAIL | 2002/3 £ | 2003/4 £ | 2004/5 £ | 2005/6 £ |
|---|------------------|------------------|------------------|------------------|
| Net Revenue Spending | 7,799,370 | 8,693,650 | 8,861,228 | 9,289,103 |
| Government Grants | -4,727,255 | -5,199,325 | -5,303,311 | -5,409,378 |
| Council Tax | -3,235,881 | -3,415,786 | -3,638,513 | -3,875,919 |
| From Earmarked Reserves | -265,320 | -39,000 | -18,000 | -18,000 |
| Gross Surplus (-) Deficit (+) | -429,086 | +39,539 | -98,597 | -14,194 |
| Transfers to the Commutation Reserve | 321,000 | 265,565 | 175,973 | 133,000 |
| Addition/Reduction (-) To Balances | 108,086 | -305,104 | -77,376 | -118,806 |
| Projected balances | 2,012,554 | 1,707,450 | 1,630,074 | 1,511,268 |

- 4.5 The Council's overall financial position on its General Fund appears fairly healthy, with projected balances (before any new spending is approved) well above the Council's minimum target of £1/2m. This is partly due to an increase in Government Grant of around 12.5%.
- 4.6 In addition, the projection also takes into account some contingencies, mainly relating to falling income from planning fees. It also includes a projected increase in Council

Tax of 3.5% in 2003/04 and 4.5% in each of the following 2 years. These are in line with the Government assumed increases for local authorities overall.

4.7 **The Service and Financial Planning Working Group** has met to consider initial budget proposals for next year 2003/4. This involved considering proposals for new spending. In essence the Working Group are suggesting that overall balances be set at a minimum level of **£1m** over the 3-year planning period. This should act as a further contingency, against future potential costs associated with closure of the Newhall tipping facility, and extension of the Council's recycling programme.

4.8 Against this background, the Working Group identified a need to incur new spending of some £508,310 over the next 3 years. This would have the effect of leaving balances at around £1m by 31st March 2006.

4.9 Service Development Proposals 2003/04

The new spending proposals submitted by Divisional Managers in so far as they affect this Committee are summarised in Appendix 4. These were scored against criteria approved by the Finance and Management Committee. The appendix shows the scores of all proposals relevant to this Committee. The suggestions of the Working Group are set out below.

| <u>SUMMARY OF SCHEME</u> | <u>Net 3 Year Estimate (£)</u> | <u>Comment</u> |
|--|--------------------------------|----------------|
| Development of Homelessness Services | 30,000 | |
| Preparation of South Derbyshire Community Strategy | 30,000 | |
| Community Development – Office Furniture | 750 | One-off |
| Maintenance of Open Spaces on new developments | 22,500 | |
| Energy Audit at Green Bank Leisure Centre | 2,000 | One-off |
| Young People's Safety Day | 500 | One-off |
| Web Site Development (Community Development) | 3,000 | One-off |
| Liberation Day | 1,000 | One-off |
| Elderly Activities | 1,000 | One-off |
| South Derbyshire Cultural Forum | 1,000 | One-off |
| Cleaning and Renovation of War Memorials | 2,500 | One-off |
| Increase in support to South Derbyshire CAB | 42,500 | |
| TOTAL | £136,750 | |

4.10 Proposed Fees and Charges 2003/04

Appendix 5 provides a schedule of the proposed level that will operate from 1 April 2003, together with a comparison to the existing charge. Generally large increases are being proposed for Cemeteries, which is in accordance with a review undertaken by the District Auditor, and are part of a phased increase designed to bring them more in line with those of neighbouring authorities.

5.0 Financial Implications

5.1 As detailed in the report

6.0 Corporate Implications

6.1 The proposals contained in this report will affect the resources directed to the Committee's services, which have an influence on many of the Council's key aims contained in its Corporate Plan.

7.0 Community Implications

7.1 As above

8.0 Conclusions

8.1 The Committee is requested to consider carefully the income and expenditure proposals 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

Estimate Working Documents

