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REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM:
DATE OF MEETING:	12th JANUARY 2006	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 0607/h&c budget committee
SUBJECT:	SERVICE ESTIMATES 2005/2006 and 2006/2007	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: HCS

1.0 Recommendations

- 1.1 That the estimates of revenue income and expenditure for 2005/06 and 2006/07 for the Committee's Services are considered and referred to the Finance and Management Committee for approval.
- 1.2 That the Committee's proposed fees and charges for 2006/07 are approved.

2.0 Purpose of Report

- 2.1 To detail the Committee's probable out-turn for 2005/06 and the estimate of net revenue expenditure for 2006/07. It is proposed that these estimates will be included in the consolidated budget of the Council for 2006/07 subject to the Council's overall financial position.
- 2.2 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year. A summary is also included of the Committee's existing capital investment programme.

3.0 Executive Summary

- 3.1 The Committee's net revenue expenditure (excluding Deferred Charges) is summarised in **Appendix 1**. This sets out the estimates for each main cost centre and aggregates several of the main service areas. Notes are also provided to explain the main changes where these have occurred. A summary is provided in the following table.

Analysis of Estimated Net Revenue Expenditure 2005/06 to 2006/07	Original Estimate 2005/06 £'000	Probable Out-turn 2005/06 £'000	Original Estimate 2006/07 £'000
Public Health Services	61,040	57,690	64,800
Private Sector Housing	502,160	464,950	506,000
Parks and Open Spaces	867,700	923,170	994,150
Leisure Centres	440,200	395,560	390,630
Crime and Disorder	214,080	225,710	267,870
Other Leisure and Community Services	549,640	564,250	576,100
Committee Total	2,634,820	2,631,330	2,799,550

- 3.2 There are no major variances across the Committee's services apart from those anticipated for which provision has been included in the Council's overall financial plan. A summary of changes in the main service areas is provided below.

Private Sector Housing

- 3.3 A substantial amount of costs relate to staff time in managing grants, work on strategy and homelessness issues, etc. This can change between the discrete areas depending on demand and workload.
- 3.4 Overall, costs are slightly lower in 2005/06. In addition, additional government grant received in the year will finance some costs already within the base budget.

Parks and Open Spaces

- 3.5 The main increase in expenditure is due to internal capital charges now applying following renovation works, in particular for Maurice Lea Park. Additional expenditure is also being incurred at Swadlincote Woodlands, although this is being financed from a Section 106 Reserve earmarked for this purpose.
- 3.6 Following contributions to expenditure in 2005/06 and 2006/07, this reserve is estimated to have a balance of approximately £190,000 at March 2007. In addition, other earmarked section 106 monies are being used to finance expenditure on open spaces. No additional contributions over and above that already budgeted are required for 2005/06 and 2006/07. This reserve will have a balance of approximately £350,000 at March 2007.

Leisure Centres

- 3.7 The main variance is the additional income from the management fee at Greenbank Leisure Centre. This was anticipated earlier in the year due to an incorrect assumption in setting the original budget.

Crime and Disorder

- 3.8 Actual expenditure on individual cost centres that make up the overall package tends to vary from original estimates. This is due to the basis of funding emanating from the Crime and Disorder Partnership that can change priorities during the year.

- 3.9 The overall increase in 2005/06 is due to the reallocation of staff time, in accordance with approved schemes. The additional increase in 2006/07 is due to approved resources for street wardens in order to develop this service.

4.0 Detail

- 4.1 All of the Committee's cost centres are detailed in **Appendix 3**. This shows a "line by line" breakdown of the Committee's Services for 2005/06 and 2006/07.

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 4.95% 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 2005/06 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).**

Central and Departmental Service Recharges

- 4.4 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, for example, number of invoices paid or schemes approved for Crime and Disorder initiatives.
- 4.5 **Again, it is important to note that they are internal recharges from Finance and Management Committee.**

Accounting For Pensions

- 4.6 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.
- 4.7 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.

- 4.8 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.

Basis of 2006/07 Estimates

- 4.9 The budget for 2006/07 has initially been compiled at November 2005 (today's) prices. An allowance for inflation has then been added where this is considered unavoidable, to cover for price increases to March 2007. This calculates the cash limit estimate for 2006/07, in which budgets should be managed.
- 4.10 Inflation measures are based on data available from HM Treasury for various categories of income and expenditure. The assumptions built into estimates are as follows:
- Employee Costs – 2.95% (as per the existing national pay settlement)
 - Responsive Repairs and Maintenance – 2.5%
 - Planned Maintenance – 5%
 - Utilities – 5%
 - Business Rates – 2.7%
 - Fuel – 5.6%
 - Insurance Premiums – 2.7%
 - Other Supplies and Services – 2.7%
 - Office Expenses (equipment, stationery, etc.) – cash limited
 - Other Categories – 2.68% (the Government's general measure of inflation)
 - Other income (excluding rents) - 2.68%
- 4.11 The estimates are also based on service levels in 2005/06 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

- 4.12 The Committee currently has the following schemes in the Council's approved capital investment programme for 2005/06.

Scheme	Cost £'000	Note
Renovation of Cemeteries	31	£12,000 spent to-date. £25,000 also provisionally included for 2006/07.
Burglary/Crime Reduction	15)
Provision of Youth Facilities	30) £60,000 per year provisionally included to 2009/10.
Better Homes/Neighbourhood Initiatives	25)
Restoration of Maurice Lea Memorial Park	770	Council contribution £100,000 – work well underway.
Modernisation of Play Areas	169	Works may run beyond 2005/06.
Coton Park Community Facility	102	Substantially complete, Council contribution £20,000.
Provision of Artificial Sports Pitch	405	Funding now secured – Council contribution £90,000 – work to commence in early 2006.
Community Partnership Scheme	301	Unlikely to be totally allocated by the year-end. £150,000 per year also provisionally included to 2009/10.

Rosliston Forestry Centre	102	Being used to support "Get Active in the Forest" project.
Mount Pleasant Football Pitch – Drainage	20	Funding to be transferred to Parish Council to complete works.
Oversetts Recreation Ground – Pitch Impts.	20	Order for works now placed.
Etwall Leisure Centre	250	Provision set-aside as contribution to upgrading/developing facility. Partnership funding still to be secured.
Greenbank Leisure Centre – Plant Upgrade	5	Still to be committed.

Proposed Fees and Charges 2006/07

- 4.13 **Appendix 2** provides a schedule of the proposed level that will operate from 1st April 2006, together with a comparison to the existing charge. No major changes are proposed for 2006/07 and generally, it is proposed that fees and charges are increased by around the rate of inflation (2.68% - the Government's general measure of inflation).

5.0 Financial Implications

- 5.1 As detailed in the report

6.0 Corporate Implications

- 6.1 None Directly

7.0 Community Implications

- 7.1 None Directly

8.0 Background Papers

- 8.1 None

