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REPORT TO:	ENVIRONMENTAL SERVICES COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	3 JANUARY 2002	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF FINANCE OFFICER	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC:s:\cent_serv\committee reports\environmental services\gen fund budgets - 03 jan 2002.doc
SUBJECT:	GENERAL FUND BUDGETS 2001/2002 AND 2002/2003	REF: KS/JHM
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

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### 1.0 Recommendations

- 1.1 That the estimates of income and expenditure for 2001/02 and 2002/03 for the Committee's Services are approved, and referred to the Finance and Management Committee.
- 1.2 That the proposals for budget reductions and service developments for 2002/03 as set out in 4.8 and 4.9 are approved and referred to the Finance and Management Committee.
- 1.3 That the Committee's proposed fees and charges for 2002/03 are approved.

### 2.0 Purpose of Report

- 2.1 To detail the Committee's probable out-turn for 2001/02 and the base budget for 2002/03. It also details proposed budget reductions and service developments for 2002/03, together with proposals for the level of fees and charges under the responsibility of this Committee for 2002/03.

### 3.0 Executive Summary

#### Probable Estimate 2001/2002

- 3.1 The Committee's projected out-turn for 2001/02 shows a total net expenditure of £2,864,090, which is a **decrease** of approximately £122,000 over the original cash limit estimate.
- 3.2 However, the reasons for this decrease are largely due to internal charges from Finance and Management Committee of approximately £145,000. This is mainly a result of a reduction in pension costs allocated to this Committee for added years and

backdated contributions, which have been reallocated to Finance Committee in accordance with a change in accounting policy.

- 3.3 In addition, the Committee has been allocated additional capital charges of approximately £50,000 (mainly for depreciation) on its assets such as Industrial Estates, in accordance with statutory requirements.
- 3.4 The more "controllable" elements of the Committee's Budget are projected to decrease overall by approximately £28,000 in 2001/02. The main variances are set out below:
- ◆ Net savings from "soft split" exercise - £17,000
  - ◆ Increase in income from Land Charges - £30,000
  - ◆ Increase in income from Planning and Building Regulation Fees - £45,000
  - ◆ Partly offset by
  - ◆ Reduction in rents from industrial sites - £50,000
  - ◆ Approved increases in spend on conservation, highways and town centres - £14,000

### **Base Budget 2002/2003**

- 3.5 The Committee's total base budget for 2002/03 (at November 2001 prices) is £2,831,390, which is a **further decrease** of approximately **£33,000** on the probable out-turn for 2001/02. The main variances are set out below:
- ◆ Reduction in Leasing Costs for Wheeled Bins - £20,000
  - ◆ Reduction in Internal Capital Charges (mainly Land Drainage) - £22,000
  - ◆ One-off expenditure in 2001/02 deleted - £46,000
  - ◆ Partly offset by
  - ◆ Increase in internal charges from Finance Committee, mainly due to an anticipated increase of 11% in the Council's Superannuation Contribution Rate - £59,000

Finally, both years' estimates accommodate the introduction and on-going costs of the "Clean Team" which is mainly being funded from savings arising from the "Soft Split" exercise.

## **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 budget reductions for 2002/03.
  - ◆ Appendix 5 - a summary of the proposed service developments for 2002/03.
  - ◆ Appendix 6 – a schedule showing the proposed fees and charges for the Committee's Services for 2002/03.

## 4.2 Basis of 2002/03 Estimates

The budget for 2002/03 has initially been compiled at November 2001 prices. An allowance for inflation has then been added where this is considered unavoidable, to cover for price increases from November 2001 to March 2003. This calculates the cash limit estimate for 2002/03, in which budgets should be managed. The assumptions built into estimates are as follows:

- Employee Costs – 3%
- Energy, Rates and Water Costs – 2.5%
- Contracted Services – 2.5%
- Pensions – an increase from 270% to 300% of the employees' basic amount
- 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 2001/02 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 Position

The table below shows the probable level of council spending for this current year (2001/2) and for the next three years. This does not take into account any new money allocated to meet new spending demands or indeed the savings generated to contribute towards them.

	2001/2	2002/3	2003/4	2004/5
	£	£	£	£
<b>Net Revenue Spending</b>	<b>7,180,030</b>	<b>7,796,470</b>	<b>8,359,918</b>	<b>8,615,701</b>
Government Grants	-4,612,490	-4,731,000	-4,825,620	-4,922,132
Council Tax	-3,073,990	-3,228,987	-3,440,591	-3,666,139
From Earmarked Reserves	-135,110	-16,000	0	0
<b>Gross Surplus (-) Deficit (+)</b>	<b>-641,560</b>	<b>-179,517</b>	<b>+93,707</b>	<b>+27,429</b>
Transfers to the Commutation Reserve	237,000	321,000	266,000	176,000
Addition/Reduction (-) To Balances	404,560	-141,483	-359,707	-203,429
<b>Projected balances</b>	<b>1,540,301</b>	<b>1,398,818</b>	<b>1,039,011</b>	<b>835,681</b>

The key points to note for the medium term financial strategy are as follows:

- The financial position has stabilised – balances at the end of the 3-year projection are well within the Councils minimum target of £500,000.
- Although balances are significantly higher (at £1.5m) than the recommended minimum level (£500,000) at the start of the three-year forecasting period, they reduce by some £700,000 over the period, mainly as a result of contributions to the commutation reserve.
- Surpluses will be achieved in the current year (2001/2)
- Next year any gross surplus will be more than offset by contributions to the commutation reserve. This will result in a reduction in balances.

- The deficit for 2004/5 is less than for 2003/4 as a result of anticipated expenditure associated with the next Local Plan Review, ceasing. 2003/4 also involves higher contributions to the commutation reserve.

- 4.4 Looking further forward into the longer term clearly the Council still faces a position where ongoing spending is slightly in excess of its revenue budget, although this is reducing as the impact of the commutation adjustment also reduces.
- 4.5 **The Service and Financial Planning Working Group** has met to consider initial budget proposals for next year 2002/3. This involved considering both proposals for new spending and savings identified by Divisional Managers to accommodate them. In essence the Working Group identified a need to incur new spending of some £232,532. Part of this spending (£37,782) is for one year only while the remainder £194,750 is anticipated to continue for future years.
- 4.6 Against this increased spending, the Working Group has identified potential savings of some £165,965, which will offset most of the new spending pressures. In addition, Council Tax increases of 3.5%, 3.5% and 4.5% respectively over the next 3 years have been assumed. The overall impact on balances is that they are expected to fall to around £600,000 by the end of 2004/5. This is comfortably within the three-year projection for balances.
- 4.7 The above changes in so far as they affect this Committee are reflected in the savings and growth proposals submitted for consideration and are detailed below.
- 4.8 **Budget Reduction Proposals 2002/03**

Divisional managers were requested to identify savings to help maintain the Council's overall financial position and to fund service developments. Those applicable to this Committee are summarised in Appendix 4. The proposals were scored against criteria approved by the Finance and Management Committee and considered by the Working Group. They have been split into 3 categories, as follows:

- **Category C** – these proposals are pretty much achievable and would have only a minor affect on service delivery. In addition, the larger items - increased income on planning and building regulations, are already benefiting the Council in 2001/02. It is considered prudent to adjust the council's base budget for these items at this stage. Consequently, the Working Group has suggested that all of these proposals should be accepted.
- **Category B** – these proposals perhaps need closer examination, as there could be some affect on service delivery. Consequently, the Working Group has suggested that the reduction in running costs of George Holmes Business Park should be offset against the development proposal (see 4.9 below)
- **Category A** – these proposals do need further consideration as they entail cuts/termination of services, because there may be effects on other Council services, or because there could be customer resistance, etc. Consequently, the Working Group has suggested that none of these proposals should be accepted.

## **4.9 Service Development Proposals 2002/03**

Appendix 5 summarises the proposals submitted by Divisional Managers. Again, these were scored against criteria approved by the Finance and Management Committee. The appendix shows the scores of all proposals relevant to this Committee, in various groupings and ranked in highest scoring order. The Working Group considered all proposals, in the light of the Council's overall projected financial position and against proposals submitted by other Committees. The suggestions of the Working Group are set out below:

- ❖ **One-off Items** – accept all of these but reduce the resources for repairs at George Holmes Business Park to £5,000 (in lieu of the savings proposed in 4.8 above) and reduce the amount to rebuild gate pillars at Gresley Cemetery entrances to £3,000.
- ❖ **Statutory/Committed Items** – accept all of these with £500 reductions to gas/electrical testing and license plates. However, it was suggested that additional resources of £15,000 for maintaining and cleansing the Bus Station toilets be approved.
- ❖ **Additional Staffing** – accept the top 3, i.e. temporary Recycling Officer, EHO and a part-time Enforcement Officer.
- ❖ **Remaining Proposals** – accept the top 4, i.e. Extending the Compost Scheme, purchasing a new Environmental Health IT system, replacing domestic wheeled bins and reopening Overseal public toilet. It should be noted that if Members wished to add in any more proposals, then reductions would need to be made elsewhere in the Committee's Budget to accommodate them.
- ❖ **Others (not scored)** – accept a one-off contribution to provide refuse collection and street cleansing, etc on Golden Jubilee Tuesday and add the small items for Park Road and Mobile Phones into the base budget.

## **4.10 Proposed Fees and Charges 2002/03**

Appendix 6 provides a schedule of the proposed level that will operate from 1 April 2002, together with a comparison to the existing charge. A summary of the main changes is provided below:

- ◆ Environmental Health and Planning Services have generally been increased by 2.5%, rounded to the nearest 10p.
- ◆ No increase is proposed for services at George Holmes Business Park, due to the large increase in 2001/02. These will be reviewed next year.
- ◆ There are generally large increases for Cemeteries, which is in accordance with a recent review undertaken by the District Auditor, and are therefore, more in line with 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