
REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 5
DATE OF MEETING:	6th JANUARY 2011	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 1112/policyreports/hcs committee
SUBJECT:	SERVICE BASE BUDGETS 2011/2012	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: HCS

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2011/12 for the Committee's Services are considered and referred to the Finance and Management Committee for approval.
- 1.2 That the proposed fees and charges for 2011/12 as detailed in **Appendix 4** are considered and approved.
- 1.3 That consideration is given to the level of any increase in grants to voluntary bodies.

2.0 Purpose of Report

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2011/12, with a comparison to the current year, 2010/11. This includes an overview of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2011/12 subject to the Council's overall medium-term financial position. This will be considered by the Finance and Management Committee during the coming month.
- 2.3 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 Summary and Overview

3.1 The Committee is responsible for some large spending areas, in particular on leisure, recreational facilities, community development and private sector housing.

External Funding

3.2 A large part of the Committee's annual spending on community development, together with sport and health, is delivered in partnership with other agencies. Expenditure is financed in part from their contributions.

3.3 This funding is not always secured from year to year. As part of the 2010/11 budget-round a longer term funding strategy was approved which secured resources until 2016/17 and mainstreamed two key posts in supporting local community partnerships and environmental education.

3.4 However, from 2012/13, some services will again come under pressure as funding for delivering play schemes, cultural and "get active" projects face a potential shortfall.

3.5 In addition, as part of the financial settlement for local government recently announced, many specific grants have been moved into mainstream Formula Grant. The Committee has benefited from specific funding in the past through resources transferred across from other authorities and public agencies as part of partnership working, for example in crime prevention.

3.6 No specific funding is now available from grants such as the Basic Command Unit (BCU) and it remains to be seen what knock-on effect this could have on the Council.

3.7 Furthermore, expenditure of approximately £120,000 per year on parks and maintenance of open spaces is supplemented by drawing down commuted sums received as part of residential developments. Although not a short-term issue, funding will only last for a maximum of 7 years based on current spending.

Swadlincote Woodlands

3.8 As previously reported, the on-going revenue costs for managing and maintaining the Woodland has, for a number of years, been largely financed by drawing down money from a Section 106 (commuted sum) fund, previously set-aside for that purpose. This reserve will be fully used by 31st March 2011.

3.9 However, as part of the restructure of Community Services earlier in the year and a review of spending in Grounds Maintenance as part of this budget round, the issue has effectively been resolved for the foreseeable future at least. This is detailed later in the report.

The Council's Overall Financial Position

- 3.10 The Council's Medium-Term Financial Plan (MTFP) was reviewed and updated in October 2010 ahead of the detailed financial settlement arising from the comprehensive spending review (CSR 10). It is expected that sustaining the Council's overall financial position over the medium-term will be challenging given the proposed cuts in grant funding recently announced.

Efficiency Savings Identified

- 3.11 In addition during this budget round, all services were asked to look closely at current spending in order to reduce budgets wherever possible, but at the same time maintain service provision. The spending proposals for 2011/12 include some budget reductions in Grounds Maintenance following a review of budgets and spending.
- 3.12 This exercise was undertaken to provide a benchmark against which to judge external bids arising out of the forthcoming tendering exercise. Details are provided later in the report.
- 3.13 In addition, as part of the Corporate Services Strategic Partnership, the Council's service provider is formulating a programme of procurement and service transformation reviews to take effect from April 2011. Proposals as they relate to this Committee will be reported over the coming year.
- 3.14 The Finance and Management Committee will consider the detail of the overall financial position on 13th January 2011, including proposals from this Committee. Therefore, it is important that this Committee scrutinises its spending base closely.

Summary of Expenditure

- 3.15 The following table provides an overall summary at main service level, of the Committee's net revenue expenditure.

Analysis of Net Revenue Expenditure Budgets 2010/11 and 2011/12	Approved Budget 2010/11	Proposed Budget 2011/12	Change
Community Development & Support	£1,156,861	£1,150,820	-£6,041
Leisure and Recreational Activities	£205,445	£202,655	-£2,790
Leisure Centres and Community Facilities	£479,869	£435,855	-£44,014
Parks and Open Spaces	£525,592	£519,987	-£5,605
Private Sector Housing	£551,394	£538,216	-£13,178
Committee Total	£2,919,161	£2,847,533	-£71,628

- 3.16 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2010/11 and 2011/12 by £71,628. In summary, the main reasons for this are as follows:

Known and Internal Changes	
One-off Expenditure falling out	-£49,311
Internal printing	-£23,310
Employee costs	£3,999
Reduction in Insurance Premiums	-£7,641
Sub - Total	-£76,263
Additional Changes	
Changes in Income Levels	-£19,787
Review of Grounds Maintenance Costs	£11,878
Additional Costs	£39,335
Proposed Savings	-£26,791
TOTAL CHANGE	-£71,628

One-off Expenditure

3.17 This relates to services where additional budget was provided in 2010/11 for that year only. This was funded either from external sources or from approved under spending brought forward from 2009/10. The largest amount is for £32,000 held over from 2009/10 to cover potential costs whilst Green Bank Leisure Centre was closed for major a refurbishment.

3.18 It is unlikely that due to the limitation on external funding, that any major refurbishment will now occur in 2010/11. Together with the need to undertake a stock condition survey ahead of re letting a new contract in April 2011, it is recommended that this amount continues to be set-aside for the Leisure Centre.

Internal Printing

3.19 The budget for the Council's internal printing and design service was transferred to the Corporate Services provider under the strategic partnership with Northgate. They will continue to provide services for all areas of the Council, the charge for which is included within the overall service fee for all corporate services.

3.20 Each year this will be identified and charged separately. However, for budgeting purposes, the internal recharge cost has been removed from service budgets, with the overall budgeted cost of printing being held centrally within Finance and Management Committee.

Employee Costs

3.21 The increase is due to incremental changes in pay as employees move through their pay grade. An increase has also been allowed for additional national insurance contributions from April 2011, although this is still to be confirmed. Costs may also increase where more employees join the pension fund.

3.22 Generally, these costs are taken into account as part of the overall Medium-Term Financial Planning and as such are known and built into forward budgets.

Reduction in Insurance Premiums

3.23 The Council renewed its premiums in September 2010 following a formal tendering exercise. This produced a saving in overall premiums across the Council's main policies with the amount attributable to this Committee being reflected in budgets for 2011/12.

Changes in Income Levels

3.24 Two principal areas have been reviewed to generate additional income, although in both cases, this will offset additional costs of expanding services. Firstly, fees for environmental education programmes have been increased in accordance with a longer-term funding strategy and will generate an additional £6,000 a year to cover extra activities.

3.25 Secondly, charges for renting the new business units at Rosliston Forestry Centre are designed to cover running costs at £13,000 per year.

Review of Grounds Maintenance Costs and Funding

3.26 During this budget round and in compiling base budgets, a detailed exercise was undertaken to review service delivery and the current costs of this service. Effectively, this was to calculate a benchmark cost against which to judge external bids as part of the tendering exercise (which is to shortly commence) for the future delivery of grounds maintenance.

3.27 This has involved splitting some costs between the client (i.e. those that will be retained by the Council) and direct contracted costs. The detailed budgets show a reallocation of some costs between budget heads, but overall the base budget for direct costs of Grounds Maintenance have been reduced between 2010/11 and 2011/12 by approximately £37,000.

3.28 This is due to certain sub-contracted work which will now be delivered direct by the Council within existing resources. In addition, current shift patterns and wages costs have been streamlined. Although budgets have been reduced, it is considered that this will not be at the expense of lower service delivery, i.e. quality.

3.29 In addition to this, further savings have been made of approximately £9,000 through better price tariffs being obtained for utility costs within some parks.

Commuted Sums

3.30 These are sums that have been received for several years and have arisen as part of new residential developments. They are designed to act as a contribution to the maintenance of open spaces and local parks. Sums received are earmarked in a specific reserve and are drawn down each year to fund the costs of grounds maintenance.

- 3.31 These sums are one-off single payments which are negotiated as part of the planning process. They may not reflect the actual liabilities associated with new developments, but in some cases additional maintenance is absorbed into current service levels. This gives the Council a certain degree of discretion over time on how this money is utilised for grounds maintenance.
- 3.32 Each year, an assessment is made to determine how much is drawn down to meet the overall cost of grounds maintenance. A separate pot is earmarked for Swadlincote Woodlands and this has been used for several years to meet some of the costs of maintaining this site.
- 3.33 The Budget shows that expenditure on maintaining Swadlincote Woodlands (which is part of the service subject to tender) is subsidised by £48,450 per year from this pot. As previously reported, this pot will have been almost fully utilised by March 2011. Therefore, this income budget has been removed.
- 3.34 However, following the review of Community Services in March 2010 and this review of Grounds Maintenance, the on-going shortfall for which the Section 106 pot covered has been estimated at approximately £25,000 from 2011/12. It is proposed that this is financed from the overall commuted sums pot. Along with other commitments, approximately £93,000 per year will be drawn down.
- 3.35 This amount can be sustained for the next 7-years before all commuted sums are utilised. However, this assumes that no other amounts become available in the intervening period. Clearly, this is an issue that will need to be reviewed on a regular basis in the future.

Additional Costs

- 3.36 The main amounts included are approximately £19,000 for the running costs of the new business units at Rosliston Forestry Centre, together with more environmental education activities. As highlighted earlier, these costs will be covered through increased income.
- 3.37 The other large amount is for approximately £13,000. This relates to the residual costs after transferring the management of Foston Travellers Site to the County Council. Details were reported to the Committee on 17th June 2010.

Other Proposed Savings

- 3.38 Besides the grounds maintenance and the savings on utility costs in certain parks, there are a range of smaller savings in departmental expenses across Private Sector Housing and Etwall Leisure Centre in particular.

Retendering of Leisure Management

- 3.39 Following a formal procurement and tendering exercise, a new contract for managing Green Bank and Etwall Leisure Centres was considered at its meeting on 15th December 2010. Subject to awarding the contract, this could realise significant savings to the Council.

- 3.40 The proposed budgets do not at this stage include these savings. Formal contract negotiations are now taking place and actual figures for pensions are being calculated. When this has been concluded, budgets will be amended to reflect final figures.
- 3.41 It is anticipated that this will be reflected in the final consolidated budget proposals that will be reported to the Finance and Management Committee on 15th February 2011.

4.0 Detail

- 4.1 A “line by line” analysis of the Committee’s budgets as contained in the Council’s main accounting system is detailed in **Appendix 3. Appendix 1** summarises the Committee’s budgets at cost centre level with **Appendix 2** breaking down the changes between 2010/11 and 2011/12 for each cost centre.
- 4.2 The base budgets exclude the costs of internal support service charges, together with any capital accounting and statutory pension adjustments.
- 4.3 These are considered by the Finance and Management Committee in detail and will be allocated across services in accordance with accounting regulations, when approved through the budget process.

Inflation

- 4.4 The proposed base budget for 2011/12 does not at this stage allow for inflation. Clearly, some base costs will be subject to inflation during the year and in some cases it will be “unavoidable,” for example employee costs, if a national pay increases is settled.
- 4.5 Allowances for inflation based on various assumptions regarding price increases, etc. will be calculated across the main spending heads and in total, held as a central contingency.
- 4.6 In line with current policy, this contingency will be reviewed and monitored by Finance and Management Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

Inflation on Grants to Voluntary Bodies

- 4.7 In previous years, the Council have agreed to increase these grants by inflation as measured by the Retail Price Index (RPI) as at September of the preceding year.
- 4.8 As at September 2010, RPI stood at 4.6%. The MTFP includes a provision of 2%. In 2010/11, although RPI was negative (as at September 2009) an increase of 1.5% was added to the base funding level.
- 4.9 An increase of 4.6% equates to approximately £11,000 in total across all grants, with 2% equating to around £5,000. There are no proposals to reduce the base level of funding in 2011/12.

4.10 The actual increase will be considered by the Finance and Management Committee as part of the Council's overall Budget for 2011/12 and this Committee are requested to make a recommendation.

General Basis of the 2011/12 Base Budget

4.11 The estimates are based substantively on a continuation of current service levels with no reductions in service delivery proposed. The full year effects of previous year's growth and efficiencies are included, with any non-recurring items removed as identified in the report.

Capital Investment

4.12 The Committee currently has the following schemes in the Council's approved capital investment programme.

Scheme	Cost £'000	Note
Disabled Facility Grants	798	This is for 5-years - £298k in 10/11, with a provision of £100k per year for the following 5-years depending on Government allocations.
Other Housing Grants, Improvements, Energy Efficiency Measures, etc. (Decent Homes)	1,528	This is for 5-years - £408k in 10/11 with a provision of £200k per year for the following 5-years depending on Government. In addition, £60k has been provided in 2012/13 and 2013/14 for a Strategic Housing Market Assessment and a Private Sector Stock Condition Survey.
Hilton Village Plan and Community Facilities	296	On-going projects financed from Section 106 contributions and Growth Point funding.
Hilton Multi Games Area	23	Growth Point funding
Development of Melbourne Leisure Centre – Feasibility Study	65	Growth Point funding
GBLC Refurbishment – Feasibility study and fees for initial works	80	Growth Point funding
Midway Fishponds – land and drainage improvements	5	Retention held on works completed in 2009/10
Eureka Park Improvements	100	Growth Point funding.
Provision of Youth and Play Facilities	219	Specific schemes approved by the Committee in June 2009, mainly all externally funded.
Rosliston Forestry Centre – Construction of Business Units	233	Works completed in 2010/11 - all externally funded
Community Partnership Scheme	67	Most of the grant funding to community groups has now been allocated.

Proposed Fees and Charges 2011/12

- 4.13 **Appendix 4** provides a schedule of the proposed level that will operate from 1st April 2011, together with a comparison to the existing charge. Where applicable, VAT is also added at the standard rate.
- 4.14 A detailed review of fees and charges has been undertaken as part of this budget round. Most charges have been increased by 4% to 5% which is around the current rate of inflation. However, apart from Etwall Leisure Centre and to a lesser extent, Cemeteries, the amount of income generated from leisure activities is not significant.
- 4.15 With some charges, in particular on parks activities, it is proposed to put charges up by a lesser amount – 2% to 3%. Fees at Etwall Leisure Centre have been reviewed following the first full year of operation of the new facility with an average increase of 4%. These will be considered in more detail by the Joint Management Committee.

Rosliston Forestry Centre

- 4.16 Charges applied at Rosliston Forestry Centre for lodge hire and activities, etc. are set by the Executive Board of the Partnership in accordance with the Business Plan for the Centre. They are not reproduced in this report but are available direct from the Centre.

5.0 Financial Implications

- 5.1 As detailed in the report

6.0 Corporate Implications

- 6.1 There are no other direct legal, personnel or other corporate implications apart from that considered in the report.

7.0 Community Implications

- 7.1 The proposed budgets and spending under the responsibility of the Committee, provides the financial resources to enable many of the on-going services and Council priorities to be delivered to the local community.

8.0 Background Papers

- 8.1 None