
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	17th JANUARY 2006	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 0607/finance committee budgets committee.doc
SUBJECT:	SERVICE ESTIMATES 2005/2006 and 2006/2007	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

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 approved for inclusion in the proposed overall Budget of the Council.
- 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. Notes are also provided to explain the main changes where these have occurred.
- 3.2 There are some variances across the Committee's services and an analysis of the main variances (before inflation and incremental pay increases) is provided below.

Staffing and Departmental Budgets

- 3.3 The Committee is responsible for the main departmental cost centres of the Council. Many changes here have previously been approved or known and built into the Council's overall financial forecast. These are summarised in the following table.

Analysis of Changes to Staffing Budgets	
1	Approved virement of resources to fund Head of Business Improvement in 2005/06; these resources will now be used to fund the new post of Procurement Officer. (Overall cost of £45,000 already in base budget).
2	Corporate Management – overall one-off reduction in 05/06 (£7,000).
3	Legal Services – one new post for conveyancing that will be financed from capital resources (as approved). In addition, additional resources employed during 2005/06 (£23,000) financed from money held over from 2004/05.
4	Democratic Services – one full-time post on the establishment that was previously worked on a part-time basis has now been filled full-time. This will add an additional £16,000 in a full year to the Council's base budget.
5	Property Services – additional resources approved for asset and estate management in 2005/06 only, financed from earmarked reserves (£60,000).
6	Environmental Health – overall costs lower in 05/06 (£37,000) due to vacancies and approved restructuring of licensing section. New post approved in 2005 for administering and developing housing grants. As approved, this will be financed from the additional fee income generated.
7	Community and Leisure Development – a slight overall reduction in 05/06 (£4,000).
8	Policy and Economic Regeneration – additional resources employed in 05/06 financed from money held over from 2004/05 (£20,000). Additional costs of staff advertising, equipment (£10,000) in 05/06 only in setting up new Unit.
9	Finance Services – reduction in overall employee costs due to approved restructure of Accountancy Unit in 2005.
10	I.T. Department – temporary resources (£45,000) employed in 2005/06 financed from I.E.G. grant. Reduction in 2006/07 due to fixed term posts ending in March 2006.
11	Waste and Cleansing – one full-time post on the establishment that was previously worked on a part-time basis has now been filled full-time. This will add an additional £16,000 in a full year to the Council's base budget.
12	Revenues – overall savings (£15,000 in 05/06 and £10,000 on-going) associated with the transfer of staff to Customer Services as part of the "Customer First" Service (this was achieved by filling vacant posts held over in Customer Services).

Concessionary Travel

- 3.4 This will see the largest increase in cost for the Council from 2006/07. The Government are introducing on a national basis, free travel for over 60's. As part of the County Council scheme, it is estimated that the Council's contribution to implement this within the District, will be approximately £448,000 per year. However, the Government has made provision in their financial settlement for local authorities, to meet this extra cost.

Housing Benefit Subsidy

- 3.5 Changes in the calculation and distribution of Government subsidy for benefit administration have started to take effect in 2005/06. Changes include the phasing out of some transitional arrangements associated with the previous system, together with amalgamating the different types of subsidy into one Grant.
- 3.6 The Council's financial forecast has made provision for a yearly loss of subsidy of £10,000. However, the actual loss from 2006/07 is estimated to be approximately £20,000 overall. The actual figure will not be known until March 2007 and will depend on performance in areas such as dealing with fraud and overall administration.

Other Changes

- 3.7 The Council's overall cash flow has been more favorable during 2005/06 increasing temporary investments and bank deposits. This should generate an additional £40,000 in interest for the year.
- 3.8 In addition, transaction savings on cash collection due to more electronic payments and change of supplier should save nearly £20,000 per year. However, extra costs are being incurred on the Civic Offices. In particular, there has been a sharp increase in energy prices, adding approximately £15,000 per year to costs. In addition, additional repairs and equipment will increase expenditure by £10,000 in 2005/06.

4.0 Detail

Capital Charges

- 4.1 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 and 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.
- 4.2 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 (below the line).**

Central and Departmental Service Recharges

- 4.3 Members will be aware that this Committee is responsible for the main corporate, central, departmental, property and other technical accounts of the Authority. Subsequently, a substantial amount of the Committee's costs are recharged/allocated across services and accounts in other Policy Committees.

Accounting For Pensions

- 4.4 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.
- 4.5 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. This has affected many of the main departmental accounts. The difference is known as the FRS 17 adjustment (or Pensions Adjustment) and is determined by the Fund's actuary.
- 4.6 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

- 4.7 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.
- 4.8 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%
- 4.9 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

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

Scheme	Cost £'000	Note
Financial Management System – Infrastructure for E-procurement	43	Implementation complete
Implementing Electronic Government	234	Several projects to meet IEG initiatives at various stages of completion. Government funded.
Repairs to Village Halls and Community Facilities	95	Amount set-aside pending transfer of management to parish/community groups
Improvements to Civic Offices	240	Work substantially complete for new reception area and accommodation. 50% of funding from Government.
Disability Access Improvements	194	Phase 1 covering most urgent works complete. Phase 2 to commence in early 2006. £100,000 per year also included as a provision to 2009/10.
Contributions to Renewals Fund	225	Fixed amount per year
Replacement of Civic Car	20	Complete
Risk Management/Invest to Save	50	Provision uncommitted
Repayment of Covenants	157	Committed sum to 2009/10

Proposed Fees and Charges 2006/07

4.11 **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

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