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<b>REPORT TO:</b>	<b>HOUSING AND COMMUNITY SERVICES COMMITTEE (SPECIAL – BUDGET)</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>11th JANUARY 2007</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (595811)</b>	<b>DOC:</b> u/ks/budget round 0708/h&c budget committee 07
<b>SUBJECT:</b>	<b>SERVICE BUDGETS 2006/2007 and 2007/2008</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: HCS</b>

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## **1.0 Recommendations**

- 1.1 That the budgeted revenue income and expenditure for 2006/07 and 2007/08 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 2007/08 are approved.

## **2.0 Purpose of Report**

- 2.1 To detail the Committee's probable out-turn for 2006/07 and the estimate of net revenue expenditure for 2007/08. It is proposed that these estimates will be included in the consolidated budget of the Council for 2007/08 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.
- 2.3 In addition, an analysis of the Committee's proposed service development bids is also included for consideration at **Appendix 3**. This shows how they fared during the evaluation undertaken by the Council's Service and Financial Planning Working Group and the initial proposals of that Group to the Finance and Management Committee.

## **3.0 Executive Summary**

- 3.1 The Committee's net revenue expenditure is summarised in **Appendix 1**. This sets out the budgets 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 corresponding page reference is provided to Appendix 4, where the detail of each cost centre is provided. The following table provides a summary.

<b>Analysis of Net Revenue Expenditure 2006/07 to 2007/08</b>	<b>Approved Budget 2006/07 £'000</b>	<b>Probable Out-turn 2006/07 £'000</b>	<b>Original Estimate 2007/08 £'000</b>
Public Health Services	64,800	50,030	50,150
General Fund (Private Sector) Housing	526,100	620,040	659,320
Parks and Open Spaces	883,350	883,710	929,700
Leisure Centres	219,330	238,780	250,510
Crime Prevention	600,920	584,600	374,910
Community Development	471,130	477,890	564,560
Capital Charges	501,500	1,679,650	975,100
<b>Committee Total</b>	<b>3,267,130</b>	<b>4,534,700</b>	<b>3,804,250</b>

- 3.2 Excluding capital charges, the Committee's net revenue expenditure has increased by around 2.3% (approximately £63,000) between the approved budget 2006/07 and original estimate 2007/08. A summary of changes in the main service areas is provided below.

#### **General Fund Housing (Private Sector including Homelessness Services)**

- 3.3 Additional expenditure has been incurred on the Homelessness service in 2006/07 that has been funded from government grant brought forward from 2005/06. The base budget costs again increase for 2007/08 due to some staff costs becoming mainstreamed.
- 3.4 This had been funded from grant in 2005/06. However, the increase had been included in the Council's overall Medium Term Financial Plan.

#### **Parks and Open Spaces**

- 3.5 The main factor within this service area is the cost of the Grounds Maintenance DSO. These costs are charged to a trading account that is then allocated across other cost centres in accordance with work undertaken.
- 3.6 Although broadly there has not been any major change in costs, the allocation of charges has changed between years. An analysis is shown in the table below.

<b>SERVICE AREA RECHARGED</b>	<b>ORIGINAL ESTIMATE 2006/07 £</b>	<b>PROBABLE OUT-TURN 2006/07 £</b>	<b>ORIGINAL ESTIMATE 2007/08 £</b>
Highways and Streets	67,940	78,730	83,160
Gypsy Sites	1,060	1,230	1,300
Cemeteries	131,230	154,750	163,930
Parks	179,860	213,600	226,530
Maurice Lea Park	102,360	0	0
Open Spaces	34,930	41,190	43,630
Housing – Sheltered Accommodation	106,250	125,300	132,730
<b>Total Cost of DSO</b>	<b>623,630</b>	<b>614,800</b>	<b>651,280</b>

## Rosliston Forestry Centre

- 3.7 Due to the delay in opening the redeveloped centre, there has been a shortfall on budgeted accommodation income of approximately £24,000 for 2006/07. Furthermore, there have been some additional costs over and above those contained in the original budget for cleaning and maintenance expenditure of £10,000.
- 3.8 With the new developments now fully operational and having marketed the facility, it is anticipated that income will be increased from 2007/08. This has been reflected within the base budget.

## Leisure Centres

- 3.8 The main variance is in respect of Etwall Leisure Centre. This is subject to joint management arrangements, the other partners being the County Council and John Port School. The Council is the main funding partner.
- 3.9 There has been a substantial increase in energy costs in 2006/07 that will continue into 2007/08. Although the centre has benefited from additional income to help offset these costs, the net increase in funding required from the Council is approximately £12,000 in 2006/07 with a further £22,000 in 2007/08.

## Crime Prevention and Community Development

- 3.10 Actual expenditure on individual cost centres that make up the overall package tends to vary from original estimates depending on external funding. Overall, the current base budget will reduce in 2007/08 as certain "one-off" initiatives end.
- 3.11 In addition, some savings have been made which are being used to help finance the approved restructure in Leisure Services and Community Development. This is reflected in the increased costs in that area.

## Subjective Analysis

- 3.12 The following table provides an analysis of the Committee's services by cost type.

<b>Analysis of Net Revenue Expenditure 2006/07 to 2007/08</b>	<b>Approved Budget 2006/07 £'000</b>	<b>Probable Out-turn 2006/07 £'000</b>	<b>Original Estimate 2007/08 £'000</b>
Employee Costs	1,124,410	1,122,570	1,162,750
Premises Costs	901,470	1,047,710	1,064,190
Transport and Plant Costs	109,830	119,890	116,450
Supplies and Services	1,015,990	1,047,900	812,270
Costs under Agency Agreements	284,290	292,960	294,700
Departmental and Central Recharges	1,221,820	1,302,560	1,517,840
Capital Charges	553,420	2,556,930	1,292,450
<b>Total Expenditure</b>	<b>5,211,230</b>	<b>7,490,520</b>	<b>6,260,650</b>
Grants and Reimbursements	501,570	1,526,810	813,280
Fees and Charges	460,440	549,890	652,930
Internal Recharges	982,090	879,120	990,190
<b>Total Income</b>	<b>1,944,100</b>	<b>2,955,820</b>	<b>2,546,400</b>
<b>Net Committee Total</b>	<b>3,267,130</b>	<b>4,534,700</b>	<b>3,804,250</b>

## 4.0 Detail

4.1 All of the Committee's cost centres are detailed in **Appendix 4**. This shows a "line by line" breakdown of the Committee's Services for 2006/07 and 2007/08 as contained in the Council's main accounting system.

### **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** on the value of the asset depending on asset type. However, it should be noted that a change in accounting regulations in 2006, has eliminated the need for this charge in local authority accounts. Therefore, where applicable, there may be an original estimate but no probable out-turn for 2006/07.
- **Depreciation** on 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) or contributions. These charges, representing the amount of capital investment, are usually written off to the service in the year they are incurred.

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 accounting adjustments in the Committee that are reversed out in the consolidated accounts of the Council (as reported to Finance and Management Committee).

4.4 For this reason, they are shown separately in the summary budgets in **Appendix 1**.

### **Central Establishment Recharges (CEC)**

4.5 These represent the departmental and central support functions. The main recharges to this Committee relate to the cost of the Leisure, Community, Environmental Health and Housing Departments.

4.6 These charges 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 processed. Allocations can change when there are restructures, additional resources approved or virement of funds between services.

4.7 In accordance with best value principles and to show the "true" cost of services, accounting regulations require that a fair and equitable charge, based on a suitable measurement, should be charged to all services who benefit. This benefit may be indirect due to the regulatory nature of the work or direct where a support/advice function is provided.

- 4.8 The costs are in fact internal recharges from the Council's Finance and Management Committee who are responsible for directly monitoring the income and expenditure of these services.

### **The Council's Corporate Costs**

- 4.9 Effectively, CEC'S are the overheads on services. The Council can account for some of these costs centrally as "corporate management" if they fall within this definition for accounting purposes.
- 4.10 Although a service or function may be delivered corporately or for the benefit of the corporate body, it may not necessarily be accounted for in that way. Generally, corporate costs (in the accounting definition) are those that perform a statutorily reporting role to the general public.
- 4.11 This includes for example, annual accounts, budget setting and the Best Value Performance Plan. In addition, the posts of Chief Executive, the Monitoring Officer and public consultation are also legitimate costs for accounting purposes.
- 4.12 During the Use of Resources Assessment for 2005/06, the Audit Commission highlighted that the Council's corporate costs were high compared to other comparable authorities. Consequently, they asked that a review be undertaken of how corporate costs (approximately £1.1m) were made up.
- 4.13 The review was undertaken as part of this budget round. The main conclusion found that around £350,000 of costs in respect of I.T. senior management and central procurement should effectively be a charge across services, rather than being accounted for centrally.
- 4.14 This has been reflected in the probable out-turn for 2005/06 and base budget for 2007/08. Effectively, some of this would have increased the allocations to the departmental accounts for Leisure, Housing, etc. with a knock-on effect to the Committee's services.

### **Accounting For Pensions**

- 4.15 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.
- 4.16 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.
- 4.17 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 2007/08 Estimates**

- 4.18 The budget for 2007/08 has initially been compiled at November 2006 (today's) prices. An allowance for inflation has then been added where this is considered unavoidable, to cover for price increases to March 2008. This calculates the cash limit estimate for 2007/08, in which [Page 6 of 8](#) should be managed.

4.19 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 – 3%
- Responsive Repairs and Maintenance – 2.9%
- Planned Maintenance – 3.25%
- Utilities – various, as per re-tendered contracts
- Business Rates – 3.2%
- Fuel – (minus 3%)
- Insurance Premiums – 2.9%
- Other Supplies and Services – 2.7%
- Office Expenses (equipment, stationery, etc.) – cash limited
- Income from Fees and Charges (excluding rents) - 2.5%

4.20 The estimates are also based on service levels in 2006/07 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

4.21 The Committee currently has the following schemes (non-housing) in the Council's approved capital investment programme for 2006/07.

SCHEME	COST £'000	NOTE
Renovation of Cemeteries	47	2006/07 is the final year of a 3-year programme.
Improvements to Swadlincote Woodlands Forest Park	72	Funded from Section 106 monies.
Crime Prevention	100	£60,000 per year included in the programme to 2010.
Provision of Youth Facilities	200	Further investment of £1/2m has been planned for the following 2 years to 2009. Around 50% being funded externally.
Replacement of Christmas Lights	25	Completed.
Restoration of Maurice Lea Memorial Park	103	Works now all completed.
Modernisation of Play Areas and Safety Surfacing	100	Money carried over from 2005/06. Works being undertaken in partnership around the District.
Improvement Works at Midway Fishponds	10	Feasibility study and some priority work undertaken.
Contribution to Artificial Sports Pitch	99	Scheme now complete.
Community Partnership Scheme	343	Unlikely to be totally allocated by the year-end. £100,000 per year also included in the programme to 2010.
Rosliston Forestry Centre	70	Contribution to final phase of works.
Various Football Pitch and Car Park Improvements	28	This will be utilised in 2006/07.
Etwall Leisure Centre	250	Provision set-aside as contribution to upgrading/developing facility. Full partnership funding still to be secured.

Greenbank Leisure Centre – Plant Upgrade	5	Still to be committed.
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4.22 In addition, the Committee has the following private sector housing investment programme.

<b>PRIVATE SECTOR HOUSING</b>	<b>06/07 £'000</b>	<b>07/08 £'000</b>	<b>08/09 £'000</b>	<b>09/10 £'000</b>	<b>10/11 £'000</b>	<b>11/12 £'000</b>
Disabled Facility Grants	528	266	166	166	166	166
Decent Homes	450					
Energy Efficiency	351	384	384	384		
Housing Needs Survey			40			
Market Assessment Study	28					

### **Proposed Fees and Charges 2007/08**

4.23 **Appendix 2** provides a schedule of the proposed level that will operate from 1st April 2007, together with a comparison to the existing charge. No major changes are proposed for 2007/08 and generally, it is proposed that fees and charges are increased by around 2.5%. This represents the Consumer Prices Index as at September 2006.

### **Proposed Service Developments 2007/08**

4.24 The full list of all developments evaluated by the Service and Financial Planning Working Group (SFPWG) is shown in **Appendix 3**. This is split between revenue and capital investment, the bids relevant to this Committee being shaded.

4.25 The SFPWG met on 12<sup>th</sup> December 2006 and discussed the bids in the light of the Council's overall financial position. The revenue bids total over £3m and proposed new capital investment is £1.9m.

4.26 Clearly, it would be impossible to afford all of these bids and the SFPWG agreed some initial proposals given the amount of additional revenue finance available over the next 3-years. At this stage, no additional finance is available for new capital investment.

4.27 The revenue proposals relevant to this Committee that have initially been put forward to be implemented are summarised below.

- Contribution to the Domestic Violence Outreach Service
- Further Promotion of Rosliston Forestry Centre
- Fear of Crime Project
- Continuation of Get Active in the Forest Physical Activity
- Young People's Cultural Development Project
- Team Assistant – Disabled Adaptations Services
- Derbyshire Sports Awards Project
- Swadfest
- Support for procuring Greenbank Leisure Centre contract

## **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 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