

To: Community and Leisure Committee - 5 November 2002

Agenda Item No: 6

Title: Draft Budgets 2003-2004

**Author: John Dickson (01799) 510300
Michael Dellow (01799) 510310**

Summary

- 1 This report outlines the Committee's initial draft revised estimates of direct costs and income for 2002/03, and estimates for next year, 2003/04, prepared on the basis of existing approved levels of service. These draft figures are presented on the basis of projections, targets and priorities approved by the Council on 22 October 2002. The Committee is asked to give consideration to the detailed figures together with associated possible savings / expenditure reductions as the basis for preparing next year's budget and service plans.

Background

- 2 At its previous meeting on 3 September 2002, this Committee resolved that officers prepare estimates on the basis of projections included in Appendix BS06 and the indicative £120,000 savings target proposed for this Committee. Officers were particularly asked to consider the funding of the Museum, grants administration, the payment of various grants to outside bodies, the Community Safety budget and the results of the current Best Value Review.

Committee Base Budget Projection

- 3 The figure projected in Appendix BS06 took into account estimated inflation, budget projections from February 2002 and other previously identified items including indicative net budget reductions identified by officers in July 2002. Otherwise, it did not allow for any new growth items.

- 4 The projection for this Committee was as follows:

	£'000
Base budget (direct costs net) 2002-2003	1,071
<u>Plus</u> projection for inflation	46
<u>Plus</u> Bridge End Gardens adjustment	44
<u>Plus</u> arts development tapering funding	7
<u>Plus</u> Turpins Bowls Hall rent review	13
<u>Less</u> savings deferred from 2002-2003	-30
<u>Less</u> property re-instatement treated as capital	-8
<u>Less</u> Dunmow Museum / Maltings grant	<u>-3</u>
Committee direct costs budget target 2003-2004	<u>1,140</u>

- 5 The projection for inflation included elements for all known pay award, national insurance and superannuation changes as well as allowances for other price increases based on the previous year's experience.

Draft Budgets

- 6 The detailed budgets have been prepared at estimated outturn prices and therefore they include provision for agreed future pay awards and other price increases. Prior to savings proposals being approved by the Council, the detailed figures have been prepared at the existing approved levels of service i.e. the possible savings listed are not reflected in the appended detail figures.
- 7 Apart from inflation, also included are amounts to cover other unavoidable variations such as those arising from contractual commitments, any projections for 2003-2004 identified last year, and variations in the planned property maintenance programme. Excluded are any items related to service changes which would require specific Committee approval.

Revised Estimate 2002/03

- 8 The Community and Leisure Committee's revised estimate 2002/03 for direct costs, excluding internal charges, is £1,155,910. This is an increase of £41,030 compared with the total 2002/03 original estimates for the equivalent services, adjusted where necessary to take account of identified changes. The major components of this variation are explained in the table below:-

	£'000	£'000	£'000
Base Estimate 2002/03			1661.3
<u>Less</u> Internal Charges			<u>-590.1</u>
Base Direct Costs			1071.2
<u>Plus</u> Budgets moved between Committees:-			
- Bridge End Gardens			<u>43.7</u>
Adjusted Base Direct Costs			1,114.9
Inflation:-			
<u>Plus</u> 2002 Pay award – additional %		2.9	
Previously reported variations:-			
<u>Plus</u> Bridge End Gardens – lost income (net)	8.3		
<u>Plus</u> PFI implementation residual reserve use	20.0		
<u>Less</u> Capitalised planned maintenance	-7.8		
<u>Plus</u> Turpins Bowls Hall rent review	<u>5.4</u>	25.9	
Other in-year variations:-			
<u>Plus</u> Other staffing cost variations (net)	9.6		
<u>Plus</u> Day Centres – Meals on Wheels effect	<u>2.6</u>	<u>12.2</u>	<u>41.0</u>
Revised Estimate 2001/02 – Direct Costs (net)			<u>1,155.9</u>

Estimate 2003/04

- 9 The table below sets out the significant variations that have been included in the draft estimates for 2003/04. It also demonstrates how the estimates as drafted taken together with the list of possible savings presented go towards meeting the Committee's target position approved by Council on 22 October.

	£'000	£'000	£'000
Adjusted Base Direct Costs (as Revised above)			1,114.9
Previously projected items:			
<u>Plus</u> Turpins Bowls Hall rent review	13.0		
<u>Less</u> Sponsorship savings projected	-30.0		
<u>Less</u> Dunmow Museum / Maltings grant	-3.0		
<u>Less</u> Capitalised planned maintenance	-7.8		
<u>Plus</u> Arts Development – tapered funding	<u>7.0</u>	-20.8	
Inflation:-			
<u>Plus</u> 2002 Pay award – additional %	5.9		
<u>Plus</u> 2003 Pay award	20.1		
<u>Plus</u> National Insurance	5.6		
<u>Plus</u> Other	<u>15.0</u>	46.6	
Other variations:-			
<u>Plus</u> Bridge End Gardens – lost income (net)	6.2		
<u>Less</u> Bridge End Gardens – maintenance	-1.4		
<u>Plus</u> Day Centres – Meals on Wheels effect	2.6		
<u>Plus</u> Staffing – annual increments	7.5		
<u>Plus</u> Staffing – other variations	<u>7.7</u>	<u>22.6</u>	<u>48.4</u>
Draft Direct Cost Estimate Total 2003/04			1,163.3
<u>Less</u> Possible savings listed at Appendix BS09			<u>-131.2</u>
Estimates adjusted to reflect all listed savings			1,032.1
Budget Projections as shown in Appendix BS06			1,140.0
<u>Less</u> Savings target for this Committee			<u>-120.0</u>
Agreed Committee target for comparison			1,020.0

- 10 The figures presented demonstrate that this Committee's estimated net direct costs exceed the projected £1,140,000 by a margin of some £23,000. This margin can be explained by the "Other variations" shown above including staffing. It is important to note that attempting to project all such staffing variations for each Committee is not practical as the underlying changes are individually hard to predict and costs can in reality go down as well as up. They are therefore assumed to be neutral overall for projection purposes.
- 11 With the possible savings listed at Appendix BS09 there is still a shortfall of about £12,000 against the target agreed by Council for this Committee, even though they total to more than the £120,000 proposed. All figures at this stage are, of course, still subject to final checks and adjustments.

- 12 Without the benefit of more specific Member guidance to support the savings targets proposed this year, officers have prepared the list on the basis of this Committee's previous comments, (see paragraph 2 above) except that:
- a) consideration of the Museum is bound up with the Best Value review. A report on this review is due to be presented to Scrutiny 1 Committee on 20 November. The timing should allow an update on any budget implications to be given by officers to Resources Committee on 21 November.
 - b) The opportunities for further savings on Community Safety arising from additional external funding are considered by the relevant officers to be limited. Although, of course, every effort will continue to be made in this direction, please see 13(d) below.
 - c) the scope for savings on grants administration will depend on decisions on the grant schemes themselves which are reflected in the list.

Additional Comments

- 13 The following additional points are particularly drawn to Members' attention:
- a) The loss of funding at Bridge End Gardens has been previously reported in August (Minute BEG182 refers). This information was not available to build into the Appendix BS06 budget projection prepared at the end of July.
 - b) £2,620 is shown in the table as an adjustment for some fixed elements of premises costs at the Day Centres previously allocated to Meals on Wheels and now no longer absorbed by the income once received from that source.
 - c) Although reductions are shown in the table for the one-off grants to the Maltings project and the museum at Great Dunmow, new requests have now been received for £1,000 and £2,250 respectively. These are subject to Member decision and have not been built into the detailed figures.
 - d) Officers now assess that the level of additional sponsorship income projected last year will turn out to be over-optimistic. For 2003-2004 a further £30,000 was built into projections which has accordingly been built into the detailed estimate figures and the variation table above. This is now considered to be unrealistic but reflects current policy and can only be changed by Members. Removing any of this £30,000 additional income would, of course, take the overall budget for this Committee even further over the agreed target.

The Next Stage

- 14 Some issues still remain uncertain and unquantified. It will not be possible to be sure of the overall funding available until firmer information is received on the Local Government settlement in December. Also, a number of pressures for growth were identified in the updated lists of priorities. Reports for decision are still awaited on a number of these by the next cycle of Committee

meetings in January to allow them to be considered alongside the budgets. After that, the final decision making process, leading to Council Tax setting, will take place early in the new year. This year, for the first time, some consultation on budget matters is going to be available.

Recommended that:

this Committee:

1. notes that its target has not yet been met; and in that context
2. determines its views on the draft net direct cost budgets, the list of possible savings presented at appendix BS09 and the matters highlighted at 13(c) and 13(d) above; and
3. directs officers to prepare, in the light of those decisions, service plans for 2003-2004 and full budgets, for consideration at the next cycle of Committee meetings.

Background Papers :

- Appendix BS06 (previously distributed)