

To: Environment and Transport Committee - 12 November 2002

Agenda Item No: 8

Title: Draft Budgets 2003-2004

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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 as the basis for preparing next year's budget and service plans.

Background

- 2 At its previous meeting on 10 September 2002, this Committee resolved that officers should prepare estimates on the basis of projections included in Appendix BS06 and noted, with concern, the indicative £70,000 savings target proposed for this Committee. In this respect, officers were not asked to give particular consideration to any specific service areas.

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	1,893
<u>Plus</u> projection for inflation	107
<u>Less</u> Bridge End Gardens adjustment	-44
<u>Plus</u> District Plan inquiry	75
<u>Less</u> officers' indicative July updates (net)	-49
<u>Less</u> PFI reserve usage in 2002-2003 base budget	-31
<u>Less</u> vehicle lease savings	-76
<u>Less</u> savings deferred from 2002-2003	-80
<u>Less</u> property re-instatement treated as capital	-62
Committee direct costs budget target 2003-2004	<u><u>1,733</u></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.
- 6 Not included in the projection was a further adjustment to the direct costs budget for this Committee, in respect of the engineering service. These budgets have previously been shown under Property Services in the Housing Revenue Account. They have now been moved to reflect organisational changes last year. The bulk of the work done relates to Land Drainage where the costs are now shown. The overall effect on the General Fund is neutral, as recharges for the service will no longer be received.

Draft Budgets

- 7 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 figures.
- 8 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.

Emerging issues with implications for reserves

- 9 Letting problems at the Industrial Estate were flagged as a developing issue in the Budget Update report to Resources Committee on 20 June. A compounding series of events, beginning in the Spring of this year, resulted in a significant number of units becoming vacant and an identified need for remedial works to make them fit for re-letting. A preliminary assessment, approaching £100,000 overall, for the costs of repairs, letting agency fees and lost rents has been included in the Revised Estimates for 2002-2003. To the extent that this contributes to an overall overspend against budget, the shortfall will have to be met from reserves. The position continues to be assessed and a report is now expected in the January cycle of Committee meetings. Meanwhile, more realistic and prudent provision must be made for bad debts in future. This is reflected in the increase built into the base budget for 2003-2004.
- 10 The pattern of expenditure between years relating to the preparation of the District Plan now differs from that originally shown in the budget book, although overall the total allowed is much the same. If the £19,000 expected to be unspent this year is added to the £90,000 reserve currently earmarked, there should be sufficient to meet the £109,000 now projected for 2003-2004.
- 11 Last year, £23,000 was earmarked to cover the cost of vehicle leases extended for sound operational reasons. Although still available for use if

necessary in 2002-2003, no further reserve use was projected. It will be remembered that replacing vehicles from capital instead of leasing enabled the Council to take prudent advantage of the transitional arrangements following the loss of “negative subsidy”, reliance reducing in line with leasing costs. Extending leases disrupted the pattern projected for that transition. However, the variance tables below show that the temporary additional costs of these extensions have now been fully absorbed within operational budgets.

Revised Estimate 2002/03

- 12 The Environment and Transport Committee’s revised estimate 2002/03 for direct costs, excluding internal charges, is £1,888,040. This is a decrease of £2,770 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			2,536.4
<u>Less</u> Internal Charges			<u>-643.3</u>
Base Direct Costs			1,893.1
<u>Less</u> Budgets moved between Committees:-			
- Engineering Service		41.4	
- Bridge End Gardens		<u>-43.7</u>	<u>-2.3</u>
Adjusted Base Direct Costs			1,890.8
Inflation:-			
<u>Plus</u> 2002 Pay award – additional %		4.6	
Previously reported variations:-			
<u>Plus</u> UDC flood prevention works	10.0		
<u>Plus</u> Concessionary Fares eligibility	21.0		
<u>Less</u> Capitalised planned maintenance	-62.2		
<u>Less</u> Building Control fee income (net)	-19.0		
<u>Plus</u> Industrial Estate shortfall	97.5		
<u>Plus</u> Greater Cambridgeshire Partnership	<u>5.0</u>	52.3	
Other in-year variations:-			
<u>Less</u> Other staffing cost variations (net)	-7.6		
<u>Less</u> HG vehicle licences	-9.3		
<u>Plus</u> Contract growth (net)	20.6		
<u>Less</u> Contract related income	-47.5		
<u>Less</u> District Plan	-19.4		
<u>Plus</u> Essex Economic Partnership	<u>3.5</u>	<u>-59.9</u>	<u>-2.8</u>
Revised Estimate 2001/02 – Direct Costs (net)			<u>1,888.0</u>

Estimate 2003/04

- 13 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)			1,890.8
Previously projected items:			
<u>Plus</u> Concessionary fares entitlement	21.0		
<u>Plus</u> District Plan reserve usage	109.7		
<u>Less</u> End of PFI staffing cover	-31.0		
<u>Less</u> Sponsorship savings projected	-80.0		
<u>Less</u> Car Park charge increases	-25.0		
<u>Less</u> Building Control fee income (net)	-19.0		
<u>Less</u> Other charge increases	-26.0		
<u>Less</u> Capitalised planned maintenance	-62.2		
<u>Less</u> Vehicle Leasing	<u>-48.0</u>	-160.5	
Inflation:-			
<u>Plus</u> 2002 Pay award – additional 1%	9.3		
<u>Plus</u> 2003 Pay award	32.9		
<u>Plus</u> National Insurance	9.0		
<u>Plus</u> Contract price increases	28.5		
<u>Plus</u> Other	<u>9.4</u>	89.1	
Other variations:-			
<u>Less</u> HGV Licences	-9.0		
<u>Plus</u> Contract growth (net)	26.6		
<u>Less</u> Contract related income	-48.2		
<u>Plus</u> Industrial Estate – ongoing position	15.5		
<u>Plus</u> Essex Economic Partnership	3.5		
<u>Plus</u> Staffing – annual increments	4.4		
<u>Plus</u> Staffing – other variations	<u>7.4</u>	<u>0.2</u>	<u>-71.2</u>
Draft Direct Cost Estimate Total 2003/04			1,819.6
<u>Less</u> Engineering Service recharge adjustment			<u>-41.4</u>
<u>Less</u> District Plan - changed reserve usage			<u>-31.7</u>
Estimates adjusted for comparison purposes			<u>1,746.5</u>
Budget Projections as shown in Appendix BS06			1,733.0
<u>Less</u> Savings target for this Committee			<u>-70.0</u>
Agreed Committee target for comparison			<u>1,663.0</u>

- 14 The figures presented demonstrate that this Committee's estimated net direct costs, as adjusted for comparison, exceed the projected £1,733,000 by a margin of some £14,000. This margin is more than explained by the ongoing provision for the Industrial Estate. All other variations act to cancel out, including lease extensions and other staffing variations shown above. 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.
- 15 As a result, total additional savings of about £84,000 are needed to achieve the combined target of £1,663,000 agreed by Council for this Committee. All figures at this stage are, of course, still subject to final checks and adjustments.

Possible Savings

- 16 Without the benefit of more specific Member guidance to support the savings targets proposed this year, officers originally prepared a list on the basis of this Committee's previous comments, (see paragraph 2 above) except that:
- a) information was distributed to all Members by the Leader of the Council on 30 October 2002 giving an indication of the thinking behind the previously proposed targets. For this Committee the £70,000 total was made up of:
- £40,000 – Joint work with Essex County Council
 - £16,000 – Residents Parking
 - £14,000 – Depot rationalisation following the VFM report
- b) these proposals are now reflected in the combined list presented at Appendix BS09.

Additional Comments

- 17 The following additional points are particularly drawn to Members' attention:
- a) A one-off contribution to the Greater Cambridgeshire Partnership of £5,000 was approved by Members and is shown in the Revised Estimates 2002-2003. This was to be met from reserves. No further contribution is included in the base budget for 2003-2004.
- b) Planning officers recommend that a contingency sum of £20,000 be allowed in the budget for public examination of RPG 14 in 2003-2004. This is subject to Member decision and has not been built into the detailed figures. As a one-off item this would, if included, be expected to be funded from reserves.
- c) The officers concerned now assess that the level of additional sponsorship income projected last year will turn out to be over-optimistic. For 2003-2004 a further £80,000 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 £80,000 additional income would, of course, take the overall budget for this Committee even further over the agreed target.

- d) As Members are aware, in 1999 an officer from the Building Surveyors section was seconded to be the Council's PFI project manager. The Contract with the consortium was signed in May 2002 and building work has started on the new centres in Great Dunmow and Stansted Mountfitchet. Therefore, this secondment will finish on 31 March 2003. As projected, the budget figures for 2003-2004 now reflect reversion to the previous arrangements.

The Next Stage

- 18 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 17(a), 17(b) and 17(c) 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)