

**To: Resources Committee - 15 November 2001**

**Agenda Item No: 4**

**Title: Draft Budgets 2002-2003**

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### **Summary**

- 1 This report outlines the Committee's initial draft revised estimates of direct costs and income for 2001/02, and estimates for next year, 2002/03, prepared on the basis of existing approved levels of service. These draft figures are presented in the context of target Committee cash limits and Policy Priorities approved by the Council on 16 October 2001. Details are given of proposed savings which are part of a package intended to achieve those targets and reflect those priorities overall. The Committee is asked to give consideration to the budget figures together with associated savings proposals as the basis for preparing next year's budget and service plans.

### **Background**

- 2 At its previous meeting on 20 September 2001, this Committee agreed that officers prepare service plans and detailed budgets on the basis of the proposed cash limit, subject to confirmation by the Council on 16 October. That confirmation has now been received.

### **Committee Cash Limits**

- 3 The cash limit figure was derived using savings targets proposed by the Administration. It also took into account estimated inflation, budget projections from February 2001 and other previously identified items. The target proposals did not allow for any new growth items.

- 4 The position for this Committee was as follows:

	£'000
Base budget (direct costs net) 2001-2002	4,138
<u>Plus</u> projection for inflation	109
<u>Plus</u> e-payment development	10
<u>Less</u> Administration's target savings proposals	-247
Committee direct costs budget target 2002-2003	<u>4,010</u>

- 5 Since previous reports were prepared, some adjustments have been identified to the original base budget costs. At the Special Council meeting on 28 August 2001 it was resolved that responsibility for public conveniences be transferred from this Committee to Health and Housing Committee. In addition, a base budget element of £3,000 for drop-in centres, previously

shown under Miscellaneous in this Committee, is now shown within Community Safety in the Environment and Transport Committee to more clearly reflect responsibilities. For the same reason, a base budget element of £2,900 for health and safety training, previously included within Personnel Services in this Committee, is now shown under Public Health in the Health and Housing Committee. Finally, £2,910 was included in the leasing projection for Environment and Transport Committee for an item of plant which in fact relates to this Committee.

- 6 The adjusted target figure may be extrapolated as follows:

	£'000
Previous target Committee budget (direct costs net)	4,010
<u>Less</u> Public Conveniences	-101
<u>Less</u> Leasing reduction correction	-3
<u>Less</u> Health and Safety training	-3
<u>Less</u> Drop-in Centre	-3
Target Committee direct costs budget 2002-2003	<u>3,900</u>

### **Committee Savings Proposals**

- 7 The Administration's target savings figures were based mainly on their initial expectations arising from the review of the Council's priorities, with additional suggestions being invited from others. During the period leading up to the Council meeting on 16 October, consultation with the Corporate Management Team and Heads of Service took place to ensure that a full set of robust proposals to meet the overall target figures was available. On 18 October, the Administration made available to officers its chosen final list of detailed savings proposals for inclusion in Committee reports.
- 8 It should be emphasised that the exercise has, as expected, been a difficult one for all those involved. Although every effort has been made to ensure that the proposals now presented are possible, that does not imply that they are all necessarily likely to be universally popular or easy to achieve or without impact on the levels of service currently provided.
- 9 The proposals relating to Resources Committee are set out in Appendix DB1 with a brief assessment from officers of their achievability and likely impact on services. It will be noted that the Administration's proposals total £255,000, an amount which exceeds by £8,000 the target set for this Committee. The Leader of the Council has undertaken to present these detailed proposals for each Committee during this cycle of meetings.
- 10 The underlying objective of this exercise is to achieve a sustainable base revenue budget position for the future. Accordingly, during the preparation of these proposals, account has been taken of the possibility of prudently using the reserves available to help achieve this. Any such use of reserves is also shown in Appendix DB1. For this Committee the proposed usage is £133,000.
- 11 In this instance, it is proposed that the reserves be used to allow realistic timescales to achieve certain of the proposed savings – those expected from

office centralisation, the best value review of legal services, and discontinuing use of instalment payment booklets and the current time-recording software. Reserves may be prudently used in 2002-2003 in anticipation of full base budget savings expected in 2003-2004 or later, subject to robust monitoring arrangements being put in place to ensure that the initiatives are progressed.

### **Draft Budgets**

- 12 The detailed budgets have been prepared at estimated outturn prices and therefore they include provision for future pay awards (at 3%) and other price increases. Prior to the Administration's savings proposals being approved by the Council, the detailed figures have been prepared at the existing approved levels of service i.e. the proposed savings are not reflected in the figures.
- 13 Apart from inflation, also included are amounts to cover other unavoidable variations such as those arising from contractual commitments, any projections for 2002-2003 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 2001/02

- 14 The Resources Committee's revised estimate 2001/02 for direct costs, excluding internal charges, is £4,135,490. This is an increase of £104,170 compared with the total 2001/02 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 2001/02			2,975.1
<u>Plus</u> HRA share of corporate costs			194.4
<u>Plus</u> Internal Charges			<u>867.7</u>
<b>Base Direct Costs</b>			<b>4,037.2</b>
<b>Budgets moved between Committees:-</b>			
<u>Less</u> - Health and Safety training		-2.9	
<u>Less</u> - Drop-in Centre		<u>-3.0</u>	<u>-5.9</u>
<b>Adjusted Base Direct Costs</b>			<b>4,031.3</b>
<b>Inflation:-</b>			
<u>Plus</u> April 2001 Pay award – additional ½%	12.3		
<u>Less</u> Insurance premium increase overestimated	<u>-8.4</u>	3.9	
<u>Plus</u> <b>Changed pattern of use of reserves:-</b>			
Temporary payroll arrangements	8.5		
Community Strategy	10.0		
Long service awards – initial costs	10.3		
External legal services – planning related *	<u>60.0</u>	88.8	
<b>Other in-year variations:-</b>			
<u>Plus</u> Audit fee pattern – less to HRA	5.2		
<u>Less</u> Best Value Inspection Fee	<u>-4.8</u>	0.4	
<u>Less</u> Land Charges income		-20.0	
<u>Plus</u> Council Tax Benefits (net of subsidy)	11.5		
<u>Plus</u> NNDR – Discretionary Relief	2.0		
<u>Plus</u> NNDR – Collection Allowance reduced	5.4		
<u>Less</u> Benefit administration subsidy adjustments	<u>-3.7</u>	15.2	
<u>Plus</u> Accrual missed from 2000/01 accounts		9.0	
<u>Plus</u> Cleaning contract changes	2.6		
<u>Plus</u> Telephone system additions	<u>4.5</u>	7.1	
<u>Less</u> Other variations (net)		<u>-0.2</u>	<u>104.2</u>
<b>Revised Estimate 2001/02 – Direct Costs (net)</b>			<b><u>4,135.5</u></b>

## Estimate 2002/03

- 15 The table below sets out the significant variations that have been included in the draft estimates for 2002/03. It also demonstrates how the estimates as drafted taken together with the list of savings being proposed go towards meeting the Committee's cash targets approved by Council on 16 October.

	£'000	£'000	£'000
<b>Adjusted Base Direct Costs (as Revised above)</b>			<b>4,031.3</b>
<b>Previously projected items:</b>			
<u>Plus</u> e-Payment development		10.0	
<u>Less</u> Plant leasing reduction		<u>-2.9</u>	7.1
<u>Plus</u> <b>Inflation:-</b>			
April 2001 Pay award – additional ½%	12.3		
April 2002 Pay award – estimated 3%	<u>76.3</u>	88.6	
Insurance Premiums		32.4	
Other		<u>28.9</u>	<b>149.9</b>
<b>Planned Maintenance Programme:-</b>			
<u>Less</u> 2001/02 programme (in base)		-56.0	
<u>Plus</u> 2002/03 programme		<u>55.5</u>	<b>-0.5</b>
<b>Items to be met from reserves:- **</b>			
<u>Plus</u> Corporate training		8.0	
<u>Plus</u> Civic Suite – acoustic hood cleaning		4.0	
<u>Plus</u> Dunmow offices – fire alarm upgrade		<u>15.0</u>	<b>27.0</b>
<b>Changes as for Revised above</b>			
<u>Plus</u> Audit fee pattern – less to HRA	5.2		
<u>Plus</u> Council Tax Benefits (net of subsidy)	11.5		
<u>Plus</u> NNDR – Discretionary Relief	2.0		
<u>Plus</u> NNDR – Collection Allowance reduced	6.5		
<u>Less</u> Benefit administration subsidy adjustments	-3.6		
<u>Plus</u> Cleaning contract changes	<u>2.6</u>	24.2	
<b>Other variations:-</b>			
<u>Less</u> NNDR – Cost income	-1.0		
<u>Plus</u> Staffing - contractual increments etc	23.8		
<u>Less</u> Other variations (net)	-0.3	<u>22.5</u>	<u>46.7</u>
<b>Draft Estimates 2002/03 (before savings taken)</b>			<b>4,261.5</b>
<b>Savings proposals</b>			
<u>Less</u> Savings to be achieved 2002/03			<u>-172.0</u>
<b>Estimates as adjusted for savings proposals</b>			<b>4,089.5</b>
<u>Less</u> Savings covered by reserves in first year			<u>-83.0</u>
<b>Other adjustments for comparison</b>			<b>4,006.5</b>
<u>Less</u> Items to be met from reserves **			<u>-27.0</u>
<b>Total to compare with target cash limit</b>			<u><b>3979.5</b></u>

- 16 The figures presented demonstrate that even with the proposed savings and reserve usage this Committee will exceed its adjusted target cash limit of £3,900,000 by about £80,000. This is explained by unavoidable variations and inflation well in excess of what was allowed for in the original June projection, the main reason for which being the increase in insurance premiums, now updated to reflect the latest information available since September 11.
- 17 All figures at this stage are, of course, still subject to final checks and adjustments. In this regard, two areas within this Committee's budgets are known to have uncertainties associated. The first of these is, as ever, the net position after subsidy for housing and Council tax benefits. The second concerns the amount to be allowed for external legal services, particularly in respect of planning issues.

### **The Next Stage**

- 18 At this stage the draft budgets mainly reflect or anticipate identified matters which lie within the Council's own control. Some limited allowance has been made in the Council's budget strategy for essential growth items and the effects of unavoidable external financial pressures. These pressures appear to be becoming more onerous, in particular following the tragic events of 11 September. Significant increases are expected in insurance premiums, and interest rates have fallen more sharply than anticipated in June.
- 19 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 previous cycle of meetings. Reports for decision are still awaited on a number of these, hopefully in the next cycle 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.

### **Recommended that:**

this Committee determines its views on the Administration's proposals for savings and the draft net direct cost budgets and directs officers to prepare service plans and full budgets for 2002-2003 in the light of those decisions, for consideration at the next cycle of Committee meetings.

### **Background Papers :**

- None