

Committee: RESOURCES – 21 November 2002

Agenda Item No: 9

Title: Budget Strategy 2003-2004

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Summary

- 1 This report provides an update of the Budget Strategy report approved by the Resources Committee on 19 September 2002. It also summarises revised estimates of direct costs and income for 2002/03 and draft estimates for next year, 2003/04. These have been prepared on the basis of existing approved levels of service and have been considered during this cycle by the Council's Committees. The figures are presented in the context of Committee budget projections, savings targets and Policy Priorities approved by the Council on 22 October 2002.

Background

- 2 The previous Budget Strategy report identified that, on the basis of August projections, the net saving needed to meet the £6.888 million working target, was £127,000 implying a Council Tax increase of no more than 2½%, based on previous assumptions about Government support. The Leader of the Council proposed target savings of £345,000 to allow for uncertainties and the possibility of reduced support.
- 3 Preliminary research has suggested that relatively few of the updated priorities approved by Council are likely to have ongoing revenue consequences. Where reports have not already been presented by officers, they may be expected to be flowing through from the Scrutiny process or in the next cycle of Committee meetings. This includes the results of the Leisure, Planning and Legal Services Best Value reviews. In particular the question of corporate capacity is being addressed within the latter review and a report, including reference to a Performance Manager, will be presented to Scrutiny 2 Committee on 4 December. These remain outstanding issues as far as the figures presented below are concerned.

Adjusted 2003-2004 Committee targets

- 4 The original Committee targets were derived using projections previously presented in Appendix BS06 and the Leader's target savings proposals approved by Council. They took into account estimated inflation, budget projections from February 2002 and other previously identified items. Apart from amounts already built into the projections, they did not allow for any new growth items.

- 5 Adjustments to the previously presented projections needed for Bridge End Gardens and the engineering service are neutral in their overall effect. The £42,000 added to the base Committee budgets will be offset in full by reduced internal charges from the HRA. These changes are reflected in the summary below:

COMMITTEE TARGETS	Projected Budgets £'000	Changes to base £'000	Savings Proposed £'000	Updated Targets £'000
Community & Leisure	1,140	44	-120	1,064
Dev't Control & Licensing	449	0	-50	399
Health & Housing	734	0	-5	729
Environment & Transport	1,733	-2	-70	1,661
Resources	<u>4,251</u>	<u>0</u>	<u>-100</u>	<u>4,151</u>
COMMITTEE TOTAL	<u>8,307</u>	<u>42</u>	<u>-345</u>	<u>8,004</u>

Summarised budget information

- 6 This table summarises the draft net direct cost service budgets as presented to Committees during this cycle of meetings. The figures for 2003-04 are analysed further below and do not reflect any growth or savings proposals considered at Committees. The Revised Estimates 2002-2003 appear reasonably on target overall but do reflect ups and downs between Committees. However, it should be noted that changes in the pattern of reserve use between years for the District Plan imply an underlying overspend of some £37,000. This is more than explained by the Industrial Estate problems where a shortfall of about £100,000 is currently expected. Full details have been given in individual Committee reports.

DIRECT COST BUDGETS	Original Budgets 2002-03 £'000	Revised Estimates 2002-03 £'000	Draft Budgets 2003-04 £'000
Community & Leisure	1,115	1,156	1,163
Development Control & Licensing	436	403	388
Health & Housing	729	748	714
Environment & Transport	1,891	1,888	1,820
Resources	<u>4,082</u>	<u>4,059</u>	<u>4,232</u>
GENERAL FUND TOTAL	<u>8,253</u>	<u>8,254</u>	<u>8,317</u>

Comparisons with targets

- 7 The table below shows the changes between what was presented at this cycle of meetings and the accepted draft budgets 2003-04 for each Committee, after making adjustments for Committee decisions on budget items, use of reserves and proposed savings. The figures shown in the column for changes relate to £8,000 added for grants and subscriptions plus £100,000 for reversal of last year's decisions on sponsorship expectations,

offset by £32,000 additional use of reserves. For the purpose of providing as full a picture as possible, the figures for Resources assume acceptance of the draft estimates and savings totalling £81,400, including below the line items.

COMMITTEE BUDGETS	Presented Budgets	Changes etc (net)	Savings Accepted	Accepted Budgets
	£'000	£'000	£'000	£'000
Community & Leisure	1,163	23	-6	1,180
Dev't Control & Licensing	388	0	0	388
Health & Housing	714	0	0	714
Environment & Transport	1,820	53	-113	1,760
Resources	<u>4,232</u>	<u>0</u>	<u>-81</u>	<u>4,151</u>
COMMITTEE TOTAL	<u>8,317</u>	<u>76</u>	<u>-200</u>	<u>8,193</u>

- 8 In the following table, the budgets above, as accepted at the various Committee meetings, are compared with the updated targets shown at paragraph 5 above. The overall draft position accepted so far exceeds Council approved targets by £189,000. The table shows how this is attributable to each Committee.

DRAFT SERVICE BUDGETS	Accepted Budgets	Updated Targets	Unders & Overs
	£'000	£'000	£'000
Community & Leisure	1,180	1,064	+116
Development Control & Licensing	388	399	-11
Health & Housing	714	729	-15
Environment & Transport	1,760	1,661	+99
Resources	<u>4,151</u>	<u>4,151</u>	<u>0</u>
GENERAL FUND TOTAL	<u>8,193</u>	<u>8,004</u>	<u>+189</u>

The differences explained

- 9 The next table shows how the £189,000 above target is explained. The projections for inflation, based on last year, appear now to have been too pessimistic, despite the high increases expected again for insurance premiums. Previous projections appear reasonably accurate at this stage, and have been assisted overall by other net unprojected reductions shown.
- 10 The table also shows how the room for manoeuvre to achieve the £6,888 million budget requirement target (no more than 2½% Council tax increase) has now been reduced. The £218,000 originally projected as shown above represented the approved £345,000 savings target less the £127,000 shortfall identified in September. After all the above factors have been taken into account, £29,000 now represents all the leeway that exists to cover:-

- Any reductions in Government support from the 2.3% increase projected
- Any additional service growth items not yet reported or decided
- Any further unavoidable changes to “below the line” budgets
- Any other upward financial pressures unidentified as yet

DRAFT BUDGET ANALYSIS	Updated Targets £'000	Accepted Budgets £'000	Unders & Overs £'000
Base budget 2002-2003	8,252	8,252	0
Identified since February 2002	100	101	+1
District Plan Inquiry projection	75	110	+35
Other projected items (net)	15	15	0
Reserve Usage 2002-2003	-291	-270	+21
Officers July Indications	-128	-119	+9
Inflation	418	363	-55
Planned Maintenance	-92	-92	0
Other Variations (net)	<u>0</u>	<u>-43</u>	<u>-43</u>
Draft base budget 2003-2004	8,349	8,317	-32
Committee Additions	0	8	+8
Sponsorship Reversals	0	100	+100
Savings	<u>-345</u>	<u>-200</u>	<u>+145</u>
Totals after savings etc	8,004	8,225	+221
“Below the Line” adjustment	-42	-42	0
Additional reserve usage	0	-32	-32
Base “Below the Line” (net)	<u>-1292</u>	<u>-1292</u>	<u>0</u>
Budget Requirement so far	6,670	6,859	+189
Room for manoeuvre	<u>218</u>	<u>29</u>	<u>-189</u>
Target Budget Requirement	<u>6,888</u>	<u>6,888</u>	<u>0</u>

“Below the line” items

- 11 “Below the line” items are essentially budgets that are not attributable to any particular service. They include interest on balances, pension backdating, movements in reserves and the net sum of corporate contingencies. Interest on balances has been re-assessed by officers and the results have already been built into the budget reports.
- 12 Last year, most corporate contingencies were rationalised and effectively net to nil in the base budget. A little more work has still to be done here. The Resources Committee’s own service figures still include the corporate furniture budget of about £12,000. As the budget is intended for the use of all Committees, this will need to be moved “below the line” in future. At the same time the opportunity will be taken to assess how much may prudently be allowed for an “underspend” contingency as discussed in this Committee’s own budget report.
- 13 Investigations continue to be carried out by officers into the possible use of reserves for the creation of an insurance fund. They are also in discussions with Essex County Council into the possibilities of reducing ongoing revenue

costs of pension backdating by the one-off use reserves or by capitalisation. On reserves generally, decisions are still awaited for some uses and clarifications on others, including covering additional costs to oppose the development of additional runways at Stansted Airport.

- 14 Clarification is also still awaited on the prudential guidelines for providing for depreciation. This is tied up with the draft Local Government Bill which may change the existing statutory position. Currently debt free authorities are not obliged to make any provision for depreciation as such. Prudential guidelines will have statutory force in future years. Meanwhile, the capitalisation of about £100,000 of planned maintenance is still being treated as neutral in its effect.

Conclusions

- 15 At the time this report was prepared, this Committee had yet to consider its own draft budget and associated savings target proposals. Depending on its decisions, there is currently just £29,000 identified as room for manoeuvre in the Council Tax setting process subject to the results still awaited of the Local Government settlement under the new arrangements. These are expected to be published provisionally in December.
- 16 More information will become available during the next round of Committee meetings. All reports should be presented by then outlining possible further Best Value review savings or proposing additional growth items for inclusion in the budget. A clearer position should also be available regarding the “below the line” budgets as discussed above.
- 17 Unless there is unexpected good news coming from the Government as far as the settlement is concerned, the Council may still be faced with the difficult decision as to whether or not to increase the council tax to compensate for any reduction in the Government’s revenue support. Any position adopted should, of course, be sustainable in the longer term.

RECOMMENDED that this Committee:-

determines whether, at this stage, it wishes to recommend to Council that further savings be sought from Committees to help achieve the Council’s agreed priority to keep Council tax low.

Background Papers: None