

To: Resources Committee – 23 January 2003

Agenda Item No: 13

Title: Budget Strategy – General Fund Summary

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Summary

- 1 This report presents the latest summary General Fund service budget positions for 2002-2003 Revised and 2003-2004. It reflects the figures presented during this cycle of meetings and, as far as possible any further decisions made by previous individual Committees. The budget report for this Committee together with other reports with financial implications are also included on this agenda.
- 2 The final Local Government Grant Settlement is not expected until late January 2003. Accordingly, a special meeting of this Committee has been arranged for 5 February 2003 to make final recommendations for Council Tax setting on 11 February 2003.

At tonight's meeting, Members are asked to give consideration to the overall position and the extent to which presented budgets reflect local and national priorities and also to consider feedback from the recent MORI Budget Consultation exercise with residents of the District. Finally this report seeks confirmation both of the overall Committee budget figures and the preferred level of Council Tax increase to be used by officers when preparing the final report for the Special Resources Committee meeting on 5 February.

Summary Service Budget Figures

- 3 The table below gives the summarised service budget position updated for internal charges, based on the series of reports presented to each Committee for consideration during this cycle. Where necessary, the originally presented figures have been updated to reflect Committee decisions in this cycle of meetings.

	Revised 2002-2003	Budget 2003-2004
	£	£
Committee Service Budgets		
Community and Leisure	1,826,510	1,559,410
Development Control and Licensing	565,840	587,600
Environment and Transport (see 4)	2,685,570	2,667,970
Health and Housing	1,042,550	1,031,930
Resources (see 4)	3,024,860	3,065,200
Unused Capacity	(36,050)	(64,860)
HRA share of corporate costs	<u>(194,500)</u>	<u>(199,500)</u>
Service Budget Total	8,914,780	8,647,750
Recovery from services	<u>(1,482,260)</u>	<u>(1,368,350)</u>
Net Expenditure on Services	<u>7,432,520</u>	<u>7,279,400</u>

- 4 It should be noted that the figures for this Committee as presented are still subject to decisions yet to be taken by Members on their own service budgets. The summary figures above do, however, reflect the £30K recommendation included within the budget report itself. Officers will orally confirm the updated total for 2003-2004 at the meeting. Also, not yet included in the figures are the potential effects of
- Other reports with budget implications on this agenda
 - Any further identified corrections or adjustments for consistency
 - Any further savings or growth items identified by Members

Final overall projection update

- 5 At the meeting of this Committee on 21 November 2002 it was reported that there was an estimated £29K room for manoeuvre rather than the £189K recommended previously by Council. Following the initial provisional Settlement announcement and subsequent Benefits Administration Grant notifications, a report was submitted to Council on 17 December 2002 which showed that the room for manoeuvre had increased to £74k. However this was still £115k less than the Council's target.
- 6 This working projection has now been updated to reflect all the decisions made so far during the current cycle of meetings consistent with the service budgets shown in paragraph 3 above. A copy of this final projection at Committee level listing all these decisions is provided as Appendix SBP1. It shows that after these latest changes and adjustments the £74K room for manoeuvre has become a budget deficit of £12K at a provisionally projected 2.5% council tax increase.
- 7 Now that all capital, internal recharge and Housing revenue Account (HRA) estimates have been completed, an interim overall projection reconciliation has been produced. This is provided as Appendix SBP2 and also models the effect

of all the changes shown in Appendix SBP1. This confirms a projected £12,030 deficit at 2.5%.

- 8 All "below the line" items are now shown as estimates rather than as variances from the 2002-2003 base position. The overall position indicates a small (£1K) net movement in the previously modelled taxbase plus recharge interactions with the HRA and DSOs. It will be noted that no figure is included for below the line corporate contingencies, either positive or negative. It is recommended now that these are best treated as all netting to nil. An updated schedule of the individual components will follow. Otherwise all figures are as previously projected.
- 9 Last year at this stage it was indicated that Uttlesford was likely to be paying any notional HRA surplus to the Government once the expected legislation was in place for 2003-2004. The necessary legislation is contained in clause 90 of the Local Government Bill which has now received its second reading. Therefore, although there is an estimated HRA notional surplus of about £200K for 2003-04, no negative HRA subsidy figure has been included in the estimates for transfer to the General Fund.
- 10 Column A of Appendix SBP2 assumes the same pattern of reserve usage as outlined in Committee reports as budgets have been progressed. Column B shows recommended adjustments to the figures shown relating to depreciation for DSO assets only and a downward adjustment of reserve usage for office centralisation in line with originally approved levels. These changes increase the projected budget deficit at 2.5% to £50,470.
- 11 The future treatment of depreciation remains uncertain until changes from the Local Government Bill are clarified. No change to existing practice on the General Fund is therefore being sought here but it must be emphasised that future changes to depreciation could have an impact at Council taxpayer level. Final recommendations on reserve usage will be made on 5 February, considered together with any revenue contribution to capital or collection fund surplus. There is no indication at present that their combined effect on the above position will be other than fairly neutral.

Provisional Local Government Settlement

- 12 The Government announced the Provisional Settlement on 5 December and brief details were both e-mailed to Members immediately afterwards and also included in the budget report submitted to Council on 17 December. The final settlement is expected at the end of this month.
- 13 This year has seen significant changes in the Grant distribution methodology. The stated objective of the Government's proposals was to create a funding system which was more transparent, demonstrated greater accountability and stability and in particular to seek to ensure that the formulae are all based on objective and factual evidence and that the data used could be justified on a rational basis.

- 14 In the Government's view, one of the major problems with the old SSA system was that it attempted to take a view on what authorities needed to spend. As a result, the notional spending allocations in the new system do not imply anything about the budget or spending choices that will need to be made by individual authorities.
- 15 A comparison with 2002/3 is difficult because the figures have been compiled using different methodology but are as follows:

	2002/3	2003/4	Variance
	Actual	Provisional	
	£'000	£'000	£'000
Revenue Support Grant	754	1.333	+579
Business Rate Redistribution	2.953	2.406	-547
Total Formula Grant	3.707	3.739	+32

- 16 The Total Formula Grant for 2003/4 of £3.739m is only an increase of £32,000 over this year. Using the Government adjusted base the increase is calculated for Grant distribution purposes as 3% which is at the floor and the minimum percentage increase at national level. The proposed grant includes £270,000 'floor' protection. The Government has still to confirm how the floors and protection are going to be continued and obviously this will have a significant impact on future levels of external support and consequent Council Tax levels. It is recommended that for sustainability reasons this future loss of grant is considered when determining the Council Tax.
- 17 As reported to Members at the Council meeting on 17 December the Government have increased Benefit Administration Grant to all relevant authorities. The increase over 2002/3 for this Council is £99k but is a one-off and is expected to stay at this level in future years.
- 18 One particular change in the grant methodology is increasing the overall level of spending at which resource equalisation takes place. Under the previous SSA system Councils collectively were overspending their SSA's by several billion pounds with the tacit acceptance and approval of Government. The SSA was deemed to include all Parish Precepts and for Uttlesford the Budget Requirement for 2002/3 including these precepts was £7.846m compared with an SSA of £6.553m resulting in an "overspend" of £1.293m. At national level that "approved" spending was falling much more heavily on taxpayers in low-taxbase and high-need areas and has been corrected under the new system by increasing the Formula Spending Share (FSS) for all authorities compared with the previous SSA regime. This Council's figure used for grant distribution purposes is £8.877m compared with the 2002/3 SSA of £6.553m.
- 19 Some uncertainty over the Settlement will remain until the final details are received. However unless there is a change to the base calculation or the 3% floor, other changes would have to be really large to have a significant effect on the final amount of grant received.

The Budget Consultation Exercise

- 20 The result of the joint MORI survey carried out with Essex County Council were received on 13 January and circulated to all Members. Hard copies of the MORI report will be circulated at the meeting. Details are not reproduced or summarised here but will, of course, be referred to at the meeting. In the opinion of both MORI and Officers the exercise has been successful, the survey methodology sound and the results robust and reliable. The views expressed by Uttlesford taxpayers do not appear to be inconsistent with the Government's national priorities.

The next stage

- 21 Officers need a clear steer from this meeting as to the preferred Council Tax increase to use for reporting to the special meeting of this Committee on 5 February. It is suggested that any such indication given would be on the basis that it would be automatically reduced by officers if there were any material additional support gained from the final Settlement or material downward variations arising from the matters referred to in paragraph 11. In this context "material" would be interpreted as £15,000, roughly the equivalent of ½% on Council Tax. Each additional 1% increase can now be quantified at £30,175.
- 22 The report on Restructuring Planning Services as well as being presented to the Environment and Transport Committee, will be submitted to the Development Control Committee on 3 February. The financial and implementation details will be considered by the Special Resources Committee on 5 February.

RECOMMENDED that this Committee give clear guidance to officers for preparing the final report to the special meeting of this Committee on 5 February, by:

- a) Confirming the overall net service budget figure to be used as presented at £7,279,400 adjusted as necessary to reflect subsequent decisions of this Committee.
- b) Specifying the preferred percentage Council Tax increase to be used, subject to any external factors from the final Settlement.

Background Papers:

e-mails to all Members re grants 5 & 12 December 2002
ODPM – Local Government Finance in England 2003/04