

Committee: Resources Committee
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Agenda Item No: 22
Title: GENERAL FUND POLICY PRIORITIES AND BUDGETS 2004/05
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Summary

- 1 This report summarises the developments from this cycle of Committees in preparing the Council's General Fund Budget for 2004/05. It considers base budgets, proposals for budget growth and reductions and other key factors in setting the budget. The report proposes a three year indicative strategy to ensure that acceptable Council Tax levels are balanced with the Council's aspirations for service improvements. An overall Budget Summary covering a three year period is included as Appendix 1 to this report.

Background

- 2 The report submitted to this Committee in September identified the following guidance to be issued to Committees in considering their budgets:-
 - a) All items identified for further research during the September Committee cycle should be robustly examined and placed in priority order.
 - b) Committees should only recommend for submission to the Resources Committee review items involving budget growth which meet at least one of the following criteria:
 - Significant contribution to the Quality of Life Plan
 - Legal or contractual necessity
 - Increased efficiency
 - Significant support from customers or the public generally
 - c) In the difficult financial position the Council faces, a robust and proactive approach should be used when looking at possibilities for increased income from fees and charges. In preparing proposals for increasing the income from a service over and above normal inflationary provision the following should be clearly shown:
 - Comparative prices for other councils/private sector
 - Justification based on cost of service provision
 - Links to the Quality of Life Plan
 - Justification as part of a wider package of measures , some of which will compensate those who will pay higher charges for doing so

- Measures to protect disadvantaged or vulnerable groups
- d) Any proposals for budget reductions should show a clear rationale and explain the effect on quantity and quality of service provided, including the effect on the public, service users, and other stakeholders
 - e) Proposals for one-off spending or financing temporary shortfalls in budgets will be considered for financing from reserves, subject to meeting the criteria under (b) above
 - f) Proposals of all types (growth, reductions, income) should be accompanied by a rigorous risk analysis
- 3 The new development factors arising since the September report are:-
- a) The warning to local authorities received from the Local Government Minister about 'excessive' Council Tax rises
 - b) The consideration by Committees of their revised direct cost estimates for 2003/04 and base budgets for 2004/05, together with base budget review items

Pension Deficit

- 4 This issue is of very significant importance regarding the preparation of the Council's budget for 2004/05 and the endorsement of three year indicative Council Tax levels. The detailed report elsewhere on this Agenda proposes that the Council makes a one-off capital payment into the Essex County Council Pension Fund .The Budget summary at Appendix 1 includes a payment of £3.5 m which the actuary has estimated should eliminate the deficit over the period 2004/05 to 2007/08, depending on various assumptions.

Revised Estimates 2003/04

- 5 A full Budget Monitoring report on the Council's 2003/04 budget is contained elsewhere on this Agenda. The figures in that report have been included in this report as formally revised estimates.

Base Budgets 2004/05

- 6 All Committees have now considered their draft base budgets for 2004/05 at Direct Cost level. This excludes capital charges and internal charges, which will appear in the January cycle of meetings. The summarised position regarding Direct Costs is as follows:-

Committee	2003/04		2004/05 Draft £	% Increase 2003/04 original to 2004/05 budget
	£ Original	£ Revised		
Committee	4,346,500	4,649,750	4,459,870	2.6
Resources				
Environment & Transport	1,829,750	2,144,550	1,842,410	0.7
Development Control & Licensing	409,010	289,680	374,600	(8.4)
Health & Housing	726,930	743,950	766,100	5.4
Community & Leisure	<u>1,185,083</u>	<u>1,224,640</u>	<u>1,292,750</u>	<u>9.1</u>
Direct Cost Totals	8,497,373	9,052,570	8,735,730	2.8

- 7 The analysis shown in the table above indicates that the base budget between the two years has increased, in total terms in line with inflation. The individual variations at Committee level between the two years are a mixture of ongoing variations from the current years revised budgets (including changes in Committee responsibilities) plus inflation and projected pay awards. Committees have received full details in their budget reports during this cycle of meetings.

Budget Review Items

- 8 This term refers to those budgets and issues recommended for further work by the Resources Committee on 18 September. Each Committee has now considered the issues identified. Appendix 2 contains summaries of the recommendations made by Committees in respect of these items. The total budgetary effect for each Committee during 2004/05, net of any one-off costs is as follows:-

	£
Resources Committee-net budget reduction	(51,550)
Environment & Transport Committee – net budget reduction	(166,000)
Development Control & Licensing – no items for review	-
Health & Housing – net budget reduction	(3,000)
Community & Leisure-net budget growth proposals	<u>85,800</u>
Net effect of Budget Review items on 2004/05 budget	(134,750)

- 9 The ongoing budget reduction involved in all these items beyond 2004/05 (when one-off costs have been paid for) is £158,250 . Members will see from the list in Appendix 2 that several items are still in need of further research and may wish to comment on these in the context of the Council's overall financial position.

Quality of Life Corporate Plan

- 10 Considerable amounts of Member and Officer time has been spent finalising the Council's Quality of Life Corporate Plan, including focus on the budgetary and other resource implications. Work continues on the Plan and its budgetary implications prior to presentation to the Council on 16 December. Resource implications are still to be estimated for certain items but costs which have been estimated are shown in the Budget Summary at line 25 of Appendix 1.

Review of Earmarked Reserves

- 11 Members agreed at the last Resources Committee that Earmarked Reserves should be reviewed. Indeed this is a statutory requirement under the new Local Government Act. A summary of the Reserve position is included at Appendix 3.
- 12 Further work needs to be undertaken on the appropriate level of the Earmarked Reserves, and this will be provided for the January meeting of this Committee.

Best Value Reviews

- 13 Four Best Value Reviews are submitting their final reports and recommended Improvement Plans to the current Scrutiny Committee meetings. These cover Revenues, Planning, Refuse and Recycling and Day Centres. The costs of the improvement plans associated with these Reviews are still being finalised, but preliminary figures have been added to the budget summary at line 25 of Appendix 1 to put them into the Council's overall budget context, although the Plans have yet to be approved.
- 14 There may also be one-off revenue and capital costs associated with the Improvement Plans from these Reviews, if they are approved, and this Committee may consider funding these from Reserves or the Capital Programme, as appropriate once the figures are finalised.

Cross-Cutting Themes

- 15 As Members are aware, in addition to budget items for review affecting individual committees there are three 'cross-cutting' themes. Two of these, First Point of Contact (previously described as access to services) and administrative support across the Council, have been merged into one and are being led by the Interim Director. A progress report is due to go to Corporate Management Team on 28 November. It is unlikely that any extra revenue implications for 2004/05 will flow from this review. The other cross-cutting theme is the idea of Trust Status for various Council establishments. This review is also progressing and details will be brought back to this Committee in January.

Interest on Balances

- 16 This estimate appears as a corporate 'below the line' figure on the summary page of the Council's overall budget in Appendix 1. It represents the interest earned on the Council's capital receipts, reserves, Council Tax, Business Rates and day to day cash flow. It is important to try to accurately estimate this item as it has a big effect on potential Council Tax levels and funds available for services. It is, however, very difficult to estimate as a few changes in the flow of key figures can affect the figures significantly. The estimate for the current year is £675,000 and following review by the officers, it is believed that this can be revised to £700,000 and that next year's budget can be set at £715,000.

Capital Spending

- 17 The draft General Fund Budget shown in Appendix 1 currently contains no provision for Capital spending support from revenue. The Council's capital programme and funding is currently being reviewed and will be presented to the January meeting of this Committee.

External Support

- 18 Details of the Revenue Support Grant and Business Rate distribution from Central Government are expected on 19 November a few weeks earlier than the usual timescale. Details will be reported at the meeting of this Committee. For planning and prudence purposes this report currently assumes that external support is the same as for the current financial year.
- 19 Recent analysis indicates that the Council's external support from the Government increased by less than 3% between 1997/98 and the current financial year 2003/04. This is 3% in total, not 3% per annum.

Overall Budget Position

- 20 Several uncertainties still exist regarding the Council's budget for 2004/05. However, it is important to give Committees guidance to help them agree their final 2004/05 budgets, along with key points from their service plans, in the January cycle. Some overall summary is therefore required and this is contained in Appendix 1. This indicates, at line 29, that additional savings/income of £128,226 is required to keep to the indicative Council Tax rise of 7.5%, although this figure does assume acceptance of all currently costed Quality of Life and Best Value Review items, all of which are subject to approval.

Three Year Projections and the Prudential Code

- 21 An initial report on the Prudential Code was brought to this Committee in September. The report identified seven key indicators to be set for a three year period. Of these seven indicators, most can only be prepared when the Council's Capital Spending and Housing Reserve Account plans are finalised. However, one which can and should be set by December 2003 is indicative Council Tax levels for the next three years. Setting such levels for future

years will provide a mechanism to ensure prudent, affordable and sustainable budgets are prepared which can be more easily communicated and justified to stakeholders. This approach is a statutory duty of the Director of Resources to be undertaken at the Council Tax setting meeting on 10 February 2004. The Council has already set an 'indicative' Council Tax level of 7.5% increase for 2004/05 based on existing spending plans. This figure now needs reviewing for 2004/05 and an attempt made to indicate levels for the two following years. For these purposes, the summary in Appendix 1 indicates the projected position if 7.5% Council Tax increase are used for planning purposes for each of the next three years.

Budget Consultations

22 Essex County Council have indicated that following public consultation on various issues during the summer, they will not be undertaking specific budget consultation this year. Last year, Uttlesford joined the County in their consultations. Bearing in mind that public consultation on the budget is required, Members are asked for their views on the following options:

- a) Uttlesford having it's own consultation
- b) The use of small focus groups

23 It is Recommended that:

- 1) Further savings/additional income be sought from all Committees totalling the £128,226 required to meet the indicative Council Tax level of 7.5%, and that the targets set take account of the likely additional costs arising from each Committee in relation to the Quality of Life Corporate Plan and Best Value Review Improvement Plans
- 2) A maximum indicative Council Tax of 7.5% be confirmed for 2004/05
- 3) The Budget Review Items listed in Appendix 2 be agreed or if necessary referred back to the appropriate Committee for further consideration
- 4) That the Committee gives its views on budget consultation

Background Papers: Budget working papers, budget review papers, and reports to Committees in October and November 2003

BUDGET REVIEW ITEMS

		Recommended £	Proposal Not Agreed/Not Possible	Further Work Required
	Resources Committee			
1	Member Training	12,000	-	-
2	Area Committees	-	-	✓
3	Self-Funding Insurance	-	-	✓
4	Land Charge Income	-	✓	-
5	Airport Campaign	(50,000)	-	-
6	Legal Fees	Base Budget Adjusted	-	-
7	Shared Training with County Council	-	-	✓
8	Telephone savings	(11,000)	-	✓
9	Printing Savings	-	-	✓
10	Audit VFM Studies	-	-	✓
11	ICT Income and Partnerships	-	-	✓
12	Saffire Grant	(3,500)	-	-
13	Revenues Administration			
	- Bankruptcy Petitioning Costs	(4,000)	-	-
	- Weekly Income Benefits Savings	-	-	✓
	- Pension Credit Computer System Charges	(8,250)	-	✓
	- Department of Work and Pensions Funding	-	-	✓
	- Benefits Subsidy ongoing Savings	-	-	✓
	- Review of Benefits Team Structure			
14	Council Tax on 2 nd homes – UDC share	(7,800)	-	✓
15	NNDR Partnership working	-	-	✓
16	Postage Savings following direct debit increase	(3,500)	-	-
17	Membership of Essex Marketplace	8,000	-	-

		Recommended £	Proposal Not Agreed/Not Possible	Further Work Required
	Environment & Transport Committee			
18	Planning Grants	(16,000)	-	-
19	Car Parking Charges	(168,000)	-	-
20	Residents Parking	(13,000)	-	-
21	Assisted Travel	16,500	-	-
22	Road Safety Agency	-	-	✓
23	Client Services	-	-	✓
24	Dunmow Offices	-	-	✓
25	Vehicle Servicing Frequency	-	-	✓
26	Recycling Partnerships	-	-	✓
27	Green Sacks Income	(2,500)	-	-
28	Best Value Review of Refuse Collection/Recycling	-	-	✓
29	Ground Maintenance Tender Renewal	- 10,000	-	✓
30	Industrial Estate	Base Budget Adjusted	-	-
	Health & Housing Committee			
31	Homelessness Officer	Budget already agreed	-	-
32	Airport Noise Pollution Monitoring Income	-	✓	-
33	Pest Control Income Review	(3,000)	-	-

		Recommended £	Proposal Not Agreed/Not Possible	Further Work Required
	Community & Leisure Committee			
34	Leisure Management Officer	33,000	-	-
35	Leisure card	-	-	✓
36	Administrative support	-	-	✓
37	CIC's Mobile and Stansted	-	-	✓
38	Museum – delete Admission Charges	-	✓	-
39	Tourist Information Centre Sunday Open	1,300	-	-
40	Grants Budget	6,000	-	-
41	Bridge End Garden Income	-	-	✓
42	Emergency Planning Legalisation	-	-	✓
43	Community Safety Audit	10,000	-	✓
44	CCTV Maintenance	6,500	-	-
45	Community Safety Partnership Income Reduction	19,000	-	-
46	Drug Awareness Partnership Income Reduction	10,000	-	-
	TOTAL – NET BUDGET REDUCTION	158,250		