
BUDGET STRATEGY

1 PURPOSE

- 1.1 To consider the broad budget strategy for 2003/4 – 2005/6

2 BACKGROUND

- 2.1 In setting the Council Tax for 2002/03 Members agreed a strategy of tax increases of 10% for 2002/03, 10% for 2003/04, 10% 2004/05 and 10% for 2005/06. Members will again be required to set the Council Tax for 2003/04 within a strategy that now includes 2005/06. Members will be aware that one of the Council's key corporate targets is that the Council moves towards a balanced budget. The adoption of the 10%, 10%, 10% Strategy is a key part in meeting this objective.
- 2.2 Members will be aware that issues relating to the budget are subject to change. This report represents the position as at mid November. Updates will be given to Members where they occur.

3 CONSIDERATION

- 3.1 Since the last strategy was agreed a number of changes have taken place and need to be taken into account. These are as follows:

4 SALARIES

- 4.1 The previous strategy for 2002/03 and the forward projections for other years contained provision for a pay award of 3%. The 2002/03 pay award has been agreed at 3% from April 2002 and an additional 1% from 1 October 2002. From 1 April 2003, 3½% has been agreed. These increases have to be included within the draft estimates.
- 4.2 Members have agreed to consider opting out of the national negotiations on pay. This may have revenue implications, however no adjustments have been made to the current budget strategy. A report on pay structure review will be presented to the Finance and Procedures Overview and Scrutiny Committee on 12 December 2002.

5 NATIONAL INSURANCE

- 5.1 A 1% surcharge for National Insurance has been set by the Government for 2003/04 onwards. This has been included within the draft estimates.

6 PENSIONS

- 6.1 Members will recall that there are increases in pension payments to Essex County Council for 2003/04 onwards. The increase for 2003/04

has been included within the draft estimates for 2003/04 and the increases for 2004/05 and 2005/06 within the draft strategy.

7 MONEY MARKET

- 7.1 The previous strategy contained an assumption that the investment rates for cash balances held by the Council will increase in line with the then market expectations. Significant increases now have to be delayed into 2004/05. Adjustments have been made to the strategy for 2004/05 and 2005/06 to reflect the expected change.
- 7.2 Members will recall that the Government proposes to re-distribute reserved capital receipts. The final details of this scheme are not available however any removal of reserved capital receipts will affect investment income for the Authority. No adjustments have yet been made to the budget strategy to reflect this.

8 HOUSING BENEFIT CHANGES

- 8.1 The Government will require that in 2003/04 the Council will be responsible for managing the new Tax Credit scheme. This is at an early stage of evaluation but initially it is thought that there will be a significant increase in case load that will have to be dealt with by additional trained staff. Some funding is available from the Government for this function but it is not expected to cover costs. A net provision of £20,000 has been included within the draft estimates for 2003/04 and a further increase in 2004/05.

9 IS/IT

- 9.1 The Government's drive to ensure that all services are on-line will produce short-term costs to the Authority. Although Capital Grant is available towards the programme, the additional revenue cost falls to the Council. Significant savings will be possible only in the longer term when customers actually switch to the new technologies available. An additional £ 25,000 has been included within the draft strategy for 2003/04 and £30,000 for 2004/05.

10 COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA)

- 10.1 The government have now announced details and the timetable in relation to CPA in relation to District Councils. The Authority needs to align its services with CPA methodology. Funding will be required to support the Peer Review process, Member and officer training and the production of documents generated by the CPA. A sum of £30,000 has been included within the draft strategy.

11 TAXI VOUCHER SCHEME

- 11.1 In noting the progress on the taxi voucher scheme, Members requested that consideration be given to increasing the provision in the estimates for 2003/04. The budget has been increased by £27,000. This has been included within the draft estimates.

12 PUBLIC CONVENIENCES

- 12.1 In the report to Community Overview & Scrutiny Committee on the 15th October 2002, the potential revenue costs were identified in respect of additional repairs, improvements and cleaning. These total £50,000 per year. This has been included within the budget strategy.

13 WORKS FOLLOWING TREE SURVEY

- 13.1 Following the survey of trees, that are the responsibility of Rochford District Council, works are now required to take corrective action. These works are in the category of either essential or very desirable. The schedule of works is currently out to tender and more information will be made available at a later date. A provisional estimate of £20,000 has been included in the strategy.

14 PARK SPORTS CENTRE & LEISURE CONTRACT

- 14.1 The current three-year strategy will have to include the revenue commitments that follow from the new leisure centre at the former Park School. Members will be aware that there are a number of issues yet to be decided that will affect the actual revenue cost of the scheme. Provision has been included at £150,000 in the budget strategy for 2005/06 as the first full year effect.
- 14.2 Members are aware that the budget strategy involves making provision for funding towards the new leisure centre. Following the refund of rates on leisure premises a sum of £228,700 has been transferred to this reserve. In addition an additional £131,721 has been provisionally earmarked for the reserve. There is confidence that the reserve will be at the target £500,000 when the funding will be required.

15 CHERRY ORCHARD JUBILEE COUNTRY PARK

- 15.1 Management issues will start to arise from next financial year. A provision of £20,000 has been included in the draft strategy. This was identified as part of the business plan for the park and the actual revenue costs will be developed following more detailed consideration of the management issues.

16 DECRIMINALISED PARKING ENFORCEMENT

- 16.1 Members will be aware that the introduction of decriminalised parking enforcement is under consideration. Initially Essex County Council will fund the set-up costs. It is too early to say if there will be on going revenue costs that fall to this Council. These will be identified at a later date.

17 LIQUOR LICENSING

- 17.1 This function will be passed to Local Authorities in 2003/04. Potential costs have not yet been identified and therefore no provision has been included within the budget strategy at this stage.

18 CHEWING GUM REMOVAL

- 18.1 Members will be aware that there will be a trial removal of chewing gum by the specialist contractor. In the event that Members would wish the scheme to be implemented, there will be implications for the revenue budget. No provision has been included in the budget strategy at the moment.

19 PAVEMENT WORKS IN RAYLEIGH

- 19.1 Members requested that the works to the pavement between Bellingham Lane and the High Street be considered for renewal. The estimated cost is £12,000 and has been included within the budget strategy.

20 RAYLEIGH MOUNT SECURITY

- 20.1 Concerns have been raised regarding vandalism and the general security at Rayleigh Mount and the surrounding area. CCTV may be one possible solution for this area. No provision has been included within the budget strategy as initial requirements could be dealt with from the Crime and Disorder Reserve.

21 LOCAL SERVICE AGREEMENTS

- 21.1 No provision has yet been included for budget implications that follow from Local Service Agreements with Essex County Council. These will have to be taken into account before any agreement is finalised.

22 RECYCLING

22.1 Members will be aware that there is a requirement to increase the recycling rate for the Council. This will require significant revenue and capital cost. No provision has been made within this strategy for either the additional revenue cost or capital cost. Guideline figures for additional 5,000 properties are £90,000 per year for revenue and a one off capital cost of £70,000.

23 EXTERNAL GOVERNMENT SUPPORT

23.1 Members will be aware that the Government has concluded its review of SSA (Standard Spending Assessment) and that a new basis of grant distribution will be in place for 2003/04. Although this Authority gets the lowest funding per head of population in Essex, there is still the possibility of losing support during the life of this Budget Strategy. At the moment Ministers are broadly promising no loss of support for 2003/04. As usual we await the real figures with interest. At the meeting of this Committee to be held on the 12th December it is expected that the Government announcements on external funding will be available.

24 GOVERNMENT REQUIREMENTS

24.1 As can be seen from this report there are again a number of items that follow directly from new Government requirements. These include items that are either further expansions of previous requirements or new issues identified within this report. The list for 2003/04 includes: -

Concessionary Fares	Estimate risen by more than inflation	19,200
Contaminated Land register	Included as a one off in 2002/03. Now extended	30,000
Housing Benefits Tax credits	New requirement for 2003/04	20,000
E –Government strategy	Capital grant made available but not revenue implications of new schemes	25,000
Liquor Licensing	New requirement for 2003/04	?
Comprehensive Performance Assessment	New requirement for 2003/04	30,000
	Total	124,200

24.2 It should be noted that the above does not include additional officer time involved with the production of strategies required by the Government and items like increasing the Councils recycling rates to comply with Government targets or the National Insurance surcharge.

24.3 It should be noted that the above list relates only to issues arising in 2003/04. The items identified in previous years continue.

25 REMOVAL OF TARGET SAVINGS

25.1 In recent years the Council has made provision for unidentified savings of £225,000. This has now been removed and therefore initial estimates have to be drawn to include this £225,000 reduction. This therefore puts initial pressure on the way the main estimates are drawn.

26 BUDGET STRATEGY RESERVE

26.1 The reserve was fully utilised in 2001/02. Therefore any future position where expenditure is in excess of resources will involve using the General Fund balance.

27 GENERAL FUND BALANCE

27.1 In previous reports attention has been drawn to the fact that the General Fund Balance for Rochford was below that recommended by the Audit Commission. New guidelines have now been included as part of the Comprehensive Performance Assessment which now show ranges of balances. For Rochford this is a range from 5% to 100% of net operating expenditure. Working on a figure of £8m this gives a range between £400,000 to £8m. Clearly some judgement is required to identify an appropriate figure for Rochford. Although net expenditure is used, the risks to the Council are in the gross expenditure to discharge services. This figure is around £19m per year and against the Council's current balance of £700,000 represents two weeks of funding without income.

27.2 In broad terms the risks to the Council are reduced because of the outsourcing that the Council has agreed.

27.3 It is suggested that the Council's General Fund balance be 10% of the net revenue budget. The net budget for 2003/04 is estimated at around £7.9m and therefore the current General Fund balance needs to rise to £750,000 from the existing £700,000. It is proposed that this be achieved by a transfer of £50,000 from the Capital Programme in 2004/05. As members will see from the report on the capital programme, this action will not be easy.

28 THE DRAFT 3 YEAR STRATEGY

- 28.1 The Draft Strategy is shown as Appendix A. Council tax increases have been shown at 10% per year for the whole strategy. Government funding is at the moment included at the same level as 2002/03. Surplus from the collection fund is included at £30,000 per year.
- 28.2 The statement now shows any deficit or surplus within the revenue account directly affecting the General Fund balance as the previous budget strategy reserve has been fully utilised in 2001/02.
- 28.3 The addition to balance of £550,000 represents the planned replacement from the refund of National Non Domestic Rates that was received this year.
- 28.4 As can be seen from the summary of the draft budget strategy the General Fund balance remains below the £700,000 target for 2003/04 and below the £750,000 target for 2004/05. In the light of the items in paragraph 24, and the known information to date, the broad recommendation would be for the tax increase for Rochford District Council for 2003/04 to be around 14% in place of the planned 10%. This will give some certainty to the future increases at 10%. It will also be a better defensive position against what are expected to be reductions in Government funding. However even modest reductions in Government support could lead to higher tax requirements.

29 OVERVIEW AND SCUTINY ISSUES

- 29.1 The constitution requires that in February each year the Policy and Finance Committee will publish a programme for establishing the budget and Policy framework for the following year and identify studies that they wish to request from the Overview and Scrutiny Committees (Page 4.24). Members should bear this in mind when dealing with the budget strategy so that issues that arise through the budget process can be noted for inclusion in the programme of the appropriate Overview and Scrutiny Committee. This will have to include consultation issues.
- 29.2 An initial suggestion might be issues around the introduction of liquor licensing and decriminalised parking.

30 RECOMMENDED

- 30.1 It is proposed that the Committee **RESOLVES**

To note this report and determine the broad budget strategy that will be submitted to Council on the 28 January 2003.

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Background Papers: None

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