
BUDGET STRATEGY - 2005/06

1 SUMMARY

- 1.1 To consider and approve the integrated 5 year budget strategy starting in 2005/06.

2 INTRODUCTION

- 2.1 The Council brings together all its priorities for consideration at this meeting to determine the budget strategy and the key priorities for 2005/06 and beyond. This report covers:-

- The revised estimates for 2004/05.
- The draft core estimates for 2005/06.
- Government support for 2005/06.
- Council Tax for 2005/06.
- Management of resources.
- The total proposed budget for 2005/06.
- Gershon requirements.
- The fees and charges for 2005/06.
- The Capital Programme.
- The Housing Revenue Account.
- Prudential Borrowing

- 2.2 The summary budget book has already been distributed to Members. This shows the revised estimates, proposed estimates for 2005/06 and the variation estimate to estimate. A list of questions raised by Members will be presented to this meeting.

3 REVISED ESTIMATES FOR 2004/05

- 3.1 The revised estimates total £8,468,800, against the original estimate of £8,534,000. There is therefore an estimated improvement of £65,200. Members will see the areas where the revised estimates vary from the original. As the overall total shows a reduction Members can agree to accept the revised estimates and agree to changes by way of virement.

4 THE DRAFT CORE ESTIMATES FOR 2005/06

- 4.1 The draft core estimates total £9,050,000. Overall this is an increase of 6% over the original estimate for 2004/05. The major additions to the core estimates have been the revenue effect of the building stage of the new Rayleigh Leisure Centre and the first year of the pension adjustments required by the actuaries to the Essex County Council Pension Fund. These two items total £195,000 and without these additions, the increase would have been 3.8%.

5 GOVERNMENT SUPPORT FOR 2005/06

- 5.1 The increase in Government funding will be £203,000 or 5.8%. Although in itself, it is a reasonable increase, a number of points need to be remembered:-
- With this increase Rochford is still the lowest funded Council in Essex and the 14th lowest in England on a grant per head of population basis.
 - The Government are holding back £138,000 under the floors and ceilings adjustment. Therefore although the Government have assessed Rochford as in need of additional funding, that additional funding is still being held back.
 - This is the last year of the current three-year financing model. At the end of these three years, Rochford will still be in the same position as the lowest funded council in Essex as it was at the start of the three years. This is despite Rochford having been assessed as needing additional funding against some Essex Authorities assessed as being over funded and therefore with target reductions.
 - The new three-year Government funding model will start from 2006/07.
 - There are new functions that the Council will need to pick up e.g. Civil Contingencies Act.

6 COUNCIL TAX FOR 2005/06

- 6.1 The Council had agreed a 5-year strategy based on a tax increase of 9% per year. However in view of the Government's intention to cap authorities whom they consider to have increased Council Tax higher than an amount which they will decide upon, it is now proposed that the new strategy shall be based on tax increases of around 5% per year. It must be stressed that a strategy based on 5% per year is only a short term measure and the key point in reviewing this strategy will be the announcements regarding the new three year funding model from 2006/07.

6.2 The reduction from 9% to 5% per year will have implications for the Council in relation to its future plans. In particular capacity will be limited at a time when the CPA external judgement on the Authority is that capacity needs to increase.

6.3 For 2005/06 the recommended Council Tax will be 4.95%

7 MANAGEMENT OF RESOURCES

7.1 As previously mentioned, the reduction in the Council Tax to 4.95% per year will have implications for the Council. To provide some short term flexibility the finances of the Council have been reviewed and current earmarked reserves transferred to General Fund balances so that at the start of 2005/06 General Fund balances are around £2m. This is abnormally high for this Council but will quickly be reduced with the limitation of Government funding and the restriction in Council Tax.

8 THE TOTAL PROPOSED BUDGET FOR 2005/06

8.1 For 2005/06 the budget will be a combination of:-

- The proposed core budget covered earlier in this report.
- The key Corporate and capacity building items being self-financing.
- The items regarded as priorities being self-financing.

8.2 As regards the items that provide key corporate direction and capacity for the authority, the assumption at this stage is that they will be financed from funds to be made available by the Government under the Capacity Building Fund. These items are as follows:-

- Corporate Visioning and Strategy - £80,000.
- Partnership working and capacity building - £60,000.
- Members training - £10,000.

8.3 The Council can only obtain these funds through a bidding process and therefore success is not guaranteed. It should be noted that failure to receive this funding would put the capacity building and therefore the CPA Improvement Plan at risk. Therefore in the event of funding not being obtained for these items, alternative options will have to be considered.

8.4 Members have previously been given the list of potential priorities. The following list shows the recommendations in respect of schemes that are regarded as priorities and those that are non-priorities.

8.5 Schemes regarded as priorities:-

- Flood Management in respect of the rivers Crouch and Roach - £10,000 to be financed in 2004/05. This will enable a strategy to be developed with the Environment Agency relating to flood management for the estuary.
- Graffiti removal £10,000, Additional control of abandoned vehicles £15,000, Additional control of fly tipping £25,000, Weed removal in Town Centres £10,000, Chewing Gum removal £10,000. These total £70,000 – new combined provision of £40,000. Here the Council will address some of its key priorities regarding the environment. Graffiti in particular has been mentioned by residents and the business community as being particularly damaging to the environment. There has already been some action utilising funding from the Crime and Disorder partnership and Members are particularly interested in examining benefits from partnerships with the Town Council and other Parishes. In addition partnership opportunities will be examined with neighbouring authorities as well as the County Council. Exactly how the £40,000 will be targeted will be the subject of a further report.
- Housing Coordinator Thames Gateway £10,000. Housing resources are now considered on a regional basis and therefore the Council needs to have representation through our key sub regional agency, Thames Gateway South Essex.
- Strategic Policy – Planning and Housing £100,000 – retained but with new phasing of £25,000 for 05/06, £35,000 for 06/07 and £40,000 for 07/08. There are significant obligations on the Authority in complying with the new planning framework. Additional resources will be needed to cover the many policy statements now required. The funding shown above will allow the Council to develop this service over the next three years. Where possible, resources made available from Planning Delivery Grant will be used to fund key aspects of the process.
- Green Business initiative £5,000. Here the business community have made the Council aware of the difficulty in dealing with waste from businesses that can be recycled. This budget will action the options already agreed.
- Civil Contingencies Act - £25,000. The Council must respond to its new obligations under this legislation. Only limited additional funding has been made available from the Government and therefore there will be an impact on the budget of this Council. Previously the Council had been advised that a sum of £19,000 had been made available. The actual cash is now likely to be around £7,500. In discharging our obligations the Council will be considering partnership arrangements with other District Councils and other key agencies as well as the County Council.

- Homelessness improvements £20,000, Housing advisory service £35,000. These total £55,000. The overall budget requirement is retained but with new phasing of £20,000 in 05/06 and £35,000 in 06/07. This phasing will allow proposals to develop and also take account of major changes to housing that are likely to be identified through the housing option appraisal process
- School Holiday activities £10,000. This is a further expansion of small scale popular schemes that have benefits to the community through leisure, healthy activities and a reduction in crime and disorder issues.
- Highway verge improvements additional works £50,000 – reduced to £32,000. As a green district the condition of highway verges have a large impact on the environment. Whilst it is a responsibility of Essex County Council, the County focus only on the traffic management issues and do not give priority to the environmental impact. The Council is already funding additional works and this provision will allow this to be expanded. The Council is also aware of the damage to verges through vehicles parking or travelling over grass verges. Action to reduce this will be considered.
- Improvements to the Benefits Service £25,000 – included for one year only. This will provide for one year additional resources to bring about key improvements to the benefits service. Improvements will be measured by the specific performance indicators for the benefits service particularly around value for money, capacity and partnership working.
- St Georges Day celebrations £5,000. An addition to the budget at the request of Members to generate community activity for St Georges Day.
- Funds to develop an external mediation service of £20,000 have been included for 06/07. Proposals will be developed during 2005/06 for members' approval late in 2005.

8.6 Schemes regarded as non-priorities:-

- Environmental Audit £20,000. Given the limited funding available to the Council the priority has been to respond to identified requirements rather than include another monitoring process during 2005/06.
- Police Community Support Officers £30,000. The Council has previously considered this issue and concluded that the real overall impact to the District did not justify this as a priority item. The Rayleigh Police Division will in itself be recruiting additional Police Community Support Officers. Therefore the view remains that the Council is best focussed on tackling related issues rather than part funding additional support officer posts.

- Parish Liaison Officer £25,000. The Parishes themselves do not consider that this is a priority. Rather than an additional worker the emphasis will be on developing partnerships between the Parishes and the Major Authorities.
- 8.7 Owing to the limitation of Government funding and the restrictions on Council Tax the Council needs to fund the above items that are regarded as a priority. Here the proposal from officers is that Members consider fees and charges and in particular car parking tariffs to bridge the gap and build capacity within the Council for specific projects.

Car Parking

- 8.8 In looking at car parks the proposal is that the Council moves to a long term strategy rather than short term tariff changes. To achieve this the Council needs to:-
- Consider charges every two years.
 - Respond to users demand for more certainty about space availability.
 - A strategy for the provision of additional car parking in town centres as requested by the business community.
 - The longer term development of improvements to car parking for all customers.
 - Examine the relationship of season ticket pricing to daily charges
- 8.9 Members are reminded that car park tariffs are the key tool for car park management as well as the funding stream for short term service delivery improvements and the long term ability to provide additional and improved parking arrangements.
- 8.10 The main proposal is that the Council introduces a new tariff structure based on 50p per hour charge. In agreeing this policy the Council is aware that it currently has the lowest charges for car parking for neighbouring authorities. Although the move to 50p per hour is an increase it is expected that there will be further movement of neighbouring authorities to again make the new charges within Rochford low in comparison.
- 8.11 The other key change is the removal of the ½ hour band charge.
- 8.12 The detailed proposed changes are shown in appendix A, the fees and charges appendix to this report.
- 8.13 In line with proposed changes to the metered charges there are changes proposed for Season tickets. These are also shown in the appendix but the policy here is to make the relationship of the season ticket charge to the

metered charge more realistic. At present the concession granted to season ticket holders is regarded as too high when compared against the daily charge. Here the objective is to make the season ticket charges 80% of the annual equivalent of the daily charge for 52 weeks on a 5 day basis. This will be programmed over three years. The scale of fees and charges therefore shows the proposal for season tickets for both 2005/06 and 2006/07.

- 8.14 The Council also proposes to deal with the difficult area of arrangement for parking by the disabled. It is regretted to report that both this Council and other Councils across Essex have reported many abuses of the current disabled blue badge scheme. The Council therefore proposes that free parking will in future only apply to those disabled motorists whose disability is recognised through being granted motor tax exemption.
- 8.15 There is already a scheme whereby customers who park in the Town Centres have the ability to obtain a refund of all or part of their parking charge. This is known as the trader refund scheme. Working in partnership with the business community the Council will be looking to re launch this scheme to both encourage local trade and reduce the impact of charges.
- 8.16 The changes proposed do not affect the current free parking on Saturday afternoons, which apply to all car parks managed by Rochford District Council.

Gershon Requirements

- 8.17 The Government have adopted the Gershon recommendations to make savings within all public services. As a consequence this Council will be under an obligation to make savings over the coming years. There will be two broad types of savings. Those that reduce budget requirement but still deliver the same service are called cashable savings. Non cashable savings are where services can be expanded at no extra costs. Within the budget strategy the Council has included provisional targets for cashable savings of £150,000 per year from 2006/07.
- 8.18 Whilst everyone can understand the need for greater efficiency, Rochford will be particularly affected by these proposals, as there will be a uniform target for all Essex District Councils.
- Rochford has for many years been the lowest spending Council in Essex based on expenditure per head of population. Clearly savings should be easier to identify for a Council that is a high spending Council rather than our position.
 - Rochford Council has already exposed all its major services to outside competition. No credit will be granted for this past action and new attempts to produce savings and efficiencies are denied to us until those contracts expire.

- External judgements on the Council have identified the need to increase capacity. It is our view that delivering non-impact cash savings will be extremely difficult and therefore there is the expectation that there will be an impact on future capacity.

Fees and Charges

- 8.19 This report has already mentioned proposals in respect of car parking. These and the other changes in respect of the discretionary charges are shown as appendix A to this report.

Capital Programme

- 8.20 The proposed capital programme in respect of General Fund services is shown as appendix B. Within this programme there are three new items. It should be noted that the approval for the first two capital programme items is at this stage to provide the resources within the programme. The approval to any detailed scheme will be at a later date.

- Hall Road Cemetery expansion - £485,000.
- Replacement of the skateboard ramp at Clements Hall - £16,000.

- 8.21 As regards the works to Rochford Reservoir water inlet at £60,000 this has already been approved by Members and is included in this report to obtain approval to the resources required.

- 8.22 The largest item is the expansion of Hall Road cemetery in Rochford. The cemetery at Rayleigh is now regarded as full with no new plots being sold. The District Council cemetery at Rochford has only a limited capacity to cover roughly the next six years. New cemetery facilities are already part of the District Local Plan with the expansion of Hall Road as the proposal. The total capital programme provision of £485,000 covers land acquisition but mainly the engineering works to establish the cemetery as a facility for the long term provision of burial and cremation plots. When considering the way forward on this project Members will need to consider any option to involve external contractors or partners.

- 8.23 Rochford reservoir is a key facility for the area. Work is required to address a number of problems.

- At the moment there are limitations as to how to protect the reservoir in the event of pollution in the watercourse that feeds the reservoir. There needs to be a quick and easy method of protecting this water area.
- In recent years the Council had to take action to remove silt from the reservoir. The current inlet does not allow silt to be trapped before entering the reservoir. This will require silt to be removed at regular intervals in the future. The new works will address this in a more manageable way

- The control of water levels in the reservoir.
- 8.24 It should be remembered that the water inlet is in a remote position without easy access by heavy machinery, which makes the proposed works more difficult.
- 8.25 Clements Hall already has a skateboard ramp that is in need of replacement. The current ramp was second hand before it was installed on this site. The replacement will also be a newer generation of ramp that should reduce management problems and be more attractive to users.

Housing Revenue Account

- 8.26 It is usual for this meeting to also include the Housing Revenue Account, Housing Capital Programme and Housing Rents.
- 8.27 The Council has set up a special board to look at Housing Option appraisal. This board will make recommendations to this Council regarding the long term future of Council Housing having taken account of the views of tenants.
- 8.28 In looking at the options for future service delivery the board are looking in detail at the Housing Revenue Account and the projections for the future. It is also looking in detail at the need to spend on repairs, maintenance and improvement to property to ensure that Decent Homes for tenants can be achieved in the timescale laid down by the Government and meet key tenant aspirations.
- 8.29 Housing rents are currently determined within Government guidance for rent restructuring and therefore there is no local decision other than to comply with these requirements.
- 8.30 The Board are due to report to the Council in April. At that meeting the Housing Revenue account for 2005/06 can be agreed and the next three years of the Housing capital programme.

9 PRUDENTIAL BORROWING

- 9.1 When agreeing the Capital Programme, under the Prudential Code, the Council is required to consider a number of Prudential Indicators of affordability.

- 9.2 **Ratio of Financing Costs to Net Revenue Stream** – This indicator identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the net revenue stream. A negative figure represents a contribution to the revenue budget from investment income.

%	2003/04 Actual	2004/05 Estimate	2005/06 Estimate	2006/07 Estimate	2007/08 Estimate
HRA	22	22	22	20	19
General Fund	(5)	(4)	(4)	(4)	(4)

- 9.3 **Estimates of the incremental impact of capital investment decision on the Council Tax.** This indicator identifies the trend in the cost of implementing changes in the three-year capital programme compared to the current Capital Programme.
- 9.4 The Council is required to make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and at least the following two years. The Council agreed the current Capital Programme on 29th July 2004 and this is the starting point for considering the affordability of the proposed Capital Programme.
- 9.5 A similar indicator is calculated for the Estimate of incremental impact of capital investment decisions on housing rents and this will be considered when the final version of the HRA Capital Programme is reported to Members.

	2004/05	2005/06	2006/07	2007/08
General Fund Capital Expenditure	£'000	£'000	£'000	£'000
Current Programme	1,968	3,852	326	341
Proposed Programme	2,859	4,665	736	381
Incremental Impact on Council Tax (per Band D)	£ 0.31	£ 0.64	£ 0.60	£ 0.06

The impact of the increase in capital expenditure in 2004/05 and 2005/06 is reduced by the grant funding from Thames Gateway. It must be stressed that these are only to be used as indicators and do not represent actual increases or decreases in Council Tax.

- 9.6 **Capital Financing Requirement (CFR)** – This indicator gives an indication of the Council's underlying requirement to finance its current and historic capital expenditure, which has not been charged to revenue. The change year on

year will be influenced by the capital expenditure within the year. The Council's expectations for the CFR are shown below:

£'000	31/03/2004	31/03/2005	31/03/2006	31/03/2007	31/3/08
	Actual	Estimate	Estimate	Estimate	Estimate
Total	10,209	10,457	13,505	13,505	13,505

- 9.7 This indicator is designed to measure the underlying need to borrow, or finance by other long term liabilities, capital expenditure. Although this measures the need for borrowing, the borrowing may not necessarily take place externally. The increase in 2004/05 and 2005/06 is due Prudential Borrowing which may be undertaken and is included in the Annual Treasury Management and Investment Strategy report to this Council meeting. It is not anticipated that it will be necessary to undertake any other borrowing to finance the capital programme, although temporary short-term borrowing may have to be undertaken for cash flow purposes.

10 RISK IMPLICATIONS

- 10.1 All the services of the Council rely on resources, which are approved within the budget strategy. When looking at expenditure and income the Council must be aware of the risks involved. The information used for this strategy is based on the best information available to officers of the Council and interpretation of statements made regarding local Government finance.

11 RECOMMENDATION

- 11.1 It is proposed that Council **RESOLVES** to agree

- (1) The revised estimates for 2004/05.
- (2) The core estimates for 2005/06.
- (3) The Council Tax for Rochford District Council at 4.95%.
- (4) The priorities and non-priorities for 2005/06.
- (5) The schedule of fees and charges.
- (6) The Capital Programme
- (7) To note the statement regarding Prudential Borrowing.

Dave Deeks
Head of Financial Services

Background Papers:-

None

For further information please contact Dave Deeks on:-

Tel:- 01702 318029

E-Mail:- dave.deeks@rochford.gov.uk