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## **BUDGET STRATEGY**

### **1 PURPOSE**

- 1.1 To inform Members of key data in connection with the Budget for 2002/03 and for Members to recommend a strategy for the Revenue Budget for 2002/03 – 2004/05.

### **2. KEY DATA FOR 2002/03**

- 2.1 Initial consultation draft by the government shows the following.

	<b>£</b>
Standard Spending Assessment (SSA) for 2001/02	6,176,656
SSA for 2002/03	<u>6,499,000</u>
Increase	<u>322,344</u>
External Funding 2001/02	3,417,715
External Funding 2002/03	<u>3,504,000</u>
Increase	<u>86,285</u>

This represents an increase in external funding of 2.5% over 2001/02

	<b>£</b>
Tax base for 2001/02	30,142.98
Tax base for 2002/03	<u>30,239.50</u>
Increase	<u>96.52</u>

Note the previous estimate was for an increase of 200.

	<b>£</b>
Collection Fund surplus 2001/02	28,022
Collection Fund surplus 2002/03 (Initial estimate)	30,000

A Collection Fund surplus is estimated for 2002/03 owing to the continued good collection record on Council Tax.

	<b>£</b>
Parish Precepts 2001/02	624,273
Parish Precepts 2002/03 (Initial estimate)	661,700

An initial 6% increase has been included in these estimates. The actual figures will not be known until the Parishes make their precepts around January 2002.

### **3 COUNCIL TAX 2002/03**

- 3.1 In setting the Council Tax for 2001/02 Members did so within a strategy that had a planned tax increase of 6% for 2002/03 and 2003/04. On this basis the starting point for 2002/03 has been taken as a 6% tax increase.

3.2 Using this data, the summary for Council Tax would be as follows:

	£	£	% Change
Net Budget	7,021,300	<b>7,338,700</b>	+ 4.50
Less External Funding	(3,417,715)	(3,504,000)	+2.50
Collection Fund	(28,022)	(30,000)	
District Council Total	3,575,563	3,804,700	
Tax Base	30,142.98	30,239.50	
District Tax	118.61	125.82	+ 6.08
Parishes	624,273	661,700	+ 6.00
Total District and Parishes	4,199,836	4,466,400	
Tax Base	30,142,98	30,239.50	
Net Tax required	139.33	147.70	+ 6.00

3.3 As can be seen from the table the **target** for the budget is £7,338,700 using a tax increase of 6%.

3.4 In calculating the external funding for 2002/03 the Government uses a figure to represent the resources that could be raised from local taxation to fund the level of services that they calculate (SSA). For 2002/03 the Government have quoted a figure of 5.6 % for the increase in the assumed level of Council Tax.

3.5 However, if the actual figures for SSA and external finance were used they show the following.

	<b>2001/02</b>	<b>2002/03</b>
Expenditure at SSA	6,171,656	6,499,000
External support	<b>(3,417,715)</b>	<b>(3,504,000)</b>
Net Total	2,753,941	2,995,000
Divided by Taxbase	30,142.98	30,239.5
Resultant tax	91.36	99.04
Increase		<b>8.4 %</b>

#### **4 KEY INFORMATION FOR COUNCIL TAX**

4.1 Members have previously been advised of some of the key issues in relation to the budget for 2002/03. The following is an update on this information.

##### **Leisure Contract**

4.2 Tenders have been received and opened and are in the process of evaluation. Owing to the options shown in the tender documents, this tender evaluation will take some time to complete and therefore full financial implications will not be available until after the negotiation stage with the preferred contractor. This is estimated to be around the end of January 2002. Through this process Members will have choices on service and budget

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implication. Members originally agreed that the Budget Strategy should take account of target savings of £125,000 per year from 2002/03. The draft estimates reflect this, plus the removal of the repairs and maintenance items in relation to the leisure premises.

**Investment Income**

- 4.3 Net external finances is currently shown in the draft estimates as income of £375,000. This is a reduction of £155,000 on 2001/02 original estimates and therefore is a year on year reduction.

**Pension Revaluation**

- 4.4 Figures are still awaited from Essex County Council.

**NNDR Refund**

- 4.5 Based on current information the refund of £400,000 will be used in the planned budget. Final decisions will not be available until March/April 2002. Clements Hall has now been submitted as a test case and from the discussions there is a view that the £400,000 is secure and that an additional £150,000 can be taken into account for 2002/03. Should the final result be in excess of these figures it could be applied to cover the funding gap caused through the ending of the budget strategy reserve.

**Elections**

- 4.6 As Members are aware, there is a requirement for whole Council elections in 2002/03. This has resulted in a year on year increase of around £45,000 as for 2001/02 no District elections took place.

**Bus Passes**

- 4.7 The revised estimates for 2001/02 have been reported to Members. However, there still remains the year on year increase of £30,000 within the draft estimates.

**Inflation**

- 4.8 Generally inflation has been included at 3%. Although year on year increase in the Retail Price Increase (RPI) is currently showing 1.6% (October 2001), this is not regarded as a good indication of Rochford's costs. The RPI includes elements for mortgage interest payments. As Members will have seen earlier within this report the Authority is, in its short term revenue budget, adversely affected by low interest rates. The index of RPIX, which excludes mortgages, is currently showing a year on year increase of 2.3%. Adjusting this index still further, to exclude the current low cost of petrol, brings the index to around 2.8%.

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**Budget Strategy Reserve**

- 4.9 The balance of the reserve at 1 April 2001 was £102,210. The drawdown in 2001/02 is £336,800. In 2001/02 the estimated receipt from the National Non-Domestic rating appeal was estimated at £400,000, therefore leaving £165,410 to be used in 2002/03. The reserve will therefore end in 2002/03.

**General Fund Balance**

- 4.10 Members will be aware that the level of the General Fund Balance has been at £650,000 for a number of years. General guidance is that this balance should be at between 10 – 20 % of the net revenue budget. As the net revenue budget is now over £7m it can be seen that the current level is now below that which is recommended. The SSA settlement and the general pressures on the revenue budget probably prevent any correction in 2002/03/ However, it needs to form part of the budget strategy for the Authority.

**5 OVERVIEW**

- 5.1 Using the information now available, it was shown earlier that with a 6% increase in Council Tax the total net expenditure that could be supported was £7,338,700. This net expenditure is determined after the application of the budget strategy reserve of £165,410 and the additional £150,000 from the NNDR refund. The first stage leading to the determination of the draft estimates is nearing completion. At the moment the budget total stands at around £50,000 in excess of the permitted expenditure level.
- 5.2 The draft estimates do not contain the additional bids for revenue funding in 2002/03. These include the Committee supported bids for contaminated land investigations at £30,000, air quality investigations at £7,000 and any extension to the recycling scheme.
- 5.3 There will also be bids following on from the best value reviews, a small number of Officer bids and bids arising from emerging legislation.
- 5.4 Provision will also be required for the financial implications of the review of Members' allowances
- 5.4 To support any increased level of expenditure will therefore require a mixture of either additional tax increases and/or reductions in net expenditure.

**6 3 YEAR BUDGET STRATEGY**

- 6.1 Attached is the projection of the 3 year budget strategy based on the 6% tax increase. The 2002/03 budget is shown as the current position with the £50,000 correction and without the bids mentioned earlier in this report.
- 6.2 It can be seen that a figure for the removal of one off items has been included in 2003/04. This is to take account of a possible 1% upward movement in interest rates, together with a more typical pattern of election costs and perhaps a better assessment of the cost of bus passes.

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6.3 It can also be seen that there is a deficit figure at the end of 2003/04 and 2004/05. This will require additional tax increase, corrections to expenditure or the application of any additional sums for the NNDR refund.

**7 RECOMMENDATION**

It is proposed that the Sub-Committee **RECOMMENDS**

The broad strategy leading to the presentation of all budget matters to Council on 22 January.

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**Background Papers:**

None.

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