
UPDATE ON ISSUES RELATING TO THE REVENUE BUDGET AND CAPITAL PROGRAMME

1 REVENUE BUDGET

- 1.1 A notification was received from the Government on 18 December reporting amendments to the presentation of the finance settlement for 2002/03. This statement was quickly withdrawn as omissions were discovered.
- 1.2 A revised notification was received on 28 December and within this document was a statement that total external support has increased by 5.5%.
- 1.3 The external support for this Council for the current financial year is £3,417,715 and this figure increased by 5.5% would be £3,605,689. The notified external support for 2002/03 is £3,504,000, i.e. some £100,000 short of the headline figure quoted.
- 1.4 The explanation for these figures lays in the adjusted support for 2001/02. These are calculated only for the purposes of enabling, what the Government considers a like-for-like comparison between 2001/02 and 2002/03. The run of figures is as follows:-

	True figure 2001/02 £	Adjusted 2001/02 £	Notified 2002/03 £	Percentage change true to notified	Percentage change adjusted to notified
SSA	6,171,656	6,171,190	6,500,961	5.34	5.34
Total external support	3,417,715	3,323,000	3,504,000	2.52	5.45

- 1.5 The figures announced are subject to consultation. Comments are usually made on technical issues, but on this occasion the officer's view is that the real increase in total external support should be at least the same as the headline increase. A letter has already been sent to DLTR urging the Government to agree to this proposal.
- 1.6 Overall, the current figures represent no material change over those previously reported to Members.
- 1.7 Members were previously advised that, on the basis of a 6 % increase in Council Tax for 2002/03, the permitted budget would be £7,338,700. Current draft estimates show net expenditure of around £292,000 in excess of this figure. This comprises £42,000 for Committee supported bids, £50,000 previously notified, £150,000 in respect of Leisure premises repairs and maintenance now returned to the budget and

£50,000 in respect of Pension costs. On this last item Members were previously advised that contributions to the Essex County Council pension fund were expected to change. The notification has now been received and costs will increase by around £55,000 for 2002/03.

- 1.8 The excess figure of £292,000 will need further adjustment following the determination of the leisure contract.
- 1.9 Members agreed that when the budget is presented to Council that for information purposes an 8 ½ % and 10 % tax increase is included. Appended to this report, at appendix A – C, is the budget strategy based on tax increases of 6 %, 8 ½ % and 10 % for 2002/03. All models then show tax increases at 6 % for subsequent years.
- 1.10 The model for tax increases of 6%, 6% and 6 % shows that if savings were made of £292,000 in 2002/03 the budget strategy reserve would be roughly in balance at the year end. However for 2003/04 and 2004/05 the overdraft would increase to around £232,000. This is because in 2002/03 the net budget is supported by £316,300 from the budget strategy reserve which cannot be repeated in subsequent years. However it should be remembered that this model and the following models are before the final adjustment necessary following the determination of the Leisure contract.
- 1.11 The model for tax increases of 8 ½ %, 6 % and 6 % shows that if savings of £ 267,000 were made the three year budget strategy reserve would be roughly in balance.
- 1.12 The model for tax increases of 10 %, 6 % and 6 % shows that if savings of £212,000 were made the three year budget strategy reserve would be roughly in balance.
- 1.13 It can be seen that the three models include the Committee supported items but do not include the corporate objective to increase recycling, bids from the political parties or officer bids.
- 1.14 It can be seen from these statements that within various tax levels the required savings vary but not to a significant degree. (£292,000 to £212,000). To achieve a balanced budget strategy Members will need to consider all of the following :-
 - Agree amendments to the draft estimates to either reduce expenditure or increase income
 - Amend or remove the Committee supported bids

- Agree the renewal of the Leisure contract at figures below that currently included within the draft estimates or make additional savings to accommodate a higher cost
- Agree to the deletion of Capital programme items to allow an amount of the revenue reserve to be returned to support the revenue account
- To agree a tax increase in excess of those shown

1.15 As agreed at Council on the 18 th December the bids from the Political Groups must be submitted to the Chief Executive by Friday 11 th January. Details of these bids will be submitted to this Sub Committee.

2 CAPITAL PROGRAMME

2.1 The Government has announced the Basic Credit Approvals (BCA) for 2002/03. The figures are as follows:-

	2001/02 £	2002/03 £
Total BCA	<u>125,000</u>	<u>324,000</u>
Of which Housing =	103,000	270,000
General fund =	22,000	54,000

2.2 The previous draft of the capital programme included an estimate of the General Fund Basic Credit approval of £20,000. In the revised draft this increase for the general fund will be absorbed to reduce the overdrawn balance for 2002/03.

2.3 The original draft for the housing capital programme for 2002/03 was based on the credit approval of £103,000. In the new draft capital programme that will be presented to Members, the additional £167,000 will initially be shown as provision for Local Authority Social Housing Grant.

2.4 Within the allocation for 2002/03 is £75,000 as a share of the discretionary Single Capital Pot. The Government Office for the East of England has marked both the Asset Management Plan and the Capital Strategy as satisfactory. The Housing strategy/business plan was marked as below average.

2.5 Separate to the credit approvals is the announcement regarding the support for Disabled Facility Grants. This information has not yet been published.

3 RECOMMENDATION

3.1 Members are requested to consider this report

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Background Papers:

None

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