
BUDGET STRATEGY

1 SUMMARY

1.1 This report is to update Members on the current position of the following.

- 2000/01 Revenue Budget
- 2001/02 Revenue Budget
- The Forward Budget Strategy
- Fees and Charges
- Structure of the Revenue Accounts for the budget book
- The Housing Revenue Account
- The Capital Programme

1.2 The Revenue Estimates and Capital Programme are currently in draft format and the following are key points relating to each.

2000/01 Revenue Estimate

1.3 In the report to Member Budget Monitoring Sub-Committee on 12 October it was reported that an estimated £106,000 of the £225,000 target savings had been achieved and that officers were confident of achieving the total target saving. Current figures now show that £140,800 has been achieved to date and again there is confidence that the total target savings will be achieved.

1.4 **The estimates are based on the information available at present and will be subject to major changes that occur in the remainder of the year.** Within these estimates key points not mentioned in previous reports are as follows.

- Planning fee income down from £135,000 to £120,000.
- Building Control fees up from £150,000 to £160,500
- Car park income down from £461,800 to £410,000 (99/2000 actual £ 395,000)
- Bed and breakfast accommodation up from £18,000 to £40,000
- Net external finance income up from £425,000 to £540,000
- Land Charges income down from £276,600 to £250,000

2001/02 Estimate

1.5 The current draft estimates contain the new cost of the tendered contracts in respect of computer services, refuse collection, street cleansing and grounds maintenance. Also included are the continuing costs associated with the IT contract in relation to software upgrades,

legislation changes and essential amendments. These have been estimated at £ 60,000.

- 1.6 Members are reminded that it is likely that additional funding will be required to support the IS/IT strategy, which is currently being produced. Whilst no firm figures can be given at this stage Members will be aware from the presentation given by consultants that similar authorities are having to consider allocations up to £ 200,000 revenue support per annum. This investment is required if they are to meet the targets set by Central Government in relation to E Commerce. Clearly this would have a significant impact on the Council's budgetary position and needs to be considered in more detail once the strategy has been finalised for Member consideration and approval. Choices will have to be made between competing items given the budget position outlined in this report. There is the possibility that some funding may be available, through a bidding process, as the Government has announced a new initiative to assist smaller Authorities.
- 1.7 Provision has also been included in the core budget for the following
- New statutory concessionary fares scheme - £35,000
 - Repairs and maintenance are included at £304,300, which is a reduction on the previous year's figure of £359,100. (this is in anticipation of the structure of the new leisure contract)
 - Provision for job evaluation
 - External Audit and inspection fees (additional) - £65,000
- 1.8 The staffing proposals contained within the Chief Executives report to Council on the 22 nd November are contained within these estimates.
- 1.9 The following are major items not included in the current draft of the 2001/02 estimates that will require consideration.

Committee Requested Items

Description	Amount £
Recycling – stage 1	96,300
Stock condition survey	35,000
Contaminated Land investigation	30,000
Benefits verification framework	45,600
Energy Advice Centre	1,100
Taxi Drivers Health & Safety Training	2,000
Leisure support	20,000
Total	230,000

In addition **Officers** have identified the following item.

£

Essential and health & safety works 7,500
following tree survey

Looking at the Committee requested list and the item above it is clear that items will have to be prioritised. To provide the framework consideration needs to be given to the forward budget strategy.

Forward Revenue Budget Strategy

- 1.10 Members are reminded that the actual forward budget relies on information regarding:
- The financial support from the Government that flows from SSA
 - The Tax base for the Council
 - The actual budget for the Council
 - Precepts made by the Parish and Town Councils
 - Adjustments (if any) for the collection fund
- 1.11 In the absence of precise information, the strategy has to be based on estimates until the actual data is available, one of the significant issues being the announcement from the Government on the financial support for Rochford.
- 1.12 Using the current draft estimates for 2001/02 projections can be made using models which allow for:
- An increase in Council Tax of 4 ½ % per year
 - An increase of 7 % and 4 ½ % per year thereafter
 - An increase of 9% for 2001/02 and 4½% per year thereafter
- **The objective is, at this stage, to ensure that the sum overdrawn is no more than £300,000 by the end of 2003/04 and that the draw down in 2003/04 is no more than £50,000.**
- All financial models include the items requested by Members to be considered in 2001/02. It should be noted that the ones marked * are one off items.
- 1.13 In addition, a provisional figure has been included for the potential reduction of costs following the new Leisure Tender in 2002/03. The appointed leisure consultants will be reporting back with options on the structure of the new contract and the provision of leisure services. A primary objective is to transfer costs and risk to a new contractor who will be working in partnership with the Authority through a long term

contract. At this stage this is included to reflect that savings are anticipated and that the forward strategy should take this into account. There is no evidence to suggest the figure is accurate.

- 1.14 It should be noted that at this stage there is no provision to introduce additional properties for the recycling scheme beyond the initial 5000 properties.
- 1.15 A provision has been included in respect of homelessness.
- 1.16 Within the model for the 9 % then 4 ½ % tax increase is the estimated loss through Council Tax Benefit clawback. At this stage it is estimated that the threshold, set by the Government, for tax increases without penalty is still 4 ½ %.
- 1.17 Appendix A shows the model for the 4½% Tax increase per year, B shows the 7% then 4½ % and C shows the 9% then 4½% Tax increase.
- 1.18 It can be seen from appendix A that with a Tax increase of 4½% per year the budget strategy reserve is overdrawn at the end of 2001/02 and is overdrawn by nearly £1,000,000 at the end of 2003/04. The draw down in the reserve during 2003/04 is over £400,000. This position is significantly in excess of the objectives and would require significant budget reductions.
- 1.19 With the 7% increase then 4½ % increase shown in appendix B the budget strategy reserve is overdrawn by nearly £700,000 at the end of 2003/04. The draw down in the reserve during 2003/4 is over £300,000
- 1.20 Using the model shown in appendix C, which shows 9% increase in 2001/02 and then 4½% per year, the budget strategy reserve is overdrawn by nearly £500,000 at the end of 2003/04 and the draw down in 2003/04 is around £250,000.

2 SUMMARY FOR REVENUE BUDGET

- 2.1 As Members can see the budget process is at a critical stage with the need to focus more clearly on the diminishing budget strategy reserve. The Council must be in a position to have a balanced budget and to respond to the demands placed upon it.
- 2.2 As may be seen from the appendices the financial position of the Authority will become critical in 2002/03 if Government funding does not improve. Even with a 9 % tax increase in 2001/02, it is clear that if the Council wishes to meet all of the objectives set out in this report a tax increase in 2002/03 in excess of 4 ½ % will again be required.

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- 2.3 If the issue of the tax level for next year is not addressed then a large increase in 2002/03, significant cuts in service, will be required in order to produce a legal budget. **It is for this reason that the Corporate Director (Finance and External Services) would recommend that this Council thinks seriously about setting the level of Council Tax in the region of 9 % unless Government funding is significantly improved.**
- 2.4 Using the model which shows 9% then 4½% Tax increase the strategy could be as follows:
- (i) The main revenue budget will be reviewed at a later date to try to identify further reductions. However this report assumes the current figure is sound.
 - (i) Consider the items currently shown in the Strategy document in conjunction with the additional one-off item from the list identified by officers for 2001/02.
 - (ii) The resultant budget strategy should not be overdrawn by more than £ 300,000 at the end of 2003/04.
 - (iii) It should be remembered that the inclusion or exclusion of revenue items in 2001/02 has the effect of altering the end budget strategy reserve by approximately a factor of 3.
- 2.5 Members are reminded that it is anticipated that at the Members Budget Monitoring Sub-Committee to be held on the 12 th December the current information can be updated by the actual announcements from the Government.

Fees and Charges

- 2.6 Income to the Authority is dependent on the level of fees and the volume of transactions. The schedule of fees and charges is being prepared and will be submitted for approval at a later date. As regards the financial strategy of the Council the following items are the major sources of income.

Description	2000/01 Original Estimate	2000/01 Revised Estimate	2001/02 Draft Estimate	Charges Set
	£	£	£	
Planning fees	135,000	120,000	125,000	Statutory
Building control fees	150,000	160,500	169,100	Set to cover costs
Parking Fees	461,800	410,000	434,000	RDC-to be decided
Hackney Carriage licensing	45,700	51,600	54,700	RDC-increase applied
Cemeteries	55,700	55,600	58,500	RDC-increase applied
Land charges	276,600	250,000	275,000	RDC –increase applied

Structure of the Revenue Budget

- 2.7 Local Authorities are required to adopt the Best Value format of accounts. Work is in hand to convert the current year's estimates into this Best Value format. One consequence of this new format will be to change the presentation in the Budget Book. The presentation will in future follow the objective of a service rather than our current committee structure. Appendix D shows a typical new structure. We shall include the responsible Head of Service within the description of the account. Currently Full Council considers estimates on a corporate basis and therefore problems are not expected.
- 2.8 Another consequence of the Best Value structure of accounts is that many of the declared costs of service will change owing to the revised treatment of costs. This will be most noticeable on the published performance indicators, which report costs.
- 2.9 Information regarding the full structure will be included in reports considering the new structure of the Council as Members may find the new format useful in considering the alignment of functions.

Housing Revenue Account

- 2.10 Appendix E shows a simplified model for the Housing Revenue account. Broadly the cost of Supervision and Management General

will increase with inflation. Repairs will increase with inflation but decrease with property numbers and rents will decrease with property numbers.

- 2.11 On this simplified basis balances should last until the end of 2002/03 but below the sum regarded as the minimum Housing Revenue account balance of £300,000.
- 2.12 The impact of the new Major Repairs Allowance will probably be significant. The projections show a reduction of revenue costs on the basis that some expenditure, currently met by revenue, will in future be met from the Major Repairs Allowance.
- 2.13 There are other proposals under discussion by the Government to amend the structure of the Housing Revenue Account and the Housing Subsidy system. The effect of these is at the moment unknown.

Capital Programme – General Fund

- 2.14 The draft Capital Programme is attached at appendix F and shows the highlighted sections which indicate where changes have been made. The following should be noted:

Line No.	Description
1	Provision for essential replacement of car parking machines
2	Additional year shown
3	Provision reduced from £100,000 to £70,000 in line with contracts report
4	Additional year shown
12-18	Most vehicle replacements have been delayed for a year
20	Planned replacement now programmed
22	Provision now deleted
24	Planned replacement now programmed
26-27	Estimated cost of recabling which will be the subject of a special report
28	Additional year now shown
43	New bid

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- 45 Provision removed – now part of new contract
 - 46 Approved budget now reprogrammed
 - 47 Approved budget now reprogrammed
 - 61 Housing revenue account contribution to cabling
 - 71 Increase in estimate from right to buy

Capital Programme - Housing Revenue Account

- 2.15 With the introduction of the major repairs allowance there are some significant changes in the way the Housing Capital Programme is now structured. The new Capital Programme is shown at Appendix G. Members will note that the effect of the major repairs allowance is to provide more funds for housing revenue account properties but less available for general housing. This information is based on provisional announcements by D.E.T.R. who stress that several pieces of major secondary legislation will have to be amended to introduce the changes.

3 RECOMMENDATION

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

That Members consider guidance for the preparation of estimates, the level of Council Tax and their presentation for the Council meeting on the 23 rd January. (HFS)

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