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REPORT TO: FINANCE & MANAGEMENT

AGENDA ITEM:

8

DATE OF MEETING: 17<sup>TH</sup> JANUARY 2002

CATEGORY:  
DELEGATED/

REPORT FROM: CHIEF FINANCE OFFICER

MEMBERS'

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DOC:

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SUBJECT: REVENUE BUDGET  
2002/3

REF: TN

WARD(S)  
AFFECTED: ALL

TERMS OF  
REFERENCE: F3

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## 1. Recommendations

1.1 The Finance and Management Committee is asked to approve the following as a basis for consultation:-

- ☐ Revenue Budget proposals as set out in Appendix A
- ☐ Variations to budget proposals as set out in Appendices B (New Spending) and C (Savings proposals)
- ☐ Approve the range of Council tax levels for public consultation as set out in paragraph 3.13.

## 2. Purpose of Report

2.1 This report sets out the Council's spending proposals for next year and beyond.

## 3. Detail

3.1 The table below shows the base budget position for 2002/3 and into the following 2 years. Comparison is also made with the expected budget position at the end of the current year 2001/2. This is the starting point for setting this year's budget.

<i>Table 3.1</i>	2001/2 £	2002/3 £	2003/4 £	2004/5 £
<b>Net Revenue Spending</b>	<b>7,180,030</b>	<b>7,796,470</b>	<b>8,359,918</b>	<b>8,615,701</b>
Government Grants	-4,612,490	-4,731,000	-4,825,620	-4,922,132
Council Tax	-3,073,990	-3,228,987	-3,440,591	-3,666,139
From Earmarked Reserves	-135,110	-16,000		
<b>Gross Surplus (-) Deficit (+)</b>	<b>-641,560</b>	<b>-179,517</b>	<b>+93,707</b>	<b>+27,429</b>
Transfers to:-				
Earmarked Reserves				
Commutation Reserves	237,000	321,000	266,000	176,000
Addition/Reduction				
To balances	404,560	141,483	359,707	203,429
<b>Projected balances</b>	<b>1,540,301</b>	<b>1,398,818</b>	<b>1,039,011</b>	<b>835,681</b>

3.2. The key points to note for the medium term financial strategy are as follows:-

- The financial position has stabilised – balances at the end of the 3 year projection are well within the Council's minimum target of £500,000.
- Although balances are significantly higher than the recommended minimum level (£500,000) at the start of the three-year forecasting period, they reduce by some £700,000 over the period, mainly as a result of contributions to the commutation reserve.
- Surpluses will be achieved in the current year (2001/2).
- Next year any gross surplus will be more than offset by contributions to the commutation reserve. This will result in a reduction in balances.
- The deficit for 2004/5 is less than for 2003/4 as a result of local plan review spending ceasing. 2003/4 also involves higher contributions to the commutation reserve.

3.3 Looking further forward into the longer term clearly the Council still faces a position where ongoing spending is slightly in excess of its revenue budget, although this is reducing as the impact of the commutation adjustment also reduces.

#### **A WORD OF CAUTION**

3.4 At this stage it is important to emphasise that the above figures are only provisional figures and can still be affected by a number of factors outside the control of the Council. These include:

- ❑ **Final Government Grant Settlement** – at present the figures included for Government Support, which account for over 60% of the above spending are provisional. Any adverse change to these figures will have an impact on the money the Council receives and its spending plans and level of council tax.
- ❑ **Council Tax Collection Surpluses and Deficits** – again the above figures may vary as the Council looks at any surplus or deficits in the amount of council tax collected in the current year.

#### **BUDGET 2002/3**

- 3.5 Essentially the figures in table 3.1 show how much the Council would need to spend in 2002/3 and beyond if it were to provide exactly the same services in those years as it does now. The impact on individual divisional budgets is set out in Appendix A.
- 3.6 Clearly this is an unrealistic assumption. Each year new pressures emerge on council spending and indeed the authority seeks to look at ways to improve services through its corporate planning and best value processes.
- 3.7 This year all Council committees have considered a range of bids for new spending. Some of these bids are one-off in that they are for one year only, while other continue for the foreseeable future. Wherever possible the Council has sought to offset the extra costs of these improvements by making savings elsewhere within its budgets.

- 3.8 Environmental and Community Services Committees have now met and considered the base budgets for their committee as set out in Appendix A. They have also considered the relevant new spending pressures and savings proposals for services within their committee. The proposals for the specific services under the control of Finance & Management are set out earlier on this agenda and are also included in Appendix A.
- 3.9 All of these committees have been guided by the suggestions of the Service and Financial Planning Working Group, which met on 19<sup>th</sup> December 2001. The minutes of this meeting are reported in the exempt part of this agenda.
- 3.10 The result of these considerations is that Members have put forward total new spending proposals of £240,847. These are outlined in Appendix B and include one-off items totalling £40,282.
- 3.11 The cost of the new spending is offset by ongoing savings of £168,125 as identified in Appendix C. The net increase in costs is therefore reduced to some £72,722. Due to the one-off items highlighted above, the extra ongoing costs reduce to some £32,000 after the first year.
- 3.12 In addition the budget also accommodates the ongoing costs of certain capital schemes that are anticipated to rise from £7,000 in 2002/3 to £55,000 in 2004/5.
- 3.13 The additional spending will be met from balances, which are still projected to be comfortably above the target of £500,000 at the end of year 3 (2004/5)
- 3.14 The table below shows the level of projected balances based on varying council tax increases of between 3.5% and 5.5%. For the purposes of these comparisons Council Tax increases for 2003/4 and 2004/5 have been projected at 4.5% in line with the base forecast.

<b>Council Tax Increase 2002/3</b>	<b>Projected medium Term balance (end of year 3)</b>
3.5%	£615,000
4.0%	£660,000
4.5%	£710,000
5.0%	£759,000
5.5%	£808,000

- 3.15 Clearly the final level of Council Tax increase will depend on a range of factors as outlined in paragraph 3.4. It will also need to take into account any comments through the consultation process.

### **Budget Consultation**

- 3.16 Under the new modernised arrangements the Council is required to provide for scrutiny and public consultation on its budget proposals.
- 3.17 Under the budget timetable approved by this committee, it is planned that this will be undertaken by the Corporate Services Scrutiny Committee and via area meetings.

3.18 The results of this scrutiny and public consultation will be reported to the next meeting of this committee before it makes final recommendations on the Council's budget to the Budget Council on 28<sup>th</sup> February 2002.

#### **4. Financial Implications**

4.1 As set out within the main part of this report.

#### **5. Conclusions**

5.1 The Council's financial position has stabilised. It has also placed itself in a position where it can now consider new service developments and improvements provided they are funded by ongoing savings elsewhere.

#### **6. Background Papers**