

BUDGET AND 2003-2008 MEDIUM TERM PLAN

(Report by the Corporate Director – Commerce and Technology)

1 PURPOSE

- 1.1 The purpose of this report is to allow the Overview and Scrutiny Panels to discuss the draft budget and MTP and determine what comments they wish to make on it to the Cabinet. They will discuss these at their meeting on the 13 November, before making their final recommendations to the December Council meeting.

2 BACKGROUND

- 2.1 Council, at its September Meeting, received a report on the Financial Strategy which adjusted the MTP, approved in February, for the latest information on items such as Pension Contributions, Interest Rates and Commutation. These adjustments brought forward the date at which significant Council Tax rises might be required as shown in the table below:

	FORECAST	MTP				
	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009
	£M	£M	£M	£M	£M	£M
BUDGET						
Base (February Council)	15.8	17.6	18.5	19.8	20.9	
Adjustments						
Higher Pension Contributions			0.3	0.4	0.4	
Lower interest rates	0.1	0.1		0.1	0.1	
Commutation adjustment	0.3	0.4	0.6	0.5	0.7	
2002/03 outturn and inflation		0.1	0.3	0.3	0.6	
2008/09 Base						24.0
Total	16.2	18.2	19.7	21.1	22.7	24.0
CONTRIBUTIONS FROM REVENUE RESERVES	2.2	3.6	4.3	5.0	5.7	0

	£	£	£	£	£	£
COUNCIL TAX	82.54	82.54	84.60	86.72	88.89	206.22
Increase %	0.0%	0.0%	2.5%	2.5%	2.5%	132.0%

2.2 In the light of this information the Council agreed the following basis for the production of the draft budget and MTP:

- **Cash limits of £18.2M, £19.7M, £21.1M, £22.7M and, £24.0M in the years 2004/05 to 2008/09 respectively.**
- **Any additional spending proposed in conjunction with the review of the MTP should be met from within the overall, updated levels of expenditure referred to above.**
- **No additional provision for revenue developments should be made in 2008/09 except for those related to demographic change.**
- **£3.5M per year should be earmarked in 2008/09 and subsequent years for capital investment.**
- **Further consideration would be given to the level of acceptable development post 2008/09 and Council Tax levels at future meetings.**
- **In conjunction with the review of the MTP consideration will be given to the scope for identifying further savings in expenditure.**

2.3 This report first considers the **Forecast of the outturn for 2003/04** (Para. 3), then the **Proposed spending variations** (Para. 4), **Technical Adjustments** (Para. 5) and finally **The overall result** in Para. 6.

3. FORECAST OF THE OUTTURN FOR 2003/04

3.1 The table below sets out the forecast variation from the approved budget.

PREDICTED SPENDING VARIATIONS 2003/04	Income £000	Expend- -iture £000	Recharge To Capital £000	Net Expend -iture £000
Gross Budget	-32,287	48,764	-648	15,829
Less reimbursed expenditure (Benefits and Highways Agency)	19,804	-19,804		
	-12,483	28,960	-648	15,829
Predicted Spending Variations				
MTP Schemes (details by scheme in Annex B2)	-179	-129		-308
Other items (details in Annex A)	263	100	-50	303
TOTAL	84	-39	-50	-5
Variation as % of budget	0.1%	0.1%		
Technical Variations				230
TOTAL VARIATIONS				225

3.2 Whilst there is some deferral of approved MTP schemes, for a variety of reasons, the overall spending variation is negligible.

4. PROPOSED SPENDING VARIATIONS

4.1 Officers have prepared the following proposed package of schemes and variations for the budget and MTP. It has not been possible to achieve the Council Cash Limits at this stage due to the high cost of unavoidable bids, over £0.5M by year 5, and the financial implications of certain policy initiatives such as Green Waste and Customer First. Each new scheme, or significant increase in the cost of an existing scheme, has had a project appraisal prepared which explains how the scheme will contribute to achieving the Council's objectives. This, and the likelihood of the service outcomes being delivered on time and within budget were the key aspects of the officers' recommendations for schemes being included within the package.

4.2 Appraisals are available to Members on the Council's intranet (Annex D explains how they can be accessed) and to the public, via the internet at www.huntsdc.gov.uk/financial_serv/mtp/ They are referenced by scheme numbers which are shown on the summaries in Annex B. All schemes with appraisals, mainly Annex B3, have their scheme numbers highlighted thus

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4.3 Annex B has the following sections:

- A summary sheet
- The current approved MTP (Annex B1)
- Reductions and slippage where they are unavoidable or result in no obvious reduction in service (Annex B2)
- Additional Schemes or additional costs relating to existing schemes (Annex B3)
- Proposed deletions and reductions (Annex B4)

4.4 The table below compares the proposed package with the target set by Council.

VARIATIONS	MTP				
	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009
	£000	£000	£000	£000	£000
Proposed Variations					
Reductions and slippage (B2)	-693	-500	-382	-254	-239
Additional Schemes (B3)					
Unavoidable	431	475	537	558	564
Demographic					31
Maintenance	39	37	42	49	100
Other schemes	232	784	941	878	958
	702	1,296	1,520	1,485	1,653
Proposed deletions and reductions (B4)	-191	-461	-494	-582	-559
Interest adjustment	-35	-72	-95	-87	-56
Total Variations	-217	263	549	562	799
Council target	0	0	0	0	31
Variation from Target	-217	+263	+549	+562	+768

5. TECHNICAL ADJUSTMENTS

- 5.1 The Financial Strategy report contained adjustments relating to items such as Pension Contributions, Interest Rates and Commutation based on the latest information then available.
- 5.2 Since then, further information, particularly on interest rates, has become available and this will result in further adjustments in this report, influenced by the speed with which reserves are utilised. Further revisions on a number of items including interest rates (again), Government Grant and the forecast Outturn will be needed at subsequent stages of the process before the budget, MTP and Council Tax level are finally approved at February Council.
- 5.3 Uncertainty exists on the future level of increase on gate fees at the Peterborough Waste Facility and the cost of remedial works on Pathfinder House. No allowance has been made for any cash flow implications of the Acorn Centre development. As clarification emerges on these items they will be fed into the process.
- 5.4 Inflation is included at 2.5% and performance pay at 2%. The inflation that local authorities have to meet is normally greater than the RPI index. Interest rates are based on 3.55%, 4.2%, 4.9%, 4.9%, 4.6% and 4.5% for 2003/04 to 2008/09 respectively.
- 5.5 The Forecast Report indicated the sensitivity of the budget to variations in the assumptions on interest rates, inflation and pay.

6. THE OVERALL RESULT

- 6.1 Last year the Council accepted the planning assumptions that the Council Tax increase should be 0% in 2004/05 and subsequently 2.5% per year until revenue reserves were reduced to a prudent minimum level (£2M). Based on the proposed levels of expenditure and estimated funding items the balancing factor becomes the use of available revenue reserves. The following table summarises the result, whilst Annex C provides further detail.

	FORECAST	MTP				
	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009
	£000	£000	£000	£000	£000	£000
Total Budget	16,358	18,178	19,878	21,557	23,277	24,778
Total Funding	14,032	14,653	15,393	16,158	18,611	24,778
Use Of Revenue Reserves	2,326	3,525	4,485	5,399	4,666	0

	£	£	£	£	£	£
Council Tax Level	82.54	82.54	84.60	86.72	117.98	218.71
Increase %	0.0%	0.0%	2.5%	2.5%	36.0%	85.4%

- 6.2 The table above gives part of the picture – the use of revenue reserves – whilst the table below shows the overall impact on reserves:

RESERVES	FORECAST	MTP				
	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009
	£000	£000	£000	£000	£000	£000
Use of Reserves:						
Revenue	-2,519	-3,557	-4,506	-5,401	-4,417	0
Capital	-8,481	-12,773	-15,981	-10,688	-3,128	-4,435
NET REDUCTION	-11,000	-16,330	-20,487	-16,089	-7,545	-4,435

6.3 Two further options, of the many possible scenarios, have been provided to assist debate. The first is based on the same spending assumptions but with an increase in Council Tax of £12 per year (Band D) from 2005/06 until revenue reserves reach minimum prudent levels and larger increases become necessary. This is exemplified in the following table:

	FORECAST	MTP				
	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009
	£000	£000	£000	£000	£000	£000
Total Budget	16,358	18,178	19,863	21,499	23,192	24,734
Total Funding	14,032	14,653	15,952	17,283	18,643	22,861
Use Of Revenue Reserves	2,326	3,525	3,911	4,216	4,549	1,873

	£	£	£	£	£	£
Council Tax Level	82.54	82.54	94.54	106.54	118.54	185.60
Increase %	0.0%	0.0%	14.5%	12.7%	11.3%	56.6%

6.4 A further increase in Council Tax, in the order of £45 (24%), would be required in 2009/10.

6.5 The final illustration has an increase in Council Tax of £12 per year (Band D) from 2005/06 but also includes the level of, unspecified, reduction in revenue spending required to ensure that this level of increase can be continued. The reduction would need to increase by around a further £2.6M to £5.8M in 2009/10 to maintain this position.

	FORECAST	MTP				
	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009
	£000	£000	£000	£000	£000	£000
Budget	16,358	18,178	19,863	21,499	23,192	24,734
Less required reduction						-3,189
Total Budget	16,358	18,178	19,863	21,499	23,192	21,545
Total Funding	14,032	14,653	15,952	17,283	18,643	19,672
Use Of Revenue Reserves	2,326	3,525	3,911	4,216	4,549	1,873

	£	£	£	£	£	£
Council Tax Level	82.54	82.54	94.54	106.54	118.54	130.54
Increase %	0.0%	0.0%	14.5%	12.7%	11.3%	10.1%

7. RECOMMENDATION

7.1 The Overview and Scrutiny Panel is invited to consider the comments it would like to make to the Cabinet.

ACCESS TO INFORMATION ACT 1985

Source Documents:

1. Working papers in Financial Services
2. 2002/03 Revenue Budget and the 2002/07 MTP
3. Project appraisals can be found at
www.huntsdc.gov.uk/financial_serv/mtp/

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ANNEX A

PREDICTED SPENDING VARIATIONS	Income £000	Expenditure £000	Recharge To Capital £000	Net Expenditure £000
MTP Schemes				
Interest impact of capital expenditure	-163			-163
Other	-16	-129		-145
Other Variations				
Investment Interest	313			313
Building Control Income *	-25			-25
Septic Tank Income	20			20
Planning Delivery Grant unapplied	-45			-45
NNDR relief at Leisure Centres cancelled		70		70
Housing Benefits volume		20		20
Increased capital recharges			-50	-50
TOTAL SPENDING VARIATIONS	84	-39	-50	-5
Technical Variation				
Lower commutation adjustment				230
TOTAL VARIATIONS				225

* The Council is required to break even on this service over a three-year period so this additional income should be used to support lower fees and/or additional expenditure next year.