

**BUDGET AND 2004-2009 MEDIUM TERM PLAN**  
**(Report by the Corporate Director – Commerce and Technology)**

**1. PURPOSE**

- 1.1 The purpose of this report is to allow Cabinet to determine its final recommendations to the Council on the level of Council Tax for next year and various related issues.

**2. BACKGROUND**

- 2.1 The Council considered the draft budget and MTP report at its December meeting and agreed the items shown in Annex A. The decisions that have an immediate impact on the finalisation of next year's budget and the MTP are -

- ◆ *that scheme ref. no. 346 – Business Support and Local Economy Partnerships should not be reduced by the proposed £4k per year*
- ◆ *that the Council Tax level for 2004/05 be increased by an amount at least equivalent to the shortfall between the Government grant previously anticipated and that now expected*

- 2.2 This report includes a number of final adjustments to the figures reported to December Council.

**3. FINAL ADJUSTMENTS**

**3.1 Acorn Centre Development**

The Doctors' practice have now decided that they do not require funding from the Council so no adjustment is needed in this respect.

**3.2 Provisional Grant Proposals**

The initial proposals for 2004/05 were received on the 19 November but the Chancellor of the Exchequer subsequently announced a top-up that significantly increases the amount that the Council will receive. Interpretation of the result is made more complex by a change to the way in which benefits payments will be reimbursed in the future. Grant is being reduced to allow all the benefits payments to be covered by a direct subsidy. In principle this is a very sensible change but it is estimated that, as usual, some authorities will gain and others will lose. Unfortunately Huntingdonshire will lose. The following table shows the result:

Government Support	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
Forecast	-9,504	-10,060	-10,638	-11,235	-11,846	-12,113
Variations						
First Provisional settlement		310	636	975	1,320	1,314
"Top-up"		-369	-648	-933	-1,223	-1,389
Transferred to Benefits Subsidy		1,367	1,401	1,436	1,472	1,509
Estimated Increase in Benefits Subsidy		-1,002	-1,027	-1,053	-1,079	-1,106
Temporary Protection		-165				
<b>Total Loss</b>		<b>141</b>	<b>362</b>	<b>425</b>	<b>490</b>	<b>328</b>
Council Tax Equivalent		£2.51	£6.38	£7.42	£8.47	£5.61

*N.B. It has been assumed that the Council will receive the additional funds resulting from last year's inclusion of the Area Cost Adjustment over the next four years. Whilst the assumption may appear reasonable in the light of the top-up there has not been, nor is there likely to be, any indication of how quickly this will happen from the Government.*

3.3 The Council remains the most under-funded, in cash terms, District Council in England based on the Government's own figures.

### 3.4 Taxbase

The 2004/05 and subsequent years' taxbases have been increased to reflect the level it is anticipated will be approved at the January Council meeting.

### 3.5 Interest Rates

Based on latest forecasts from fund managers the interest rate has been increased to an average of 4.75% for 2004/05.

### 3.6 2003/04 Forecast

The forecast of likely spending in the current year has been updated and a revised analysis is shown at Annex B.

### 3.7 MTP Schemes and Consolidation

The Cabinet will be receiving, at its February meeting, a report on the amount of Recycling Grant available to the Council. One element provides a capital grant of £963k directly reducing the cost of the MTP by £48k per year. Other elements provide further capital and a one-year revenue grant. The Council will need to approve additional revenue funding to enable the schemes to continue after the first year resulting in a net increase of £34k per year from 2005/6. ***For the purpose of this report it has been assumed that Cabinet will support this extra cost.***

3.8 Negotiations with the other Councils in the Supporting People partnership have resulted in a reduction in the retrenchment cost from £42k per year to £24k per year.

3.9 These changes together with the Additional Recycling Gate Fees have been included in a revised summary of all the MTP schemes at Annex C. This lists the schemes by service category, consolidates the multiple entries that affected some schemes and creates the new programme areas for Customer First and IMD schemes. As a result some reconciliation and rounding adjustments are necessary. These together with the other changes are shown in a reconciliation at the end of the Annex.

### 3.10 **Alconbury**

The Government has informed the Council that it must meet some of the costs of the applicant in relation to the Alconbury planning appeal. It is impossible to assess how much this might be and so no provision has been made at this stage.

### 3.11 **Car Parking Strategy**

At its last meeting the Cabinet decided to defer the introduction of the proposed Car Parking strategy pending the planned consultation with the public on the balance between service improvements and the Council Tax level. The impact of an assumed 6-month delay in raising car park charges is £93k in 2004/05 and the suggested changes in the prices would result in reduced income thereafter amounting to £7k in 2004/05, £15k in 2005/06 and £12k per year thereafter.

### 3.12 **Collection Fund**

The estimated variation on the Collection Fund for 2003/04 is £14k.

## 4. **UPDATED FINANCIAL POSITION**

4.1 The table below (further detail in Annex D) shows the overall financial position after adjustment for the items outlined above, their consequential impact on interest receipts and an adjustment to the current year's interest rate forecast. Annex E then shows the resulting 2004/05 budget i.e. the combination of the base budget and MTP schemes by Service.

4.2 It also makes an assumption on Council Tax levels. The Council decision was ***that the Council Tax level for 2004/05 be increased by an amount at least equivalent to the shortfall between the Government grant previously anticipated and that now expected.*** It has been assumed that compensating for the impact of lost grant is continued in future years and the increases are thus based on the Council Tax increases shown in paragraph 3.2 above to cover the loss of grant plus 2.5% inflation from 2005/06 until 2007/08 when revenue reserves are no longer sufficient to mitigate more significant

increases. The Council resolution refers to ***an amount at least equivalent*** and so the Cabinet will need to determine what levels of increase they wish to recommend to Council.

	Forecast	Draft Budget	Draft MTP			
	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009
	£000	£000	£000	£000	£000	£000
Total Budget	17,003	18,110	20,120	21,834	23,537	25,028
Total Funding	-14,032	-14,680	-15,439	-16,215	-19,838	25,028
Use of Revenue reserves	-2,971	-3,430	-4,681	-5,619	-3,699	0

Council Tax Level	£82.54	£85.05	£91.05	£94.36	£146.62	£226.65
Increase %		3.0%	7.1%	3.6%	55.4%	54.6%

- 4.3 It is important to recognise that any planning assumptions for the increases in future years need to recognise the December Council decisions (Annex A), which require a major review of the Council's spending plans next year which could significantly vary them before the Council Tax is set next February for 2005/06.

## 5. CONSULTATION WITH THE BUSINESS COMMUNITY

- 5.1 A consultation meeting with members of the business community is taking place on 28 January and their comments will be reported to the meeting.

## 6. PRUDENTIAL CODE

- 6.1 The way that the Government controls the borrowing of Local Authorities will change from April 2004. Each Authority will need to set limits on its borrowing according to what it can afford to repay.
- 6.2 As part of the change Local Authorities will have to comply with the CIPFA Prudential Code. The key objectives of the Code are to ensure that capital investment plans and treasury management decisions are affordable, prudent and sustainable. It requires the full Council, as part of the budget-setting process, to approve the prudential indicators shown in Annex F. If changes are made to the assumptions used in this report it may result in changes to the indicators.

## 7. RECOMMENDATION

The Cabinet is asked to consider the recommendations it wishes to make to February Council regarding:

- ◆ Any variations to the items to be included in the MTP.
- ◆ The proposed Council Tax level for 2004/05 and indicative

- ♦ **planning levels for future years.**
- ♦ **The acceptance of the Prudential Indicators in Annex F, subject to any necessary changes flowing from its recommendations on the above items.**

## **BACKGROUND PAPERS**

Grant Settlement Proposals - Files in Financial Services

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**COUNCIL DECISIONS – 10TH DECEMBER 2003**

- (i)** *that scheme ref. no. 346 – Business Support and Local Economy Partnerships (reduction) – in the sum of £4k for each of the years 2004/05 – 2008/09 be removed from Annexe B4 “Potential deletions and reductions to base budget/approved MTP”;*
- (ii)** *that a review of District Council services (statutory and non-statutory), their priorities and levels of provision, be commissioned with a view to the outcomes being available within a timeframe that will enable them to be considered at the outset of deliberations on the budget and MTP for 2005/06;*
- (iii)** *that, within the timeframe referred to in (ii) above, a member-led review of the District Council’s base budget, to include fees and charges but not to exclude any potential restructuring of existing arrangements for the delivery of services, be undertaken with a target of identifying an overall saving of at least 2% in net expenditure;*
- (iv)** *that Council Tax levels for 2004/05 be increased by an amount at least equivalent to the shortfall in Government grant previously anticipated and that now expected;;*
- (v)** *that specific prior approval be sought and obtained from the Employment Panel before recruiting to any new District Council posts;*
- (vi)** *that specific prior approval be sought and obtained from the Employment Panel before recruiting to fill vacancies in any existing posts graded 1-9;*
- (vii)** *that the relevant Directors, after consultation with the Chairman of the Employment Panel, be authorised to approve recruitment to fill vacancies in any existing posts graded 10-17; and*
- (viii)** *that, having regard to the implications for future spending and Council Tax levels, Directors review with appropriate Executive Councillors the need for schemes/projects included in the MTP but not yet started and that specific prior approval be sought and obtained from the Cabinet before such schemes/projects are implemented.*

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## Annex B

### 2003/04 FORECAST

	Income	Expend -iture	Recharge To Capital	Net Expend -iture
	£000	£000	£000	£000
<b>Gross Budget</b>	-32,287	48,764	-648	15,829
Less reimbursed expenditure (Benefits and Highways Agency)	19,804	-19,804		
	<b>-12,483</b>	<b>28,960</b>	<b>-648</b>	<b>15,829</b>
<b>Predicted Spending Variations</b>				
<b>MTP Schemes</b>				
<i>Interest impact of capital expenditure</i>	-163			-163
<i>Other</i>	-2	-129		-131
<i>Recycling Gate Fee</i>		24		24
	-165	-105	0	-270
<b>Other items</b>				
<i>Pathfinder House</i>	0	533		533
<i>2002/03 delayed spending brought forward</i>	0	165		165
<i>2003/04 delayed spending carried forward</i>	0	-146		-146
<i>NNDR</i>	0	84		84
<i>Benefits</i>	55	0		55
<i>Development Control</i>	-115	53		-62
<i>Building Control *</i>	-42	15		-27
<i>Leisure Centres</i>	59	42		101
<i>Refuse/Recycling</i>	-125	142		17
<i>Offices</i>	0	41		41
<i>Other</i>	0	45		45
<i>Interest</i>	404	0		404
	236	974	0	1,210
<b>TOTAL</b>	<b>71</b>	<b>869</b>	<b>0</b>	<b>940</b>
Variation as % of budget	0.6%	3.0%		
Technical Variations - Commutation				234
<b>TOTAL VARIATIONS</b>				<b>1,174</b>

\* 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

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