

Meeting: Executive

Portfolio Area: Resources

Date: 12th February 2003

**GENERAL FUND BUDGET, REVENUE AND LEASING FORWARD PLAN,
AND CAPITAL PROGRAMME 2003/04**

(Author – Chief Officer Board)

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KEY DECISION

1 PURPOSE

- 1.1 To propose a General Fund Budget and Capital Programme for 2003/04 to Full Council following the Budget consultation process.
- 1.2 To propose the Council's Borrowing Limits for 2003/04 to Full Council.

2 BACKGROUND

- 2.1 At its meeting of 15th January 2003, the Executive considered reports on the General Fund Budget 2003/04; General Fund Revenue and Leasing Forward Plan 2003/04; and Capital Programme 2003/04. The Executive recommended a draft General Fund Budget and Capital Programme for consideration by the Scrutiny Overview Committee and the Resources and Corporate Management Scrutiny & Review Panel as part of the 2003/04 Budget process.
- 2.2 These items form part of the Council's Budget and Policy Framework. Under Article 4 of the Constitution, the Budget includes: the allocation of financial resources to different services and projects; proposed contingency funds; the council tax base; setting the council tax; decisions relating to the control of the Council's borrowing requirement; the control of its capital expenditure; and the setting of virement limits.
- 2.3 This report presents the comments of the Scrutiny Overview Committee and the Panel on the draft General Fund Budget, the Revenue Forward Plan proposals, and the Capital Programme. This report also consolidates the Revenue and Capital reports into one overall set of proposals for consideration at the Full Council meeting on 26th February 2003. This Discussion and Proposals section of the report is divided into four parts – the consultation process; the General Fund Budget; the Capital Programme and the Financial Strategy. Consideration of the Budget is a matter for Full Council and the recommendation at the end of this report notes that the Council may agree to additional expenditure, or variations, to the Budget.

3 CONSULTATION PROCESS

- 3.1 The Scrutiny Overview Committee and the Panel have considered the three Executive reports referred to above and their comments are shown below.

3.2 Resources and Corporate Management Scrutiny & Review Panel

3.2.1 General Fund Revenue and Leasing Forward Plan

The Panel resolved that the recommendations made by the Executive on the General Fund Revenue and Leasing Forward Plan 2003/04 be noted, and that the Scrutiny Overview Committee be informed of the Panel's concerns relating to the following items which had been placed in the Priority 2 category of the Forward Plan and would not, therefore, be implemented in 2003/04:

a. Development Control Performance

Resources to meet revised BVPI target for dealing with applications.

b. Customer Facing Environmental Issues

e.g. Hedge Cutting
Litter Picking
Fly Tipping
Verge Parking

3.2.2 General Fund Budget 2003/04

The Panel discussed the General Fund Budget in detail and drew attention to the fact that the S.E.E.D.S. (South East Economic Development Strategy) was a defunct organisation. The Director of Resources undertook to investigate this.

3.2.3 Capital Programme 2002/03 – 2003/04

The Panel resolved that the Executive's recommendations in respect of the Capital Programme 2002/03 – 2003/04 be noted and that the Scrutiny Overview Committee be informed of the Panel's concern that the Bye Law Signs in respect of verge parking enforcement had been placed in the Priority 2 category and would not, therefore, be implemented in 2003/04.

3.3 Scrutiny Overview Committee

3.3.1 General Fund Revenue & Leasing Forward Plan 2003/04

The Resources & Corporate Management Panel's concerns relating to the Development Control and Customer-Facing Environmental issues items being placed in the Priority 2 category rather than the Priority 1 category were noted and endorsed.

It was also agreed that the Executive should be asked to invite the Scrutiny & Review Panels to consider the proposed Forward Plan at an earlier stage in the process next year.

3.3.2 General Fund Budget 2003/04

The comments of the Resources & Corporate Management Panel were noted, and the Director of Resources informed the Committee that, although S.E.E.D.S. were a defunct organisation, Chief Officer Board had recommended the reallocation of the subscription to Hertfordshire Prosperity Forum and the European New Towns Platform. The 2003/04 Budget would be amended to reflect this.

3.3.3 Capital Programme 2002/03 – 2003/04

The Committee noted the Resources and Corporate Management Panel's concern relating to the Bye Law Signs in respect of verge parking enforcement which had been placed in the Priority 2 category and would not, therefore, be implemented in 2003/04.

The Committee also noted that, although regeneration of the entire Stonyhall complex was being proposed, it would probably be necessary to renew the lifts at Chauncy House for health and safety reasons in the interim period. The necessity for lift renewal would, however, be closely monitored.

3.4 Consultation with Non-Domestic Ratepayers

3.4.1 The rate levy for non-domestic ratepayers is outside of the control of Stevenage Borough Council and is set by central government. Nevertheless, Section 134 of the Local Government Finance Act 1988 places a duty on the Council to consult with non-domestic ratepayers on the Council's spending plans (both revenue and capital) for the forthcoming finance year.

3.4.2 Central government has set the 2003/04 rate levy at 44.4p in the £, an increase of around 1.6% over the 2002/03 levy of 43.7p. This increase reflects the annual increase in the Retail Price Index to September 2002.

3.4.3 A consultation forum was arranged between officers and Members of the Council, Hertfordshire Chamber of Commerce, representatives from the local business community and other organisations. The forum was held on 7th February 2003. The Director of Resources will report verbally on the outcome of this consultation.

3.5 Other Consultations

3.5.1 Chief Officer Board and Staffside briefly discussed the Budget proposals at their meeting on 22nd January 2003.

4 **GENERAL FUND BUDGET 2003/04**

4.1 General

Summaries of the draft General Fund budget net requirements are attached as Appendix A. The Budget is as proposed at the January Executive meeting, with the exception of the following amendments:

Executive Recommendations:

2003/04 Revenue Forward Plan items moved from Priority 2 to Priority 1:

Filey Close/Symonds Green Community Facilities £8,000 ongoing

Play Best Value Review – £25,000 2003/04 only

Museum Touch Screens £1,000 – leasing rental £110 2003/04

Increase in Indoor Market Cafeteria Net Income Budget from £7,270 to £13,000

Other Budget Variations:

2002/03 Stevenage Innovation @ Stevenage 2003

This event next month will require an additional provision to be made to the 2002/03 probably figures estimated at £30,000.

2003/04 Contract Bus Services

The formula used to distribute concessionary fare scheme income has been amended to reflect the reduced use by permit holders after 7.00 pm, resulting in an increase in the 2003/04 Bus Service subsidy of £7,500.

4.2 Trading Accounts

A summary of the budgets for trading account areas is included at Appendix A.

The net effect of estimated contractor surpluses arising from Trading Accounts is included in the summary shown below:

	<u>2002/03</u>		<u>2003/04</u>
	<u>Estimate</u> £'000	<u>Probable</u> £'000	<u>Estimate</u> £'000
Environmental Services	225	209	214
Community Services	<u>0</u>	<u>0</u>	<u>0</u>
	<u>225</u>	<u>209</u>	<u>214</u>

4.3 Revenue and Leasing Forward Plan

4.3.1 The January Executive meeting recommended a limited range of priority 1 items for inclusion in the Council's Budget for 2003/04. Priority 1 items have been considered on the basis of:

Priority 1A – Contractual Commitment

Priority 1B - Existing Policy Commitment

Priority 1C – Health & Safety Requirements

Priority 1D - Other

4.3.2 Priority 1 items recommended for funding are summarised in Appendix B.

4.3.3 Leasing

Priority 1 Leasing Forward Plan items recommended for funding are shown in Appendix C.

4.3.4 Summary of Forward Plans

	2003/04	Ongoing
	£	£
Priority 1 Revenue Forward Plan Items (Appendix B)	789,200	236,700
Leasing Rentals (Appendix C)	59,570	119,140
Less HRA element	<u>(64,680)</u>	<u>(44,450)</u>
Total	<u>784,090</u>	<u>311,390</u>

4.4 Summary

The net totals by portfolio area are as follows. For comparison purposes in the summary below, the transfer of negative housing subsidy from the HRA under the transitional arrangements has been excluded from the Housing portfolio in which it appears in the detailed figures:

	<u>2002/03</u> Estimate £	<u>2002/03</u> Probable £	<u>2003/04</u> Estimate £
<u>Portfolio Areas</u>			
Community Services	6,172,710	7,052,530	6,477,420
Housing Services	1,703,530	2,007,340	1,696,170
Environmental Services	8,770,630	9,281,910	8,795,330
Joint Local Committees	525,540	516,980	544,480
Resources	Cr <u>2,916,180</u>	Cr <u>4,657,230</u>	Cr <u>2,708,720</u>
	14,256,230	14,201,530	14,804,680
Transitional Negative Subsidy Transfer	Cr <u>2,937,210</u>	Cr <u>2,937,210</u>	Cr <u>2,570,060</u>
	11,319,020	11,264,320	12,234,620
Less Contractor Surpluses	Cr <u>225,020</u>	Cr <u>209,100</u>	<u>214,320</u>
Net Expenditure	11,094,000	11,055,220	12,020,300
Forward Plan			784,090
Less Forward Plan in Support Services above			- <u>129,350</u>
Total Requirement 2003/04			<u>12,675,040</u>

4.5 Balances and Reserves

4.5.1 All balances, reserves, and contractor profits are considered to be available to meet annual deficits.

4.5.2 Total available balances and reserves as at 1st April 2003 are estimated to be £10.9m (after use of balances in 2002/03 of £775,000, and after setting aside the minimum balance (previously agreed at £800,000) needed to meet unforeseen expenditure and/or income losses arising in the year and to meet expenses arising before income is received).

4.6 Standard Spending Assessment (SSA)/Formula Spending Share (FSS), Exchequer Finance and Precepting Bodies

4.6.1 The provisional settlement figures were issued on 4th December. A briefing note on the settlement was sent to all members in December. There has been a change in the methodology used by Central Government. The Standard Spending Assessment has been replaced by the Formula Spending Share which includes an assumed level of council tax. The final settlement data is due to be released in early February. Although the provisional settlement figures for Non Domestic Rating Grant and Revenue Support Grant show an increase of only £32,000 over 2002/03 there is also an increase in specific grant for Benefits Administration of some £200,000. The Government has set a 'floor' of 3% and a ceiling of 12.5% on the increases in grant to authorities. These figures have been applied to an adjusted 2002/03 grant figure that takes into account the increase in specific grant referred to above. On this basis Stevenage has received the 'floor' increase of 3%. The provisional figures are shown below:

	<u>2002/03</u> £'000	<u>2003/04</u> £'000	<u>Year on Year</u> <u>Variation</u>	
			£'000	%
Standard Spending Assessment	<u>8,973</u>	<u>-</u>	<u>-</u>	
Formula Spending Share	<u>10,441</u>	<u>11,297</u>		
Non-Domestic Rating Grant	3,362	2,784	(578)	(17.2)
Revenue Support Grant	<u>2,982</u>	<u>3,592</u>	<u>610</u>	20.5
Total Exchequer Finance	<u>6,344</u>	<u>6,376</u>	<u>32</u>	0.5

4.6.2 The total Council Tax required to be collected by Stevenage Borough Council includes the Herts County Council and Herts Police Authority precepts.

4.7 Council Tax

The County Council budget is due to be finalised on 13th February 2003. The Police Authority is due to set its budget on 14th February 2003.

As noted in the Background section of this report, the Budget setting process includes consideration of Council Tax levels. The summary below indicates the estimated 2003/04 position assuming a Council Tax increase of 9% (as projected in the Budget Strategy) and a revised estimate of Collection Fund surpluses. The Council Tax Base will be finalised at the Council meeting on 29th January 2003. The net use of balances projected over this year and next year amounts to some £2.8m.

Projected Council Tax Position 2003/04

	<u>2002/03</u> Estimate £	<u>2002/03</u> Probable £	<u>2003/04</u> Estimate £
Net Expenditure	11,094,000	11,055,220	12,675,040
(Use of)/Contribution to Balances	<u>(822,579)</u>	<u>(783,799)</u>	<u>(2,010,702)</u>
Budget Requirements	10,271,421	<u>10,271,421</u>	<u>10,664,338</u>
Total Exchequer Finance	<u>6,343,807</u>		<u>6,376,000</u>
	3,927,614		4,288,338
Collection Fund Surplus			<u>124,737</u>
Council Tax Requirement			4,163,601
Council Tax Base			27,352.52
Council Tax (Band D)	139.65		152.22
Council Tax (Band C)	124.13		135.31

4.8 Contingency Sums

The Executive will recall that a Contingency Sum needs to be determined by the Council as part of the Budget and Policy Framework in order to avoid the need for Full Council to consider all supplementary estimates during the course of the year. This contingency sum constitutes an upper limit within which the Executive can approve supplementary estimates, rather than part of the Council's Budget Requirement for the year.

4.9 Achievement of Savings

As referred to earlier in this report, statutory and service expenditure pressures are inevitable in the next few years, and in order to accommodate them in its financial position, the Council will need to undertake a concerted programme to identify and deliver savings during 2003/04.

5 CAPITAL PROGRAMME

5.1 At its meeting in January, the Executive approved the 2003/04 Capital Programme including Priority 1 Forward Plan schemes as attached at Appendix D. No amendments have been made to the Programme since that report.

5.2 Experience this year has indicated that the contingency sum of £500,000 in the Capital Programme has been insufficient as the level within which the Executive can approve supplementary estimates without referral to Full Council. During the course of this year, both the need to respond to capital expenditure pressures, and the variations in available capital resources to meet these pressures, have been higher than this level. Consequently, it is recommended that this contingency sum be increased to £2 million.

5.3 Borrowing Limits

Under the Local Government and Housing Act 1989 (Part IV, Section 45) the Council has to formally determine its limits before the start of each financial year. The limits approved for 2002/03 are set out below:

- a. Overall Borrowing Limit £15 million
- b. Short Term Borrowing Limit £15 million
- c. Variable Interest Proportion Limit 100%

As the Council has had Debt Free status since March 2001, only short term borrowing for cash flow management purposes is undertaken and therefore the Overall Borrowing Limit is the same as the short term borrowing limit. Short term borrowing is required from time to time and the terms will depend on availability of funds in the money market. It is conceivable that although the total of such borrowing may be small, all of that borrowing, which could consist of only 1 loan, could be at variable rates, therefore the limit should be 100%. It is proposed that the limits remain unchanged for 2003/04.

6 IMPLICATIONS

6.1 Policy and Financial Implications

The report deals with Council policy and finances and as such all implications are contained in the main body of the report.

6.2 Planning, Environmental, Staffing and Accommodation, Human Rights, Equal Opportunities, Legal, Other Corporate & Other Implications

There are no other implications to be brought to Members attention.

7 RECOMMENDATIONS

That the Executive makes the following proposals to the Full Council meeting of 26th February 2003:

- 7.1 The Executive proposes the Budget summarised at Appendices A, B and C to this report to be the Council's General Fund Budget 2003/04.
- 7.2 The Executive proposes a General Fund Budget Requirement for 2003/04 of £12,675,040 use of balances of £2,010,702 and a Band D Council Tax of £152.22, as reflected in the draft Council Tax Resolution at Appendix E.
- 7.3 The Executive proposes a General Fund Revenue Account Contingency Sum in the Budget and Policy Framework for 2003/04 of £500,000.
- 7.4 The Executive proposes the 2003/04 Capital Programme attached as Appendix D to this report to be the Council's 2003/04 Capital Programme.
- 7.5 The Executive proposes a Contingency Sum in the Budget and Policy Framework for 2003/04 of £2,000,000 for the Capital Programme.

- 7.6 That the Borrowing Limits for 2003/04 be proposed to Full Council:
- a. Overall Borrowing Limit £15 million
 - b. Short Term Borrowing Limit £15 million
 - c. Variable Interest Proportion Limit 100%
- 7.7 The Executive notes and accepts that the Council may, at its discretion, agree to additional capital and/or revenue expenditure, or vary such expenditure, in the course of its consideration of the budget.

BACKGROUND DOCUMENTS

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