



REPORT:

FROM: Strategy Committee

COMMITTEE: Council

DATE: 28 February 2003

BUDGET 2003/04

1 INTRODUCTION/BACKGROUND

- 1.1 The Council's service and financial planning process has involved a detailed consideration of service provision, service priorities and finance, and led to the Council's first "State of the District" debate in October.
- 1.2 At the end of the "State of the District" debate the Council decided on its Vision, Purpose and Objectives for the future. These form the foundation for the Council's Policy and Budget Framework for 2003/04. The Council also decided which were the most important service improvements for possible inclusion in next year's budget.
- 1.3 It was agreed that the public should be consulted through "Babergh Matters" on a variety of issues, including the possible range of Council Tax increases.

2 PUBLIC CONSULTATION

- 2.1 "Babergh Matters" in November was sent to every household in the district. It included a 4 page article on the Council's "State of the District" debate and a consultation questionnaire for the public.
- 2.2 Over 2,300 households (6%) returned the questionnaires and the public's views on the questions asked are set out below. A brief comment on what those responses are felt to be telling the Council is also provided.

BABERGH'S PURPOSE

Question	Very well	Fairly well	Not very well	Not at all	Don't know
To what extent is Babergh contributing to "making the area a better place to live and work for everyone"?	20%	61%	12%	2%	5%

Comment

The public clearly considers that the Council is having a beneficial impact on their lives.

BABERGH'S OBJECTIVES

Question	Very well	Fairly well	Not very well	Not at all	Don't know
How well do you think that Babergh is achieving their five objectives of:-					
• Establishing a safe, secure and healthy community	13%	59%	19%	3%	6%
• Providing a thriving, caring and inclusive community	11%	55%	20%	4%	10%
• Protecting and improving the environment	20%	55%	17%	4%	4%
• Providing all services efficiently and effectively	18%	56%	17%	4%	5%
• Listening to and involving local people	21%	45%	18%	7%	9%

Comment

A clear majority of between two-thirds and three quarters of the public consider that the Council is achieving all five of its objectives well. However, about a quarter do not consider that to be the case, and so there is room for improvement in either achieving those objectives or in explaining to the public to what extent the Council does achieve them.

SATISFACTION WITH BABERGH

Question	Very satisfied	Fairly satisfied	Neither	Fairly dissatisfied	Very dissatisfied	Don't know
Overall, how satisfied or dissatisfied are you with the way we run our services?	18%	53%	17%	8%	3%	1%

Comment

The overall satisfaction level with the Council continues to be high.

IMPROVING THE QUALITY OF LIFE

Question	Very well	Fairly well	Not very well	Not at all	Don't know
How well do you think Babergh is tackling these issues:-					
• Protecting shops and village facilities	9%	43%	29%	6%	13%
• Providing facilities and opportunities for young people	6%	33%	31%	7%	23%
• Developing local public transport	12%	40%	29%	8%	11%
• Making the area a safer place to live	9%	46%	27%	9%	9%
• Helping older people live independently	14%	41%	14%	5%	26%
• Increasing recycling	43%	45%	9%	1%	2%

Comment

The Council is clearly considered to be tackling recycling exceptionally well. Over half of the responses also perceive the Council as tackling a number of the other issues well, but there is a sizeable proportion of the public who do not consider that to be the case. In particular, the public are evenly divided as to whether the Council is delivering on the provision of facilities and opportunities for young people. This was a very important issue for the public in an earlier consultation and suggests that more needs to be done by the Council in this area. It is also an area, along with helping older people live independently, where a quarter of the public does not appear to know what the Council does.

SERVICE IMPROVEMENTS

Question	Very important	Fairly important	Not very important	Not at all important	Don't know
How important are each of these priorities for service improvement:-					
• Waste minimisation and recycling	74%	23%	2%	0%	1%
• Improved access to public transport	59%	33%	5%	1%	2%
• Partnership working and public involvement	32%	47%	11%	2%	8%
• Conservation of our heritage	55%	35%	7%	1%	2%
• Electronic delivery of services	10%	32%	32%	13%	13%
• Pin Mill, Shotley Peninsula	17%	32%	18%	7%	26%
• Poplar Road, Great Cornard	15%	29%	16%	6%	34%
• CCTV cameras, Hadleigh and Sudbury	46%	28%	9%	5%	12%

Comment

An explanation was provided in “Babergh Matters” for each of these service priority areas. 90% or more of the public consider recycling, public transport and conservation to be important; with between 70% and 80% having the same view of partnership working, public involvement and CCTV. Whilst a smaller proportion consider the capital schemes at Pin Mill and Great Cornard to be important, it must be recognised that a quarter and a third respectively felt unable to express a view on these issues – presumably because they did not know the areas well.

The public are less convinced and evenly divided on the importance of the electronic delivery of services. However, E-Government is an important part of the modernisation agenda.

CHARGING FOR COUNCIL SERVICES

Question	Agree strongly	Agree slightly	Neither agree or disagree	Disagree slightly	Disagree strongly	Don't know
Do you agree that Babergh's services should be generally funded from Council Tax rather than from charges on the actual users of a service?	31%	23%	13%	13%	17%	3%

Comment

When the public were consulted on car parking charges, 80% preferred the cost of the service to be paid for through Council Tax. Over half of these respondents prefer services generally to be financed from Council Tax rather than from charges, but 30% disagree.

SERVICE PROVISION AND COUNCIL TAX INCREASES

Question	Support
In the light of the information provided on the draft budget and the possible levels of Council Tax increases, do you think that the Council should:-	
• Maintain services, meet commitments and improve some services (minimum Council Tax increase of 14%)	21%
• Maintain services and meet existing commitments (minimum Council Tax increase of 10%)	55%
• Reduce services (to a level which enables a Council Tax increase of no more than 10%)	24%

Comment

In view of the fact that over the last three years Babergh's Council Tax increases have been 2.2%, 2.9% and 7.9%, and that inflation and pay/pension increases are currently at a low level, it might have been expected that a large proportion of the public would opt for a Council Tax increase of less than 10% and a reduction in service provision. Whilst a quarter of the public have chosen that option, it is interesting to see that three quarters want the Council to at least maintain services and meet existing commitments, even if the outcome would be a Council Tax increase of at least 10%.

2.3 The following conclusions can be reached from this public consultation:-

- **The Council is having a beneficial impact on their lives.**
- **Most think the Council is achieving its objectives, but there is room for improvement.**
- **Satisfaction with the Council's performance remains high.**
- **Further thought needs to be given to what the Council can do to assist young people.**
- **The priority service improvements are supported. Recycling, public transport and conservation are felt to be particularly important.**
- **Many would prefer services to be funded from Council Tax rather than charges.**
- **Three-quarters want the Council to at least maintain services and meet existing commitments, even if the outcome could be a Council Tax increase of at least 10%.**

3 GENERAL FUND AND COUNCIL TAX

Revised Budget 2002/03

- 3.1 Before considering next year's budget it is important to establish how spending this year is likely to compare with the original budget and what the level of available reserves could be at the year end.
- 3.2 Overall net revenue spending this year is close to the original budget and the approved carry forward of some budgets from one year to another. There has been some unbudgeted expenditure during the year, such as the new pink sack arrangements and higher pay awards than anticipated, but these have been counter-balanced by savings and additional income. The fund has also benefited from interest on an

improved cash flow and a financial improvement on the commutation adjustment, which was the subject of a separate report to the Committee.

- 3.3 When combined with savings in 2001/02 there could be £357,000 more in reserves at the end of the year than originally anticipated. But £84,000 of that increase is needed to fund the carry forward of some expenditure from 2002/03 to 2003/04.

Reserves

- 3.4 It is anticipated that there will be £3,664,000 in the General Fund reserve at the end of 2002/03. That is in line with the Financial Strategy.
- 3.5 For the future the key to sound financial management is to phase and gradually reduce the amount to be taken from reserves each year and not reduce reserves to an unacceptable and imprudent level. With these principles in mind, and with a view that £1,000,000 in reserves at current prices (13% of the current annual budget) and £1,270,000 at the end of the decade, would be an acceptable minimum level, it is proposed that the use of reserves should be phased out gradually on the following basis:-

Year	Balance £000	Use in year £000	Reduction in use £000
2003/04	3,664	660 + 84	90
2004/05	2,920	550	110
2005/06	2,370	440	110
2006/07	1,930	330	110
2007/08	1,600	220	110
2008/09	1,380	110	110
2009/10	1,270	-	110

- 3.6 The suggested use of reserves in 2003/04 needs some further explanation. Report B140 in September referred to the need to reduce the budget provision for the use of reserves in 2002/03 of £750,000 to £650,000 in 2003/04. The use of £744,000 in 2003/04 (£660,000 + £84,000) is proposed. The additional £84,000 from reserves in 2003/04 is purely to match the underspend and carry forward of £84,000 from 2002/03 to 2003/04 referred to earlier.

Budget 2003/04

- 3.7 During the summer the Overview and Scrutiny and the Strategy Committees gave very careful consideration to the Council's Policy and Budget Framework for 2003/04. The Overview and Scrutiny Committees discussed performance, service provision, improvement and priorities with Heads of Service and suggested a priority order to the Strategy Committee for the improvements which they felt should be supported.
- 3.8 In September the Strategy Committee considered Report B140 on the Policy and Budget Framework for 2003/04, and their recommendations were the subject of the "State of the District" debate at Council in October. The Council recognised that there were significant financial pressures of potentially £800,000 (10.6%) on next year's budget in the form of inflation, commitments and a reduction in the use of reserves, before any allowance was made for new service priorities. With the addition of the new service priorities recommended by the Strategy Committee, the overall budget was expected to increase by a further £115,000 (1.6%) to £915,000 (12.2%). The outcome on Council Tax then very much depended on the increase in Government Grant and it was recognised that increases in Council Tax of between 10% and 25% were possible.

- 3.9 This was explained to the public, and 75% of the households who responded have indicated that they want the Council to at least maintain services, even if that means a Council Tax increase for Babergh of at least 10%.
- 3.10 In the light of that consultation, the Council's objectives and priorities, and a 9.6% increase in the general Government grant, it is recommended that the Council adopts a budget which maintains services and introduces service improvements which are supported by the Council and the public.
- 3.11 It is proposed that after three years of managing to keep to the financial strategy with low increases of 2.2%, 2.9% and 7.9%, the Council Tax increase for this authority for next year should be 9.75%. This increase is arrived at as follows:-

	2002/03 £	2003/04 £	Increase %
Council's Budget Requirement	7,542,000	8,291,000	9.9
Surplus on Collection Fund	-12,000	-	
Government Support	-4,352,000	-4,770,000	9.6
	3,178,000	3,521,000	10.8
Higher Council Tax base with new properties			-1.05
Council Tax Increase			9.75

- 3.12 For a Band D property the current charge of £102.16 will increase by £9.96 a year (20p a week) to £112.12.
- 3.13 An explanation of the main reasons for the budget increase of 9.9% is provided below:-

Budget	Variation	
	£000	%
Budget requirement 2002/03	7,542	
Inflation (3.5% for 2003 pay award + under provision in 2002)	310	4.1
Existing commitments/statutory requirements:-		
• Recycling (new pink bag arrangements)	189	2.5
• Local Plan	132	1.7
• Concessionary Fares (increased take-up including men over 60)	51	0.7
• District Elections in May	40	0.5
• National Insurance (increases in April)	45	0.6
• Pension costs (phased increase to remove deficit)	37	0.5
• Other	46	0.6
Service Improvements	173	2.3
Reduction in use of reserves	90	1.2
Additional income and Benefit Administration grant	-222	-2.9
Savings	-142	-1.9
Budget requirement 2003/04	8,291	9.9

- 3.14 The service improvements already supported by the Council in October of £115,000, plus a few additional essential requirements which have arisen since, now total £173,000 and are set out below. In some cases there is provision in the current year's budget for part or all of the cost, and in others part of the cost will be met by the Housing Revenue Account.

Priority	Item	Additional cost in 2003/04	
		Total £000	General Fund £000
Council Priorities in October			
1	Recycling with Alternate Week Collection scheme part-way through year and with contribution from Suffolk County Council towards this scheme and other recycling costs	-26	-26
2	Restructuring delivery of Legal Services	15	10
3	New Housing Benefit regulations on new Tax and Pension Credits with additional staffing and other costs met by additional grant.	-	-
4	Two System Support Officers being made permanent : Provision in 2002/03 budget	-	-
5	Concessions for unconventional passenger transport services : £15,000 in 2002/03 budget	7	7
6	Additional corporate/policy support	20	15
7	Improvements at Chilton Depot for refuse/ recycling	2	2
8	Development/Building Control : any staffing increases to be self-financing	-	-
9	Contribution to Co-ordinator for Western Suffolk LSP	8	8
10	Servicing cost of Babergh East LSP	1	1
11	Increase in repairs and maintenance for Hadleigh Pool	5	5
12	Increase legal support for Planning Enforcement	12	12
13	Debt counselling using CAB (for practical reasons and to explore other options it is proposed that this provision be deferred to 2004/05)	-	-
14	Increasing the scope for rate relief for village facilities	8	8
15	Appointment of a full time Personnel Officer	19	15
16-18	Pin Mill, Poplar Road and CCTV considered as part of capital programme	-	-
19	Additional staffing for Conservation/ Planning applications	36	36
21	Community Energy Project : funding Project Manager for 3 months (more cost in future years)	10	10
	Contribution to Joint Waste Management Strategy Group	7	7
	General provision for small contributions to partnerships	5	5
	October Total	129	115

Priority	Item	Additional cost in 2003/04	
		Total £000	General Fund £000
Additional Requirements Since October			
	Licensing – preparation for transfer of responsibilities from Magistrates Courts	7	7
	Recycling – subsidy for pilot Garden Waste Collection scheme	20	20
	Internet – increased activity	6	6
	Homelessness – Bed and Breakfast accommodation	21	21
	Hadleigh Swimming Pool – specialist advice on establishing new Trustees	4	4
	Total for Revenue improvements	187	173

3.15 The E-Government, Chilton Depot, Pin Mill, Poplar Road, Sudbury Regeneration and CCTV priorities, which were supported by the Council, have been included in the capital programme.

4 **HOUSING REVENUE ACCOUNT AND COUNCIL HOUSE RENTS**

Revised Budget 2002/03

- 4.1 The original budget for the year was based on using £196,000 from reserves. It is now anticipated that £384,000 will be used. That is partly due to spending slippage from 2001/02, and partly to additional costs and lower rental income in the current year.
- 4.2 There are expected to be reserves of £690,000 at the end of the year. The intention is that these should not fall below £500,000.

Budget 2003/04

- 4.3 This budget is influenced by a number of changes which are affecting Council housing finances, and which include:-
- The Government's new supporting people arrangements.
 - The Government's ongoing rent restructuring requirements, under which by 2011/12 the rent for similar Council and Registered Social Landlord properties must be the same.
 - The position on housing subsidy and capital resources, e.g. Government capital allocations.
- 4.4 In future years the budget will also be affected by capital financing issues relating to capital receipts pooling, prudential borrowing and debt free status.
- 4.5 In the light of the rent restructuring requirements, it is proposed that rents increase on average by 4.1%. The increases will range from about 2% to 7%. The Tenants' Forum has accepted these increases.

5 **CHARGES**

- 5.1 The Council operates a wide range of charges for both General Fund and Housing Revenue Account

services. Some are statutory charges. Others are at the Council's discretion.

5.2 In most cases the discretionary charges have been increased by inflation, but more significant increases are proposed in the following areas:-

- Land Charges
- Trade Waste
- Local Taxation – summons/liability orders
- Car Parking – excess parking notices

5.3 New charges are also proposed for the pilot Garden Waste Collection scheme.

6 CAPITAL PROGRAMME

6.1 The capital programmes for the General Fund and Council Housing for 2003/04 total £5.4m. That is less than the revised £6m programme for 2002/03, but that programme includes slippage from 2001/02. The programme is financed in a variety of ways, including borrowing, a major repairs allowance for Council housing, capital receipts, and grants and contributions from other bodies including central government.

7 BUSINESS RATES

7.1 The Council has responsibility for collecting business rates, but not for determining their level. This is set by the Government each year by increasing business rates in line with the headline Retail Price Index in September. Next year business rates are due to rise by 1.7% from 43.7p to 44.4p in the pound. For some businesses the transitional scheme to phase in changes arising from the 2000 valuation will continue to apply.

7.2 As regards the Council's budget, the statutory consultation with the business ratepayers was combined with the Business Evening on 28 January. 35 business ratepayers attended the consultation and there were no adverse comments on the Council's proposed budget and Council Tax increase.

8 BORROWING LIMITS

8.1 There is a statutory requirement for the Council to approve borrowing limits for the coming year, and these are set out in the recommendations.

9 CONCLUSIONS

9.1 During the year the Council has further developed its service and financial planning process. A Vision has been agreed and the Council's Purpose and Objectives have been reviewed and confirmed. Service priorities have been considered in depth in the context of the Council's objectives and partnership arrangements, and in relation to the financial position. The most important of those service improvements have been included in next year's budget.

9.2 It is a budget which maintains and improves services, and the resultant increase is Council Tax of 9.75% is less than anticipated during the "State of the District" debate in October. It will mean, that for a Band D property Council Tax will increase for the year by £9.96 (20p a week) from £102.16 to £112.12.

9.3 The proposed increase in Council house rents is the result of the Government's rent restructuring requirements and average 4.1%.

10 **RECOMMENDATIONS**

10.1 The Committee recommends to the Council that:-

- (a) The attached budgets be approved, subject to delegation to Geoff Kistner, Corporate Director, for any further minor amendments to be made which may be necessary.
- (b) The following changes be made to the staffing establishment in 2003/04 to reflect the Council's service priorities which are included in the budget:-

Division	Staffing Establishment to Change
Legal and Administrative Services	The Chief Executive and the new Head of Legal and Administrative Services to determine how to use the additional £15,000 to strengthen the Legal team and improve the overall service provided
Chief Executive	Policy Officer post to revert to the full time provision made in the establishment in 1999 in view of increasing demands on the post. Separate arrangements have now been made for Emergency Planning work which had previously been combined with Policy work as a single post.
Organisational Development	Full time Personnel Officer to assist in delivering all of the commitments in the IiP Action Plan and in providing support to deal with training and development needs as the organisation responds to the changing demands on it.
Planning Policy and Economic Development and Planning Control	Post(s) to undertake work on conservation including conservation issues in relation to planning applications.

- (c) For 2003/04 the necessary resolutions are passed for the making and collection of Council Tax to cover:-
- The District Council's budget requirement for general expenses of £8,291,000.
 - The special items relating to Parish/Town Council precepts.
 - Suffolk County Council's and the Suffolk Police Authority's precepts.
- (d) The ten installment dates each year for Council Tax and Business Rates should be the first of each month from 1 April to 1 January, but with the ability for Council Taxpayers who elect to pay by Direct Debit to choose between the 1, 8, 15, 22 and 28 of each month. This is to be subject to the proviso that the first of each month can be revised to a later date by the Corporate Director, Mr Geoff Kistner, in consultation with the Chairman of the Strategy Committee if it is felt to be essential to do so.
- (e) The revised General Fund charges are implemented with effect from 1 April 2003.
- (f) The weekly rents for the Council's dwellings and compulsorily let garages be increased on average by 4.1% and in accordance with the rent restructuring requirements with effect from Monday, 21 April 2003.

- (g) The revised Council housing charges, including the rents for garages and carports which are not compulsorily let with dwellings, are implemented with effect from Monday, 21 April 2003.
- (h) Where expenditure is included within the approved budget, the Corporate Director, Geoff Kistner, be empowered to:-
- Vary the timing of revenue and capital payments from the current financial year to 2003/04 or vice-versa in accordance with financial regulations and Council resolutions.
 - Vary the method of financing capital schemes, if he is satisfied that it is in the financial interests of the Council to do so.
- (i) The following amounts be determined in respect of the Council's borrowing for 2003/04:-
- Maximum amount of borrowing outstanding - £7.5M.
 - Maximum amount of above which is short-term (i.e. repayable within 12 months) - £5M.
 - Maximum proportion of interest payable at variable interest rates – 50%.

Strategy Committee

17 February 2003

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