

6A: REVENUE AND CAPITAL BUDGETS

Report of the Cabinet

1 REVENUE BUDGET 2001/02

1 At its meeting last November the Council endorsed the policy steers set by the Policy and Resources Committee as the basis of service and budget planning for next year. A significant element of work was undertaken by the Policy, Performance and Finance Panels during the autumn and reported to the Strategy Panel on 15 November. This work was then taken on by the Cabinet and Portfolio Holders following the Council meeting.

Revenue Support Grant (RSG) Settlement

- 2 The Council's Standard Spending Assessment (SSA), the Government's assessment of the Council's need to spend on services for the purpose of distributing Government grant, has increased by £20.3m or 6.2%. This compares with the national average of 4.8% and the shire county average of 5.3%.
- 3 The main reason why Buckinghamshire received a larger increase than the average is because the Government recognised higher costs in the South East, by increasing the Area Cost Adjustment (ACA) factor. The absolute increase in SSA was higher than our earlier assumptions, due to the ACA increase and the Government increasing SSAs to compensate for the loss of nursery grant.
- 4 Government funding, through revenue support grant and our share of business rates, has increased by 6.3%.

Cabinet on 18 December 2000

5 In the light of the provisional RSG settlement, which was close to the final settlement, the Cabinet was able to allocate additional resources to Education and Social Services in line with the policy steers. Another £1.077m was made

available to Education and £1.391m to Social Services. For Education this meant that additional resources above spending pressures were available to be deployed in raising achievement, while for Social Services the gap between the 'glass ceiling' of 20.6% above SSA and the spending pressures was lessened.

Consultation

- 6 The main features of the draft budget following the December Cabinet were subject to extensive consultation and the results of that exercise have been reported earlier on the agenda.
- 7 I, along with colleagues, met with the Buckinghamshire Business Group, as a statutory consultee, and its comments will be circulated separately.

Cabinet on 5 February 2001

- 8 In submitting my budget proposals to the Cabinet on 5 February, there were a limited number of variations from the position reported in December, the main ones being:
 - in view of the significant increase available in capital spend on structural highways maintenance, I proposed to reduce the corresponding revenue budget by £0.25m to offset the increased borrowing costs and £0.5m to assist other services. This still left a net (revenue and capital) increase in spending on structural highways maintenance of some £3.75m over the base budget;
 - the offer on Bucks Pay of 3.3% was £280,000 more than the 3% that had been assumed.
- 9 I also proposed a council tax increase of 5.4%, consistent with the Government's settlement. Based on the final information from District Councils on council tax collection, an increase of 5.4% made an additional £900,000 available. The proposed uses of this funding are:

£'000

| | | |
|-------------------------------|-----|---|
| Youth Service | 100 | To provide 4 additional staff to recruit and support additional volunteers and to develop fundraising. |
| Economic Development Fund | 100 | In consultation with partners, to provide additional support to business development within the County. |
| Voluntary Sector Fund | 100 | To provide additional support for the voluntary sector across the county. |
| Recruitment and Retention | 300 | A contingency to be targeted at areas of greatest need, allocated against justified business cases. |
| Strategic Aims Implementation | 300 | A provision available to pump-prime initiatives consistent with the Council Plan |

10 Our general reserves are estimated to be £1.4m above our 3% policy and it is proposed to use this one-off funding on:

| | |
|---------------------------|--------------|
| | £'000 |
| Library Book Fund | 200 |
| Recruitment and Retention | 200 |
| Capital Reserve | 1,000 |
| | <u>1,400</u> |

11 Our Library Service is highly regarded and a one-off injection to the Book Fund will help it maintain that position. The monies for recruitment and retention will supplement the ongoing funding, again to be used in areas of greatest need. The draft capital programme (see later in the report) has indicated that there could be a significant shortfall of resources in 2002/03 against pressing demands and the contribution now will help alleviate that situation.

12 Finally, at the Cabinet we were informed that the Teachers' Pay Award would cost the Council an additional 4%, rather than the 3% we, and most other authorities, had allowed. The extra cost of some £1.2m is a spending pressure for our schools that we must recognise. No further funding has been made available by the Government towards this cost and thus the Council will have less resources to target at raising achievement.

Summary

- 13 In line with the policy steers endorsed by the Council, the main features of the revenue budget being proposed by the Cabinet are:
- an increase for Education of 6.7%, which passports the increase in SSA and provides over £4m more than spending pressures;
 - an increase for Social Services of 7.2%, which maintains it at 20.6% above SSA;
 - an increase, taking revenue and capital budgets together, of some £3.75m in highway structural maintenance;
 - a cash freeze for corporate services;
 - efficiency savings of £2.9m (1.9% of controllable budgets);
 - a council tax increase of 5.4%, which is likely to be at or below the average for South East counties.

Medium Term Financial Framework

- 14 Your Cabinet has also considered the outlook over the medium term. At its meeting on 5 February it received spending pressure forecasts for the following two years and indicative resource levels based on the Government's Comprehensive Spending Review. Potential scenarios based on current financial policies were considered. The broad picture is similar to the current position. On Education, passporting the SSA increase would provide significant additional resources over the level needed to meet spending pressures. On Social Services, there is a shortfall between the Government's allocation and our spending pressures. For other services, no additional resources would be available if council tax increases are kept in line with the Government's assumptions of around 5%.
- 15 In the light of this work, the Cabinet has identified a number of actions to be taken forward. It will continue to develop the medium term framework and report back to the Council in the coming months.

Capital Programme 2001/02 to 2004/05

Resources

- 16 The outlook for resources to finance the capital programme over the next four years is:

| | 2001/02 | 2002/03 | 2003/04 | 2004/05 |
|---|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Basic Credit Approval | 764 | - | - | - |
| Supplementary Credit Approvals ¹ | 13,034 | 11,590 | 9,846 | 9,980 |
| Capital Receipts | 10,900 | 11,000 | 9,000 | 5,000 |
| Capital Reserve - in hand | 3,152 | - | - | - |
| - 2001/02 budget | 2,903 | 2,903 | 2,903 | 2,903 |
| Capital R&M ² - 2001/02 budget | 3,519 | 3,519 | 3,519 | 3,519 |
| | <u>34,272</u> | <u>29,012</u> | <u>25,268</u> | <u>21,402</u> |

1. To support the Local Transport Plan
2. Building repairs and maintenance

- 17 Our Basic Credit Approval for 2001/02 is much reduced from earlier years and this is a concern, particularly as we face a temporary increase in pupil numbers going to our secondary schools in the next 5 years. On a more positive note, our Local Transport Plan was well received by Government and we secured an above average increase in borrowing approvals for transport projects. However, over recent years, there has been a switch of funding for transport schemes from grant (TSG) to borrowing approvals. Last year we received almost £1.4m in TSG, while next year we will receive £7,500.

- 18 The generation of capital receipts from surplus assets continues to play an important role in financing our capital programme, some £36m over the next 4 years.

Programme

- 19 Projects for inclusion in the draft capital programme were considered by Policy, Performance and Finance Panels last autumn. These were then appraised and prioritised by the officer Capital and Property Strategy Group, using the same methodology as for the last two years.
- 20 The Cabinet, at its meeting on 5 February, considered the emerging programme and the main features of its recommendations for 2001/02 are:

- a programme of over £34m, the largest for many years;
- £9.2m on highway and bridge structural maintenance, including £1m of local resources;
- £4.8m for other transport projects;
- over £4m on building maintenance programmes;
- over £10m on school extensions and improvements;
- a further £1m for the IT Investment Fund.

- 21 The programme for 2001/02 represents a significant investment in the development of our services. However, the outlook for 2002/03 onwards means that we will have to carefully examine our spending priorities and how we resource the capital programme. The Cabinet's revenue budget proposal to earmark £1m of reserves is a recognition of this situation.

Recommendations of the Cabinet

- 1 To approve a net revenue budget requirement of £364.903m, as set out at Appendices 1 and 2, and that this will produce a Band D council tax, for County Council spending, of £680.51p;**
- 2 To approve the capital programme as set out at Appendix 5;**
- 3 To approve the following borrowing limits for 2001/02:**
 - i an overall borrowing limit of £245m;**
 - ii a temporary borrowing limit of £50m;**
 - iii a maximum proportion of interest on borrowing at variable rates of 20%.**

Appendix 1 - Overall Revenue Budget 2001/02

Appendix 2 - Budget Allocations by service

Appendix 3 - Council Tax by Property Band

Appendix 4 - Capital Bids

Appendix 5 - Capital Programme 2001/02 to 2004/05

**DAVID SHAKESPEARE
LEADER OF THE COUNCIL**

BACKGROUND PAPERS

Item 1

- Cabinet Papers for meetings held on 18 December 2000 and 5 February 2001.