

Committee: **EXECUTIVE**

Date: **30 July 2002**

Title: **MEDIUM TERM FINANCIAL PLAN 2003-04 TO 2005-06**

## **PORTFOLIO HOLDER - RESOURCES**

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### SUMMARY/PURPOSE

This report brings members up to date on recent developments and shows how these, together with the latest round of corporate and service planning, might impact on the Council's finances over the next three years, and on Council Tax levels in particular. These are set out in Appendix B, in the draft "Medium Term Financial Forecast".

An annual budget framework drawn up by the Measuring Performance Task Group and recommended by Resources Select Committee and Select Committee Chairmen in May is included at appendix A for ratification. Ways in which this process can now be moved forward are set out in the recommendations to the report.

Members are asked to:

- note the range of possibilities set out in the plan
- provide strategic guidance on the future direction of the budget process
- formally adopt the annual budget framework in appendix A
- agree or amend the proposed next steps set out in the recommendations

### BACKGROUND

In February, as part of the budget report, members received a forecast of spending commitments and resources for the next two years, which showed Council Tax rises for 'standstill' of 9.6% and 5.1% respectively.

Appendix B shows an updated version of that exercise which takes account of the 15<sup>th</sup> July Public Expenditure Review, input from the corporate/service planning update just completed, and the proposals for changes to the grant distribution mechanism announced earlier in the month. Projected tax rises for a standstill in terms of investment in corporate priorities are now 10.5% in 2003-04, and 5.9% and 2.8% for the two following years.

However, these figures are based on a continuation of our existing share of national SSAs, whereas a worst case loss of grant arising from the grant distribution review would lead to a number of years of decline from this position. This could lead to 'standstill' increases of 17.4%, 15.8% and 18.1% over the next three years, assuming that a floors and ceilings mechanism will exist to phase in losses over a number of years.

Neither of these sets of projections includes any increased investment to meet new legislation or to improve services in priority areas. These are set out in summary in Appendix A.

The relatively generous increases in national SSAs will no doubt come with various new responsibilities and targets, the impact of which will require further information and research to quantify.

## ASSUMPTIONS

- Expenditure on raising education standards to increase in line with SSA
- Pay and price increases will be 3% per annum – no provision for APT&C or fire-fighters' current claims
- Borrowing for investment at £14m per annum

## EXCLUSIONS

- Service Plan details for Community Development will be incorporated shortly
- No provision has been made at this stage for the ICT strategy over and above the £500,000 already incorporated in the base budget

## PROPOSED WORK PROGRAMME

- Vigorous cross-party lobbying in support of a favourable grant settlement, including use of the PricewaterhouseCoopers 'Cost of Severence by Sea' study which is nearing completion (consultation deadline is 30<sup>th</sup> September)
- Further consideration by Directors of the implications of new initiatives set out in the Spending Review
- Collective scrutiny by Directors of the detailed service plan proposals against corporate priorities
- Work by Directors during August on ways in which any guidance from this meeting could be delivered, and on options available
- Consideration of Directors' options by Select Committees and the Executive in September, prior to widespread public consultation on proposals and options.

## RECOMMENDATIONS

That the annual budget/planning cycle set out in appendix A is agreed as a future framework, and that the planning process moves into line with it as soon as is practicable

That the Executive endorses the proposed work programme in respect of the medium term budget

That the Executive offer whatever further advice and guidance they deem appropriate.

## BACKGROUND PAPERS

Council publication - Budget 2002-03  
Budget Report to Executive, 18<sup>th</sup> February 2002  
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JOHN PULSFORD  
COUNTY TREASURER

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PORTFOLIO HOLDER - RESOURCES

Annual planning and budget timetable

	<b>Officers</b>	<b>Select Committees</b>	<b>Executive/Other</b>
Mar	Service plans updated by service managers to reflect budget decisions		
Apr			
May	Directors draw up draft budget strategy options	Select committees consider service plans, recommend changes, priorities, areas for further scrutiny etc. and monitor delivery of previous service improvement targets	
Jun			
Jul	Service managers review service plans against latest corporate priorities		Executive considers budget strategy options in the light of select committee priorities
Aug			
Sep			Budget consultation with community
Oct	Draft service plans reported to Select Committees – considered in the light of budget strategy options		
Nov		Select committees make budget recommendations to Executive	
Dec			Executive considers draft budget proposals/options in the light of Grant Settlement, select committee recommendations, budget consultation, best value reviews
Jan		Select committees consider Executive budget proposals/options	Consultation with business, unions, partners
Feb			Executive considers all responses and recommends budget to Council. Budget and Tax set.

## Budget Forecast Summary

## Appendix B

	2003-04			2004-05			2005-06		
	Education	Other	Total	Education	Other	Total	Education	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Base budget 2002-03</b>	59,156	73,837	132,993	59,156	73,837	132,993	59,156	73,837	132,993
Inflation	1,856	2,035	3,891	3,767	4,131	7,898	5,735	6,291	12,026
Capital financing costs		1,918	1,918		3,388	3,388		4,813	4,813
Contractual pay increments		200	200		400	400		600	600
Pension fund revaluation		450	450		1,050	1,050		1,050	1,050
BVPI consultation		15	15		0	0		0	0
Waste management volumes		276	276		179	179		391	391
One-off capitalisation		600	600		600	600		600	600
National Insurance increase (1%)	339	196	535	349	203	552	359	209	568
<b>Other costs of maintaining existing services:</b>									
- Providing high quality Council services	0	87	87	0	75	75	0	75	75
- Improving health, housing and the quality of life for all	0	852	852	0	1,007	1,007	0	1,001	1,001
- Encouraging job creation and economic prosperity	0	22	22	0	22	22	0	22	22
- Raising education standards & promoting lifelong learning	1,756	0	1,756	2,559	0	2,559	3,123	0	3,123
- Creating safe and crime-free communities	0	206	206	0	217	217	0	227	227
- Improving public transport & the highways infrastructure	0	44	44	0	26	26	0	28	28
- Protecting the Island's natural environment	0	47	47	0	48	48	0	49	49
Other education & life long learning items	503		503	509		509	509		509
Education further spend to match SSA	-727		-727	127		127	1,639		1,639
<b>Net expenditure</b>	<b>883</b>	<b>80,785</b>	<b>143,668</b>	<b>66,467</b>	<b>85,183</b>	<b>151,650</b>	<b>70,521</b>	<b>89,193</b>	<b>159,714</b>
Formula Grant			93,990			98,544			104,649
Withdrawal from reserves			0			0			0
<b>Council Tax yield</b>			<b>49,678</b>			<b>53,106</b>			<b>55,065</b>
Tax base (band D equivalents)			50,204			50,655			51,112
<b>Band D Council Tax</b>			<b>989.52</b>			<b>1,048.39</b>			<b>1,077.34</b>
<b>Tax increase (%)</b>			<b>10.5</b>			<b>5.9</b>			<b>2.8</b>
With 3% floor (worst case?)			1,051.53			1,145.93			1,238.52
			17.4			15.8			18.1

**Summary of budget movements (£000)**

Appendix B

ES - 5

<u>Priority</u>		<b>Total</b>	<b>Income Gener-ation</b>	<b>Legis- lation</b>	<b>Main- taining Service</b>	<b>Service Improve- ment</b>	<b>Service Reduc- tion</b>
<b>Providing high quality Council services</b>	<b>2003-04</b>	<b>580</b>	<b>-5</b>	<b>48</b>	<b>87</b>	<b>450</b>	
	2004-05	648	-5	85	75	493	
	2005-06	648	-5	85	75	493	
<b>Improving health, housing and the quality of life for all</b>	<b>2003-04</b>	<b>5,999</b>	<b>-18</b>	<b>2,694</b>	<b>852</b>	<b>2,471</b>	
	2004-05	6,237	-18	2,777	1,007	2,471	
	2005-06	6,249	-18	2,795	1,001	2,471	
<b>Encouraging job creation and economic prosperity</b>	<b>2003-04</b>	<b>101</b>			<b>22</b>	<b>79</b>	
	2004-05	107			22	85	
	2005-06	109			22	87	
<b>Raising education standards &amp; promoting lifelong learning</b>	<b>2003-04</b>	<b>2,259</b>		<b>393</b>	<b>1,756</b>	<b>110</b>	
	2004-05	3,068		399	2,559	110	
	2005-06	3,632		399	3,123	110	
<b>Creating safe and crime-free communities</b>	<b>2003-04</b>	<b>802</b>		<b>176</b>	<b>206</b>	<b>422</b>	<b>-2</b>
	2004-05	812		118	217	479	-2
	2005-06	993		118	227	650	-2
<b>Improving public transport &amp; the highways infrastructure</b>	<b>2003-04</b>	<b>556</b>		<b>180</b>	<b>44</b>	<b>332</b>	
	2004-05	410		185	26	199	
	2005-06	417		190	28	199	
<b>Protecting the Island's natural environment</b>	<b>2003-04</b>	<b>582</b>			<b>47</b>	<b>535</b>	
	2004-05	595			48	547	
	2005-06	613			49	564	
<b>Totals</b>	<b>2003-04</b>	<b>10,879</b>	<b>-23</b>	<b>3,491</b>	<b>3,014</b>	<b>4,399</b>	<b>-2</b>
	2004-05	11,877	-23	3,564	3,954	4,384	-2
	2005-06	12,661	-23	3,587	4,525	4,574	-2
<b>Impact on 2003-04 Council Tax (%)</b>		<b>22.9</b>	<b>-0.1</b>	<b>8.2</b>	<b>3.3</b>	<b>11.4</b>	<b>0.0</b>