

<b>COMMITTEE:</b>	<b>CABINET</b>
<b>DATE:</b>	<b>15<sup>TH</sup> DECEMBER 2004</b>
<b>SUBJECT:</b>	<b>2005/06 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE AND CORPORATE SERVICES</b>
<b>Ward(s):</b>	<b>ALL</b>
<b>Purpose:</b>	<b>TO UPDATE CABINET ON THE OUTCOME OF THE SERVICE AND FINANCIAL PLANNING PROCESS TO DATE AND THE IMPLICATIONS OF THE PROVISIONAL 2005/2006 GRANT SETTLEMENT.</b>
<b>Contact:</b>	<b>SUE MCHUGH, DIRECTOR OF FINANCE AND CORPORATE SERVICES TELEPHONE 01323 415104 OR INTERNALLY ON EXTENSION 5104.</b>
<b>Recommendations:</b>	Cabinet is asked to:
	i) note the provisional finance settlement for the Council as indicated by Government
	ii) consider whether it wishes to respond on behalf of the Council within the consultation period and, if so, delegate the response to the Director of Finance and Corporate Services in consultation with the Cabinet portfolio holding Member for Finance.

Appendix 3

<b>1.0</b>	<b><u>Introduction</u></b>	

1.1	Cabinet on 14 <sup>th</sup> July agreed the overall approach to budget planning for 2005/06 onwards. The key elements of the approach are:				
	<ul style="list-style-type: none"> <li>· <b>A planned increase in Council Taxes of no more than inflation (2.5%).</b></li> </ul>				
	<ul style="list-style-type: none"> <li>· <b>Savings to be sought primarily from improved efficiency, better procurement and income generation.</b></li> </ul>				
1.2	<b>The forecast savings required to deliver the target Council Tax rise are as follows:-</b>				
		<b>2005/06</b>	<b>2006/07</b>	<b>277/08</b>	<b>2008/09</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Previously agreed savings targets</b>	<b>308</b>	<b>486</b>	<b>631</b>	<b>786</b>
	<b>Additional to be identified</b>	<b>698</b>	<b>1,593</b>	<b>2,448</b>	<b>3,284</b>
	<b>Total required</b>	<b>1,006</b>	<b>2,079</b>	<b>3,079</b>	<b>4,070</b>
1.3	The above amounts take account of:				

	· Provision for known cost pressures (e.g. pay, pensions);	
	· <b>£250K new growth available in each year to fund priorities;</b>	
	· £100K provision for further unavoidable cost pressures;	
<b>1.4</b>	A report for Cabinet on 16 <sup>th</sup> September identified a number of savings options and agreed a programme of public consultation, which is now complete. The results of the consultation are set out in section 3 below.	
<b>1.5</b>	Draft Service and Financial Plans have now been prepared for each Service Division as follows:-	
	· Amenities and Contract Management;	
	· Economy Tourism and Planning	
	· Community Services	
	· Housing and Health	
	· Strategy and Democracy	
	· Human Resources	
	· Financial Services	
	· Corporate Services	
	· IT and E-Government	
	· Support Services	

	These draft plans have been scrutinised by Members at a series of meetings over the past month which have also provided a structure for Members to evaluate performance and efficiency issues.	
<b>1.6</b>	The service planning process has also identified a range of capital bids. This report does not cover capital, which will be considered once the position on capital resources is clearer later this month.	
<b>2.0</b>	<b><u>Basis of 2005/06 Forecast</u></b>	
<b>2.1</b>	The 2005/06 forecast and savings target is based on a number of assumptions and estimates that will need to be confirmed over the next two months. The key assumptions are set out below.	
<b>2.2</b>	<u>Government Grant</u>	
	Budget planning to date has been based on an assumed increase in Government grant for 2005/06 of 1%, totalling £89,000. The draft grant settlement was announced on 2 <sup>nd</sup> December, as this report was being finalised. The headlines are:	
	· Total proposed grant for 2005/06 of £8,987,000, an increase of £242,000 compared to 2004/05.	
	· This total includes £23,000 relating to civil contingencies, which was previously funded from specific grant.	
	· On a “Like for like” basis the allocation has increased by £219,000 or 2.5%. 2.5% is the minimum “floor” increase for district councils.	
	Subject to further analysis of the detail and confirmation of the final allocation, this would appear to reduce the target for additional savings by £130,000 to £568,000.	
	The Office of the Deputy Prime Minister (ODPM) has just issued a revised assessment for 2003/04 for consultation (The Local Government Finance Amending Report 2003/04). This revised assessment corrects the population figures from the 2001 census, resulting in some significant population increases for London Boroughs. As a consequence of this the share of total resources available nationally allocated to the London Boroughs is increased by 0.5% and the shares for all other authorities are reduced. The impact for EBC is to reduce our assessed share of resources by £95,543. There is no impact on our grant allocation because of the “floor” protection, but this does potentially increase the amount of protection required by this amount. ODPM intend to revise the 2004/05 figures in future.	

2.3	<u>Council Tax Base</u>	
	The 2004/2005 budget is based on a Council Tax base of 34,948. This comprises 35,662 Band D equivalent dwellings and an assumed collection rate of 98%. The 2005/2006 forecast assumes a tax base of 35,472 Band D equivalent dwellings, representing an increase of 1.5%, which is based on 36,196 dwellings and a collection rate of 98%. The 2005/2006 tax base will be set at January Council and the detailed calculation will be worked up during December and early January.	
	One of the savings proposals set out in Appendix 1 is to increase the collection rate up to 98.5%. On the current year's tax base this will generate an additional £228K which will be allocated as £34K EBC, £164K ESCC, £19K SPA and £11K ESFA.	
2.4	<u>Pension Costs</u>	
	The forecast assumes a 2% increase in the employer contribution rate for 2005/06, amounting to £251K. This amount is expected to be confirmed by East Sussex County Council in the next few weeks, but is unlikely to change.	
2.5	<u>Contracts Price Inflation</u>	
	The forecast provides for an uplift of £210K in the costs of contracted services; for example, for Refuse Collection, Street Cleansing, IT facilities management. This is based on an assumed increase for inflation of 3.3%. The actual calculation may be different from this assumption because of the specific indices used within each individual contract.	
2.6	<u>Business rates changes and revaluation</u>	
	The forecast provides for an uplift of £48K in the rates payable on Council operated buildings; for example, on the Congress Theatre, Town Hall, and No.1 Grove Road. The following information is now available and will be used to confirm this estimate: revalued rateable values to apply from 1 <sup>st</sup> April 2005, a provisional figure for the 2005/2006 multiplier (rate in the pound), and details of a draft transitional relief scheme that Government has published for consultation. Actual calculations are dependent upon Government's determination of the final amendments it will make to the national scheme.	
2.7	<u>Insurance Premia</u>	
	The forecast provides for an uplift of £33K in the costs of insurance and this remains a reasonable assumption. The re-tendering of the insurance contract is underway but the outcome of the costs to apply from 1 <sup>st</sup> April 2005 will not be known until the New Year.	

2.8	<u>Treasury Management</u>	
	The forecast provides for an uplift of £50K in the costs of treasury management. This is based on an assessment of the increasing share of borrowing costs that are falling to be met by the General Fund, together with a reduction in investment income earned in a low interest rate environment. The forecast is affected by the new statutory framework for accounting for the costs of capital, particularly as regards the allocation between General Fund and the Housing Revenue Account, and the effect of the increase in interest rates over recent months on investment returns.	
3.0	<u>Budget Consultation</u>	
3.1	Consultation took place this year in two ways. An article was published in the October issue of the Eastbourne Review inviting public comment. This had been preceded by a flier distributed with the Electoral Registration Forms sent to all households in early September. This asked residents to look out for the full consultation article in the planned Eastbourne Review. The Eastbourne Review was distributed with the Eastbourne Advertiser. In addition arrangements were made for a separate distribution in the Sovereign Harbour area of the town where the Advertiser is not delivered. An analysis of the comments received is attached as appendix 1.	
	In addition, arrangements were made for Cabinet Members to meet with organisations within the town. Some of them were met by attending their normal meetings and others were invited to a series of discussion groups. Two of these were attached to other discussion events to avoid the need to bring people to too many meetings.	

	<p>Cabinet members attended meetings with the Chamber of Commerce, the</p> <p><b>Hotels’ Association, the Tenants Advisory Group, the Council’s Joint Staff Committee and the Eastbourne Strategic Partnership. In addition, the Leader attended a Youth Conference held over half term. Finally some 67 organisations within the town were invited to one of three discussion groups and some 32 organisations were represented at these events.</b></p>	
	<p>A summary of the comments received are attached as appendix 2.</p>	
<p><b>4.0</b></p>	<p><b><u>Growth and Savings Proposals</u></b></p>	
<p><b>4.1</b></p>	<p>The growth and savings options arising from Service and Financial Planning are set out at Appendix 3.</p>	
	<p>Based on the provisional level of government grant and the other resource assumptions set out in section 2 a further £29,000 would be required if all the growth and savings options identified were agreed.</p>	
<p><b>5.0</b></p>	<p><b><u>2006/07 Onwards</u></b></p>	
<p><b>5.1</b></p>	<p>As set out in section 1, further savings of £895K are required for 2006/07, £855K for 2007/08 and £836K for 2008/09. A number of initiatives within the procurement and strategic change programmes are intended to contribute towards the targets for these years and these are summarised below.</p>	
<p><b>5.2</b></p>	<p><u>2006/07</u></p>	
	<p>· Theatres outsourcing;</p>	

	· Printing options appraisal;	
	· Benefit fraud options appraisal;	
	· Payroll options appraisal;	
	· Leisure facilities outsourcing;	
	· Seafront activities outsourcing;	
	· Performance Reward Grant of up to £307K from PSA.	
<b>5.3</b>	<u>2007/08</u>	
	· Council tax/business rates options appraisal;	
	· Benefits options appraisal;	
	· Performance Reward Grant of up to £307K from PSA;	
<b>5.4</b>	<u>2008/09</u>	
	· Procurement strategy	
	· Parking decriminalisation	
<b>6.0</b>	<u>Next Steps</u>	
<b>6.1</b>	Members have indicated that they wish to take as many budget decisions as possible at December Cabinet, with final adjustments in February. This is the approach that was adopted for 2004/05 and does have merit, allowing implementation of changes to commence in good time.	

6.2	Members have indicated that they wish implementation of recycling proposals to be in place by April, which would require a firm commitment at January Council. I would recommend that this growth allocation is confirmed at December Cabinet. Members may wish to defer confirmation of other growth items to February Cabinet in order to retain flexibility at this stage.
6.3	I would recommend that all agreed savings are confirmed at December Cabinet. Members will be aware that some proposals will have implications for staff that will need to be considered in confidential session at this stage.

7.0	<u>Summary</u>
7.1	This report provides information on resources and growth and savings options to assist Members' budget deliberations.
<p><b>Sue McHugh</b></p> <p><b>Director of Finance and Corporate Services</b></p>	
<p><b>Background Papers:</b></p> <p>The Background Papers used in compiling this report were as follows:</p> <p><i>Cabinet report 14<sup>th</sup> July 2004 – Financial Strategy 2005/06 – 2008/09 – 14<sup>th</sup> July 2004.</i></p> <p><i>Cabinet report 1<sup>st</sup> September 2004 – Financial Strategy 2005/06 – 2008/09.</i></p> <p>To inspect or obtain copies of background papers please refer to the contact officer listed above.</p>	
04-12-15 2005-06 budget MTFS – final report	

	<b>Appendix 1</b>
--	-------------------

	<p><b>Public Response to Eastbourne Review Budget Consultation</b></p>
	<p><b>In addition 22 letters and e-mails were received in response to the Eastbourne Review. The views expressed are:</b></p>
	<p><b>Consultation method</b></p> <p>Pleased with efforts to consult (1)</p> <p><i>Only those who pay Council Tax should be able to comment (13)</i></p> <p><i>Concern about decisions being made by small teams that are not based on public consultation (1)</i></p> <p><i>Supports Eastbourne Review (4)</i></p> <p><i>The Eastbourne Review is not worthwhile – use the money elsewhere (22)</i></p> <p><i>Did not feel the information available helped people to contribute to the debate. (5)</i></p> <p><i>Consultation efforts pose more questions (21)</i></p> <p><i>Do not use Eastbourne Advertiser for circulation purposes – in blocks of flats no one reads it. (9)</i></p>

## Financial strategy

Prepared to pay a higher Council Tax to maintain essential services (1)

*Concentrate on basic maintenance (1)*

*Must target Government Efficiency savings at Waste collection, Corporate and Democratic Costs, Street Cleansing, Other Services, Central Costs, Planning, Recreation and Sport and Environmental Services. If this is insufficient, then allow Council Tax to go up by 1% above inflation. (5)*

*Concentrate on value for money, review staffing levels and reduce subsidies wherever possible (10)*

*Reduce borrowing (10)*

*2<sup>nd</sup> homes should pay full Council Tax (16)*

*Collect arrears of rent better (16)*

*Social services needs review since it is used wastefully (16)*

*Cut back on unnecessary jobs in the Council (17)*

	<p><b>Theatres and Galleries</b></p> <p>Why should the Council operate theatres? Can one save money by getting them operated by a private company? (3)</p> <p><i>Improve the theatres fabric (8)</i></p> <p><i>Improve the facilities at the theatres – they produce revenue for the town (14)</i></p> <p><i>Theatre tickets are too expensive (22)</i></p> <p><i>Do not commit to the Cultural Centre if it is at the expense of other essential services (1)</i></p> <p><i>Not in favour of the Cultural Centre proposal and would prefer a different approach looking at both Congress Theatre, the Congress Suite and the Winter Garden. (5)</i></p> <p><i>Savings idea – abandon the Cultural Centre (16)</i></p> <p><i>Make sure the Cultural Centre supports local artists. (6)</i></p>
	<p><b>Waste Collection</b></p> <p><i>Spend more on waste collection and recycling to avoid more landfill sites (11)</i></p> <p><i>Improve green waste and plastic recycling (8)</i></p> <p><i>Improve recycling and in particular collection of cardboard and plastic (15)</i></p>

	<p><b>Parks and Gardens</b></p> <p><i>Not comfortable with intended cuts in Parks and Gardens budget of £100,000 because it will have an impact on an important area of the town's economy. (5)</i></p> <p><i>Look at using less labour intensive methods of planting in our parks and gardens. (7)</i></p> <p><i>Do not cut back on Parks and Gardens (17)</i></p> <p><i>Too much in Parks and Gardens is spent on the Devonshire Park for very limited usage (10)</i></p> <p><i>Use Devonshire Park tennis courts much more (16)</i></p>
	<p><b>Street Cleansing</b></p> <p><i>Invest to save on better street sweeping machinery to avoid manual picking up. (11)</i></p>
	<p><i>Concentrate street sweeping and gardening work early in morning to avoid interference with shoppers. (12)</i></p>
	<p><i>Deal with fly tipping more effectively. (17)</i></p>
	<p><b>Tourism</b></p> <p><i>Concern that return for letting the seafront shelters will be outweighed by the impact of increasing commercialism. (5)</i></p> <p><i>Enhance the bandstand. (7)</i></p> <p><i>Improve facilities to attract tourists like the bandstand and the pier (22)</i></p> <p><i>Keep seeking more visitors to the town. (17)</i></p> <p><i>Scrap the Air show – it is noisy and causes pollution. (6)(7)X2</i></p> <p><i>Cut down Airbourne to two days (8)</i></p> <p><i>Cut back Airbourne – reduces pollution and police better used for real problems – (10)(14)</i></p> <p><i>Charge for Airbourne and car parking at the event (22)</i></p> <p><i>Bring back military bands – the cut back this year lost money (17)</i></p>

	<p><b>Other Services</b></p> <p><i>Put any parking scheme planned in the public arena for debate and re-evaluate all capital projects for adverse short to medium term effects. (5)</i></p> <p><i>Bring in parking charges for the seafront. (6) (7) X 2</i></p> <p><i>Charge for car parking on a Sunday (10)</i></p> <p><i>Charge visitors for parking on the seafront but free for residents (16)</i></p> <p><i>Be more efficient in planning and organising pavement repairs. (8)</i></p> <p><i>Improve pavements in the town – they cause accidents (19)</i></p> <p><i>Pay attention to areas other than the Town Centre and look at issues in Hampden Park area (18)</i></p> <p>Improve traffic calming in residential areas (22)</p>
	<p><b>Central Costs</b></p> <p>Questions whether the move to a one stop shop and reducing number of offices occupied is in the best interests of the public and has the public agreed – criticised decision made for financial gain. (1)</p> <p>Make sure the Customer contact centre is not too opulent. (8)</p>
	<p>Questions whether events can be properly organised from an office away from the point of delivery. (1)</p> <p>Comment to endorse the work of an employee. (2)</p>

	<p><b>Planning</b></p> <p><i>Support the South Downs National Park. (6)</i></p> <p><i>Do we need the Town Centre regenerated - the public want cheaper shops since all the quality shops have left. (10)</i></p>
	<p><b>Environmental Services</b></p> <p><i>Supports Community Rangers scheme to tackle problem spots – vandalism and rubbish. (4)</i></p> <p><i>Support for Junior rangers (9)</i></p> <p><i>Do not waste money promoting byelaws if they are not to be enforced (14)</i></p> <p><i>Enforce byelaw banning cycling on seafront (22)</i></p>
	<p><b>Housing Needs</b></p> <p><i>Make sure new housing is affordable and not all of the luxury type. (14)</i></p> <p><i>Reduce paperwork in benefits – it is just too confusing. (20)</i></p>

## Stakeholder Consultation results Appendix 2

<p><b>1. Stakeholder priorities</b></p>
<p>What areas of Council services are most valued?</p>
<p><i>Refuse disposal, recycling, policing, tourism, education, heritage including museums, public transport and street maintenance.</i></p>

*Sport and recreation because of its contribution to the health of the town.*

Is the level of service in these areas reasonable/should be improved

***Recycling in particular but all above need improvement.***

b) Or can the level of service be reduced?

***Opportunity with composted garden waste***

**2. Efficiencies**

If services are to be improved, assumed first way to fund would be through efficiencies

Where would you first look for efficiencies?

*Repair and maintenance of facilities.*

*Share with other local authorities, staff and accommodation and sell surplus.*

*Reduce paperwork.*

*Abolish Cabinet.*

*Use initiatives within Community Services to support the Tourism Offer such as sports tourism linked to sporting events, cultural tourism the arts and heritage offer, healthy tourism with the university.*

**3. Switching resources**

If efficiencies are not found, from where would you switch cash to fund the improvements?

*Let Sussex Downs Conservation Board administer downland and switch it back to arable use.*

*Sports budget.*

*There is no need to switch resources. Efficiencies must be found to hold the Council Tax at present level and indeed for future years reduce it by at least 5% a year.*

*Not able to comment without access to much more information.*

**4. Unnecessary services**

What areas of service provided by the Council are not important to local residents?
<i>None identified since all are important to one section of the community or another.</i>
<i>Reduce work on unnecessary consultation, monitoring and target setting.</i>
<b>5. Proposed priorities</b>
The administration's priorities are dealing with anti-social behaviour, extending opportunities for recycling and reinforcing the tourism industry.
<i>Support for Tourism by maintaining parks, high standard of cleanliness, awareness campaign in London.</i>
<i>Otherwise general support.</i>
<i>Agree that anti-social behaviour in parts of the town is a key priority.</i>
<i>Support for all declared priorities and use the link between tourism and community services activities.</i>
<b>6 Raising more revenue</b>
Maximising income is an area to be examined?
<i>Theatres seem a success but increasing prices does not always work – look at reducing them.</i>
<i>Sports facilities should pay their way.</i>
<i>Car parking charges on the seafront.</i>
<b>7 Council Tax –</b>
The Council aims to keep any increase in Council Tax to the rate of inflation.
<b><i>Generally yes but one states that this is completely unacceptable.</i></b>
<i>Possible justifications for larger increases.</i>
<i>New services that are justified and give real benefit to local residents.</i>
<i>To promote a life long learning service that supports our heritage and a new museum.</i>
<i>Ensure there is real involvement in such decisions so that the benefits are fully agreed.</i>

Other issues

***Abolish charges for Wealden residents at Butts Brow Car Park.***

*Ensure Town Centre improvements include co-ordination of bus and rail transport.*

*Improved public transport and even free buses.*

*More cycle routes.*

*Enforce parking controls better.*