

Minute extracts

Meeting: **Scrutiny**
Date: **7 February 2011**

20 General fund revenue budget 2011/12 and capital programme 2010/14.

(N.B. paragraphs summarising budget report omitted)

The committee discussed the improvement in the Benefits performance and how those savings had now been included within the budget for 2011/12. In addition members discussed the Concessionary fares and their transfer to the County Council. Members raised queries on any liabilities the Council may have as a result of claims from bus operators. Members also considered the suggested provision of Solar Panels, the benefits to Eastbourne and methods of funding the scheme. The Committee were advised that the Officers were in the process of developing a sound business case for such a scheme, to help mitigate any potential risks before proceeding.

Councillor Belsey sought clarification of the types of 'one off' investments mentioned as part of the opportunities for the use of Reserves. Clarification was also sought regarding the Government Formula Grant and Council Tax Grant, the reduction in land charges costs, and how any potential savings targets had been factored into the Medium Term Financial Strategy for the next three years.

Councillor Marsden raised the point that as reports were being slimmed down, background papers were also being referenced and it was therefore becoming more difficult for members to have a point of reference for queries and developments arising from discussions at previous meetings. The Chief Executive agreed to consider how best to provide members with all relevant information for future reports, potentially including a reference document with reports when necessary.

RESOLVED: That Cabinet be advised that the Scrutiny Committee noted the proposals contained within the report.

Meeting: **Cabinet**
Date: **9 February 2011**

***115 General fund revenue budget 2011/12 and capital programme 2010/14** (Cabinet, 15 December 2010, page 232, minute 89).

- 115.1 Councillor Graham Marsden, chairman of the scrutiny committee, addressed the cabinet and gave a brief outline of the debate on the proposed budget at the scrutiny committee's meeting on 7 February. An extract from that committee's draft minutes was circulated for information, although, on a point of clarification, councillor Marsden advised that the committee had noted the proposals. In his comments to cabinet, councillor Marsden thanked officers for the work they had undertaken in relation to the preparation of the budget. He mentioned his concerns that significant savings would continue to be required in future years, the future of the council tax grant, the impact on staff and the inflation assumptions (shown in the medium term financial strategy last July as zero percent and in the budget as 2.5%) given current inflationary trends. He also sought assurances that the scrutiny committee would be kept updated with regard to the solar panel installation initiative.
- 115.2 Cabinet considered the report of the chief finance officer setting out the general fund revenue budget proposals for 2011/12 and a three year capital programme 2010/14. The housing revenue account budget including rent setting was dealt with at minute 116 below. The council had revised its medium term financial strategy (MTFS) in July 2010 and cabinet had recommended a resulting draft budget proposal in December. These had been subject to extensive consultation as reported to cabinet last December. In addition, the scrutiny committee had held a finance event last October.
- 115.3 The budget was the product of various plans and strategies and part of an integrated corporate planning process linked principally to:
- The MTFS
 - Asset management plans
 - The corporate plan
 - Workforce strategy
 - Service plans
 - Treasury management strategy
 - Sustainable service delivery strategy
 - Agile working programme
 - DRIVE corporate change programme

The chief finance officer had a legal responsibility to give positive assurances on the robustness of the estimates used in the budget and the level of reserves. He commented that if the recommendations in his report were agreed then these assurances would prevail.

- 115.4 The budget proposals included:
- No increase in the council tax in 2011/12.
 - Overall savings totalling £1.7m (9.5%).
 - Efficiency savings of £1.4m (7.7%).
 - Inflation of £0.6m (3.3%).
 - Service growth of £0.2m.
 - All recurring expenditure met from ongoing resources.
 - General reserves averaging of £4m (against a minimum recommended of £2m).
 - Strategic change fund £0.8m.
 - A three year capital programme based on corporate priorities.
 - Three year service and financial planning linked to initiatives under the DRIVE programme such as agile working and sustainable service delivery strategy.

- 115.5 The budget represented a further reduction in financial risk by:
- Building on a sound outturn position.
 - Balancing the base budget requirement without needing to use reserves.
 - Identifiable and deliverable savings with accountability and no general unspecified targets.
 - Reserves well above the minimum level.
 - Having no speculative budget increase in interest receipts.
 - Continued zero basing of reward grants.
 - Substantial progress towards the three year targets set out in the MTFS.

115.6 The government's grant settlement was £7.54m and represented a reduction of £2.88m (£1.332m after adjusting for concessionary fares transfer) which was a 12.8% cut in cash terms plus the effect of inflation. In addition to the formula grant, the government was financing the cost of a 2.5% increase in council tax (£203,000) for the next 4 years (subject to a review in 2 years time as part of a wider review of the revenue support grant system). It was not clear what would happen beyond that period.

115.7 The proposal was for no increase in council tax for 2011/12 resulting in an unchanged 'Band D' rate of £224.19. The council was required to give an indication of likely future council tax rises and it was still expected that council tax would rise by no more than 2.5% per annum for each of the next 3 years. A summary of the resources available is shown below:

Source:	£'m
Government formula grant	7.540
Council tax grant	0.203
Council tax	8.241
Collection fund surplus	0.009
Total resources available:	15.993

In order to achieve a balanced budget, the council would need to set a net

expenditure budget for 2011/12 of £15.993m in line with the available resources as set out above.

- 115.8 In addition to the general grant distributed through the formula grant system, the government also provided some specific grants. For 2011/12 Government had, to date, announced the following specific revenue grant allocations:

	£'m
Specific grant:	
Housing and council tax benefit subsidy (to be confirmed)	51.780
Housing benefit administration	1.056
Homelessness	0.187

- 115.9 The detailed budget proposals set out in appendix 1 to the report showed the movement from the 2010/11 budget of £18.422m to the 2011/12 proposed budget of £15.993m. This movement was summarised as follows:

	£'000	£'000
Change in resources:		
Main government grant	2,677	
Council tax – increase in tax base/collection	(51)	
		2,626
Cost pressures:		
Inflation	615	
Other unavoidable cost increases and changes in income	15	
Service growth for priorities	219	
		849
Savings:		
Service alterations	(37)	
Increased Income	(148)	
Other changes	(142)	
		(327)
Efficiency savings		(1,419)
Transfer of concessionary fares to East Sussex County Council		(1,729)
	Total:	(0)

- 115.10 The main movements since the budget proposals were approved by cabinet last December were shown in appendix 2 to the report. The most significant change was the government grant settlement, however this and other minor changes were offset in full by other savings, principally in the housing benefit subsidy and overpayments budget.

- 115.11 The report also detailed the principal financial risks the council was likely to face. A single corporate contingency of £114,000 for unbudgeted expenditure or reductions in income had been allowed. This was in addition to the known inflation and projected pay awards that had been built into the service budgets. Further, the council's general fund reserves would stand at £3.7m in 2011/12 as compared with the chief finance officer's minimum recommended level of £2m. The balance of the strategic change fund at 1 April 2011 was projected at £0.8m.
- 115.12 The principles for formulating the capital programme were set out in the budget report to cabinet last December and the new block allocations approved at that meeting had been added to the existing three year rolling programme. The updated programme was given at appendix 3 to the report and showed a revised budget of £12.357m in 2010/11; £19.922m in 2011/12; £6.235m in 2012/12; and £0.776m in 2013/14, aligned with known available resources. The cabinet had approved in principle a project for the installation of solar panels to generate sustainable energy. A provisional sum of £18.5m had been added to the capital programme over a 2-year period. This was subject to the final business case and details on the governance structure to oversee the project would be finalised in due course. Councillor Bannister reported that a project board would be constituted for this initiative with opposition representation and confirmed that the scrutiny committee would be kept informed of progress.
- 115.13 The chairman expressed his thanks to the chief finance officer and his team, to councillor Mattock and to other council staff for their hard work in preparing the budget proposals. Councillor Mattock also highlighted the efforts of the housing benefit and council tax team in making significant improvements in their performance which substantially reduced the cost of this service to Eastbourne taxpayers.
- *115.14 **Resolved (budget and policy framework):** That full council, at their meeting on 23 February 2011, be recommended to approve the following:
- (a) A general fund budget for 2010/11 (revised) and 2011/12 (original) as set out in appendix 1 to the report, including growth and savings proposals as set out in appendix 2 to the report.
 - (b) No increase in the council tax for Eastbourne Borough Council resulting in an unaltered 'Band D' charge of £224.19 for 2011/12.
 - (c) A general fund capital programme and financing 2010/14 as set out in appendix 3 to the report.

Meeting: **Cabinet**
Date: **9 February 2011**

***116 Council housing rent setting and outline of housing revenue account (HRA) budget for 2011/12** (Cabinet, 10 February 2010, page 245, minute 109).

- 116.1 Cabinet considered the report of the senior head of community in respect of the rents and service charges to be set for all of the council's housing tenants. The report also outlined the housing capital programme and revenue account budget proposals for 2011/12 and arrangements for agreeing Eastbourne Homes Limited's management fee and annual plan.
- 116.2 It was proposed that rents be set in accordance with government guidelines which were intended to bring the rents of all social housing into line by the revised date of 2017. The Government's draft subsidy determination had assumed an average rent increase of 6.8%. This would mean that average rents would rise from £64 to £68.19 per week.
- 116.3 The proposed capital programme (£11.037m revised for 2010/11, £5.465m in 2011/12, £3.038m in 2012/13 and £3.027m in 2013/14) shown in appendix 1 to the report had been adjusted to reflect the availability of resources. A major adjustment was to divert the capital receipts arising from sheltered housing disposals from affordable housing to enable the decent homes and sheltered remodelling programme to continue. It did not include, at this stage, any award of decent homes funding arising from the recent bid submission to government (endorsed by cabinet on 15 December, page 243, minute 101 referred). If this bid was successful, the council would be able to complete the remodelling of the sheltered schemes broadly in line with its approved older persons strategy. The 10% of homes remaining non-decent would be completed with resources made available under the HRA self-financing settlement, details of which were expected from the government over the coming months.
- 116.4 The programme did, however, include the remodelling costs relating to a second retirement court to be funded from the disposal of certain sheltered sites in 2011/12 and the resulting capital receipts. Given the uncertain timing of the sale proceeds, it was proposed to fund the costs of remodelling from temporary borrowing in lieu of the expected capital receipt. An appropriate allowance had been made within the HRA revenue budget to cover this eventuality. If the Council's bid to government for funding was successful it was proposed that the amendments required to the capital programme be delegated to the senior head in liaison with lead members and the chief finance officer.
- 116.5 Rent increases were subject to national policy on rent convergence. In December 2001 the council had adopted a policy of achieving

convergence, based on consultation with its tenants at that time. Additional consultation would be carried out through a meeting of Eastbourne Homes' Residents Forum to be held during February 2011. The council was obliged to ensure that all tenants were given 28 days' notice of any changes to their tenancy including changes to the rent they pay.

116.6 Councillor Bannister drew attention to Eastbourne Homes' intention to make every effort to identify those tenants who might face additional financial hardship as a result of rent or service charge increases in order to offer appropriate support and advice. It was also noted that general anti-poverty activity by Eastbourne Homes took place routinely throughout the year to maximise household income. This included advice on benefits and arrears management. In addition, Eastbourne Homes was committed to delivering energy efficiency improvements in its maintenance and modernisation programme to help reduce heating costs in all homes.

*116.7 **Resolved (budget and policy framework):** (1) That HRA capital programme and funding as outlined in appendix 1 to the report be approved.

(2) That HRA revenue budget outlined in appendix 2 to the report be approved.

(3) That rents are set in line with the new rent convergence target of 2017 set by Government resulting in an average increase in rents of 6.8%.

(4) That service charges are increased by 5.1% in line with the RPI index increase of 4.6% plus one half of a per cent being subject to annual adjustment when actual costs are known.

(5) That heating costs are increased by 5.1% in line with the general increase in service charges subject to annual adjustment when actual costs are known.

(6) That garage rents remain at 2010/11 levels in order to stabilise void losses.

(7) That delegated authority be granted to the senior head of community, in consultation with the lead cabinet members for community services and finance and the chief finance officer to:

(i) Finalise Eastbourne Homes' management fee and delivery plan negotiations and recommend a final fee level as part of the council's budget setting process, and

(ii) agree an amended capital programme arising from the decent homes bid for funding, should the bid be successful.

(8) That full council, at their meeting on 23 February 2011, be asked to approve and endorse as necessary the foregoing resolutions as part of the budget setting process.

Note: See minute 114 above as to disclosure of interest by Councillor Tutt. Councillor Mattock took the chair for this item.

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