

<b>COMMITTEE:</b>	<b>SCRUTINY</b> <b>CABINET</b>
<b>DATE:</b>	<b>19<sup>th</sup> September 2005</b> <b>21<sup>st</sup> September 2005</b>
<b>SUBJECT:</b>	<b>Financial Strategy/2006/07 budget</b>
<b>REPORT OF:</b>	<b>Corporate Management Team</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose:</b>	<b>To provide an update on the strategy and commence consultation on budget options.</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>	<b>Cabinet is asked to approve consultation on the budget options for Capital spending and growth including the allocation of £20,000 from the Strategic Change Fund to facilitate consultation, set out in this report.</b>

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

1.1	Cabinet on 13 <sup>th</sup> July received an update report on the Financial Strategy and 2006/07 budget position. The report identified a number of areas for further work and the purpose of this report is to provide further information on these areas, prior to public consultation.	
	In July the Government announced the results of the review of Revenue Support Grant and issued proposals for consultation. This report summarises the proposals and seeks agreement to the Council's response.	
2.0	<b>Revenue Budget</b>	
	<u>Budget Gap</u>	
2.1	The revenue budget gap for 2006/07 as reported to Council in February is £947K. This excludes any shortfall in funding for changes the Government requires to the concessionary fares scheme from April 2006. It was reported to Cabinet on 13 <sup>th</sup> July that the shortfall could be as high as £1 million depending on how the Government distributes funding for this. The Leader wrote to the Office of the Deputy Prime Minister expressing concern about this following Cabinet. The response from ODPM confirms that the increase in funding will not be subject to floor damping. This is reflected in the Revenue Support Grant proposals issued in July which would provide £632K funding, leaving a shortfall of £393,000. Officers will continue to press for full funding of this government decision, but for planning purposes it is prudent to assume that this shortfall will remain. This increases the budget gap to £1,340,000.	
	Corporate Management Team have identified draft savings targets of £985K, comprising £620K from income and £365K from efficiency. Discussions with services on these targets have commenced and it is intended that targets will be confirmed via the service and financial planning process in the autumn and reported to Cabinet in December. Delivery of these savings targets is not intended to impact on service delivery to the public.	
	The key areas from which these sums can come are:	

	(a) Income Generation	
	- Public Services Agreement Performance Reward Grant.	
	- Local Authority Business Growth Incentive Scheme.	
	- Eastbourne Buses.	
	- Leased Property.	
	- Planning fees.	
	- Re-cycling.	
	- Fixed penalty charges.	
	- Seafront Shelters.	
	- Catering.	
	- Environmental Health income generation.	
	(b) Efficiency	
	- Theatres/Leisure outsourcing.	
	- Joint working on benefits and local taxation.	
	- Joint working on benefit fraud.	
	- Efficiencies in Strategy and Democracy, Tourism and Economic Development, Amenities and Contract Management.	

2.2	<u>Concessionary Fares</u>	
2.2.1	Concessionary travel currently costs Eastbourne Borough Council an estimated £490,686 per year. This is the highest cost of any district/borough council in East or West Sussex. The costs to other districts are:	
		£000
	Hastings	292
	Lewes	320
	Rother	143
	Wealden	236
	Adur	291
	Arun	360
	Chichester	201
	Horsham	142
	Mid Sussex	189
	Worthing	286
2.2.2	<p>Given the potential shortfall in the funding for concessionary fares Cabinet may wish to consider whether to amend the current scheme so that only the statutory minimum requirements are delivered. The current scheme exceeds the minimum requirement in the following respects:</p> <ul style="list-style-type: none"> <li>· The requirement is for a scheme offering free in-borough travel only. Currently the Eastbourne scheme offers free travel countywide.</li> <li>· The scheme must offer free travel at any time on a Saturday,</li> </ul>	

	<u>Growth</u>	
2.3	The budget plan includes £250K of growth for service improvements for 2006/07 (and included within the budget gap of £1,340K). The following growth options are proposed for consultation. Final decisions on growth will be taken at Council in February 2006 and must depend on the achievement of any reductions outlined in paragraph 2.1.	
2.3.1	<u>Extension of recycling</u>	
	Further to the Waste Strategy report and its Action Plan, approved by Cabinet on the 7 September 2005. The Action Plan provides the basis for a forward cost projection for recycling initiatives and an educational awareness programme necessary to encourage more residents to reduce, to reuse, and to recycle their household waste rather than to send it to landfill.	
	Such initiatives are referred to below. The first of which will be focussed on a new branding, "Recycle for Eastbourne" to build on the success of the "Big G" for which external funding will cease at the end of March 2006.  For this initiative revenue funding of £40K per annum will be required in 2006/07 and 2007/08. The community based initiative will seek to educate residents through promotional activities in schools, colleges and all community and residents groups as well as engaging residents directly.	
	To provide two additional plastics banks in addition to the six banks currently maintained will require £4.5K per annum.	
	To provide cardboard banks in six of the Council's bring sites would require £12K per annum. (An alternative payment mechanism is available to the benefit of the Council if 10 no containers can be purchased from capital at a cost of £10,000 with a revenue contribution of £4K per annum.)  A further sum of £3K is identified for promotion of the cardboard banks in the first year.	

	The total cost of the above is £59,500. However, government grants under the Waste Performance and Efficiency Scheme may affect some of this.	
2.3.2	<u>Expansion of Enforcement Team</u>	
	<p>The Community Enforcement Team introduced in April 2005 has been extremely successful in meeting its priority objectives of deterring anti-social behaviour and reacting to anti-social behaviour particularly on the seafront and in the parks and open spaces.</p> <p>Priority Core Work of dealing with overhanging vegetation, wheeled bins on highways and other 'street scene' work has been very successful. Greater emphasis is now required on the introduction of fixed penalties for dog fouling and litter and other activities.</p> <p>The Team has also been successful in assisting other Council Officers and the Police (PCSO's) with their enforcement activities.</p>	
	To further develop this high profile Team and to give it greater capacity for achieving its objectives it is proposed that one additional Community Enforcement Officer should be committed to the present Team of three officers at a cost of £25K per annum.	
2.3.3	<u>Maintenance of Parks and Open Spaces</u>	
	The Council is continually challenged to identify sufficient funding to adequately maintain its parks and open spaces. In recent years a revenue allocation has been made available to address the general maintenance of buildings within these areas.	
	<p>We would now propose a maintenance budget sufficient to enable other necessary works within the parks and open spaces to be accommodated within an annual revenue budget, rather than to depend upon capital expenditure for this nature of work.</p> <p>There would, however, still be a need for capital for funding for major works and potentially emergency works which cannot be contained within existing budgets.</p>	

	<p>A revenue maintenance budget of £110K is proposed which would enable such items as pathways and roadways to be maintained; fences and railings to be replaced/maintained; the securing of EBC land; the removal of diseased hedges and other hedge work; repair work to walling; de-silting of ditches; provision of additional litter bins; resurfacing of gravel paths; sports surface repairs; essential maintenance to the downland water supply; and consultants fees for such initiatives as the de silting of Hampden Park Lake and the Princes Park Pond.</p> <p>An annual review of this fund would be required to ensure that it remains sufficient for purpose.</p>	
2.3.4	<u>Voluntary Sector Support</u>	
	The current Voluntary Sector Grant Support budget is £171,000. A 3% inflationary uplift on this budget would require a budget increase of £5,000.	
	The timetable for grant applications is as follows. These may incorporate requests for additional funding:	
	Advertisement in Eastbourne Herald – Beginning of September:	
	Application deadline – 28 <sup>th</sup> November	
	Grants Task Group consider applications – January	
	Report to Cabinet – 8 <sup>th</sup> February	
	Funding available – April 2006.	
	Cabinet have recognised that this timetable causes problems for voluntary sector organisations because of the late confirmation of funding and have arranged to bring forward the decision-making timetable to provide earlier confirmation of awards.	

2.3.5	<u>Community Engagement</u>	
	<p>We are currently reviewing community engagement on a partnership basis. A Community Development Strategy is in the process of being written on behalf of Altogether Eastbourne, the Inclusive Community sub-group of the Eastbourne Strategic Partnership. The recommendations of the Strategy, which are due to be completed in September, may require the provision of £30,000 as Eastbourne Borough Council's contribution towards the enhancement of community engagement. This will be subject to gaining agreement from our partners that they will also be providing additional contributions.</p>	
	<u>Changes to Formula Grant</u>	
2.4	<p>On 19<sup>th</sup> July the Government published a document on changes to the formulae used to distribute grant to English local authorities. Consultation on the proposals runs to 10<sup>th</sup> October. Key proposals that affect Eastbourne are:</p>	
	<ul style="list-style-type: none"> <li>· A move to three year settlements. It is proposed that the settlement announced this autumn will cover the two remaining years of Spending Review 2004 (2006/07 and 2007/08). From 2008/09 three year settlements will be aligned with the spending review cycle. Specific revenue grants and capital funding will also be allocated on a three year forward basis.</li> </ul>	
	<ul style="list-style-type: none"> <li>· Amendments to 2004/05 and 2005/06 settlements - It is proposed to amend these to reflect changes in the population estimates used in the original settlements. A similar amendment to the 2003/04 settlement resulted in a loss of £95,543 in Eastbourne's assessed share of resources. However, because of our position on the funding "floor" there was no cash impact. I would expect the consequences of amendments for 2004/05 and 2005/06 to be similar.</li> </ul>	
	<ul style="list-style-type: none"> <li>· Some elements of the current formula are still using 1991 census data and it is proposed to update these to 2001 data. This change will reduce Eastbourne Borough Council's share of resources by £223K because the 2001 census population is lower than the estimate based on the 1991 census (nil cash impact due to floor damping).</li> </ul>	

	<ul style="list-style-type: none"> <li>£632,000 of additional cash funding for concessionary fares is proposed, some £393,000 less than the estimated cost (see paragraph 2.1).</li> </ul>	
	<ul style="list-style-type: none"> <li>£14K addition to the allowance for fixed costs (nil cash impact due to floor damping).</li> </ul>	
	<ul style="list-style-type: none"> <li>On revenue support for capital, three alternative proposals are put forward, each of which would be beneficial for Eastbourne Borough Council. They each involve the abolition of assumed interest earned on capital receipts and other cash balances from the formula. This element bears no relation to an authority's actual ability to earn interest and is considered by Government to be inappropriate given changes to the capital finance regime over the years. Three different ways of funding this charge nationally result in additional funding shares for Eastbourne Borough Council of (i) £1,184K; (ii) £665K; or (iii) £881K.</li> </ul>	
	<ul style="list-style-type: none"> <li>On the area cost adjustment (which reflects variations in pay costs and business rates) three sets of proposals are set out:</li> </ul>	
	(i) Use of improved survey data which would increase Eastbourne Borough Council's funding by £16K.	
	(ii) Two alternative ways of amending the business rates element of the formula which would increase Eastbourne Borough Council's funding by £7K and £3K respectively.	
	(iii) Two alternative amendments involving calculating a separate ACA for each upper tier authority are proposed. Depending on what cut off for applying the top up is set, this could give Eastbourne Borough Council plus £4K or minus £211K.	
	<ul style="list-style-type: none"> <li>Day visitors – The formula includes an allowance for day visitors. Use of updated information is proposed and this reduces the number of visitors taken into account for Eastbourne Borough Council from 1,898,000 to 1,661,937. For 2005/06 the funding allowance for each day visitor equates to just 6.8 pence.</li> </ul>	

	<p>In summary there are a wide range of options that could impact on Eastbourne Borough Council's formula spending share. Currently Eastbourne Borough Council receives £666,000 of "floor" protection. This means that negative adjustments should have no cash impact (they increase the amount of floor protection provided). Positive adjustments will only have a cash impact if they exceed £666,000 in total. Some negative adjustments are very likely to go ahead relating to census data, and this could increase the floor protection we require by at least £400K. It is therefore very unlikely that overall the changes can have any positive cash impact. I propose that our consultation response should focus on the following key issues:</p>	
	- Opposition to amendments to 2004/05 and 2005/06 settlements.	
	- Inadequacy of concessionary fares funding.	
	- Support for proposals on capital.	
	- Inadequacy of ACA funding.	
	- Inadequacy of funding for day and overnight visitors.	
<b>3.0</b>	<b>Capital Budget</b>	
3.1	The report to July Cabinet identified significant capital spending pressures and resource shortfalls.	
	A further review of forecast resources has now been undertaken and the best estimate of the position in future years is as follows:	

	<ul style="list-style-type: none"> <li>General Fund resources for 2005/06 are now forecast at £6.5 million based on confirmed and likely receipts. There are some further potential receipts but it would not be prudent to anticipate these at this stage. Budgeted expenditure for 2005/06 is £8,816,000 (including carry forward from 2004/05). Therefore there is a shortfall of £2,227,000 to fund the 2005/06 programme. £2.4 million of resources also need to be reserved to fund the Cultural Centre, resulting in a carry forward from the 2005/06 programme of £4,588,000.</li> </ul>	
	<ul style="list-style-type: none"> <li>For 2006/07 some £5,125,000 of resources are forecast, including £4.5 million of capital receipts. This is £4.3 million less than the amount required to fund planned expenditure of £9,437,000 (including £4,588,000 carried forward from 2005/06).</li> </ul>	
	<ul style="list-style-type: none"> <li>For 2007/08 £3,885,000 of resources are forecast, including £1.4 million from the Cultural Centre fund raising campaign.</li> </ul>	
	<ul style="list-style-type: none"> <li>For 2008/09 onwards approximately £1.2 million of resources per year are forecast including £600K per year from sales of council homes under Right to Buy.</li> </ul>	
3.2	In summary, £9,010,000 of resources are forecast for 2006/07 and 2007/08. The current capital strategy includes the following expenditure for these years (excluding the Cultural Centre for which resources are earmarked in 2005/06):	
	<ul style="list-style-type: none"> <li>£2,959,000 for housing expenditure originally planned for 2005/06 and earlier years and a further £6,423,000 planned for 2006/07 and 2007/08 including new affordable homes, renovation grants and disabled facilities grants.</li> </ul>	
	<ul style="list-style-type: none"> <li>£1,125,000 of expenditure on leisure facilities (mainly backlog repairs) originally planned for 2005/06 and earlier years plus a further £400,000 planned for 2006/07.</li> </ul>	
	<ul style="list-style-type: none"> <li>£103,000 of disabled access schemes.</li> </ul>	
	<ul style="list-style-type: none"> <li>£410,000 of funding for core costs including unavoidable urgent works.</li> </ul>	

3.3	In order to determine where these limited resources should be directed together with any further resources that may be generated in future it is worth considering both performance to existing targets and the consequences of doing nothing in relation to each area of potential investment. The position will be:	
	<p>· <b>New affordable housing</b> - We currently plan to provide match funding of £1.5 million towards a target of 100 new units each year (although in practice only roughly one third of this funding has been achieved year on year). Eastbourne Borough Council attracts match funding from RSLs as well as funding from government. Over the three year period including 2005/6, approximately £1.8m of EBC investment will contribute to a total of over £12m invested in the town.. The latest housing needs survey shows that 369 new affordable housing units per year are needed to address current need. If these are not provided the consequence will be increasing numbers of people living in poverty and poor quality housing, or forced to leave the area. Failure to target future resources in this area is likely to impact upon the investment commitment of our partners and will limit our ability to meet the needs of the most vulnerable in our community. In turn, this will constrain our ability to meet key partnership objectives such as in relation to Crime &amp; Disorder. There will be increased pressures upon our existing supply of homes and our ability to provide ‘move-on’ accommodation, as well as our overall ability to meet legal obligations. There will also be an impact on the economy, particularly recruitment of key workers, and increased costs for Eastbourne Borough Council in terms of homelessness and bed and breakfast charges and the risk of associated financial penalties.</p>	
	<p>· <b>Housing grants to improve private sector housing and provide disabled facilities.</b> We currently plan to spend £900K per year on these funded from £595K of government resources plus match funding from Eastbourne Borough Council. This reflects Eastbourne’s numbers of Empty and Unfit Dwellings that exceed many of the combined Local Authority areas in the South East. If the current housing grants programme were to cease this would exacerbate these problems, having a similar impact upon homelessness and our ability to meet associated legal obligations. It would also mean that fewer disabled people would remain at home rather than in institutional care.</p>	

	<p>· <b>Investment in theatres.</b> £6.7 million is needed to bring the theatres up to standard. There is a strong likelihood at some time in the future that a major repair will be necessary to guarantee operation of one or more of the venues, if investment is not provided. The Council is in the process of tendering for the management of the theatres on the Devonshire Park site. One of the key requirements is a significant investment programme to address the capital needs of the buildings. However, if the operation of the theatres remains as currently, this investment will add to the revenue subsidy that the Council is required to provide. Currently the Council subsidises the theatres by £919,000 per year. £6.7 million of investment (£5.2 million for Devonshire Park and £1.5 million for the Hippodrome) would require an increase of at least £700,000 per year. The Council already spends a significant proportion of its overall budget on the theatres (some 6%) and considerably more than most other Councils, including other tourist towns. A further increase in subsidy is not considered to be appropriate or affordable (it would add £20 or 10% to Council Tax bills).</p>	
	<p>· <b>Investment in seafront facilities.</b> £6.5 million would be needed to bring the Bandstand, Redoubt, Wish Tower Café, up to standard. The Bandstand is in decline and will eventually need to close without significant investment (£2.2 million required). There is the potential to attract Lottery Funding to contribute towards the investment required of £2.2 million, however the maximum that could be achieved is half the total required.</p>	
	<p>· <b>Redoubt</b> - In partnership with the museum trusts some improvements have been achieved and more are possible. However, major expenditure is required at the site to make the necessary improvements in access which will allow an expansion of the Redoubt's potential audience. Having been built as a fort any alterations are exceptionally expensive. Discussions with military groups have been ongoing for some time with a view to them taking a more active role in the running of the Redoubt. If this is successful it may enable them to attract funding that would not be available to Eastbourne Borough Council. However, it may have to be accepted that the access restrictions cannot be addressed given the nature of the building. Another option would be to consider additional or alternative uses that reflect its historic significance.</p>	

	<p>· <b>Wish Tower Café</b> - Currently this property has existing tenants. However, a Supplementary Planning Guidance does exist which outlines the Council's vision for the location of the Wish Tower Café. It is quite possible that the delivery of a new facility will have to await the opportunity to take back the property at the end of the current lease in 2012.</p>	
	<p>· <b>Investment in leisure facilities.</b> £1 million is needed for these. Transfer of the Cavendish, Hampden Park and Shinewater leisure centres to the Eastbourne Leisure Trust is currently under consideration. However, this will not provide the capital investment that is required. In addition, there is a significant requirement for investment at the Sports Park. Failure to meet or share in the future investment needs at the Sports Park will result in the loss of facilities funded through government grant and will endanger existing partnership arrangements. If these centres are to continue to provide community facilities commercial investment is not an option.</p>	
	<p>· <b>The Offices and the Town Hall</b> – the office accommodation strategy has largely secured the future sustainability of our key offices. However the Town Hall was not included in this process. Repair issues are dealt with as they arise, but a full refurbishment needs to be planned to avoid significant decline in the building over the next ten years.</p>	
	<p>It should be noted that other key facilities will face future investment pressures that may not be able to be addressed entirely from income (e.g. potential need to reduce Mercury Emissions at the Crematorium).</p>	
3.3	<u>The Way Forward</u>	
3.3.1	<p>The list of issues outlined in the previous paragraph is one which has been familiar in reviewing demands for capital expenditure for some time. In the past four years, significant issues have been moved forward, although the outstanding list still looks daunting.</p>	
	<p>In terms of progress in the past four years, it is worth recording the following:</p>	

	a) Office accommodation strategy has created a new customer contact centre and acceptable office accommodation for the vast majority of staff.	
	b) The seafront facilities of Treasure Island and Fort Fun and one shelter in Grand Parade have been refurbished by the private sector and now produce an income to the authority.	
	c) The Sovereign Centre and Motcombe Pool are now operated by a Leisure Trust in partnership with Serco. Both have undergone major improvements at no cost to the Authority.	
	d) The catering facilities are now contracted with Redeventful Cuisine and have seen a number of renovations and an improved income to the Council.	
	e) A new Cultural centre will be constructed adjacent to the Congress Theatre shortly to replace the Towner Art Gallery. This current home of the Gallery has not been capable of modernisation to meet the demands of preserving and displaying the Council's collection. In addition as a consequence of releasing the capital from the sale of that building and drawing in funding from a number of other sources, the replacement will be built along with some significant other facilities to support the conferences and community use.  f) With just one third of the predicted funding available we have delivered two thirds of the new affordable homes that have been targeted for completion.	
	g) Finally although subject to an inspection by the Audit Commission later this year, the new Eastbourne Homes organisation is well on its way to securing £45 million to put the Housing stock into a reasonable condition.	
	This list of progress shows how with some lateral thinking new ways have been found to make better use of our facilities and enhance their use. It has not been possible to achieve these improvements by replying on Council resources alone.	

	The options now available to the Council appear to include the following:-	
	1) Allocate all available resources to a single priority.	
	2) Put the issues in a priority order and only move forward with each in turn when sufficient capital receipts are available from surplus land sales. In reality it is unlikely that lower priority issues will ever be addressed under this option.	
	3) Group the issues into linked areas and reserve or generate solutions within each area unique to those areas. The key principle would be to secure the delivery of the service objectives for a sustainable future i.e.	
	· Reserve all receipts from land designated for housing development and right to buy receipts for affordable housing and private sector improvement.	
	· Fund improvements to the theatres through new operating arrangements now being pursued, consider the impact of allowing revenue maximising usage and a review of all venues.	
	· Seafront facilities – seek and allow acceptable commercial redevelopment of such facilities, but, if not fully viable, seek to sell other tourism assets to generate capital receipts to support partnership opportunities.	
	· Leisure Facilities – further pursue the partnership arrangements now being investigated but, if insufficient, consider realising receipts from underused facilities to support the best.	
	· Town Hall – examine other uses which preserve the building but move office uses to more cost effective alternative buildings.	

	Each of these solutions require difficult choices to be made. However, in comparing these with the other successes mentioned above, the prime motivation is to seek a sustainable future for the service provided to the public in a building or premise fit for purpose.	
<b>4.0</b>	<b><u>Public Consultation</u></b>	
4.1	It is proposed to consult widely with the public before taking final decisions on the future strategy. In order to inform consultation it is proposed to commission some professional market research of public opinion on the capital issues. This could follow a similar approach to the one carried out in 2003. This will test whether or not the public would support the options identified in this report for attracting investment in preference to the consequences of doing nothing. Quotes for this work will be obtained. It would be necessary to support this work by a sum from the Strategic Change Fund. A budget of £20,000 is suggested to cover this work.	
<b>5.0</b>	<b><u>Recommendations</u></b>	
5.1	Cabinet is asked to approve consultation on the budget options for Capital spending and growth including the allocation of £20,000 from the Strategic Change Fund to facilitate consultation.	
<b>Corporate Management Team</b>		
<b>Background Papers:</b>		
The Background Papers used in compiling this report were as follows:		
Report to Cabinet 13th July, 2005		
To inspect or obtain copies of background papers please refer to the contact officer listed above.		