

COMMITTEE:	CABINET	
DATE:	6th FEBRUARY 2002	
SUBJECT:	2002/03 BUDGET	
REPORT OF:	SUE MCHUGH, DIRECTOR OF FINANCE AND CORPORATE SERVICES	
Ward(s):	All	
Purpose:	To agree the revenue and capital budgets for 2002/03	
Contact:	Sue McHugh, Director of Finance and Corporate Services, Telephone 01323 415104 or internally on extension 5104.	
Recommendations:	Cabinet is asked to recommend the following budget proposals for 2002/03 to Council on 27 th February:	
	(i)	That the General Fund Revenue Account budget requirement for 2002/03 be set at £14,275,000.
	(ii)	That the General Fund Revenue Account service budgets for 2002/03 be as set out in Appendix A, incorporating the growth and savings detailed at Appendices B and C.
	(iii)	That the following growth items be funded from the 2001/02 budget through virement from underspent areas:
		§ Town centre retail development £50,000

		§ Queen's Golden Jubilee celebrations £5,000
	(iv)	That the Housing Revenue Account budget for 2002/03 be as set out in Appendix D, incorporating gross income of £18,787,000 and an equal amount of expenditure including appropriations.
	(v)	That the capital programme for 2002/03 totalling £6,649,000 plus an estimated carry forward from 2001/02 of £3,599,000 be as set out in Appendix E.
	(vi)	That the Director of Finance and Corporate Services be authorised to commit expenditure within the approved capital programme as receipts become available, following consultation with a Cabinet Member.

1.0	<u>Introduction and background</u>	
1.1	This report sets out a summary of the current year financial position and the 2002/03 budget proposals for:	
	- General Fund Revenue Account	
	- Housing Revenue Account	
	- Capital Programme	

1.2	<p>Members have previously received three reports on the development of the 2002/03 budget and wider consultation has taken place at key stages. In July Cabinet agreed an outline financial strategy. All Council Members and representatives of business and community groups were consulted on the strategy and their comments were considered by Cabinet on 26th September, along with specific growth proposals. These proposals were then submitted to Scrutiny Committee and Joint Staff Committee for consideration. A further update was provided to Cabinet on 5th December, following announcement of the provisional grant settlement. The December Cabinet also instructed officers to open discussions with staff who would be affected by some savings proposals.</p>		
2.0	<u>General Fund Revenue Account</u>		
	<u>Current Financial Position</u>		
2.1	<p>The forecast outturn for 2001/02, based on the position at the end of December, is an underspend of £67,000, made up as follows:-</p>		
		<u>£000</u> <u>(Under)Overspend</u>	
	Chief Executive	(64)	
	Finance and Corporate Services	(37)	
	Tourism and Leisure	6	
	Housing, Health and Community Finance	64	
	Planning, Regeneration and Amenities	(86)	
	Corporate costs	<u>50</u>	
		<u>(67)</u>	

	<p>A full update on the position was provided to Cabinet on 9th January. At that time the forecast underspend was £62,000. There has been a significant improvement in the Tourism and Leisure position, where the forecast overspend has been reduced from £65,000 to £6,000. This is due to above budget income from theatre productions and the identification of budget savings. The other significant change since the January report is the confirmation of costs in relation to a Court case which are shown under corporate costs.</p>			
	<p><u>Proposals for use of underspend</u></p>			
2.2	<p>Cabinet has previously expressed support in principle for two proposals which would particularly benefit from early implementation. The forecast underspend enables these proposals to go ahead now and Members are asked to recommend them to Council:</p>			
	<p>§ Preparation of development brief for Town Centre retail redevelopment. Tenders for this work have now been received and it is estimated that £50,000 will be needed to achieve the desired work.</p>			
	<p>§ Queen's Golden Jubilee celebration. The cost of an appropriate event is estimated at £5,000.</p>			
	<p><u>2002/03 Budget Proposals</u></p>			
2.3	<p>The government grant settlement for Eastbourne Borough Council provides £9,877,000 of external support. This is £226,000 more than 2001/02, an increase of 2.3%. The government's assessment of how much the Council needs to spend (the Standard Spending Assessment or SSA) has increased by £514,000 or 4.1% to £13,117,000. In providing a percentage increase in grant which is lower than the percentage increase in SSA, the government is expecting the balance to be funded from council tax increases. The percentage increase in council tax at the standard rate needed to bridge the gap is 7.4%. The Government assumptions and proposals in this report can be summarised as follows:</p>			
		Government Assumptions	Proposed Budget	Variance %
		2002/03	2002/03	
		£000	£000	
	Total spend	13,117	14,275	8.8%

	Council Tax Income	3,240	4,336		33.8%
	Collection Fund Surplus	-	62		-
	Government Grant (balance)	9,877	9,877		-
	Council Tax Increase	7.4%	4.5%		
	The forecast surplus on the Collection Fund at 31st March 2002 of £62,000 reduces the amount to be recovered from Council Tax payers.				
	Detailed budget proposals are attached at Appendix A.				
	Overall an increase in expenditure of £502,000 or 3.6% is proposed, comprising growth of £1,299,000, less savings of £797,000. Growth items are listed at Appendix B and savings at Appendix C.				
2.4	Growth includes				

	<p>§ Funding for unavoidable cost pressures such as pay increases, contract inflation and increases in pension contributions.</p>	
	<p>§ Budget increases to correct historical budgets so that they reflect the actual cost of providing agreed services and achievable levels of income e.g. Lifeline, cemeteries and crematorium, external audit fees, car parks, architects.</p>	
	<p>§ Funding for cost pressures due to external factors e.g. increase in debt costs due to reduction in investment interest rates, reduction in government grant towards Downlands, holiday pay entitlements for casual staff, Borough Plan costs, concessionary fares take up.</p>	
	<p>§ Growth to take forward priorities, including:</p> <ul style="list-style-type: none"> - improved town centre maintenance (£15,000); - consultancy to identify sources of investment in conference facilities (£15,000); - implementation of Contaminated Land Strategy (£17,500) 	
	<ul style="list-style-type: none"> - market supplements for hard to recruit staff groups (£10,000) 	
	<ul style="list-style-type: none"> - match funding for Heritage Economic Regeneration Scheme (£16,000). 	

	- Increased funding for voluntary sector (£15,000).	
	- Willingdon Trees Community Centre running costs (£14,000).	
	- Additional Lottery Officer to pursue external funding opportunities (£30,000).	
	- Part time post to deal with abandoned vehicles (£9,000).	
	- Match funding for new town centre Christmas lights (£10,000).	
2.5	Savings include efficiency savings e.g. due to new computer systems, increased income targets where these are considered achievable, savings in corporate management and support costs and savings arising from best value reviews. There are also the following service changes:	
	§ Cash office closure with effect from October. Closure was recommended following the best value review of Collection Services and alternative payment facilities will be fully operational prior to closure, including arrangements with nearby post offices.	

	<p>§ Beachy Head Countryside Centre. Closure from April. The opportunity cost of operating the Centre is £15,000 per year in rental income foregone but in practice it does not achieve budgeted income levels so the overall cost is a further £15,000. If closure is not achieved, growth will be needed to correct this shortfall.</p>	
	<p>§ Parks Development Service to be brought with existing Parks and Gardens Section.</p>	
	<p>§ Anti-Poverty Steering Group. 3 year joint funding for anti-poverty worker ended in March 2000. Cabinet agreed to extend EBC contribution of £12,500 for 2001/02 in line with Corporate Objective, “A place for everyone”. Post has not been appointed to, although budget has continued to be directed by Multi-Agency Steering Group in support of partnership Anti-Poverty and Social Inclusion initiatives (e.g. North Langney mapping exercise).</p> <p>Joint funding is no longer available to fund this post, therefore it is proposed that EBC contribution shall cease. Officers will need to co-ordinate the targeting of existing resources in support of Antipoverty objects.</p>	

	§ Joint Industrial Estates Co-ordinator post funding to be withdrawn.	
	§ Charges for Holywell Chalets to be increased.	
2.6	<u>Other Cost Pressures</u>	
	The proposed budget deals with a number of underlying historical inaccuracies in existing budgets. The aim is to ensure that budgets reflect the true cost of delivering existing services on a sustainable basis. However, there remain a number of trading services within Tourism and Leisure where income targets are not being achieved. Cabinet in December requested a fundamental review of the future viability and funding of these services and this is underway. However, changes will not be in place for the start of the new financial year and, once the level of financial support needed for these services for 2002/03 is agreed, Members will be asked to agree a one-off allocation from the Strategic Change Fund.	
2.7	<u>Contingencies and Risks</u>	
	The proposed level of general balances is £1 million, in line with 2001/02. This level is considered an appropriate cover for unforeseen events.	

	<p>The budget contains a provision for contingencies of £134,000, an increase of £2,000 on the original 2001/02 budget. The 2001/02 budget has not been sufficient to meet all unbudgeted corporate costs. However, it is not considered likely that a similar level of one-off items will occur in 2002/03, and the shortfall in the 2001/02 treasury management budget which has contributed to the over commitment has been corrected in the 2002/03 proposals.</p>	
2.8	<p><u>Council Tax implications</u></p>	
	<p>The budget proposes an increase in Council Taxes of 4.5% and a Band D tax of £131.16. Members need to consider the appropriateness of this. Relevant considerations are:</p>	
	<ul style="list-style-type: none"> - Forecast inflation 2-2.5% - Government assumed increase – 7.4% - Historical levels of tax. The Band D tax in 1993/94, the first year of Council Tax, was £151.47, 13% higher than the proposed tax. Changes since then have ranged from a 21% reduction in 1994/95 to a 5.94% increase in 2000/01. 	
	<p><u>Housing Revenue Account</u></p>	
3.0	<p><u>Current Financial Position</u></p>	
	<p>The forecast outturn for 2001/02, based on the position at the end of December is a balanced budget (net expenditure of £692,000).</p>	

3.1	<u>2002/03 Budget Proposals</u>	
	<p>Each year the Government revises the factors used to determine Housing Revenue Account (HRA) subsidy. The major areas on the subsidy determination which affect this Authority's entitlement in 2002/03 are:-</p>	
	<p><u>Notional rent income</u> – the amount of rent the subsidy formula assesses this authority receives. Withdrawal of subsidy in this area (for 2002/03 will be £338,000) is expected to be made good by an equal rent increase for tenants.</p>	
	<p><u>Management and Maintenance</u> – the Government assumes a required level of spending for each authority and allows this for subsidy entitlement. Eastbourne's entitlement for 2002/03 has been increased by £263,000.</p>	
	<p><u>Other areas</u> – the levels of expenditure on rent rebates and capital charges will mirror the change to movements in subsidy levels paid.</p>	

	Ministers have announced guidance for Housing Authorities to implement the Government's rent restructuring proposals. Authorities must consider the guidance and its effect on rents during their rent setting policies.			
	Eastbourne is proposing an average rent increase of 1.8% which is in accordance with rent restructuring guidelines. A separate report on this agenda provides more detail of proposed rents.			
	The 2002/03 HRA budget is shown at Appendix D.			
	<u>Proposed Capital Programme 2002/03</u>			
4.0	<u>2001/02 Forecast Outturn</u>			
4.1	The forecast outturn for the current year capital programme is as follows:-			
	<u>Expenditure</u>	<u>Budget</u> <u>2001/02</u> <u>£000</u>	<u>Forecast</u> <u>Outturn</u> <u>£000</u>	<u>Carry</u> <u>Forward</u> <u>£000</u>
	Housing Revenue Account	4,935	3,735	1,200
	Housing General Fund	2,385	2,185	200
	Theatres/Conference facilities	1,332	163	1,169

	Leisure and Recreation	1,558	668	890
	Disabled access	85	15	70
	Seafront	100	100	0
	Office Accommodation	100	30	70
	Coast Protection	81	81	0
	Feasibility Studies	107	107	0
		10,683	7,084	3,599

4.2	<p>The reasons for the carry forward of expenditure and resources to 2002/03 are:</p> <p>Disabled Facilities Grants</p> <p>Although the demand remains strong for disabled facilities grants and our caseload has increased, the profile of the applications will result in a large proportion of the grants being paid out in the following financial year. Unused specified capital grant will be carried forward to finance this expenditure.</p> <p>HRA Major Repairs Allowance/Revenue Contributions</p> <p>As reported to Members in previous monitoring reports delays in conversion work at Gwent Court and the replacement windows programme will result in a £1,200,000 underspend on the Housing Revenue Account Capital expenditure. This underspending will be offset by an equal and opposite underspending of the Major Repairs Allowance (MRA)/ increase in revenue balances carried forward.</p> <p>The Timing of Asset Disposals in Year</p> <p>The delivery of the full general fund capital programme for 2001/02 was dependent on the generation of capital receipts.</p> <p>Certain general fund schemes are now scheduled to start in 2002/03 when capital receipts are scheduled to be available to finance them.</p> <p>Officers have rescheduled the timing of capital receipts and start of various schemes in order to minimise the risk of being penalised by the capital system for holding a large balance of receipts at a financial year end.</p>		
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	There is no loss of resources arising from the carry forward.		
4.3	<u>2002/03 Proposals</u>		
	Cabinet on 30 th July 2001 agreed a five year capital strategy, including targets for capital investment in services for each year. This has been updated to take account of the actual level of government resources for 2002/03 plus other changes. The proposals are:		
	<u>Expenditure</u>	<u>£000</u>	
	Council Housing	3,114	
	Other housing	2,175	
	Parks	100	
	Leisure facilities	200	
	Theatres/Conference Facilities	430	
	Other major works	300	
	Disabled access	100	
	Coast Protection	30	
	E-Government	200	
		6,649	
	<u>Resources</u>		
	Major Repairs Allowance	2,427	

	Basic Credit Approvals	1,189		
	Disabled facilities grant	242		
	E-Government Allocation	200		
	Revenue Contributions	47		
	Capital receipts	2,544		
		6,649		
	The principal change is that £200,000 previously allocated for external initiatives has been re-allocated to Major Works. This reflects the high priority given to addressing basic repair problems in the short term. Depending on demand for Major Works in year, it may be possible to reallocate an amount for external initiatives.			
	Detailed proposals for expenditure against the following sums are included at Appendix E:			
	§ Housing (HRA and General Fund)			
	§ Leisure facilities			
	§ Major Works			
	Within the Major Works budget, a significant sum is held as a contingency at this stage. This reflects the current year experience of urgent items arising in year.			
	Priorities for the Disabled Access Budget are expected to be available for the April Cabinet meeting following completion of access audits to council buildings.			
	An E-Government board has been set up tasked with determining priorities for the £200,000 government allocation. These are likely to include provision of PCs for all members and development of e-procurement.			

	The budget for theatres/conference facilities is to contribute towards renovation of the Winter Garden frontage and air conditioning at the Congress.	
	The Parks budget will take forward priorities identified in the best value improvement plan.	
4.4	<u>Capital Resources</u>	
	Delivery of the programme is dependent on the generation of capital receipts and lottery funding (for the Winter Garden frontage).	
	Capital receipts totalling £2,544,000 are needed to fund the programme, of which £500,000 can be assumed from the right to buy programme. Members agreed a disposals programme for 2001/02 and 2002/03 in April 2001. This programme is being updated and progress on identifying and securing capital receipts will be reported to future meetings. As in 2001/02, it is recommended that authority to release expenditure is delegated to the Director of Finance and Corporate Services in consultation with a Cabinet member. The need to generate capital receipts for a significant part of the programme means that a balance will need to be struck between different elements taking account of:	
	<ul style="list-style-type: none"> - existing commitments in relation to ongoing affordable housing developments; - the need to establish a programme of private sector housing grants; - urgent repairs required for health and safety purposes; - seasonal drivers. 	
5.0	<u>Consultations</u>	
5.1	All Council Members, local business and community groups and Council staff have been consulted during the development of these budget proposals.	
6.0	<u>Implications</u>	
6.1	<u>Human Resources</u>	
	Some savings proposals do have implications for existing staff and these have been discussed with the officers concerned. Affected staff will be offered support in accordance with the agreed personnel policy on Employment Stability. This includes prior consideration for vacant posts within the Council.	

6.2	<p><u>Financial</u></p> <p>Should it not be possible to redeploy affected staff, redundancies could arise with associated costs. It is proposed that any costs should be met from the Strategic Change Fund.</p>	
6.3	<p><u>Youth</u></p> <p>The budgets include growth in services for young people including community centres, parks and leisure services.</p>	
6.4	<p><u>Anti-Poverty</u></p> <p>Significant investment in housing is aimed at tackling poverty and social deprivation.</p>	
7.0	<p><u>Summary</u></p>	
7.1	<p>Members are asked to agree the budget proposals set out this report.</p>	
<p>Sue McHugh</p> <p>Director of Finance and Corporate Services</p>		
<p>Background Papers:</p> <p>The Background Papers used in compiling this report were as follows:</p> <p>Cabinet reports: 2nd July 2001</p> <p>26th September 2001</p> <p>5th December 2001</p> <p>To inspect or obtain copies of background papers please refer to the contact officer listed above.</p>		
<p>OpenlinkCFO/reports Cabinet 020206/Proposed Budget 2002-03 020206</p>		

