

**BODY:** Scrutiny  
**DATE:** 8 February 2010  
**SUBJECT:** General Fund Revenue Budget 2010/11 and Capital Programme 2009/13.

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**REPORT OF:** Chief Finance Officer

**Ward(s):** All

**Purpose:** To agree the detailed general fund budget proposals for 2010/2011 and Capital Programme 2009-2013.

**Decision Type:** Key Decisions requiring approval of Full Council

**Contact:** Alan Osborne, Chief Finance Officer,  
Tel 01323 415149 or internally on ext 5149

**Recommendations:** Members are asked to recommend the following proposals to full Council:

- i. General Fund budget for 2010/11 (**Appendix 1**) including growth and savings proposals as set out (**Appendix 2**)
- ii. An increase of 2.44% in the Council Tax for Eastbourne Borough Council to a Band D charge of £224.19;
- iii. General Fund capital programme and financing 2009/13 as set out in (**Appendix 3**)
- iv. The current treasury management strategy and Prudential Indicators are adopted until the Cabinet considers a revision in March in the light of the Government's impending debt offer.

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## **1.0 Introduction**

1.1 This report sets out the general fund revenue budget proposals for 2010/11 and capital programme 2009/13.

1.2 The Housing Revenue Account 2010/11 and associated three capital programme, together with rent setting for 2010/11 is subject of a separate report elsewhere on this agenda.

1.3 The Council revised its medium term financial strategy (MTFS) in October and resulting draft 2010/11 budget proposals in December.

- 1.4 The budget has been subject to consultation, an update of the results of the various strands of consultation is dealt with earlier on this agenda.
- 1.5 The budget is the product of various plans and strategies as part of an integrated corporate planning process and is linked principally to:
- The MTFS
  - Asset Management Plans
  - The Corporate Plan
  - Workforce Strategy
  - Service Plans
  - Treasury Management Strategy
- 1.6 The Chief Finance Officer has a legal responsibility give positive assurances on:
- The robustness of the estimates used in the budget
  - The level of reserves

If the recommendations of the report are agreed then these assurances will prevail.

## **2.0 Summary of Recommended Budget Proposals**

2.1 The budget proposals include:

- An increase in council tax of 2.44%
- Overall savings totalling £1.78m (9.6%)
- Efficiency savings of £837,000 (4.5%)
- Inflation of £249,000 (1.4%)
- Unavoidable cost increases of £1.460m
- Service Growth to priority areas £134,000
- All recurring expenditure met from ongoing resources
- General Reserves over £4m (Minimum £2m)
- Strategic Change Fund over £1m
- Other earmarked reserves over £800,000 to be re-allocated between strategic change and repairs and maintenance funds
- The development of a three year capital programme
- Capital block allocations to support Council priorities

2.2 The budget represents a significant reduction in financial risks by:

- Balancing the base budget requirement without needing to use reserves
- Identifiable and deliverable savings with no general targets
- Taking account of the recession in statutory service income levels
- A corrected tax base
- Reserves well above the minimum level
- No speculative increase in interest rates factored into the budget
- Zero basing all reward grants
- All capital resources used to finance the proposed programme available and identified

### **3.0 2010/11 Resources**

#### **3.1 Government Formula Grant**

2010/11 represents the final year of the three year grant settlement, with the final announcement in line with the provisional one in December.

3.2 The settlement of £10.420m is an increase of £82,000 over 2009/10 (0.8%) compared to the Government inflation target of 2%.

3.3 Whilst the existing MTFS assumes a cash frozen grant for the next three years, given the state of the national finances it would be prudent to model scenarios to minus 20% in the next update of the MTFS.

#### **3.4 Council Tax**

The proposed an increase in council tax for 2010/11 of 2.44% would result in a Band D rate for 2010/11 of £224.19 compared with £218.85 in 2009/10. This is an increase of £5.34 over the year or than 10p per Band D household per week.

3.5 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise by 2.5% per annum for each of the next three years.

3.6 Within this context for 2010/11, the Council will raise nearly £8.2m from its share of the council tax. This is determined by multiplying the council tax base of 36,572 Band D equivalent dwellings by the Band D tax rate of £224.19.

#### **3.7 Summary - 2010/11 Resources**

A summary of the resources available is shown below:

Source:	<u>£'m</u>
Government Formula Grant	(10.420)
Council Tax (paragraph 2.2.2)	(8.199)
Collection Fund Deficit	0.197
Total Resources Available	18.422

3.8 In order to achieve a balanced budget, the Council will need to set a net expenditure budget for 2010/11 of £18.422m in line with the available resources set out above.

### **4.0 Specific Grants**

4.1 In addition to the general grant distributed through the formula grant system, which is given towards financing the Council's net expenditure budget, Government also provides some specific grants. These specific grants will fund in part or in full, service costs which sit within the net

expenditure budget. For 2010/11 Government has, to date, announced the following specific revenue grant allocations:

Specific Grant	2010/11 £m
Housing & Council Tax Benefit Subsidy – To be confirmed	44.014
Housing Benefit Administration	1.083
Homelessness	0.130
Concessionary Fares – National Scheme –To Be Confirmed	0.977

#### 4.2 Housing & Council Tax Benefit Subsidy:

As part of a national scheme delivered locally, this grant is intended to reimburse the Council for the awards of benefit it makes to eligible tenants in both the private and public rented sector, and to eligible council tax payers. Based on current estimates this is likely to be in excess of £44 million. Not only is this by far the largest single specific grant that the Council receives, but it is performance related.

#### 4.3 Housing Benefit Administration:

This is intended to fund the cost to Eastbourne of administering the national Housing and Council Tax Benefits scheme.

#### 4.4 Homelessness:

This is intended to assist with prevention and to find alternative accommodation other than bed and breakfast. Homelessness grant of £130,000 per annum has been confirmed for the period 2008/2011 which has enabled the housing team to plan medium term. The future of this grant is currently uncertain beyond March 2011.

#### 4.5 Concessionary Fares – National Scheme:

The Council is likely to be awarded £977,000, compared with £507,000 in 2009/10 (subject to final notification). Should the amount vary by up to £100,000 in the final notification it is intended to reduce the budget by same amount. However above this level it is intended to use reserves on the basis that the budget is now non recurring due to the fact that scheme is to transfer to East Sussex County Council in April 2011.

### 5.0 Budget Movements

The detailed budget proposals are set out in **(appendix 1)** which shows, in detail, the movement from the 2009/10 budget of £18.437m to the 2010/11 proposed budget of £18.422m. This movement is summarised below:

5.1	<b>Movement from 2009/10 Budget</b>	<b>£'000</b>	<b>£'000</b>
	<b>Change in resources:</b>		
	Main government grant	(82)	
	Council tax	97	
			15
	<b>Cost pressures:</b>		
	Inflation	249	
	Non recurring Income Sources	650	
	Other unavoidable cost increases and changes in income	810	
	Service Growth for Priorities	134	
			1,843
	<b>Savings:</b>		
	Service alterations	(102)	
	Increased Income	(227)	
	Concessionary Fares Grant Increase	(470)	
	Other changes	(144)	
			(943)
	<b>Efficiency savings</b>		(837)
	Net contribution from reserves		(78)
	<b>Net Movement</b>		<b>0</b>

5.2 The Government had previously set an efficiency savings target of 3% per annum. In the autumn councils were notified that it had been revised upwards to 4% from 2010/11. The base budget recommends cashable efficiency savings of 4.5% with the prospect of additional savings being identified in year against the target.

5.3 If Cabinet approves the proposals set out in the report it will be able to recommend to Council on 24 February a balanced budget in line with available resources of £18.422m summarised in paragraph 3.8.

## **6.0 Risks, Contingencies and Reserves**

6.1 All budgets contain an element of financial risk. The Council sets an operational budget with careful consideration of known risks, but accepts that this cannot cover every eventuality. As a consequence the Council sets a contingency budget and holds a minimum level of general reserve as a hedge against additional and significant financial turbulence.

### 6.2 Principal Risks

The key areas of financial risk that the Council faces in the operation of its 2010/11 budget are:

- Housing and Council Tax Benefit Subsidy Performance;
- Increased rate of inflation on goods and services;

- Income from services linked to customer choice (theatres, tourism; sports centres, car parking);
- Demand led services (bed and breakfast, concessionary fares);
- Loss of events sponsors ;
- Legal and other costs of employment cases;
- Costs of significant planning and/or licensing appeals;

On an exception basis, information on each of the risk areas identified above, together with any new and significant risks that may emerge over the course of the year, will be included in each financial performance report to Cabinet during the 2010/11 financial year.

### 6.3 Contingency

The 2010/11 budget includes a single corporate contingency of £427,000 to allow for contract inflation and potential pay increases.

Item	Amount £'000	Comments
Pay award	131	Allows for up to 0.5 % increase plus contractual increments
Contract Inflation (Maximum)	173	Subject to negotiations – based on December R.P.I.
Balance	123	To be allocated
TOTAL	427	

### 6.4 Reserves

6.5 Part 2 of the 2003 Local Government Act requires the Chief Finance Officer to report on the adequacy of the proposed financial reserves, and determine the minimum level required. There is no statutory minimum requirement, but reserves must be set at a prudent level given the activities of individual Councils and potential liabilities that they face or may face in the future i.e. a risk based approach. The Council's earmarked reserves are reviewed at least annually for adequacy. If at any time the adequacy is in doubt the Chief Finance Officer is required to report on the reasons, and the action, if any, that he considers appropriate.

6.6 Officers will always seek to contain any unforeseen additional costs within allocated annual budgets, including the contingency budget, or from the utilisation of earmarked reserves. However, it is proposed that in addition to these the minimum level of general reserves be set at £2m based on the following:

6.7	Risk	£000
	Unexpected Events e.g. flooding, major storm in excess of Bellwin Scheme provision	500
	Significant financial overruns e.g. prior year negative Housing Benefits subsidy adjustments (1% of claim)	400
	Exceptional fluctuations in income that have a major corporate impact e.g. loss of major sponsor close to an event (3% of income)	400
	Cost of providing priority services during an incident or emergency in excess of insurance cover	300
	Exceptional fluctuations in costs or demand that have a major corporate impact e.g. fuel costs	200
	Cost of significant breach of legislation e.g. health and safety, human rights	200
	Recommended minimum general reserves	2,000

6.8 The proposed minimum level of £2 million represents an increase from recent years and with the risk assessment outlined above. It is the view of the Chief Finance Officer that this level of reserve remains adequate to meet the current commitments and proposals detailed within this report and any unforeseen expenditure and eventualities at reasonable levels.

6.9 Should the budget recommendations be followed, the level of general fund reserve is projected at over £4m (**appendix 1**) In addition to acting as a further buffer against future grant settlements, this should create opportunities for one off investments in the future.

6.10 Strategic Change Fund:

In 2008/9 the Council set up a strategic change fund to assist with the DRIVE programme. In 2009/10 some £250,000 of the fund was used to facilitate a recurring saving of nearly £300,000 per annum. The balance of the fund at 1.4.10 is projected at £1.055m (**appendix 1**) and will be used to implement the DRIVE programme.

6.11 Earmarked Revenue Reserves:

The Council has been following a process of consolidating its reserves into the corporate reserves above. This better facilitates corporate priority planning. The balance of the earmarked reserves has reduced in line with this policy and will not be increased by any general carry forward arrangements from 2009/10. The residual balances on the reserves

(£816,000) represent almost equally two broad areas, namely repairs and maintenance and workforce planning. Once the 2009/10 accounts are closed it is proposed that the balance be split between the Strategic Change Fund and a repairs and maintenance fund.

6.12 The Chief Finance Officer is required to report specifically on the robustness of the budget estimates. In 2009 the Council's integrated service and financial planning process has been improved. A key objective of the process is to enable service managers to identify cost pressures, risks and other potential budget problems for consideration by Chief Officers and Members. The Chief Finance Officer is satisfied that this process provides a robust basis for identifying appropriate budget estimates.

## **7.0 Capital Programme 2009-2013**

7.1 The formulation of the capital programme has seen three major improvements for 2010/11 onwards. Firstly all capital bids were considered by the service and financial planning process. Secondly the Cabinet has proposed to make block allocations to support its priorities. Thirdly the programme now looks across a four year horizon.

7.2 The capital bids for internally financed schemes contained in the service and financial plans totalled some £3.6m.

7.3 The draft budget proposals set out an allocation of £1.8m to the following priorities:

<b>Council Priority</b>	<b>Services</b>	<b>Amount (£'000)</b>
Sustainable Performance	Asset Management	500
"	I.T. Infrastructure	400
Thriving Communities	Community Services	400
"	Tourism and Leisure	300
Quality Environment	Environment & Planning	200
	<b>TOTAL</b>	<b>1,800</b>

7.4 A total of £709,000 against these allocations has been included in the proposed capital programme. Future allocations will be subject to separate reports.

7.5 The three year programme including schemes to be carried forward from 2009/10 is shown at **(appendix 3)** with all new schemes added to the programme shown in **bold**.

7.6 The Council has a policy of only using unsupported borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs.

- 7.7 Therefore in the proposed programme the only schemes that may be met from borrowing are in relation to the Crematorium and other invest to save projects.
- 7.8 In addition to the internally funded schemes the programme includes amounts financed from grants and contributions e.g. Disabled Facilities Grants.
- 7.9 The Housing Revenue Account capital programme is set out in another report on the agenda and once approved will be amalgamated with the general fund programme.
- 7.10 No uncertain future capital receipts have been factored into the available resource so there will be opportunities to supplement the programme as the three year period progresses. Potential disposals will be identified by the asset management plans.
- 7.11 The make up of the schemes financed by s106 contributions at Princes Park is subject to an overall park plan to be developed prior to 2010/11.

## **8.0 Consultation**

- 8.1 Consultation on the General Fund revenue and capital programme is set out elsewhere on the agenda.

## **9.0 Implications**

### **9.1 Financial**

The financial implications of all budget proposals are set out throughout the report and/or within its Appendices.

### **9.2 Human Resources**

Implications have been discussed with Members through the detailed service and financial planning process, and where appropriate with the local Branch of Unison. Specific staff briefings have taken place as necessary.

### **9.3 Environmental**

Both capital and revenue budget proposals include improvements to the maintenance of Council buildings and open spaces across the town. These include a number of energy efficiency initiatives to reduce usage, cost and emissions. Consultation with residents demonstrates that these types of initiatives are well supported and are seen as high priority areas for new investment.

## 10.0 **Conclusion**

This report sets out comprehensive information on the Council's finances together with details of budget proposals developed in consultation with Members and stakeholders for recommendation by Cabinet and subsequent approval by full Council.

Contact officer:  
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Chief Finance Officer

### **Background Papers:**

The Background Papers used in compiling this report were as follows:

#### *Cabinet reports:*

*16 December 2009*

- *Council Tax Base for 2010/11*
- *Draft Budget Proposals*
- *Draft Corporate Plan*

*21 October 2009 – Medium Term Financial Strategy*

To inspect or obtain copies of background papers please refer to the contact officer listed above.