

COMMITTEE:	CABINET
DATE:	5th SEPTEMBER 2002
SUBJECT:	FINANCIAL STRATEGY/COUNCIL BUDGET 2003/04
REPORT OF:	DIRECTOR OF FINANCE AND CORPORATE SERVICES
Ward(s):	All
Purpose:	To obtain the agreement of Cabinet to the approach to revenue budget setting for 2003/04.
Contact:	Sue McHugh, Director of Finance and Corporate Services telephone 01323 415104 or internally on extension 5104.
Recommendations:	Members are asked to agree the following in relation to the 2003/04 budget:
	1. The current forecast deficit for 2003/04 of £972,000 for planning purposes.
	2. The planning assumption of a 2.3% increase in government grant for 2003/04.
	3. That the forecast is based on the assumption of a significant increase in cleansing costs.
	4. To review the growth areas they wish to plan to fund at this stage, including those currently contained within the Medium Term Forecast.

	5. To review the areas where savings should be planned, including those currently contained within the Medium Term Forecast.
	6. The level of Council Tax increase on which planning should be based.
	7. The Service and Financial Planning action plan at Appendix A.
	8. Proposals for consulting the public set out in section 10.
	9. A more detailed report be brought to the next meeting of the Cabinet

1.0	<u>Introduction</u>	
1.1	This report sets out the process for Revenue budget setting for 2003/04. There are a number of key issues which will impact on the process which are explained in the following sections:	
	§ Medium Term Forecast.	
	§ Resource assumptions and the impact of the new revenue grant distribution system.	
	§ New cleansing contract.	
	§ Other cost pressures.	
	§ Growth.	
	§ Savings.	
	§ Council Tax Rates	

	It has been recognised for some time that the budget setting process needs to link better with service planning. In order to achieve this a combined “Service and Financial Planning” approach has been developed. This is explained at section 9.			
	Finally a recent report on consulting with Council Tax payers sets out the Government’s expectations in this area. Consultation is discussed at section 10.			
2.0	<u>Medium Term Forecast</u>			
2.1	The Council maintains a Medium Term Budget Forecast. Officers have updated this for 2003/04 and beyond, using a number of key assumptions as detailed below:			
	§ 2.3% increase in government grant (this is discussed in more detail in section 3).			
	§ 4.5% rise in Council Tax rates (discussed in section 7).			
	§ A significant increase in cost of cleansing contract (discussed in section 4).			
	§ Funding for unavoidable cost pressure in the areas listed (discussed in section 5).			
	§ Funding for growth in the areas listed (discussed in section 6).			
	§ Proposed savings (discussed in section 7).			
2.2	The officers forecast currently shows the following deficit in each year:			
	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
	£000	£000	£000	£000
	972	980	989	1,082
	In the following sections a number of factors which could vary these amounts are explained.			

3.	<u>Government Grant</u>				
3.1	The Government is consulting on changes to the Revenue Support Grant system. Options for changes to the various formulae have been developed. The range of potential impacts for Eastbourne Borough Council for each option is set out below:				
		Best	Worst		
		Case	Case	Average	
		£m	£m	£m	
	Environmental, Protective and Cultural services	+ 0.3	+ 0.1	+ 0.2	
	Capital	+ 1.0	- 0.1	+ 0.45	
	Area cost adjustment	+ 0.1	- 0.5	- 0.3	
	Fixed costs	+ 0.2	+ 0.2	+ 0.2	
	Resource equalisation	+ 0.3	+ 0.1	+ 0.2	
		+ 1.7	- 0.2	+ 0.75	
	The government will confirm which options it intends to pursue as part of the draft settlement announcement in late November/early December. The government has confirmed that minimum and maximum percentage increases in grant (“floors” and “ceilings”) will be applied, but not the level at which these will be set. For 2002/03 the “floor” was 2.3%, and the ceiling was 10%.				
	It can be seen from the above that potentially EBC could benefit significantly under the new system. However, the timing of announcements means we need to be prepared for a “floor” level increase. Hence the planning assumption in the medium term forecast of a 2.3% increase.				

4.	<u>Cleansing Contract</u>	
4.1	Members will be aware that a new cleansing contract is due to start on 1 st April 2003. The procurement process is well underway with negotiations ongoing with three shortlisted providers. The Medium Term Forecast includes a significant increase in the cost of this service. However, bids currently received exceed this forecast increase. There are significant trade-offs between cost and quality and in the ability of the contract to achieve recycling targets.	
4.2	A public consultation exercise will be run starting in September 2002. This will involve a telephone survey commissioned from a nationally recognised market research company and a public engagement exercise involving the Autumn edition of the Eastbourne Review, the Council's website and a travelling exhibition which will visit libraries and other public buildings.	
4.3	The cost of these exercises is estimated to be £15,000, which will be met from the recycling credits fund.	
4.4	Officers are developing a bid to DEFRA for the capital costs of establishing a wheeled bin recycling service. The outcome of this bid will be known in November. If the bid is not successful the options for the Council are either not to pursue the wheeled bin option, to accept the increase in contract price required for the contractors to provide wheeled bins, or to fund the bins directly from capital.	
5.	<u>Other Cost Pressures</u>	
5.1	In addition to the cost pressures which officers have identified within the Medium Term Forecast, there are a number of further potential pressures, linked to areas of overspend in the current year:	
	§ Housing and Council Tax Benefits	
	§ Weekly Incorrect Benefits Scheme	

	§ Treasury Management	
	§ Coastline Caterers	
	§ Eastbourne Leisure	
	These will increase the deficit position for 2003/04. Officers will be assessing the need for ongoing additional funding for these areas over the coming months. There are also a number of service areas where current budgets are not sufficient to deliver sustainable services. These will be identified as part of the Service and Financial Planning process.	
6.	<u>Growth</u>	
6.1	Members are asked to review all growth items contained within the current Medium Term Forecast, and may also wish to indicate other priorities.	
7.	<u>Savings</u>	
7.1	Members are asked to review the list of savings contained within the current Medium Term Forecast, and to confirm whether they wish to pursue these. Members may wish to identify other areas where they would support savings. Officers are evaluating the potential for additional savings in the following areas:	
	§ Proposed Leisure Trust.	
	§ I.T. and E-Government	
8.	<u>Council Tax Rates</u>	
8.1	The Medium Term Forecast assumes a 4.5% increase in the Eastbourne Borough Council Council Tax rate, which is the increase agreed for 2002/03. For information EBC's band D Council Tax rate compares with the other East Sussex districts as follows:	
		£
	Eastbourne	131.14

	Rother	136.18		
	Hastings	163.46		
	Lewes	172.82		
	Wealden	178.30		
	The assumed level of Council Tax increase implied by the Spending Review 2002 is 6.5%. However, this is an average rate across all authority types. For example in 2002/03 the Government's assumed increase for districts was 7.4%.			
	Each 1% increase in EBC Council Tax rates yields approximately £43,000.			
	The government reserves the power to "cap" excessive increases. It did not use this power in 2002/03 despite some very large increases (including 26% at Rother). The Government has stated that effective engagement with local communities on the balance of services and Council Taxes is essential to support increases.			
9.	<u>Service and Financial Planning</u>			
	There are a number of pieces of work that need to progress concurrently in order to develop integrated 2003/04 service plans and budgets. These are set out below and a draft action plan is at Appendix A.			
9.1	<u>Review of Current Services</u>			
	Information on the services the Council currently provides is held in a number of places. Service plans are prepared for all services and cover a standard set of information including performance indicators, key objectives and challenges, staffing and budgets. Many services have completed best value reviews over the past two years. In 1999 a Review of Core Services was carried out. This evaluated all Council Services in relation to the following questions:			
	§	Split of service elements between statutory and non-statutory.		
	§	Impact of new government policies on each service element.		

	§	Contribution of each service element to corporate aims.	
	§	Financial viability.	
	§	Identification of service customers.	
	§	Other potential providers.	
	§	Demand for services.	
	§	Impact of no longer providing the service.	
		Each service area was then scored according to the extent that it was a statutory requirement, achieved Council aims and objectives, was financially viable and was needed to meet customer needs. This resulted in a "league table" of all Council services.	
		With the recent change of administration and arrival of new councillors, it is suggested that members will want an opportunity to review information on existing services as part of planning for 2003/04. The above information will be supplemented by additional work to meet members' requirements.	
9.2		<u>Strategic Risk Management</u>	
		The development of a corporate risk management strategy during 2002/03 was agreed by Council as part of the Corporate Management Team service plan. This work is due to commence in September. The aim is to systematically identify and assess the key risks which the Council faces which would prevent it achieving its objectives and to develop action plans for managing these risks. The aim is to produce the Strategy by December. This will include actions to be incorporated into 2003/04 Service Plans and budgets. The Head of Audit has time allocated as part of the 2002/03 Audit Plan to take the lead on this work.	
9.3		<u>Integrated performance management framework</u>	
		It is recognised that the Council's current performance management framework is not co-ordinated and that there is insufficient quantification of outcomes. It is proposed to review existing service plan and performance information with a view to addressing gaps.	
10.		<u>Consultation with Council Tax payers</u>	

10.1	The Office of the Deputy Prime Minister issued at the end of June Council Tax Consultation: Guidelines for Local Authorities. The guidelines discuss the purpose of consultation and different consultation techniques. They suggest a two stage approach: a discussion of broad priorities and possible directions very early in the budget cycle, followed by more detailed consultation on proposals informed by information on resources.	
	For Eastbourne the most significant budget issue is the new cleansing contract. Members may wish to encourage an early debate with the public over options and budget implications.	
	Consultation on specific proposals is planned in January with staff and their representatives, Scrutiny and business and community groups.	
11.0	<u>Consultations</u>	
11.1	Directors and Heads of Service have been consulted on these proposals.	
12.0	<u>Implications</u>	
12.1	Contained throughout the report.	
13.0	<u>Summary</u>	
13.1	Members are asked to agree this approach to 2003/04 budget setting.	
	Sue McHugh Director of Finance and Corporate Services	
	<p>Background Papers:</p> <p>The Background Papers used in compiling this report were as follows:</p> <p>Office of the Deputy Prime Minister – Summary Council Tax Consultation: Guidelines for Local Authorities – www.local-regions.odpm.gov.uk/sll/index.htm</p> <p>Local Government Association - Local Government Finance – Formula Grant Distribution Consultation Paper – www.local.dtlr.gov.uk/review/consult/index.htm</p> <p>To inspect or obtain copies of background papers please refer to the contact officer listed above.</p>	

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