

## **EAST AYRSHIRE COUNCIL**

### **CABINET – 19 NOVEMBER 2008**

#### **BUDGET 2009/10 – 2011/12 DRAFT TIMETABLE AND OUTLINE STRATEGY**

##### **Report by the Executive Head of Finance and Asset Management**

#### **1 PURPOSE OF REPORT**

- 1.1 To propose the strategy for the preparation of the Council's next three year revenue budget for 2009/10 including public consultation arrangements.

#### **2 BACKGROUND**

- 2.1 It is important for council tax payers that council tax bills for 2009/10 can be calculated and issued in time for the first payment in April 2009. To achieve this it would be necessary for the Council to determine departmental revenue and capital allocations and set the Council Tax for 2009/10 during week commencing 9 February 2009. Between now and then, work is required in terms of the officer task of calculating the future costs of existing and proposed service plans and also the political input in terms of relative priorities and desirable growth areas.

#### **3 TIMETABLE**

- 3.1 A proposed timetable showing the key stages in the process is shown at Section 9 below. Work on calculating the ongoing costs of current service levels including the impact of inflation and known pressures facing services in 2009 is currently in hand.
- 3.2 The level of grant receivable from the Scottish Government is a vital piece of information in the budget process. This is advised to councils in the form of a Finance Circular and current indications are that this will be available in early December 2008.

#### **4 OUTLINE STRATEGY**

The following outline strategy is proposed;

##### **4.1 Base Estimate**

The departmental Revenue Estimates for the current financial year as approved by the Council on 14 February 2008, revised to reflect any movements agreed by Cabinet during the year will be used as the base position.

## **4.2 Adjustments to the Base Estimate**

The Base Estimates will be adjusted to reflect the following key issues:

### **4.2.1 Pay Inflation**

Employee cost estimates will be adjusted to reflect a provision for inflation based on the best information available from COSLA and other sources. Provision for known changes to employers' pension and National Insurance contributions, together with the estimated cost of annual increments due will also be included.

### **4.2.2 Price Inflation**

Price inflation will only be applied to the base estimate where there is a specific contract requirement to do so.

### **4.2.3 Significant Trading Organisations**

Indexation will be applied to the internal trading accounts (Building and Works and Roads Contracts) in line with the method previously approved by the Policy and Resources Committee which reflects the relative impact of pay and general prices increases on the service. Service reviews of Roads Contracts, Vehicle Maintenance and Street Lighting trading operations are currently being undertaken and may result in the removal of trading operations status.

The decision by Cabinet on 2 July 2008 to amalgamate existing housing and Building and Works services to create a new single business unit for housing improvement works and repairs effective from October 2009 will result in increased resources being available to the Housing Revenue Account (HRA) and a corresponding reduction in the financial resources available to the Council's General Fund.

### **4.2.4 Unavoidable Cost Increases**

This will include, for example, full year costs of initiatives implemented during 2008/09 and other obligations.

### **4.2.5 Strathclyde Partnership for Transport and Joint Boards**

Strathclyde Partnership for Transport, together with the Joint Boards for Police, Fire and Valuation will provide indicative levels of required funding for 2009/10. However they are unlikely to be able to confirm these until the overall grant settlement is provided by the Scottish Government.

In addition, there is currently a significant liability relating to Police and Fire pensions and discussions have taken place between COSLA and the Scottish Government to highlight the issue. The Scottish Government recognises the problems this additional pressure will bring to Councils and a joint approach is being taken.

#### **4.2.6 Debt Financing Costs**

Provision will be made for the estimated costs of the current year's capital investment programme, together with the recurring costs from prior year investment in the Council's assets. The estimates will take account of available forecasts in respect of interest rates movement provided by the Council's treasury advisors.

#### **4.2.7 Energy Costs**

The 2008/09 energy budgets were increased significantly to reflect additional costs and further provision will be made to the budgets based on currently available information. Indications from energy purchasers is that the level of increase in 2009/10 will not be as high as previously anticipated however, the market is still volatile and prices remain uncertain.

### **5 SHARED NATIONAL/LOCAL PRIORITIES**

- 5.1 Whilst the grant settlement is likely to include an allocation to enable certain government priorities to be taken forward by Councils, increases in GAE lines are not always matched fully by increases in grant. It is proposed that Departmental budgets will be inflated by any actual increase in grant funding as opposed to increases in the GAE levels.

### **6 REVENUE CONSEQUENCE OF CAPITAL EXPENDITURE**

- 6.1 Capital schemes can result in ongoing revenue consequences such as additional operating costs. Unless specific approval of the revenue consequences of any individual project has previously been granted by either the Policy and Resources Committee, or more recently Cabinet the base budget will not have been adjusted to reflect these costs. Consequently it will be necessary for Executive Directors to reprioritise existing resources to fund these revenue costs.

## **7 EXPENDITURE REDUCTIONS**

7.1 It is implicit within the grant settlement that councils will make year on year expenditure reductions by increasing efficiency and reconfiguring services. The Scottish Government has indicated that they expect this of all public bodies including their own internal departments. The Efficient Government Initiative suggests that public sector organisations should specifically examine the areas of;

- Procurement
- Asset Management
- Shared Support Services
- Managing Absence
- Streamlining Bureaucracy
- Customer First

7.2 It is important that flexibility is available within departments throughout the year to ensure that innovative measures to improve efficiency are encouraged and that opportunities can be taken as they arise to reduce costs or improve services. It is proposed therefore that efficiency targets continue to be set for all departments and that Executive Directors should identify how the necessary efficiency improvements will be achieved with a report on this being presented to Members at the end of each financial year. Whilst all services will require to determine initial plans to achieve the expenditure reductions necessary this strategy will ensure that these can be updated as circumstances and opportunities arise during the year.

7.3 The recent downward change in economic conditions together with known inflationary and demand pressures across all services may mean that political groups or individual members will see a need to review the Council's overall distribution and use of resources to ensure that maximum impact can be achieved. Executive Directors are of course available for individual or Group meetings and if it is felt appropriate to conduct more formal reviews, officers will be available to support these. Some resources have been identified to enable external facilitation or validation. Requests for such assistance should be made to the Chief Executive.

## **8 CONSULTATION**

8.1 Experience has shown that certain consultation methods are more successful than others. With this in mind it is proposed that the following consultation opportunities should be put in place.

- Budget information leaflet - this will include detailed analysis of the budget, how the budget was financed and also provide details of local and national spending priorities.
- Telephone “Budgetline” (01563 576555) - Budgetline will be available 24 hours a day during the consultation period and can be used to request information or provide comments on the budget proposals.
- Internet Budget Mailbox - comments on the proposals can also be emailed to [budget2009@east-ayrshire.gov.uk](mailto:budget2009@east-ayrshire.gov.uk) where staff will be on hand to respond to the comments made.
- Consultation Meetings - it is proposed that meetings focussed on the portfolios of spokespersons be arranged with appropriate stakeholders. Spokespersons for the Management and Resources portfolio would have an interest in all these areas given their remit on the overall strategic budget position.

<b>Portfolio</b>	<b>Date</b>
Environment and Regeneration	tbc
Lifelong Learning	tbc
Community Wellbeing	tbc

- 8.2 The Head of Housing is proposing to meet with representatives from the Tenants Federation and other tenant and residents groups to consult on rent levels for 2009/10. It is also proposed that the spokespersons for Community Wellbeing would attend the meeting.
- 8.3 A Special Cabinet meeting would be arranged for Wednesday 11 February 2009 when the final budget proposals and rent levels, taking account of feedback received during the consultation period, would be presented to Elected Members.
- 8.4 The Special Cabinet meeting would make recommendations on the 2009/10 rent levels, the revenue estimates departmental resource allocations and the level of Council Tax to be considered by the Council at a special meeting on 12 February 2009. In previous years a common council tax setting date has been recommended by COSLA however it is unknown if this will be the case in 2009.

## 9 DRAFT TIMETABLE

The timetable that would result from the above proposals is set out below.

<b>ACTION</b>	<b>DATE</b>
Announcement of Grant by Scottish Government	Mid December 2008
Cabinet consider budget for consultation purposes	21 January 2009
Budget Consultation	21 January 2009 to 4 February 2009
Cabinet recommend budget and Council Tax level	11 February 2009 *
Council consider budget and set Council Tax level	12 February 2009 *

\* depending on the outcome of COSLA Leaders' discussions

## 10 RECOMMENDATIONS

Elected Members are asked to:

- (i) approve the strategy and timetable and consultation arrangements set out in this report; and
- (ii) otherwise note the contents of the report.

**Alex McPhee**  
**Executive Head of Finance and Asset Management**  
**7 November 2008**

### **LIST OF BACKGROUND PAPERS**

**Nil**

Any person wishing further information should contact Alex McPhee  
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