

EAST AYRSHIRE COUNCIL
CABINET - 24 JANUARY 2008
BUDGET 2008/09 – 2010/11

Report by the Executive Head of Finance & Asset Management

1 PURPOSE OF REPORT

- 1.1 To seek approval of a draft General Services Revenue Budget for 2008/09 to 2010/11 to be issued for consultation to all interested parties. The feedback received during the consultation process will be used to inform the Cabinet's final consideration of the Budget on 13 February 2008.

2 BACKGROUND

- 2.1 The Cabinet on 3 October 2007 approved a budget strategy and timetable which envisaged the Council meeting to set the level of Council Tax for 2008/09 on 14 February 2008. On 19 December 2007 a budget consultation strategy was approved by the Cabinet which sees the process beginning immediately after today's meeting.
- 2.2 The Scottish Government set out its Revenue Grant proposals on 13 December 2007.
- 2.3 The Capital Investment strategy was approved by the Cabinet on 19 December 2007.

3 GRANT SETTLEMENT

- 3.1 The grant settlement for 2008/09 to 2010/11 announced by the Scottish Government included a concordat with COSLA, signed by both parties, which included a number of other components including the delivery of Single Outcome Agreements (SOA) to show how the Council will achieve the Scottish Government's five Strategic Objectives which are designed "to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth." Specifically these are;

- 1 **Wealthier and Fairer** - Enable businesses and people to increase their wealth and more people to share fairly in that wealth.
- 2 **Healthier** - Help people to sustain and improve their health, especially in disadvantaged communities, ensuring better, local and faster access to health care.
- 3 **Safer and Stronger** - Help local communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life.
- 4 **Smarter** - Expand opportunities for Scots to succeed from nurture through to life long learning ensuring higher and more widely shared achievements.
- 5 **Greener** - Improve Scotland's natural and built environment and the sustainable use and enjoyment of it.

- 3.2 The concordat results in a significant reduction in ring fencing which should lead to reduced administrative effort in terms of reporting requirements and allow Councils to decide how to deliver these objectives using core services and taking account of local circumstances.
- 3.3 The format and content of Single Outcome Agreements has not been prescribed but it is apparent that the Council's Community Plan already covers all of the areas highlighted by the five Strategic Objectives. It would be of significant advantage if the Council's "One Council, One Plan" approach could be extended to the Single Outcome Agreement both in terms of enabling all Community Planning Partners to commit to the SOA very quickly and in minimising additional bureaucracy which might accompany a further set of performance management arrangements. In order to facilitate this it would be helpful if the skills, knowledge and experience of this area of work which the Head of Corporate Development and Communication has built up over a number of years could be available to the Council during the period when the SOA is being developed. To this end it is proposed that the decision of the Policy and Resources Committee of 23 November 2006 to delete this post from the establishment with effect from 1 April 2008 be deferred and the date extended to 30 June 2008.
- 3.4 The reduction in ring fencing means that the Council can allocate the totality of grant provided in a way that achieves the desired outcomes. In order to minimise any turbulence that could be caused by immediate changes in resource allocation however the draft budget proposes an allocation of funding related to previously ringfenced areas at a level equivalent to previously firm costed commitments at 2007/08 levels with anticipated adjustments where known. Departments will however now be free to utilise these funds in pursuit of agreed outcomes rather than in accordance with any national prescription. For years beyond 2008/09 such funds will not be separately identified and a review of spending against priorities will form part of the budget process.
- 3.5 The adjustments to base budgets are shown in the following table.

Description	£m
Delayed Discharges	0.415
Changing Childrens Services Fund	0.639
School Travel Co-ordinators	0.025
Supporting People Grant Adjustment to £7.609m in base budget	(0.328)
National Accommodation for Sex Offenders	0.031
Private Landlord Registration	0.036
Homelessness Task Force	0.752
Strategic Waste Fund Total based on bid to Scottish Government	0.751
ASB Neighbourhood Noise Grant	0.080
Community Safety Partnership	0.108
*Bus Route Development	0.038
*Demand Responsive Transport Grant	0.083
Total	2.630

**To be passed to Strathclyde Partnership for Transport*

- 3.6 The settlement also provided details of the baseline adjustments and these are highlighted in the following table

Description	£m
PPP Support	3.753
Determined to Succeed	0.467
Additional Teachers	0.218
Hostels Grant	0.118
Corporate Parenting	0.064
Copyright Design and Patenting Act	0.010
Gaelic Grant	
Adjustment to £0.153m in base budget	(0.010)
National Priorities Action Fund	
Adjustment to £6.475m in base budget	(0.114)
Forensic Science Transfer	
Adjustment to national distribution	(0.222)
Police Specific Grant	
Adjustment to national distribution	(0.330)
Probationary Teachers*	(0.324)
Working for Families*	(0.600)
Total	3.030

**Probationary teachers funding will be distributed once actual teacher numbers are confirmed and Working for Families funding will be distributed as part of the new Fairer Scotland Grant.*

- 3.7 The inclusion of previously ringfenced amounts in the Council's overall grant, whilst bringing welcome flexibility, also results in difficulty in identifying how certain funding streams have been incorporated. Any funding streams overlooked may only become apparent after the beginning of the new financial year and it is proposed that a contingency sum of £0.500m be held centrally to ensure that a limited provision exists for any currently unidentified commitments. The position will be reviewed in June 2008 and if no substantive issues become apparent by then the funds would be distributed to departments.

4 DRAFT BUDGET

- 4.1 The strategy previously approved required the budget set by the Council in February 2007 to be adjusted for a range of unavoidable cost increases including pay and prices.
- 4.2 The Strategic Self Assessment carried out as part of the Best Value Audit process identified a need to carry out a Strategic Review of the Revenue Budget (SRRB) and the Policy and Resources Committee agreed on 8 February 2006 to engage the services of Professor Arthur Midwinter to direct this process.
- 4.3 The overriding objective was to ensure that the Council's resources are appropriately deployed in furtherance of its Community Plan priorities. The Review has been completed and the final report by Professor Midwinter will be presented as a separate agenda item to this Cabinet meeting.
- 4.4 It is proposed that the recommendations of the report in respect of savings and additional spending are accepted and implemented over the four year period 2008/09 to 2011/12. As highlighted in the Professor's report this would allow additional teachers to be employed, enhance Social Work services and enable the deployment of environmental improvement teams (HIT Squads) across East Ayrshire. It would also make Community Health Improvement Project (CHIP Van) which is currently a fixed term project financed from the Community Rejuvenation Fund, part of our mainstream service.

- 4.5 There are four projects currently part-funded by the Community Regeneration Fund (CRF) which partners have evaluated as making a key contribution to Community Plan Priorities and therefore to the objectives of the future Single Outcome Agreement. These are the CHIP Van, the Recreation Partnership Project, New Sporting Futures and the EASY Project. The successor to the CRF, the Fairer Scotland Fund referred to at paragraph 9.1 below, will have ringfencing removed and be part of mainstream grant from 2010/11. There is however an opportunity in 2008/09 to secure ongoing match funding of £0.200m from NHS Ayrshire and Arran in respect of the CHIP Van and Recreation Partnership projects. It is proposed therefore that for 2008/09, in addition to the £0.100m secured as part of the SRRB for the CHIP project Council mainstream funding of £0.100m will be allocated to the Recreation Partnership Project. It will be proposed to the Community Planning Partnership that the balance of funding for all four projects be allocated from the Fairer Scotland Fund to enable them to become a permanent part of core services from 2008/09 onwards.
- 4.6 European Grant applications in respect of a number of projects including Energy Advice, Conduit/BTTC, East Ayrshire Woodlands and Job Rotation have been submitted and the outcome of these is awaited. If successful Council match funding of £0.300m will be required and it is proposed to hold this amount centrally meantime. If the bids are not fully achieved any funding not required will be available for distribution to departments.
- 4.7 It can be seen from the table at paragraph 5 that an efficiency savings target of £4.978m or 2¹/₄% is included for 2008/09. The continuous pursuit of efficiencies to release resources for priority areas is established practice within the Council and whilst these targets are challenging they are considered to be achievable without affecting the quality of essential services. Where a department requires to propose changes to policies or service levels to achieve the savings required such proposals will be presented to the Cabinet for approval.

Initial target savings areas will include;

- Procurement where a strategy is in place including electronic purchasing and the formation of a central Purchasing Unit to maximise savings potential;
- Absence Management where a sustained reduction in absence will allow staffing establishments to be reduced;
- Streamlining Bureaucracy initially from the removal of ringfencing but also from cross cutting reviews of services; and
- Energy usage as a result of investment in energy saving measures and continued staff training on energy management.

5 PROPOSED RESOURCE ALLOCATION

Service	Base Budget	Pay & Prices	Ringfenced Funds now Added to Baseline	Baseline Adjustments	Other Issues	SRRB Proposals	Total	Efficiency Targets
	£m	£m	£m	£m	£m	£m	£m	£m
Educational Services	101.746	3.549	0.639	3.990	-	0.307	110.231	2.463
Social Services	49.428	2.776	0.415	0.064	-	0.100	52.783	1.169
Neighbourhood Services	35.641	1.344	1.496	0.118	0.100	(0.261)	38.438	0.861
Police, Fire, AVJB & SPT	33.448	0.573	-	(0.552)	-	-	33.469	-
Corporate Support	12.610	0.833	0.080	(0.590)	-	(0.073)	12.860	0.288
Finance & Asset Management Service	49.861	1.099	-	-	-	(0.073)	50.887	0.197
Central Services	1.999	0.784	-	-	0.800	-	3.583	-
Other Non Departmental Items	15.990	1.757	-	-	-	-	17.747	-
Unallocated	-	-	-	-	2.000	-	2.000	-
Net Expenditure	300.723	12.715	2.630	3.030	2.900	-	321.998	-
Net Income	300.723						317.020	4.978

6 LOCAL PRIORITIES

6.1 A sum of £2.000m remains unallocated to allow Members to take account of local priorities. Executive Directors have identified a range of spending and demand pressures which it has not been possible to recognise in the budget. These issues together with feedback from the consultation process can be used to inform the decisions on the final allocation of this amount.

7 COUNCIL TAX

7.1 The Local Government Finance Settlement includes an element of grant which will only be made available to the Council if Council Tax levels are frozen at 2007/08 levels. The value of grant available for 2008/09 is £1.471m. To generate income in excess of this level a Council Tax increase of at least 3% would be required. It has been assumed for the purposes of consultation that no increase will be applied.

8 FUTURE YEARS' POSITION

8.1 Indicative budgets have been calculated for 2009/10 and 2010/11 and summary details are provided in the following table.

Service	2009/2010		2010/2011	
	Revenue Estimates	Efficiency Targets	Revenue Estimates	Efficiency Targets
	£m	£m	£m	£m
Educational Services	112.137	1.577	113.898	2.384
Social Services	53.751	0.756	55.157	1.154
Neighbourhood Services	38.587	0.543	39.133	0.819
Police, Fire, AVJB & SPT	34.533	-	35.385	-
Corporate Support	12.883	0.181	17.269	0.361
Finance & Asset Management	53.428	0.125	56.156	0.190
Central Services	6.102	-	6.281	-
Other Non Departmental Items	19.318	-	20.913	-
Net Expenditure	330.739	-	344.192	-
Net Income	327.557	3.182	339.284	4.908

8.2 In compiling these figures a range of assumptions have been made and given that work is continuing on the 2008/09 grant and the need to ensure alignment of spending decisions and the Community Plan/SOA priority areas it seems inevitable that these will change before February 2009. They illustrate however that there will continue to be a year-on-year requirement to achieve efficiency savings of at least 2% and departments should be encouraged to take a longer term view when identifying potential areas for savings.

8.3 It will be the case that Executive Directors will continue to identify departmental spending and demand pressures in these years and therefore the level of efficiency targets are likely to increase as these pressures are incorporated within the budget.

9 FAIRER SCOTLAND FUND

9.1 A new fund aimed at tackling poverty and deprivation has also been announced. The fund will total £145m per year for the next three years and replaces a number of current programmes including the Community Regeneration Fund, Working for Families, the Social Inclusion element of the Changing Children's Services Fund, Community Voices, Financial Inclusion, Workforce Plus and More Choices, More Chances. The fund is referred to Community Planning Partnerships and for 2008/09 is equal to the total previously allocated from all of the contributor funds. The distribution formula for the following two years draws on the Scottish Index of Multiple Deprivation (SIMD) and the resulting figures for East Ayrshire are £4.652m/£4.621m/£4.589m. The allocation is ringfenced for the first two years with ringfencing being removed in 2010/11 as SOAs are concluded. The previous requirement to focus spend on the most deprived 15% of SIMD datazones has been relaxed.

10 HOUSING RENTS

- 10.1 The strategy on rent levels, which was determined by the Housing Committee in April 2005, is to increase rents by the August Retail Price Index plus 1%. It is important in terms of meeting the Council's target of every house meeting the Scottish Housing Quality Standard by 2015 that the increased level of resources that this strategy generates is available to the Housing Service. For 2008/09 this would represent an increase of 5.1% or £1.637m. The strategy does not make allowances for generating any of these additional resources from efficiency savings.
- 10.2 The growth in the Building and Works budgeted surplus, which for 2007/08 is £2.265m, has been the subject of discussion both by elected members and by external agencies. It has grown from improved performance in Building and Works and there is a view that the Housing Revenue Account should share in the benefits from those improvements. It is proposed that the surplus should be reduced to around 5% of turnover over the next three years. It is estimated that this would result in a reduction in charges to the Housing Revenue Account of £0.300m in 2008/09. It is also proposed that the need to make efficiency savings should be extended to the Housing Revenue Account and requiring a 2¹/₄% saving in controllable budget lines would reduce costs by £0.082m. The value of additional resources which would need to come from a rent increase would therefore be reduced to £1.255m which equates to 3.9% or £1.83 over 52 weeks (£1.98 per week over the 48 week payment cycle). It is also proposed that Lock-Up rentals will increase by 20p per week and Garage Site rentals by £1.43 per annum but that a full review of charges, costs and options for these facilities be carried out and reported to the Cabinet by the Executive Director of Neighbourhood Services. The overall strategy has been the subject of consultation with tenant representatives and broad support has been expressed.
- 10.3 The increase will be applied to continue to improve the quality of the Council's housing stock and the environment in local housing areas, and to continue to support tenant involvement in decisions which affect their homes and neighbourhoods. The investment levels for 2008/09 for example will see 1,100 new kitchens and bathroom installations, 800 new central heating systems and over 600 new replacement windows

11 RESERVES AND BALANCES STRATEGY

- 11.1 Whilst no changes are proposed in respect of the Financial Reserves Strategy approved by the Policy and Resources Committee in May 2005, it is good practice for this to be clarified and approved as part of the budget process. The position is set out in appendix 1.
- 11.2 The position of the balances of these funds at 31 March 2007 together with the currently forecast movements in 2007/08 are shown below;

Fund	Balance at 31 March 2007	Net Change Forecast 2007/08	Forecast Balance at 31 March 2008
Statutory Funds	£m	£m	£m
Capital Fund	13.793	(5.500)	8.293
Renewals and Repair Fund	4.508	0.110	4.618
Insurance Fund	5.574	0.251	5.825
Total Statutory Funds	23.875	(5.139)	18.736
General Fund Balances			
Earmarked	14.771	1.577	16.348
Uncommitted	6.496	2.278	8.774
Total General Fund Balance	21.267	3.855	25.122

12 RECOMMENDATIONS

12.1 It is recommended that Members

- (i) Approve the proposals set out in this paper as a basis for consultation;
- (ii) Approve the Reserves and Balances Strategy set out in Appendix 1.
- (iii) Defer the deletion of the post of Head of Corporate Development and Communication to 30 June 2008.

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AMcP/JB

15 January 2008

LIST OF BACKGROUND PAPERS

NIL

Members wishing further information should contact
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RESERVES AND BALANCES

APPENDIX 1

FUND	SOURCES OF FUNDS	UTILISATION OF FUNDS
Capital Fund	Credited with all net capital receipts except where these are related to a specific project. For example any receipts arising from the Better School:Better Learning project would be used in furtherance of that project.	A significant element of the fund has been committed to the PPP project with the proceeds from surplus land released once the existing schools have been vacated being due to the fund. The five year Capital Investment Programme does not presently envisage any draw on the fund but its existence does help to keep external borrowing costs down. In view of the likelihood of a new round of school building funded by the proposed Scottish Futures Trust it is proposed that the fund be allowed to accumulate meantime.
Renewal and Repairs Fund	Credited with a proportion of trading services surpluses and other funds available at the Council's discretion. Past credits have come from HRA surpluses and savings in debt charges.	The fact that sums held are ringfenced for specific services means that utilisation of funds is proposed by the relevant service.
Insurance Fund	Credited with amounts available from time to time with the aim of creating a fund allowing reduced reliance on insurance.	Recent negotiations with insurers allowed premiums to be reduced without reducing cover. This may not be the case in future however and it is proposed that the fund be maintained at current levels with annual interest only being credited.
Departmental Balances	Departmental bottom line underspends not arising from windfall savings. "Windfall" savings include, for example, pay awards being less than budgeted. Such savings will be removed from departmental budgets during the year.	Available for use on non-recurring or fixed term projects or to assist in aligning services with resources available over the three year budget period. Departments should hold no more than 4% of revenue expenditure by the end of the three year period. Accordingly where balances significantly in excess of this are held and not identified for future anticipated liabilities or projects, the Cabinet may consider transfer of the excess to the uncommitted General Fund balance for use in other areas. An annual review of departmental balances will be carried out following the audit of accounts.
General Fund Balances	Year end underspends not attributed to departmental balances.	Value to be between 2% and 4% of annual budgeted expenditure although it may be prudent from time to time to build up funds in excess of the minimum level to meet known or predicted liabilities, for example in relation to Equal Pay.. Funds in excess of this could be made available for one off expenditure items or fixed life projects