

EAST AYRSHIRE COUNCIL

CABINET - 3 OCTOBER 2007

BUDGET 2008/09 – 2010/11 DRAFT TIMETABLE AND OUTLINE STRATEGY

Report by the Executive Head of Finance & Asset Management

1 PURPOSE OF REPORT

- 1.1** To allow Members to consider the strategy for the preparation of the Council's next three year revenue budget and five year Capital Plan.

2 BACKGROUND

- 2.1** It is important for council tax payers that council tax bills for 2008/09 can be calculated and issued in time for the first payment in April 2008. To achieve this it would be necessary for the Council to determine departmental revenue and capital allocations and set the Council Tax for 2008/09 during week commencing 11 February 2008. 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 10 below. Work on calculating the ongoing costs of current service levels including the impact of inflation and known pressures facing services in 2008/2009 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 much later than usual due to the revised Spending Review 2007 timetable which was announced by the UK Government earlier in the year. The Circular provides comprehensive details of the funding which East Ayrshire Council will receive in 2008/2009 and should also include initial values for 2009/10 and 2010/2011. Accurate estimates of future grant levels are important in formulating the three year budget. It is anticipated that the information will be available around 19 December 2007.
- 3.3** It is proposed that the Cabinet considers the final budget position and recommends the resource allocations and council tax levels to the Council should continue. As indicated at 2.1 above this would mean a Cabinet recommendation in the week commencing 11 February 2008 followed by a Council meeting later that week to consider approval.

- 3.4** As Members will be aware work on the Strategic Review of the Revenue Budget (SRRB) is ongoing and is intended to influence the 2008/2009 Revenue Estimates process. It is proposed that a progress report be presented to the Cabinet on 24 October 2007 with a final report on the outcome of the SRRB exercise being presented to Cabinet in December including options for service changes resulting in savings and the reallocation of these resources in line with Community Plan priorities.

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 8 February 2007, 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 & Works and Roads Contracts) in line with the method previously approved by the Policy & Resources Committee which reflects the relative impact of pay and general prices increases on the service.

4.2.4 Unavoidable Cost Increases

This will include, for example, full year costs of initiatives implemented during 2007/08 and longer term issues previously agreed.

4.2.5 Strathclyde Partnership for Transport & Joint Boards

Strathclyde Partnership for Transport, together with the Joint Boards for Police, Fire and Valuation will provide indicative levels of required funding for 2008/09. However they are unlikely to be able to confirm these until the overall grant settlement is provided by the Scottish Government.

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

Energy budgets were inflated in 2007/08 to reflect increases in the supply costs following the renewal of the contract by ABC. Consequently budgets will reflect the current pricing regime in place for 2008/09.

5 SHARED NATIONAL/LOCAL PRIORITIES

- 5.1** Whilst the three year 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 national 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

Efficiencies can fall into two definitions.

- Cash releasing efficiency gains are where an efficiency measure generates actual cash saving to the Council by delivering the same service with less money.

- Non-cash or time releasing efficiency gains are efficiencies where Council services deliver additional or higher quality services with the same money. be counted as non-cash gains. The quantification of these can be difficult to measure.

It is important that the Council continues to pursue progress not only in the defined areas but also across all areas where both categories of efficiency can be identified.

- 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.

8 CAPITAL PLANNING

- 8.1** It is proposed that a five year capital plan be put in place covering 2008/09 to 2012/13. Experience has shown that new-build projects can have a long lead time from initial concept to design, planning, tender and construction. A five year programme that takes account of design and building resources available both internally and externally over that period will ensure that project time-lines are achievable.
- 8.2** The draft Capital Plan will take account of the physical condition of the Council's assets, equality of access issues arising from, for example, Disability Discrimination legislation, the effects of anticipated demographic change and service aspirations. In preparing the document for consideration by the Cabinet at the beginning of December, consultation will take place with appropriate portfolio holders and the Corporate Management Team. Final approval of years 2 to 5 of the plan may need to be delayed until the grant settlement is known.

9 CONSULTATION

- 9.1** Experience has shown that certain consultation methods are more successful than others and options for this are currently being identified and assessed. Proposals will be brought for Cabinet consideration on 5 December 2007.

- 9.2** Consultation will only be appropriate once grant levels are known and Members initial priorities have been determined. Consequently it is proposed that the consultation period should run from 16 January 2008 until 7 February 2008 with the Cabinet meeting of 13 February 2008 finalising the budget taking account of feedback received during the consultation period.

10 DRAFT TIMETABLE

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

| ACTION | DATE |
|---|------------------------------------|
| Progress Report on the Strategic Review of Revenue Budget | 24 October 2007 |
| Cabinet consider Draft Capital Plan | 5 December 2007 |
| Cabinet consider Strategic Review of the Revenue Budget | 5 December 2007 |
| Cabinet consider Budget Consultation arrangements | 5 December 2007 |
| Announcement of Grant by Scottish Government | 19 December 2007 |
| Cabinet consider budget for consultation purposes | Early January 2008 |
| Budget Consultation | 16 January 2008 to 7 February 2008 |
| Cabinet recommend budget and Council Tax level | Week Commencing 11 February 2008 |
| Council consider budget and set Council Tax level | Week Commencing 11 February 2008 |

11 RECOMMENDATIONS

Elected Members are asked to:

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

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18 September 2007

LIST OF BACKGROUND PAPERS **Nil**

Any person wishing further information should contact Alex McPhee
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