

## **EAST AYRSHIRE COUNCIL**

### **POLICY AND RESOURCES COMMITTEE – 28 JANUARY 2004**

#### **DRAFT ESTIMATES 2004/05 and 2005/06 - GENERAL SERVICES**

#### **Report by the Director of Finance**

### **1 PURPOSE OF REPORT**

- 1.1** To seek, as a basis for consultation only at this stage, the approval of Members of the Draft Estimates 2004/05 and 2005/06 for General Services which will enable the Council to consult on the budget strategy prior to the declaration of the Council Tax for 2004/05 on 12 February 2004.

### **2 TIMETABLE FOR COMMITTEE AND COUNCIL CONSIDERATION**

- 2.1** From experience it is clear that the most effective means of consultation is the telephone “budgetline” and internet forum and it is proposed that these be put in place by the Director of Corporate Resources. It is proposed that a Special Policy and Resources Committee Meeting be arranged for 12 February 2004 to finalise the budget taking account of this feedback.
- 2.2** That meeting would make recommendations on departmental resource allocations and council tax levels to be considered by the Council at a special meeting later that day which is the common council tax setting date recommended by COSLA.

### **3 DRAFT ESTIMATES 2004/05 and 2005/06**

It is proposed that the following issues be taken into account in formulating the draft budget for consultation purposes.

#### **3.1 Base Estimate**

The departmental Revenue Estimates for the current year as approved by the Council on 13 February 2003 will be used as the base for 2004/05.

## **3.2 Additional Resources**

Additions will be made to the Base Estimate to take account of the following issues:

### **(a) Pay Inflation**

National negotiations are ongoing and an allowance for pay awards will be included in departmental allocations as will provision for known changes to employers pension contributions, the estimated cost of annual increments and provision for costs arising from the implementation of single status.

### **(b) Price Inflation**

In common with previous years it is proposed that price inflation will only be applied to areas where there is a specified contract requirement to increase prices.

### **(c) Trading Services Contracts**

This committee agreed on 1 February 2002 the basis on which client charges should be increased. The methodology takes account of the relative impact of pay and price increases. Onsite Services have indicated that they are in the process of agreeing a contract variation following research which showed that the relative weighting of pay to prices had changed.

### **(d) Strathclyde Passenger Transport and Joint Boards**

Strathclyde Passenger Transport and the Joint Boards for Police, Fire and Valuation have provided indicative figures for 2004/05 and 2005/06. Any amendments to these will be taken account of prior to finalising the overall budget.

### **(e) Debt Charges**

Debt charges will take account of the additional costs arising from the Council's capital programme as well as forecast interest rates and will be net of savings secured from debt rescheduling.

### **(f) Prudential Framework for Capital Finance**

The replacement of Section 94 Capital spending controls with the new Prudential Framework means that certain repairs related expenditure which could previously be charged to Capital is now classified as Revenue. Every effort will be made to limit the impact on the Revenue budget whilst maintaining current repairs spending levels.

### **3.3 Shared National/Local Priorities**

The three year grant settlement indicated that an allocation had been made to enable certain shared priorities to be taken forward by councils. This includes additional resources to take account of the costs of the McCrone review of teachers' pay and conditions which have been fully allocated to Education in line with previous practice. Cognisance has been taken of any additional legal commitment highlighted by individual departments from their knowledge of impending new national initiatives.

The Scottish Budget published in September 2003 for 2004/05 and 2005/06 included reference to a number of new issues for which funding may be forthcoming. It is proposed to add these to the relevant departmental budgets once the level of individual council funding is confirmed.

The allocation of Quality of Life Funding for 2003/04 to 2005/06 was determined by this committee in February 2003.

### **3.4 Better Neighbourhood Services Fund (BNSF) and Social Inclusion Partnership (SIP) Projects**

It is assumed that an appropriate exit strategy is in place for all projects funded by BNSF and SIP and no allowance has been made for continuation funding outwith these sources and their successors in future years.

### **3.5 Revenue Consequence of Capital Expenditure**

Capital schemes can result in ongoing revenue consequences. Unless specific approval of the revenue consequences was granted by the Policy and Resources committee no cognisance of these costs has been included. It is assumed that departments or service committees will reprioritise existing resources if required.

### **3.6 Trading Services**

Business plans are currently being prepared and figures have been included based on performance in previous years. The figures from approved business plans will be included when available. Members will be aware that property maintenance contracts are subject to renewal from June 2004 and it is proposed that a review of the Building and Works business plan and the effect on the General Fund be carried out once final contract prices are known.

### **3.7 Expenditure Reductions**

The national grant settlement anticipates that councils will make year on year expenditure reductions by increasing efficiency or reconfiguring services. The Scottish Executive has indicated that they expect this of all public bodies including their own civil service departments.

In order to reflect the Council's priorities it is proposed that a lower level of expenditure reduction targets be required in Education and Social Work

budgets. There is a presumption that in all departments administration costs will be examined before any effect on existing services is considered. Gains may be able to be made through management action; where any modification to existing policy for service delivery is envisaged then this will be a matter to be considered and determined in the first instance by the appropriate service committee.

The proposed levels of expenditure reduction targets are shown below. These are in addition to savings arising from the recent Council restructuring which are offsetting the costs of the Chief Officers Salary Review.

Service	Expenditure Reduction Target	
	2004/05	2005/06
Education	3.3%	3.2%
Social Work	3.3%	3.2%
Community Services	4.6%	4.4%
Development Services	4.6%	4.4%
Central and Corporate Services	4.6%	4.4%

### **3.8 Council Tax**

The Council announced indicative Council Tax levels for 2004/05 as part of last year's budget. An increase of 4.9% was proposed for each year and this has been included in the draft budget for planning purposes. Estimated changes in house numbers, discounts and exemptions based on past experience have also been taken account of. Further consideration of this will be undertaken following the consultation exercise.

### **3.9 Government Grant**

Although a three year grant settlement was announced for 2003/04 to 2005/06, there have been a number of adjustments since the announcement and changes made to how certain grants are distributed. The effects of these based on information in Finance Circular 6/2003 have been incorporated. Housing Benefit (HB) and HB Subsidy Grant is based on an assumption, for planning purposes only, of increases in Council Tax and Rent of 4.9%. The final figure for these lines will be adjusted when the actual increases are determined by the Council.

### **3.10 Contingency Fund**

In line with the practice adopted in previous years the draft budget proposed includes a contingency fund of £0.550m. The sum of £0.100m was allocated to Education from the contingency during the current year for Special Educational Needs Outplacement costs. It is proposed that this remains in the Education budget rather than in contingency. The breakdown of the proposed contingency fund is shown overleaf;

Service	Description	Amount £M
Social Services	A sum within the contingency fund will be ring-fenced to provide for any unforeseeable pressures in relation to accommodating children beyond the existing budget provision	0.050
Development Services	A sum will be set aside within the contingency fund in order to provide cover for road maintenance in the event of a severe winter	0.100
Other Issues	A general contingency will be set aside to off-set currently unpredictable additional expenditure which may arise during the year	0.400
<b>TOTAL</b>		<b>0.550</b>

### 3.11 Net Position

The table below illustrates the draft allocation to departments based on the above and after expenditure reductions. It will be noted that for all front line service departments the position for next year would be one of having an overall budget increase well above the current rate of inflation by comparison with this financial year

Service	Allocation 2003/04 £m	Proposed Draft Allocation 2004/05 £m	Percentage Increase %	Proposed Draft Allocation 2005/06 £m	Percentage Increase %
Education	79.848	87.265	9.3	89.888	3.0
Social Work	36.686	38.259	4.3	39.082	2.2
Community Services	43.622	45.205	3.6	47.074	4.1
Development Services	12.174	12.820	5.3	13.044	1.7
Central and Corporate Services	11.961	12.269	2.6	12.443	1.4
Other Non-Departmental Items	62.967	70.458	11.9	73.374	4.1
Net Expenditure	247.258	266.276	7.7	274.905	3.2
Net Income	247.258	267.351		276.668	
		-		(1.075)	
Surplus/(Deficit)		1.075		0.688	

*“Other Non-Departmental Items” includes Insurance, Debt Charges, Supporting People, Technical Services and Repairs Accounts and Housing & Council Tax Benefit Payments.*

**3.12** It should be noted that the figures shown are prepared for consultation and discussion only. At this point there are budget surpluses of £1.075m and £0.688m in relation to 2004/2005 and 2005/2006 respectively. However there are a significant number of general assumptions included and departments continue to refine their figures. The position may be subject to change before the budget is finalised therefore.

### **3.13 Reserves and Balances**

A note of uncommitted Reserves and Balances held by the council is shown in Appendix A. The proposed strategy will not involve any change to these levels.

### **3.14 Council Restructure**

Budgets have been prepared in line with the present Council departmental structure. The necessary amendments will be made once the final effects of the restructure are known.

## **4 RECOMMENDATIONS**

It is recommended that the Committee: -

- 4.1** approve, as a basis for consultation, the foregoing estimates;
- 4.2** note the outline timetable for finalisation of the budget as detailed in Section 2 of the report;
- 4.3** otherwise note the contents of this report.

Alex McPhee  
**Director of Finance**  
AMcP/DMW  
21 January 2004

### **LIST OF BACKGROUND PAPERS NIL**

Members wishing further information should contact Alex McPhee, Director of Finance, Tel: (01563) 576300.

## APPENDIX A

### Reserves and Balances

Recently published CIPFA guidance requires the inclusion of certain information on balances and reserves in reports to Members on the budget process and this is shown below.

Audit Scotland has previously indicated that Councils should have a revenue balance sufficient to cope with unforeseen events and it is generally accepted that a target level is 2% of net expenditure which would amount to £4.5m for this Council. The Council's own External Auditor has also indicated that the current balance level of £1.524m should be increased. The currently projected position is that this balance may increase slightly by the year end. Whilst at this stage there is no proposal to budget to increase the balance, all opportunities which would allow it to be enhanced should be taken. In addition to the General Fund Surplus referred to above the Council holds statutory reserve funds for Renewals and Repairs, Insurance and Capital.

#### **Renewal and Repairs Fund**

The balance on the account is £1.225m arising from appropriations from the Housing Revenue Account (£0.907m) and from Trading Services (£0.318m). Withdrawals from the fund require the authority of the Policy and Resources Committee. There are no specific plans in the budget either to utilise or to increase the level of the balances.

#### **Insurance Fund**

The Insurance Fund is used to pay insurance premiums and policy excesses. The size of the fund is governed by the level of premiums charged by the Council's insurers and the level of policy excess accepted. The longer term strategy is to increase the levels of self insurance and excesses and so reduce insurance premiums paid. It would not be prudent to do this before having some assurance on our ability to control losses. The new CCTV monitoring centre for example will assist in achieving that.

#### **Capital Fund**

Capital Receipts from the sale of Council property are credited to the Capital Fund and can be used to enhance the Council's Section 94 capital spending limit on a spend to save basis. Under the Prudential Framework from April 2004 this arrangement is no longer necessary. It is proposed that capital receipts should continue to be credited to the fund however and the availability of the fund taken account of in the Council's future overall capital investment financing decisions.

Fund/Reserve	Forecast balance at 1 April 2004	Planned Net Additions/(Withdrawals )	Forecast balance at 31 March 2005
General Fund Surplus	1.524	Nil	1.524
Renewal and Repairs Fund	1.225	Nil	1.225
Insurance Fund	1.358	Nil	1.358
Capital Fund	1.957	0.900	2.857