

# EAST AYRSHIRE COUNCIL

## POLICY AND RESOURCES COMMITTEE – 29 NOVEMBER 2001

### DRAFT ESTIMATES 2002/03 - 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 2002/03 for General Services which will enable the Council to consult on the budget strategy prior to the declaration of the Council Tax for 2002/03 on 14 February 2002.

## 2 TIMETABLE FOR COMMITTEE AND COUNCIL CONSIDERATION

- 2.1 It is proposed that the arrangements for public consultation are similar to those put in place last year. At the conclusion of the public consultation exercise a Special Meeting of the Policy and Resources Committee would be convened on 1 February 2002 for the purpose of considering a report on the outcome of the consultation.
- 2.2 Following that meeting, Service Committees would be asked to note the budget allocation and confirm their acceptance of these to a further Special Meeting of the Policy and Resources Committee which will take place on 13 February 2002, prior to the Council setting its budget at a Special Meeting on 14 February 2002.

Time	Date	Committee
	1 February 2002	Policy and Resources (Special)
	4 – 8 February 2002	All Service Committees to convene Special Meetings
1000 hours	13 February 2002	Policy and Resources (Special)
1000 hours	14 February 2002	Special Meeting of the Council

- 2.3 The submission of any alternative budget options, which will require to be costed if they are to be considered within the timetable for the budget process, should be made to the Director of Finance by 25 January 2002. Any alternative proposals which increase expenditure, would require to be accompanied by a proposal for a counter-balancing reduction in expenditure or increase in income.

## 3 DRAFT ESTIMATES 2002/03

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 will be used as the base for 2002/03.

### 3.2 **Additional Resources**

Additions will be made to the current year estimates to take account of the following issues:

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

Pay awards have largely been agreed up until 2003/04. Draft Salaries and Wages budgets have been enhanced by the estimated cost of these.

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

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

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

Client Charges require to be increased at the level of the November Retail Price Index or any Trade Related Index specified in the contract. The November RPI has been estimated at 2.3%. The final budget will be amended to take account of the actual value.

#### **(d) Joint Boards**

The Joint Boards for Police, Fire, Passenger Transport and Valuation have provided indicative figures for 2002/03. Uncertainty surrounds the likely cost of the free concessionary travel scheme to be introduced in October 2002. At present it has been assumed that the sum indicated by the Scottish Executive and included in the grant settlement will be sufficient and that in the event that it is not, additional funding would be forthcoming from the Executive. Any amendments to draft figures provided by the Boards will be taken account of prior to finalising the overall budget.

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

Debt charges take account of the additional costs arising from the Council's capital programme as well as forecast interest rates for 2002/03 and are net of savings secured from debt rescheduling.

#### **(f) Insurance**

Following the terrorist attacks in the USA on 11 September, our brokers and insurers have indicated that an uplift in premiums of at least 30% is likely next year. This minimum position has been included in the draft budget. Better information may become available before the budget is finalised.

**(g) McCrone Review**

Additional resources are included in the grant settlement to take account of the costs of the McCrone review of teachers' pay and conditions. This is reflected in the draft estimates.

**(h) Single Status**

Anticipated additional costs arising from the reduction in the working week from 38 to 37 hours from April 2002 have been included. It is assumed that any other issues arising from single status which may be introduced during 2002/03 will be self-financing.

**3.3 Shared National/Local Priorities**

The grant settlement indicated that an allocation had been made to enable certain shared priorities to be taken forward by councils. These have been taken account of in building up departmental allocations as follows;

<b>Department</b>	<b>Initiative</b>	<b>Estimate £m</b>	<b>Total £m</b>
Educational Services	New Community Schools	0.200	
	Adult Literacy	0.191	
	Psychological Services	0.010	
	Special Teachers	0.060	
	Child Poverty	0.049	
			<b>0.510</b>
Social Services	Services for Home Based Elderly	0.125	
	Services for People with Disabilities	0.093	
	Other Social Work Services	0.012	
	Carers Services & Respite Care	0.024	
	Learning Disabled Hospital Discharges	0.422	
			<b>0.676</b>
Community Services	Waste Disposal	0.056	
	Access to the Countryside	0.046	
			<b>0.102</b>
Development Services	Concessionary Fares	0.490	
			<b>0.490</b>
Homes & Technical Services	Supporting People	0.116	
			<b>0.116</b>
<b>TOTAL</b>			<b>1.894</b>

**3.4 Trading Services**

The budgeted surplus from trading services has been adjusted only for the effect of the reduced working week highlighted at paragraph 3.2(h) above. Additional pressures may be created for some business units by the effect of the flat rate element of the pay award for the coming year. Business plans for 2002/03 are currently being prepared taking these and other issues into account and more accurate values will be inserted once these are available

### 3.5 **Efficiency Gains**

The national grant settlement anticipates that councils will make year on year efficiency gains. 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 efficiency gains be skewed towards central support departments and away from front line services. Similarly in front line service departments there would be a presumption that administration costs would be examined before any effect on existing services was 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 efficiency targets are shown below.

<b>Service</b>	<b>Efficiency Target</b>
Education	1.25%
Social Work	1.25%
Community Services	2.00%
Development Services	2.00%
Central and Corporate Services	3.25%

### 3.6 **Council Tax**

The Council announced indicative Council Tax levels for 2002/03 and 2003/04 as part of last year's budget. An increase of 4.9% was proposed for each year. This has been included in the draft budget. Anticipated changes in house numbers have also been taken account of.

### 3.7 **Government Grant**

Although a three year grant settlement was announced last year there have been a number of adjustments during the year and changes to how certain grants are distributed are also likely to affect the final settlement for 2002/03. It is likely that this will be announced before the end of the calendar year.

### 3.8 **Use of Balances**

The £0.5m surplus from last year has been incorporated in the figures. Current projections for this year indicate that a break-even position for the year is likely. Good housekeeping for the remainder of the year may improve this position. At this stage the proposals do not provide for any contingency fund. Audit Scotland has 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 or £3.7m for this council. This may be an area for future consideration by Members.

### 3.9 Net Position

The table below illustrates the draft allocation to departments based on the above and it will be noted that for every department the current 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. These figures would be further improved by the allocation of any final surplus available.

Service	Allocation 2001/02 £m	Proposed Draft Allocation 2002/03 £m	Percentage Increase %
Education	69.898	72.806	4.16
Social Work	26.023	27.405	5.31
Community Services	37.969	39.607	4.31
Development Services	9.220	9.938	7.79
Central and Corporate Services	45.228	46.636	3.11
<b>Net Expenditure</b>	<b>188.338</b>	<b>196.396</b>	<b>4.28</b>

[Appendix 1](#) shows the detailed effect of the above assumptions and proposals. At this point the illustrative surplus figure of £0.751m would potentially be available for allocation to address local priorities. It may be that the usage of the final value of any surplus could be determined after the public consultation process is complete to ensure that the views of consultees can be taken into account.

## 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 Committees and the Council as detailed in Section 2 of the report; and
- 4.4 otherwise note the contents of this report.

Alex McPhee  
**Director of Finance**

AMcP/DMW  
 20 November 2001  
 ENC (1)

### LIST OF BACKGROUND PAPERS NIL

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

**AGENDA**