

Agenda Item

Report to:	Eastbourne Area Committee
Date:	13 February 2002
By:	Director of Corporate Resources
Title of report:	County Council Budget 2002/03
Purpose of report:	To enable views to be conveyed to the County Council to inform the budget decision-making process
RECOMMENDATION	
To note the report	

1. National Settlement Proposals

1.1 The Government approved its Revenue Support Grant Settlement for 2002/03 on 30 January 2002. Total local government spending for 2002/03 has been set at £60.591 billion, an increase of 7.0% over the current year on a like-for-like basis.

1.2 The Government's contribution through grants and business rates will be £47.4 billion, a rise of 7.5%. This includes a substantial increase of 15.7% in specific grants and 5.3% in Standard Spending Assessments (SSAs). The income raised from council tax is, nationally, assumed by Government in the settlement to increase by 5.2%.

1.3 The Settlement is broadly in line with the three year Spending Review announced in July 2000. There have been some changes to local authority functions and these have been adjusted for. The most significant relate to:

- Reduction in the Education SSA to reflect transfer of the funding of post-16 education to the Learning and Skills Council (LSC). This funding comes in the form of specific grants;
- Reduction in the Social Services SSA to reflect the transfer of responsibility for the Inspection Service to the National Care Standards Commission;

· New specific grants to reflect the transfer of responsibilities to Social Services for preserved rights, etc.

1.4 There are no methodology changes, but updated data has been used. For instance, the latest information available has been used to calculate the South East Area Cost Adjustment (ACA). For 2003/04, there remains the very real likelihood that Government will significantly alter ACA, which may, in all probability, seriously disadvantage East Sussex.

1.5 The system of 'floors and ceilings' has been extended this year. It provides assurance of minimum and maximum increases in Government support through RSG and business rate allocations to local authorities. Under this scheme Education and Social Services authorities will receive a minimum increase of 4.0% and a maximum of 7.0%. Last year authorities within the range had their grant scaled down in line with the total amount of money available, but this year the Government has provided additional funding to avoid having to do this.

1.6 No capping rules have been announced for 2002/03, but the Secretary of State has reserve powers. These enable him, if he so wishes, to look back over two or more years when deciding whether a council's budget requirements have been 'excessive'. He may then limit that year's budget or future budgets.

1.7 The Council Tax Benefits Subsidy Limitation (CTBSL) scheme has been abolished for next year and, more significantly, its cost has not fallen on revenue support grant.

1.8 The Final Settlement SSA for East Sussex in 2002/03 is £373.452m, made up as follows:

East Sussex County Council	2001/02	2001/02	2002/03	Increase	
	Original	Adjusted	Final	on adjusted	
Standard Spending Assessment	£000	£000	£000	£000	%
Education	197,735	188,172	200,595	12,423	6.6
Social Services	90,813	89,558	94,084	4,526	5.1
Fire	14,797	14,797	15,408	611	4.1

Highway Maintenance	17,417	17,417	17,722	305	1.8
EPCS*	25,544	25,666	26,815	1,149	4.5
Capital Financing	17,193	17,162	18,828	1,666	9.7
Total	363,499	352,772	373,452	20,680	5.9

* Environmental, Protective and Cultural Services

Within EPCS, the SSA element for flood defence has increased by 5.7%

1.9 The increase over our adjusted SSA for 2002/03 is £20.680m or 5.9%. Among the 34 county councils, the range of increases is 4.9% to 7.0%. The average for all counties is 6.1%. The differences reflect the relative mixture of services and data changes on authorities.

1.10 Based on the provisional SSA, the County Council will receive revenue support grant and business rates allocations from central government totalling £252.9m, compared with the adjusted figure of £238.9m in the current year, an increase of 5.9%. As a result there is no benefit from the 'floors' proposal, nor penalty from the 'ceilings' proposal within the scheme.

2. Cabinet's Budget Proposals

2.1 The summary in Annex A shows the budget position reflecting the proposals of the County Council's Cabinet. Annex B details the savings and additions, as well as a summary of the increase in the Education budget.

2.2 In Annex C is a commentary from each Chief Officer setting out what the budget for their portfolio will allow them to deliver and an overview of the impact of the budget savings.

2.3 To meet the reduction requirement in the reconciling Policy and Resources initiative, portfolios have had to find some £8m of savings outside Education. The Council will, however, be increasing spending by some £23m or 6.1% at the budget level of £403.6m summarised in Annex A.

3. Outstanding Risks

3.1 The following table shows an assessment of potentially unavoidable pressures and other issues together with Cabinet's proposed allocation against each.

	Risk Range			Proposed Allocation
	£000			£000
Fridges – more stringent disposal requirements	400	-	700	550
	300	-	500	45
Library standards	0	-	500	300
Preserved Rights shortfall	100	-	150	100
	50	-	250	50
New Rights of Way legislative requirement	200	-	300	200*
	0	-	210	210
Structure Plan requirements				
Passenger Transport contracts – re-negotiation demands				
Members’ allowances – report of independent panel				

	1,040	-	2,610	1,455
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* one-off

3.2 In addition, single status remains a significant issue and it is proposed that £400,000 be set aside towards implementation costs. There are, of course, other risks, in addition to the above, which may emerge during the year (for example, pay awards exceeding 3.5%) and Cabinet has proposed that a corporate contingency of £500,000 be established to cover new and unforeseen events.

4. Additional Flexibility

4.1 The Lead member for Corporate Resources, on behalf of the Cabinet, will make final budget proposals, including the proposed level of council tax, to the County Council on 19 February. To date, Cabinet has indicated that a council tax rise in line with Government expectations at 5.2% would be recommended. As stated above, the CTBSL scheme has been abolished and this has given additional flexibility. A significant element of this additional flexibility flows from the fact that the County Council is currently contributing some £2m towards the CTBSL scheme. In addition the council tax base and our share of council tax surpluses, now confirmed by the districts, are higher than planned originally.

4.2 On the assumption that a council tax increase of 5.2% is proposed for next year, the current position is as follows:

	Net Budget
Current (2001/02) Adjusted Base	£000
(a) Increases proposed by Cabinet so far	380,517
(b) Additional flexibility at 5.2% Council Tax increase	23,081
	2,187
Net Budget Requirement	405,785

4.3 The additional flexibility amounts to some £2.2m and, as stated above, proposals will be made to the County Council on 19 February 2002 about its use.

5. Committee's Views

5.1 Any views from this meeting will be conveyed to Members of the County Council as part of the decision-making process.

SEAN NOLAN

Director of Corporate Resources

Annex A	Budget Summary
B	Savings/Additions Summaries
C	Chief Officers' Commentaries

Chief Officers' Commentaries

Annex C

Chief Executive's Department

The key policy steers for the Department are to:

- ensure the overall functions of the County Council are effectively co-ordinated and managed, the County Council is appropriately advised on policy matters and its policies effectively implemented, and its Leader and Chairman are effectively supported;
- strengthen our approach to Organisational Development and improve the productivity, performance and motivation of staff. This work involves more robust Performance Management and Strategic Planning as well as Human Resource strategies to ensure we have appropriate staff with appropriate skills;
- develop effective community planning processes which will engage other partners in the delivery of the County Council's priorities and rationalise the current network of partnerships;
- raise the economic performance of the county by implementing the new strategic approach to Economic Development combined with Bidding and European work;
- deliver necessary resource reductions to achieve corporate targets whilst achieving the policy steers above.

Work is underway to develop proposals that will achieve these objectives and includes:

- personnel functions (strategic and departmental support) being reviewed across the whole County Council rather than a limited focus on the strategic function within the corporate departmental team. (Such an approach is being taken for all support services- ie, property, finance, IT and communications.) There is very little scope for any savings in the corporate personnel team looked at in isolation without seriously comprising the County Council's ability to fulfil its statutory requirements and manage its staff effectively;
- a rigorous review of departmental administrative and support budgets has been undertaken and savings will be achieved, albeit with an impact on the strategic planning capacity of the Authority. The use of more innovative working methods and reduction to statutory minimums in relation to the production and publication of Best Value documentary requirements will also deliver cost reductions;

- creation of the new Strategic Economic Development Team and incorporate the work of the Corporate Bidding team and Europe Office. Cabinet agreed in July a rigorous saving target for this area of work of up to £250,000 pa, although it is recognised this was unlikely to be achieved in one year. It is, however, likely to be an area from which significant resource reductions will be achieved;
- community planning processes, particularly involvement with at borough and district level and the development of the East Sussex Strategic Partnership, is being focused on activities which will engage other partners in the delivery of the County Council's priorities and rationalise the current network of partnerships.

Corporate Resources

Background

1. The Directorate covers three main areas, namely Finance, ICT and Property. Each of these functions impacts on the whole organisation. In the case of Finance, there is a statutory obligation, vested in the Director of Corporate Resources, to ensure sound financial management. In addition, by varying degrees, each department has complementary support services within its own directorate.
2. The Cabinet's initial policy steers for the Directorate place great emphasis on securing sound security and finances linked to policy objectives and robust forward planning, efficient and effective ICT across the Council and efficient and effective property management - again across the whole Council.

Overview

3. The resources deployed mainly consist of staffing. Reductions of the scale envisaged will inevitably require staffing reductions with consequent redundancies.
4. Overall, reductions will weaken the ability of the Directorate to secure the policy steers and will reduce the flexibility to respond to corporate initiatives (for example, scrutiny) and change management (for example, re-procurement and outsourcing initiatives).
5. The exercise has brought into sharp relief the need to consider how best Finance, ICT and Property services should be managed and configured across the Council.
6. In terms of applying savings as far as possible efforts would be made to limit the impact on core financial planning and control (including audit). The scope for flexibility is, however, very limited.

Finance

7. Reductions would inevitably involve some weakening in financial control and co-ordination with CRD finance and a weakening in financial support to Transport & Environment and Education Directorates. This would be at a time when the need for robust and proactive financial support, control and planning across the organisation has never been greater.
8. There will be opportunities for some efficiency savings and these will be taken.
9. The reductions, if taken, would also impact upon the ability of the Directorate to respond effectively to support for Best Value and financial advice and support to major re-tendering and outsourcing exercises. These are expected to grow in future.

ICT

10. Again, some efficiency savings will be taken. This is, in particular, around current contract client arrangements. Beyond that, however, reductions of the scale envisaged will impact on the ability of the Directorate to respond effectively to the imminent ICT re-procurement exercises as well as moving the Implementing Electronic Government agenda forward generally.

11. Another vital aspect of the Directorate's work is around support and maintenance of the Council IT networks (including PC support). Reductions will inevitably impact on response times and development initiatives. Of particular concern will be the fact that this will be happening at the same time as increased support will be required for the roll out of the intranet project.

Property Services

12. This is an area already under pressure with some performance issues associated both with the operation of the Owen Williams (buildings) contract as well as delivery of capital receipts. Significant improvement in these areas has been achieved in recent months but more work is needed.

13. Reductions of the scale envisaged will impact on the ability to deliver this performance improvement agenda.

14. The Corporate Procurement function is also 'housed' in this section and needs to be protected as far as possible. This function delivers tangible cost savings for the organisation but the vast majority of savings actually accrue to other departments. Going forward, it will be a vital support to the major re-procurement exercises expected.

Education

The education budget proposals have been framed within the following key parameters:

- supporting school improvement is the highest priority;
- achieving 'passporting to schools' – ie, the increase in schools budget plus devolved Standards Fund contributions should be at least equal to the 6.2% overall increase in Education funding;
- meeting the 87% delegation target;
- supporting Ofsted action plan and EDP priorities;
- maintaining high levels of support for ICT in schools.

These parameters focus a very high proportion of the increase in funding on front line delivery in schools. They place constraints on funding for the central department, much of which is affected by demand-led pressures and statutory requirements.

There is a further significant increase in Standards Fund grants requiring an increase in matching contributions from the County Council of £1.2m (21%). It is recommended that these grants are taken up in full, as they essentially support our own key priorities such as school improvement and ICT in schools, as well as providing funding to help achieve

important targets in areas such as reducing truancy. The match funding requirement does however place a constraint on local decision making. Around 70% of these grants is devolved to schools.

The transfer of funding for sixth forms to the LSC has introduced some uncertainty into budget planning, although the government has taken some steps to achieve a cost neutral outcome for local authorities. The real effect in East Sussex, based on provisional notifications from the LSC, is an increase of £0.4m (5.6%) in sixth form funding, which has to be found from the budget for the rest of the service. The LSC and DfES are reviewing the data on which these allocations are based, which may result in a smaller overall increase – in which case I would recommend that the funding released should be allocated to the growth funding proposed for all schools.

The budget proposals include an increase of almost £10m (6.2%) in the funding from the County Council under schools' direct control. This is supplemented by the matching Standards Fund grant provided by the government, and by the separate Standards Grant. This is a grant which authorities are required to pass direct to schools and which will increase by 2.75% compared with 2001/02. Schools will also enjoy a 30% increase in Devolved Formula Capital grant, to support improvements in their buildings in line with Asset Management Plan priorities.

This overall growth in schools' funding may of course be affected by pay awards which are higher than the 3.5% which the budget allows. There is also some concern in schools that they will be asked to pick up some of the effects of threshold performance awards for teachers. Any increases above estimates in these areas will commit a significant part of the real terms growth in schools funding.

Central budgets require increases to meet demand-led pressures and statutory requirements in funding for home to school transport, early years and home/hospital tuition. Provision must also be made for the project development and design costs of the proposed extension to Peacehaven Community School. I have proposed modest increases in funding for central teams in response to the inspection report, in particular the School Improvement Service and the Finance Team.

The overall cost of these proposals exceeds the funding available by £0.6m. It is proposed that this will be met by savings on central budgets, falling in particular on school meals, SEN and community education, with smaller savings being required across all central department teams.

Legal & Community Services

As I have highlighted in previous reports this department is made up of a large number of relatively small services and inevitably the budget reductions will have a very high and visible impact. They will need significant management and will be felt by a large number of people.

I am therefore particularly pleased that the Cabinet have been able to revise the savings proposals and avoid the need for major reductions in library opening hours. The £200,000 increase in the bookfund for 2002/03 will immediately improve the range of stock available to library users, with continuing benefits thereafter.

The following commentary highlights the key issues affected by next year's budget and should be read alongside the list of actions set out in Appendix ? which will be necessary to achieve the savings required.

Community Safety

£50,000 is included in the budget to contribute towards any pilot scheme it is possible to agree with the Chief Constable and the Sussex Police Authority to support or improve community policing in rural areas. Other measures form part of service delivery.

Library Services

The reductions and welcome reinvestment are part of a longer term strategy to develop services in libraries which can provide a wide range of services to the public as well as a gateway to the County Council. This is also part of moving towards meeting the key national library standards.

The integration of the music service and closure of four small libraries within reach of large main libraries needs to be seen in this light. This will regrettably involve staff redundancies.

The savings proposals currently also include the loss of three mobile libraries. However this has been re-examined in the light of the Scrutiny Committee report and it is hoped that it will be possible to re-launch a new, more efficient, service based round two mobile libraries subject to consideration of the proposals in Appendix ?.

The coming year will also see some exciting IT developments in libraries as part of the People's Network. There will be wider free Internet access and Lifelong Learning opportunities. Major improvements to the Council's website will also be made during the year.

Trading Standards

There will be major changes for Trading Standards next year. Following the recent relocation of staff to St. Mary's House, Eastbourne a new staff structure is being introduced as part of the savings but also creates a pressure.

A major plank of the strategy to develop services involves much greater use of ICT and development of web based consumer information and advice services. It is also intended to meet statutory targets for food safety risk based inspections and implement a project to protect vulnerable consumers. Whilst budget reductions are still made the provision of £35,000 agreed by Cabinet on 18 December 2001 will greatly assist taking these initiatives forward.

New duties such as 'Stop Now' orders and changes in the financing of animal movement related work imposed as part of the Foot and Mouth crisis are likely to exacerbate pressures.

Archives and Records

The savings required will reduce public opening hours of the Record Office at a time when use continues to grow and work on document conservation will also reduce.

New Opportunities Funding will widen access through the digitisation of lists of official records as will the project working with Brighton and Hove on its new Study Centre.

Other Services

As Annex B shows savings will be made in nearly all other areas of the department and for Emergency Planning, Community Safety, Public Relations and the Arts these are above 10%. This provides some protection for other key areas of the budget (e.g. Libraries and Trading Standards).

The impact of these reductions includes the risk of the cessation of the East Sussex Radiation Monitoring Group, a lessening of the Authority's ability to contribute to crime reduction initiatives, cancellation of Countywide, a reduction in the Council's consultation on Community Planning and a reduction in the Arts Grants. There will also be significant reductions in both central and departmental and committee support services. It will not be possible to provide any support to local area liaison committees. Uncertainties, like the future government funding of Emergency Planning also exist.

However, in a proactive way, all areas of the department are developing new ways of working, especially using ICT to deliver information and advice and mitigate, as far as possible, the effects of budget reductions on core services.

Social Services

The demand for Social Services grows continually both in East Sussex and across the country with pressure on all services provided by the department. Particular challenges include the reduction in the nursing and residential homes market, and the growing costs of specialist placements in areas such as Children's placements and residential placements for people with Learning Disabilities. Nationally, Social Services Departments spend significantly more than the government's standard spending assessment.

Several national surveys have identified a national underfunding of Social Services approaching £1bn; in East Sussex terms, this represents around £10m.

The 2002/03 rise in Social Services SSA, at 5.5% (£4.9m) does not cover that gap. After inflation the 'real term increase' allocated by the Government is just £1.9m. There are significant priorities for new investment, seen as unavoidable standstill pressures, for instance to deal with delayed hospital discharge, previous self-funders, and ensuring that people assessed as needing services receive them in a timely fashion. Therefore savings have had to be made of £4m to allow Social Services to meet the standstill pressures placed on the department by the growing need of the county.

In identifying the £4m, over half the Social Services budget is committed to services that cannot be stopped overnight – for instance, residential and nursing placements. Therefore the strategy for making the savings has been focussed around three key themes:

- Medium to long term savings through reviewing our directly provided services;
- Preventative services that will have the least impact on reducing the number of long term placement;
- Reducing investment in support services to protect the front line.

The full list of savings is set out in the appendix. Some of the savings set out, while achievable, will have an adverse effect on services to individuals, and strategic direction. Reducing grant to voluntary organisations and cutting community development will restrict our ability to prevent long term placements at a local level. However, with the growing need for services and the lack of new investment there is no other way of meeting the standstill pressures.

This reinvestment of resources from the savings will be made wisely in order to meet the needs of the community. The main aim will be to reduce reliance on permanent care by focussing on the known needs of individuals and by working with the Health Service in developing preventative and intermediate care services.

Historically, East Sussex has placed too many older people in residential and nursing home care, compared to similar authorities. There is a need to support more older people in their own homes, and to prevent placement in residential and nursing homes. To achieve this, there is a need to invest in domiciliary care, and intermediate care services, in order to support people in their own homes.

Over the last year, we have been successful in dramatically reducing the numbers of older people entering residential homes. Budget pressures, however, have prevented us from investing in home care and intensive home care packages. We hope that this new expenditure will enable more people to live in their own home and avoid long term care in the community or in hospital.

In the Children and Families Service there is growth in the cost of placements, primarily agency residential placements, and agency fostering placements. These can be reduced by expanding the in-house fostering service, which is approximately one-third of the cost of external fostering agencies. It is extremely desirable to invest in fostering, and also in adoption where our service is currently improving dramatically to strengthen the services provided to children looked after by Social Services

Overall 2002/03 will be a very tough year in making significant savings to meet the gap in resources. However we know that with serious effort in the next year we will be in a better position to meet the growing needs of the people who rely on Social Services for support.

Transport & Environment

The two major budget items in the Transport & Environment Department are Highway Maintenance and Waste Management. The Waste Management budget recognises the increasing cost to the Authority of waste disposal over the coming years and adequately provides for the expected needs, except that there are as yet unidentified resources related to dealing with disposal of refrigerators, a very recent issue as a direct result of the Government accepting European Directives.

On Highway Maintenance, the maintenance of the budget at Standard Spending Assessment levels, coupled with the new, increased, levels of support for structural maintenance through the Local Transport Plan, means that there is a real chance to continue with the work to halt the decline in the condition of the highway network, which still runs a backlog in excess of £40m. The LTP will also support important work in the Traffic and Safety field, across the County.

In the broad field of Environment, the Department will be reshaping its teams and there will be an inevitable reduction in grants available to outside bodies, so as to focus on the core environmental support work for the statutory planning and advisory functions which the Department administers.

The biggest single problem area is in Passenger Transport, where above inflationary increases in the cost of supporting Passenger Transport to a number of key services is creating a major challenge for the Authority in providing a means of transport not only for those who need to get to school and work but for the large percentage of the population without access to motor vehicles. Work is going on jointly with the Education and Social Services Departments to introduce some co-ordination.

The major challenges for the Department on planning relate to the ongoing work on the Waste Local Plan and the need to start the review of the Structure Plan, whilst at the same time responding to the Government's Green Paper on Planning which, if implemented, as written, would bring about a significant shift in the responsibilities that the County Council has in that area.

To complete the loop, across the board reductions are being made in budgets associated to Management and Support Services, including IT, Personnel and Office Services.