

Minute extracts

Meeting: **Scrutiny**
Date: **8 February 2012**

20 General fund revenue budget 2012/2013 and capital programme 2011/2015.

(N.B. paragraphs summarising budget report omitted)

Members supported the proposal for no increase in council tax for 2012 / 13 resulting in an unchanged Band D rate of £224.19 for the Council (14% of the total bill).

Members discussed the budget implications for staff and Councillor Ungar asked that information on any potential job losses be reported to Members following the meeting. The reduction of the training budget, and funds allocated for the demolition of the Wish Tower were also discussed.

NOTED.

Meeting: **Cabinet**
Date: **8 February 2012**

***93 General fund revenue budget 2012/13 and capital programme 2011/15 (Cabinet 14 December 2011, page 210, minute 70).**

- 93.1 Councillor Tom Liddiard addressed the Cabinet and raised a number of queries and comments.
- 93.2 Cabinet considered the report of the Chief Finance Officer setting out the general fund revenue budget proposals for 2012/13 and a 3-year capital programme 2011/15. The medium term financial strategy (MTFS) had been revised in July 2011 and the Cabinet had agreed a draft 2012/13 budget proposal last December. The MTFS and resulting draft budget had been subject to extensive consultation as reported to Cabinet and the Scrutiny Committee last December.
- 93.3 The budget was the product of various plans and strategies as part of an integrated and corporate planning process and was linked principally to:

- The medium term financial strategy
- Asset management plans
- The corporate plan
- Workforce strategy
- Service plans
- Treasury management strategy
- Sustainable service delivery strategy
- Agile working programme
- DRIVE corporate change programme

The Chief Finance Officer had a legal responsibility to give positive assurances on the robustness of the estimates used in the budget and the level of reserves. He commented that if the recommendations in his report were agreed then these assurances would prevail.

93.4 The budget proposals included:

- No increase in the council tax in 2012/13.
- Overall savings totalling £1.222m (8% of the net budget).
- Efficiency savings of £0.899m (6%).
- Inflation of £0.606m (4%).
- Recurring service growth of £0.299m.
- Non recurring service investments £0.568m.
- All recurring expenditure met from recurring resources.
- General reserves averaging in excess of £4m (against a minimum recommended of £2m).
- Strategic change fund £0.4m.
- Regeneration reserve of £0.7m.
- Repairs and maintenance reserve of £0.8m.
- Capital receipts of £0.5m invested in new capital schemes.

93.5 The budget represented a further reduction in financial risk by:

- Building on a sound outturn position.
- Balancing the base budget requirement without needing to use reserves.
- Identifiable and deliverable savings with accountability and no general unspecified targets.
- Reserves well above the minimum level.
- Having no speculative budget increase in interest receipts.
- Continued zero basing of reward grants.
- Substantial progress towards the three year targets set out in the MTF5 in July 2010 and 2011.

93.6 The Government's grant settlement of £6.806m represented a reduction of £0.772m; a 10% cut in cash terms plus the effect of inflation. This was on top of the 12.8% reduction in 2011/12. In aggregate terms this represented about three-quarters of the planned reduction over the life of the current parliament. In addition to the formula grant, the Government was financing the cost of a 2.5% increase in council tax (£206,000) for

the one year only. This was in addition to the current year's freeze grant (£203,000) which was guaranteed for the lifetime of the parliament. The Government had awarded the Council £187,000 of new homes bonus in 2011/12 which was guaranteed for 6 years. In addition, a further £190,000 for 2012/13 had been awarded which would be added to the economic regeneration reserve to be used for future schemes to promote growth. No increase in council tax for 2012/13 was proposed and this would result in an unchanged band D rate of £224.19 (14% of the total council tax bill). A summary of the resources available was given, as shown below:

Source:	£'m
Government formula grant	(6.806)
New homes bonus (1 st tranche)	(0.187)
Council tax grant	(.412)
Council tax	(8.292)
Collection fund surplus	(0.009)
Total resources available:	<u>(15.706)</u>

In order to achieve a balanced budget without using reserves, the Council would need to set a net expenditure budget for 2012/13 of £15.706m in line with the resources set out above. Minor changes since the budget proposals were published in December were noted. These had a nil net overall effect.

- 93.7 In addition to the general grant distributed through the formula grant system, the Government also provided some specific grants as follows:

Specific grant:	2012/13 £'m
Housing and council tax benefit subsidy (to be confirmed)	53,651
Housing benefit administration	998
Homelessness	187

- 93.8 As part of a national scheme delivered locally, housing and council tax benefit subsidy grant was intended to reimburse the Council for the awards of benefit made to eligible tenants in both the private and public rented sector, and to eligible council tax payers. Not only was this by far the largest single specific grant that the Council received, but it was performance related. The Council had improved its performance in recent years and had therefore achieved a significant saving to the council tax-payer. A new system of universal credits was due to start in 2013/14 however responsibility for council tax credit would be devolved to councils at 90% of the current cost (i.e. circa £9m of circa £10m allocated to Eastbourne Borough Council). The Council would need to design a scheme during 2012/13 that met the financial constraint and protected pensioners. Cabinet would be updated during 2012/13.

- 93.9 The detailed budget proposals were set out in appendix 1 to the report

and showed in detail the movement from the 2011/12 budget to the 2012/13 proposed budget. The movements were as summarised below:-

Movement from 2010/11 base budget	£'000	£'000
Change in resources:		
Main government grant	772	
Council tax – increase in tax base/collection	(51)	
Council tax/new homes grants	(396)	325
Cost pressures:		
Inflation	606	
Other unavoidable costs increases and changes in income	114	
Service growth for priorities	185	905
Savings:		
Efficiency savings	(899)	
Service alterations	(43)	
Increased income	(280)	
		(1222)
Other		(8)
Total		(0)

- 93.10 Details of proposed growth and savings were given in full in appendix 2 to the report. The proposals set out in the report would allow full Council on 22 February to approve a balanced budget in line with available resources.
- 93.11 The Government had set out a 4 year programme of reductions in funding and the Councils current MTFs already took account of this. The change programmes in place such as the agile working programme and the sustainable service delivery strategy (SSDS) and the rest of the DRIVE ('Delivering Real Innovation and Value for Eastbourne') programme would deliver savings over and above the minimum in order to create headroom for investment in priority services. Substantial benefits realisation had already been shown in the service plans and further significant contributions to efficiency were projected over the medium term.
- 93.12 The report also detailed the principal financial risks the Council was likely to face. A single corporate contingency of £222,000 for unbudgeted expenditure or reductions in income had been allowed. This was in addition to the known inflation that had been built into service budgets. The Government had announced a 1% cap on pay rises in 2012/13 and should the local government employers recommend an award up to this amount it would be met from this contingency. Further, the Council's general fund reserves were anticipated to amount to £3.7m in 2013 as compared with the Chief Finance Officer's minimum recommended level of

£2m.

93.13 The following reserves had been set aside in addition to the general reserve in order to facilitate projects under the DRIVE programme. The available balances at 1 April 2012 were projected to be:

Reserve	Purpose	Amount £'000
Strategic change	To fund internal projects under DRIVE	441
Repairs and maintenance	To support the asset management plan. The Council follows a process of consolidating its reserves into the corporate plan. This better facilitated corporate priority planning.	759
Economic regeneration	To promote economic growth that the Council had specific obligations attached (e.g. Section 106/partnership contributions).	672

93.15 The principles for formulating the capital programme were set out in the budget report to Cabinet last December and the updated programme was given in appendix 3 to the report and showed a revised budget of £9.210m in 2011/12; £13.950m in 2012/12; £0.763m in 2013/14; and £0.580m in 2014/15, aligned with known available resources.

93.16 The Chairman made a closing comment that the proposed budget involved no cuts to front line services and provided for some areas of growth against a background of significant reductions in resources and a nil council tax increase. He thanked the Chief Finance Officer and the staff of the authority for their work in preparing the budget.

*93.17 **Resolved (budget and policy framework):** That full Council, at their meeting on 22 February 2012, be recommended to approve the following:

(a) A general fund budget for 2011/12 (revised) and 2012/13 (original) as set out in appendix 1 to the report, including growth and savings proposals as set out in appendix 2 to the report.

(b) No increase in the council tax for Eastbourne Borough Council resulting in an unaltered 'Band D' charge of £224.19 for 2012/13.

(c) A general fund capital programme and financing 2011/15 as set out in appendix 3 to the report.

Meeting: **Cabinet**
Date: **8 February 2011**

***96 Housing revenue account (HRA) revenue budget and rent setting 2012/13 and HRA capital programme 2011/15** (see also minute 95 above and Cabinet 9 February 2010, page 279, minute 116, 2010/11 minutes).

- 96.1 Cabinet considered the report of the Senior Head of Community and Chief Finance Officer in respect of the rents, service and other charges to be set for all of the council's housing tenants. The report outlined the revenue account budget proposals for 2012/13 and housing capital programme 2011/15 and arrangements for agreeing Eastbourne Homes Limited's management fee and delivery plan.
- 96.2 From 1 April 2012 council social housing would be become self financing and all expenditure would have to be entirely supported from rental and other income. The main tool for the future financial management of the HRA was the 30 year business plan approved at minute 95 above.
- 96.3 The HRA revenue budget was based on the policies set out in the HRA 30 year business plan and showed an overall deficit for 2012/13 of £61,000. This would have to be closely monitored and managed throughout the year to ensure the HRA remained sustainable. The proposed average rent increase, after service charge de-pooling, was 3.5%. Service charges, heating and water charges were set at a level to recover actual costs. Eastbourne Homes had carried out a review of service charges and concluded that some further de-pooling was necessary (i.e. spilt out service charge costs from rents). The total impact on affected tenants had been limited and would not exceed that which would have applied had de-pooling not taken place. No increase in garage rents was being recommended in view of the current high level of voids.
- 96.4 Rent increases were subject to national policy on rent convergence. In December 2001 the Council had adopted a policy of achieving convergence, based on consultation with its tenants at the time. Changes to the HRA funding arrangements for 2012 had been referred to in the winter 2011 issue of Open House, sent to all residents. Additional consultation would be carried out through a meeting Eastbourne Homes' Residents Forum to be held during February 2012. The Council was obliged to ensure that all tenants were given 28 days notice of any changes to their tenancy including changes to the rent they paid.
- 96.5 Eastbourne Homes Ltd. would make every effort to identify tenants who might face additional financial hardship as a result of rent or service charge increases in order to offer appropriate support and advice. Anti-poverty activity by Eastbourne Homes was undertaken routinely throughout the year to maximise household income. This included

advice on benefits and arrears management. This targeted use of resources helped ensure housing remained affordable.

96.6 The HRA capital programme was set out in appendix 3 to the report. Total budgeted expenditure for 2012/13 was £7,591,100 and included expenditure of £4.7m in 2012/13 and £1.6m in 2013/14 to complete the decent homes and sheltered remodelling work. This would be funded from a combination of government grant, capital receipts and contribution from the major repairs reserve. The major works element of the programme was in line with the asset management plan and the self financing business plan model.

*96.7 **Resolved (budget and policy framework):** That full Council, at their meeting on 22 February 2012, be recommended to approve the following:

(a) Approve the HRA budget 2012/13 and revised 2011/12, as set out in appendix 2 to the report;

(b) that rents are set in line with the new rent convergence target of 2016 set by Government resulting in an average increase in rents of 3.5%;

(c) that service charges are increased by 5.6% in line with the RPI index, before applying the de-pooling arrangements under recommendation (d) below;

(d) that as a result of the de-pooling of services charges from rents, tenants are not disadvantaged financially and face the same combined increases of rents and services charges that that would have applied if the de-pooling had not taken place;

(e) that heating costs are set at a level designed to recover the estimated actual cost;

(f) that water charges are set at a level designed to recover the estimated cost of metered consumption;

(g) that garage rents remain at 2011/12 levels in order to stabilise void losses;

(h) that delegated authority be granted to the Senior Head of Community, in consultation with the lead Cabinet members for community services and finance and the Chief Finance Officer to finalise Eastbourne Homes' management fee and delivery plan; and

(i) approve the HRA capital programme as set out in appendix 3 to the report.

Note: Councillor Tutt declared a personal (non-prejudicial) interest in the above minute as he was an Eastbourne Borough Council appointed non-executive director of Eastbourne Homes. He remained and participated in the proceedings.

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