

Cheltenham Borough Council

Social & Community Overview and Scrutiny Committee – 12th January 2004

Revenue and Capital Budget 2004/05 for Consultation

Report of Deputy (Exchequer)

1.0 Summary and recommendation

- 1.1 Each Overview and Scrutiny Committee has been invited by the Cabinet to contribute to the preparations for this year's budget round in accordance with the Council's budget procedure rules.
- 1.2 The appendices attached to this report contain extracts from the Cabinet's budget proposals which relate directly to the work of the Social & Community Overview and Scrutiny Committee.
- 1.3 **I recommend that members consider each of the budget areas within the Social & Community Overview and Scrutiny Committee's responsibilities before determining their recommendations to the Cabinet.**

2.0 Background and Timetable

- 2.1 The Council's constitution requires the Cabinet to prepare an interim budget for consultation before making recommendations to full Council in February 2004 as part of the council tax setting process.
- 2.2 The Cabinet is then required to draw up its firm budget proposals having regard to the responses it has received during the consultation process, and its report to Council in February 2004 should reflect the Cabinet's response to any feedback.
- 2.3 It should be noted that the Office of the Deputy Prime Minister is unlikely to announce the final financial settlement figures until early February. This may cause problems for the Cabinet making all information available five days ahead of its final budget setting meeting and, in consequence, it is likely that some decisions may need to be taken under the Urgency provisions set out in the Council's constitution.

3.0 Budget scenario 2004/05

- 3.1 The Council's medium term financial forecast, produced earlier this year, identified the need for savings in 2004/05 and the years ahead. Unfortunately the government settlement does not keep pace with likely salary inflation or provide recognition for new legislation, hence the settlement puts the Council in a worse financial position than anticipated. The Cabinet Deputies working with their respective Group Directors and Assistant Directors have looked at options to endeavour to limit the impact the proposals will have on the delivery of services.
- 3.2 As in previous year, the Cabinet has identified a number of efficiency savings whilst remaining committed to delivering good quality services. This year's budget process has been assisted by the recent publication of the community plan and the Council's own internal corporate business plan, which clearly identify priority issues for the town. The Cabinet has used this to help with the identification of possible growth items and potential budget savings and has also tried to be innovative in identifying potential areas where we can maximise income.
- 3.3 The Audit Commission in a recent report on council tax highlighted the complexity and funding flaws of the current system of local government financing. The government has also made it known that it will use its reserve capping powers if councils set tax levels which, they feel, are too high – however we have not been told what this level may be. There is also increasing public opposition to council tax levels rising significantly higher than the level of inflation and the Cabinet was mindful of these factors when drawing up the budget.

4. Areas for further work

- 4.1 On 18th December 2003, the Council was informed that Cheltenham Borough Homes (CBH), the arms length company set up to manage the Council's housing stock had been successful in obtaining a 2 star rating in the recent housing inspection. This gives the Council immediate access to an additional £15m of supported borrowing for the period to 31st March 2005, with potentially a further £11.2m for 2005/06 to 2006/07. These funds will be used to help achieve the Government's decency standard for the housing stock. Additional HRA subsidy will be received to offset the borrowing costs.
- 4.2 Support service recharges are still to be reviewed as part of the budget setting process, the impact of which will be included in the final proposals to Council. This may potentially impact on the recharge to both CBH and the Housing Revenue Account (HRA) and therefore impact on the net support service charges which fall on the General Fund.

4.3 The impact of funding capital financing opportunities resulting from the implementation of the new prudential code for borrowing, which is effective from 1st April 2004, has yet to be fully determined. These new powers allow the Council to borrow to fund capital investment at levels set locally which are considered to be prudent i.e. affordable and sustainable. Decisions to increase borrowing need to be made in the context of the potential increases in council tax that would result. The Cabinet has taken the view that, for 2004/05, no increase in borrowing will take place in respect of capital over and above that which can be afforded from within existing, identified resources as per the previously determined capital strategy. During 2004/05, the Council will develop the existing capital programme into a capital investment strategy which will incorporate all potential capital investment in order to inform decisions on prioritising spending and potential additional borrowing in the future.

5.0 Consultation budget proposals 2004/05 in respect of the Social and Community Group.

5.1 The Cabinet's summary revenue proposals and the estimated council tax levels for 2004/05 are attached to this report at Appendix A.

5.2 A breakdown of the net cost of services for the Group is contained in Appendix B.

5.3 The supported and unsupported revenue growth bids within the budget proposals are contained in Appendix C.

5.4 The savings identified within the budget proposals are contained in Appendix D.

5.5 The additional income identified within the budget proposals is contained in Appendix E.

5.6 The details of movements to and from reserves contained within the budget proposals are contained in Appendix F.

5.7 The capital bids supported or unsupported within the consultation budget are contained in Appendix G.

5.8 A draft General Fund capital programme, including existing commitments, is contained in Appendix H.

5.9 A draft Housing General Fund capital programme, including existing commitments is contained in Appendix I.

6.0 Summary

6.1 To aid understanding of the main changes in the budget, supplementary information relating to main variances will be provided as part of the consultation package. To supplement this, officer support from the Financial Services team will be available to all members and interested parties during the consultation period.

- 6.2 The budget position for 2004/05 has been made particularly difficult as a result of a number of issues which have been outside the control of the Council. Efficiency savings have been found to offset some of these costs. The level of external support from Central Government has been below that expected, and does not cover all the external costs required to be met by the Council. These include a nationally determined pay award, continued low interest rates, the impact of the new licencing legislation, a requirement to meet national recycling targets and single status for employees and the increasing cost of the pension fund provision.
- 6.3 As part of the Council's medium term financial planning, it is important to start preparing for a number of issues, including maintaining the Council's substantial asset portfolio and meeting new government targets and local customer demand for improved services.

7.0 Implications

- 7.1 **Financial** As contained in the report and appendices.
- 7.2 **Legal** None as a direct result of this report.
- 7.3 **Human Resources** Since there is direct human resource implications arising from the interim budget (i.e. potential redundancies) it is important that Members are aware that as the budget consultation process takes its natural course there will be a need to engage in statutory consultation with individual employees and the recognised Trades Unions prior to the final budget being set by Council in February.
- However, in the spirit of positive employee relations, the trade unions have been provided with a copy of the interim budget proposals for consultation. A formal response to these proposals has also been sought from them.
- 7.4 **Equal opportunities, social justice and anti-poverty** None as a direct result of this report.
- 7.5 **Environmental** None as a direct result of this report.

Background papers

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Accountability The Deputy Exchequer
All Overview and Scrutiny Committees.