

Revenue Budget Update

Resources for 2004/05

Additional Grant Award Outcome

1. On 17 December 2003, the Chancellor announced a further £340m of grant aid to limit rises in council tax. East Sussex and 5 other authorities received nothing directly from this award. (For other technical reasons, the Council's provisional grant increase of some £12m rose by £4590). With the exception of East and West Sussex, all other County Councils have received substantial additional sums. For example, Kent £8.1m and Surrey £7.3m. On average the additional sums awarded to these councils amount to the equivalent of 2% off their respective council tax bills.

2. The Deputy Leader has written to the Minister responsible, demanding an explanation and a more equitable treatment for East Sussex (and by implication the other 5 affected Council's). A copy of that letter has been sent to all Members. At the time of writing, no reply has been received and the indications are that the County Council will not be granted a meeting as requested. This is despite the fact that all local MPs support the Council's position. The Council believes the Government has made a mistake in relation to the 6 affected councils. A brief description of the methodology Government appears to have used is set out in Annex A.

3. At this stage, the position remains as per the Government announcement in November. The Council has received some £12m more grant; of which £11.6 or 97% must go to support schools passporting. That leaves some £0.4m to support some £19m of standstill pressures outside schools. This remains the Provisional Settlement but it may change when the Final Settlement is announced towards the end of January. On the current basis, however, East Sussex has now received the lowest grant increase of any County Council.

Council Tax Discount on 2nd Homes

4. Recent changes in the law have given borough and district councils, as billing authorities, the discretion to reduce the current discount to 10% (from 50%) on council tax levied on second homes. The County Council and all five borough and district councils, have been liaising on a local scheme to provide sufficient incentive for the new discretion to be applied.

5. As well as the policy decision to apply the discretion (to reduce the discount) there is a balance to be struck between:

- (a) The extra cost and difficulties of collecting the extra council tax.
- (b) Ensuring local areas enjoy some additional capacity for new initiatives as a result of the extra tax take.

(c) Ensuring the cost of current core services is minimised to council tax payers.

6. As a result of detailed discussions between all concerned the following framework has been agreed.

- Extra collection costs are a first call on the gross extra take. (In effect this means the County Council bears most of the extra cost; in proportion to the share of the gross extra take it would normally receive).
- The district (or borough) and the County Council each put 22% of their normal share of the net extra (i.e. after extra collection costs) into a local 'pot' to be spent by the Local Strategic Partnership in each district area (where the County Council, District Council and other partners are represented).
- The local pot, for financial management purposes, will be administered by the relevant district or borough treasurer but will report periodically to the Deputy Chief Executive (in his capacity as the County Council's Treasurer).
- The remaining net share will be available to each Council to help support core policies.

7. The scale of the extra take is still being assessed but current prudent indications are that the County Council will provide grants to the LSPs, of some £0.3m in total and will have some £1.1m to support the current draft budget. This is not yet reflected in the draft budget pending receipt of precise details of the extra take etc. from the districts and full details of the overall tax base for next year. In addition, further one off flexibility may be available for next year only from a change in treatment of council tax on empty homes. This is being explored further.

Policy Spending Update Position for 2004/05

8. The Cabinet, at its December meeting, approved a number of revisions to the financial guidelines. These have now been reflected in a revised budget plan for 2004/05, set out at Annex B. Annex B also reflects technical changes in treasury management costs to bring it into line with the proposed capital programme (reduction of £360,000).

9. Under a confidential item considered at the last Cabinet meeting, the Cabinet agreed to arrangements for the termination of the Reprotect contract. This has now been achieved in line with the approved framework. The net annual saving to the Waste budget is some £890,000 and the standstill

budget for Transport and Environment will need to be adjusted accordingly. This would provide additional flexibility for final budget decisions.

10. The financial planning assumption, set in July last year, is for average pay settlements of 3.5%. Since then the national settlement for teacher pay, for 2004/05, has come out at around 2.5%. Clearly, albeit indirectly, this will have a significant influence on other national settlements affecting East Sussex but which have yet to be settled. It is proposed that the planning assumption is now reduced to 3% (thus releasing some £0.6m of further general flexibility). This is considered to be still a reasonably prudent provision in all the circumstances.

11. The final flood defence levies have been settled for 2004/05 and some additional flexibility (£210,000) will be released from the current standstill provision.

12. More generally, the County Council's budget is large and complex and a number of budget areas carry inherent risk due to demand volatility and excess inflation pressures etc. Officers have made every effort to provide reasonable estimates of standstill pressures. There remain some risks which may arise and for which no specific provision has been made. Against that, departments are encouraged to manage underspends over a number of years to help manage risks within the department cash limit set.

Savings for 2004/05

13. Following changes made at the last Cabinet, total savings from standstill for next year amount to some £3.3m and officers are now working on the basis of implementing these savings. The detailed schedules presented to the Cabinet in December will be amended accordingly for the budget report to full Council in February.

Medium Term Financial Plan

14. The standstill pressures over the next 3 years, on current budget assumptions, are set out in Annex C. This will need to be refined depending upon final budget decisions for 2004/05.

15. As set out at the last Cabinet meeting, there are substantial risks to the Council's medium term funding, i.e. from the continued impacts of the formula changes in 2003/04; from the prognosis for public spending generally in the next Comprehensive Spending Review; and the planned revaluation of current council tax bands. Beyond that, there is considerable debate on options for replacing or modifying the current council tax system.

Statement of Reserves and Balances

16. As now required under the relevant Accounts and Audit Regulations, a statement of reserves is set out at Annex D.

Combined Fire Authority – Transfer of Balances

17. After consultation with the Deputy Leader, and in the interests of equitable impact on the council tax payer, it is proposed to transfer a pro rata share of general balances to the CFA. This will amount to some £278,000.

Fees and Charges

18. It is the Council's policy that fees and charges should be reviewed not less than once a year, and that increases should take account of the cost of providing the service, including the effects of inflation.

19. Alterations in charges which are proposed for consideration by the Cabinet at this meeting are detailed in Annex E.