

AGENDA ITEM: 5 Page nos. 1 – 31

Meeting	Cabinet
Date	6 January 2009
Subject	Budget Headlines 2009/10
Report of	Leader of the Council
Summary	This report presents the key headlines upon which will be based the Council's budget for 2009/10

Officer Contributors	Clive Medlam, Director of Resources
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A – Budget Headlines 2009/10 Appendix B – Medium Term Financial Strategy Appendix C – Financial Forward Plan (as at March 2008)
For decision by	Cabinet
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	N/A

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1. RECOMMENDATIONS

- 1.1 That the budget headlines be approved and be subject to the normal consultation processes.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Council, March 2008 – Council Budget and Financial Forward Plan.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan is the single operational document that is used to guide and monitor the delivery of the Council's priorities. It sets out the council's priorities and targets and how the authority goes about meeting them.
- 3.2 The Corporate Plan is an important part of the Council's budget and policy making cycle. It provides the forward planning aspect of this framework and has been formulated alongside the Council's budget for the coming financial year. An updated Corporate Plan will be presented to Cabinet in February and Council in March.
- 3.3 The Council's budget is a financial expression of its services and levels of provision but also a conditioner of them. It links the priorities and objectives of the Council as expressed in the Corporate Plan having regard to resources available and taxation consequences of spending decisions.
- 3.4 The Council is required by law to set its budget having considered its estimates of expenditure and income, and for its call on the collection fund to be sufficient to meet its budget needs. This must be done before 11 March 2009 and a meeting of the Council has been arranged for 3 March 2009 to achieve this.

4. RISK MANAGEMENT ISSUES

- 4.1 The council is required to set a legal balanced budget. The headlines attached to this report reflect the council's base expenditure and income projections and best available information about budget pressures in 2009/10, along with estimates of resources available to meet them.
- 4.2 A very detailed financial risk assessment was included in the Council Budget report to Cabinet in February 2008, which culminated in the Chief Finance Officer's opinion on the appropriate level of balances and reserves. An abridged version of the opinion is included in the budget headlines.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The budget is aligned with Council priorities, which includes targeted resources on key groups in line with its commitments to equalities and diversity.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 These are contained in the background comments. Staffing implications will be reported to General Functions Committee on 14 January 2009.

7. LEGAL ISSUES

7.1 None other than what is contained in the body of the report.

8. CONSTITUTIONAL POWERS

8.1 Financial Regulations state that the Executive will publish a draft budget for consultation, usually after the Provisional Local Government Finance Settlement has been announced. This report satisfies this requirement.

9 BACKGROUND INFORMATION

9.1 A copy of the Medium Term Financial Strategy is attached at Appendix B. One of the deliverables in this is to deliver high quality services whilst maintaining council tax increases below the rate of inflation. The budget headlines achieve this.

9.2 A copy of the Financial Forward Plan is attached at Appendix C. This set out what we already knew about the 2009/10 budget back in February 2008, but also made some allowance for pressures that might emerge during the coming months – based on experience from previous years. A comparison of the summary figures behind the budget headlines with what we knew and forecast 10 months ago is set out in the table below.

	Forecast in February 2008	Budget Headlines
	£m	£m
Pay awards, inflation, full year effects	7.140	7.079
Budget pressures, capital financing	12.380	12.616
Efficiencies, budget reductions	11.870	11.983
Formula & Area Based Grants	-2.060	-2.610
Council Tax increase	3.49%	2.81%

9.3 The council tax increase in the budget headlines is 2.81%, which includes a £1m contribution from higher than expected interest earnings in 2008/09 being carried over into a reserve and being applied to reduce the council tax increase next year. The underlying council tax increase would otherwise have been 3.49%, but this measure has been introduced into the draft budget as recognition of the impact that the credit crisis is having on residents and that in these exceptional times it is appropriate for the council to apply some reserves to support the local community.

9.4 A larger contribution from reserves might not be sustainable, and at this time it is not possible to make any commitment about continuing this in later years, but the position will be reviewed once the 2008/09 outturn is reported to Cabinet Resources Committee in June 2009.

9.5 The increase in Formula Grant next year is £1.892m, or 2.1%. Taking into account the current rate of inflation facing council services this represents a cut in Government funding in real terms.

9.6 As with previous years, the council will run a participatory budgeting process to engage residents in the budget setting process. This will involve a combination of on and offline engagement drawing on initiatives that have worked well in the past. This year's round of budget consultation will run between January and March 2009.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal: MAM

CFO: CM

<u>2009/2010 Draft Budget</u>	£m	Council Tax Increase
2008/09 Council Tax Requirement	147.194	
Pay Awards, Inflation & Full Year Effects	7.079	
Budget Efficiencies	(4.751)	
Budget Reductions	(7.169)	
Budget Increases	8.314	
Capital Programme (financing & operational costs)	4.277	
	<hr/> 154.944	
Change in Area Based and Specific Grants	(0.718)	
Government Grant (provisional settlement)	(1.892)	
	<hr/> 152.334	
2009/10 Council Tax Requirement	152.334	3.49%
Contribution from improved interest receipts in 2008/09	(1.000)	
	<hr/> 151.334	
2009/10 Council Tax Requirement	151.334	2.81%

The budget monitoring report to Cabinet Resources Committee on 19 January 2009 is anticipated to show that interest earnings are higher than budgeted for in 2008/09, despite taking account of interest currently foregone on deposits in Icelandic banks. Given the current economic climate, a £1m contribution from this benefit will be applied to further reduce the council tax in 2009/10 beyond the level set out in the Medium Term Financial Strategy. No commitment to continuing this in later years can be made at this time.

2009/10 DRAFT BUDGET

CHIEF FINANCE OFFICER'S COMMENTS ON BALANCES & RESERVES

The Local Government Act 2003 places a duty on the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. Statutory guidance in this area is provided by Local Authority Accounting Panel (LAAP) Bulletin 78 (Nov 2008), which replaces LAAP55 (Jan 2003) and is the basis on which the Chief Finance Officer's annual financial risk assessment has been updated in the Council Budget report to Cabinet.

The prevailing Cabinet recommendation on balances was made in February 2008, and endorsed by Council in March 2008. Cabinet determined that the appropriate target level of balances was £15m, having taken account of the financial risks facing the Council at that time, the commentary on which ran to 20 pages. The Chief Finance Officer's key recommendation from the 2008/09 Council Budget report is repeated below:-

Having taken into account the forecast level of balances and specific reserves at 31 March 2008, it remains the Chief Finance Officer's recommendation that General Fund balances should not be allowed to fall below £10m. In addition, he recommends that the council aims to match the outer London average of £15m to protect us from short term pressures that may require the drawing down from reserves and reducing balances below the £10m minimum. This is in the light of the risks set out in this report. Any drawing from balances has to be made good in the following year's base budget, which would compound the risks in that year and weaken the Council's financial standing should the minimum level be breached.

These comments were also supported by the following paragraph in the budget report:-

The External Auditor's interim report for 2006/07 noted that the General Fund balances are still low when compared to neighbouring Councils and recommends that the Council continues to maintain adequate levels of reserves as a cushion against unplanned expenditure in future years.

There has been no significant diminution of the financial risks detailed in the 2008/09 Council Budget report, and some new ones have emerged since then, e.g. Aerodrome Road Bridge contract claim for increased costs.

The Council entered 2008/09 in a strong financial position with general balances of £17.4m (excluding school balances). The latest monitoring report to Cabinet Resources Committee (1 December 2008) showed balances forecast to reduce by £2.6m, and there have also been some drawings from balances approved (grants, Future Shape, and unavoidable base budget pressures like land charges), which further reduce the forecast of balances at 31 March 2009 to £14.6m – a fall of 16% in one year, with the majority of financial risks outlined in the 2008/09 Council Budget report still existing.

Earmarked reserves at 31 March 2008 amounted to £18.6m, most of which will be consumed over the next two years.

The main revision to statutory guidance on balances and reserves (LAAP78) is to emphasise even more the importance of taking account of the council's medium term plans and forecasts of resources, and not to focus solely on short term considerations. The majority of council services face external demand and cost pressures in future years, but two key policies that clearly fit into the council's medium term planning are the Future Shape of the Council Programme and its policy of prudential borrowing.

The Future Shape programme has so far been entirely funded from balances, and whilst the programme is still at the stage of information gathering and options analysis the expenditure has been relatively modest. However, if any form of procurement commences the costs are likely to rise significantly and if these are going to continue to be met from balances then it would be appropriate for the council to target balances above £15m.

I have commented on a number of occasions previously that the level of prudential borrowing that the council has incurred since the regime came into force in April 2004 cannot be sustained indefinitely. The cost to the General Fund of prudential borrowing already planned within the capital programme will be £13m by 2010/11, comprising debt financing costs and provisions for the future repayment of debt.

The council is currently benefiting from an exceptionally low rate of interest on this borrowing (£215.5m borrowed at an average 4.1%), but any new borrowing (for new capital expenditure programmes, or to re-finance the shorter term market loans when they are called in) could be at a higher rate. A 1% increase in the average rate of existing borrowing would add over £2m to the annual General Fund budget. It should be noted that there is no specific budget provision for any new capital programmes/projects not already in the draft council budget or existing capital programme.

Adult Social Services	2009-10	2010-11	2011-12	2012-13	2013-14
<p data-bbox="539 312 797 339" style="text-align: center;"><u>Budget Efficiencies</u></p> <p data-bbox="197 368 1115 432">Provision of intensive enablement and rehabilitation support at outset of care packages to reduce demand for long term care</p> <p data-bbox="219 472 1122 671">This saving has been calculated based on national research conducted by the Care Services Efficiency Delivery Unit study of enablement services. It is based on assumption that the provision of intensive time limited support (enablement) when need is identified will lead to a 35% reduction in the number of cases requiring a long term care commitment such as an ongoing home care package</p> <p data-bbox="197 711 1010 775">Additional income generation through more efficient business processes</p> <p data-bbox="219 815 1133 911">Improving business processes by: a) the automation of processes to ensure a quicker assessment of client contributions, and b) advising clients earlier of their contribution enabling new clients to be charged more quickly</p> <p data-bbox="197 959 1070 1023">Provision of an increased number of support packages in people's homes in place of registered care home placements</p> <p data-bbox="219 1046 1106 1182">The potential to generate savings from the replacement of care home placements with home care is based on projections of need and demand over the past three years together with the introduction of extra care housing and increased community support options.</p> <p data-bbox="197 1206 813 1233">Rationalisation of contract monitoring function</p> <p data-bbox="219 1257 1099 1385">Currently, Supporting People (SP) contract monitoring is managed separately to other Adult Social Services contract monitoring. By incorporating SP contract monitoring with the rest of contract monitoring, staffing efficiencies can be achieved</p>	<p data-bbox="1196 268 1261 295">£000</p> <p data-bbox="1249 384 1317 411">(310)</p> <p data-bbox="1249 727 1317 754">(300)</p> <p data-bbox="1249 975 1317 1002">(300)</p> <p data-bbox="1261 1206 1317 1233">(45)</p>	<p data-bbox="1377 268 1442 295">£000</p>	<p data-bbox="1559 268 1624 295">£000</p>	<p data-bbox="1740 268 1805 295">£000</p>	<p data-bbox="1910 268 1975 295">£000</p>

Adult Social Services	2009-10	2010-11	2011-12	2012-13	2013-14
<p>Provision of a more efficient laundry service through the use of direct payments and home carers</p> <p>The laundry service contract currently managed within Environment and Transport services would be replaced on the basis that recent audit work has shown that the service could be provided differently and more cost effectively through direct payments and home care</p> <p>Provision of a more efficient home adaptation service (Care & Repair)</p> <p>This Care & Repair agency supports the Council to meet its targets for major adaptations to people's homes. In the short term this can be achieved without adverse impact although in the longer term a review of current arrangements will be necessary</p>	<p>£000</p> <p>(57)</p> <p>(39)</p>	<p>£000</p>	<p>£000</p>	<p>£000</p>	<p>£000</p>
	(1,051)				
<p style="text-align: center;"><u>Budget Reductions</u></p> <p>Removal of historical budget for external provider uplifts</p> <p>Provider uplifts need to be negotiated on annual basis depending on the Council settlement and prevailing economic conditions</p> <p>Reduction of training & commissioning capacity with Mental Health</p> <p>Mental Health Services are now delivered in formal legally binding partnership with Barnet, Enfield and Haringey Mental Health Trust (BEHMHT) allowing for economies of scale</p> <p>Reduction of training budget</p> <p>Although Adult Social Services has a regulatory duty to support workforce development across the whole social care workforce, including in the private and voluntary sectors and the NHS, it is held that it would be possible to reduce the spend by this amount without significantly compromising that duty</p>	<p>(350)</p> <p>(57)</p> <p>(100)</p>				

Adult Social Services	2009-10	2010-11	2011-12	2012-13	2013-14
<p>Cessation of the separate Welfare Rights Service</p> <p>The cessation of the separate Welfare Rights Service will be offset by the continued financial support by the Council for other agencies and advice agencies who provide benefits advice. This should ensure that a facility to obtain advice on welfare rights remains available for those individuals who require it</p>	£000 (180)	£000	£000	£000	£000
<p>Targeted support for vulnerable people in need in Sheltered Accommodation</p> <p>People currently receive different levels of support in sheltered housing. It is proposed that the strategy to restructure and replace existing services operated by landlords with new and flexible services that will target support to tenants who need it is finalised and submitted to Cabinet . This will remove the requirement for sheltered housing tenants to pay for services whether they need them or not and implement different and fairer arrangements to support older people</p>	(950)				
<p>Withdrawal of Adult Social Services staff funding at the Horse Activity Stables project</p> <p>Council involvement in the stables project would cease although the project would continue through its independent management committee. The two staff currently employed by the Council currently support seven service users with alternative day opportunities secured for them</p>	(70)				
	(1,707)				

Adult Social Services	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<p align="center"><u>Budget Increases</u></p> <p>Transition of 15 young people with complex needs into Adult Social Services</p> <p>Advances in healthcare have led to a significant increase in the number of children with severe disabilities reaching adulthood. These individuals tend to have very high social care needs resulting in high cost care packages. In 2009/10, there 15 named clients coming from the Children's Service into Adult Social Services with indicative transition plans</p>	936				
<p>Implementation of Deprivation of Liberty Assessments (new statutory responsibility from April 2009)</p> <p>From April 2009, a new statutory responsibility will exist to undertake Deprivation of Liberty (DoL) assessments for those people deprived of their liberty on grounds of incapacity. It is estimated that 390 DoL assessments will need to be undertaken in 2009/10</p>	29				
	965				

In accordance with Department of Health guidelines, from 1 April 2009, responsibility for all learning disability social care commissioning and funding currently remaining with Primary Care Trusts will transfer to Local Government. Negotiations on the specifics of this transfer are currently progressing between the London Borough of Barnet and Barnet PCT in the expectation that a transfer value will be agreed by 31 January 2009. The precise transfer value is uncertain at this stage.

Central Expenses	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<u>Budget Efficiencies</u>					
New Local Government Network	(14)				
	(14)	0	0	0	0
<u>Budget Increases</u>					
<u>Energy Cost</u>					
- Street Lighting	295	220			
- LBB Property	620	620			
- Transport Fleet	200				
2009/10 capital financing costs, reduced interest receipts and change in regulation on repayment of borrowing.	4,000				
Market loan interest changes	277				
Actuarial Pension Valuation @ 2007	815	855			
NLWA Levy	1,845	800	800	800	800
Contingency - Transport contract (full year effect)	300				
Contingency - Recycling (full year effect)	200				
LPFA Pension Fund Deficit	140				
Environment Agency	5				
Traffic Control Signals Unit (TCSU)	6				
	8,703	2,495	800	800	800

Central Expenses	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<u>Budget Reductions</u>					
Concessionary Fares allocations transitional arrangements and lower take up than estimated by TfL / London Councils (Net of provision to smooth increase in 2010/11)	(1,103)	Later years position unclear			
London Boroughs Grant Scheme	(32)				
London Councils Subscription	(9)				
	(1,144)	0	0	0	0

Chief Executive and Communications & Consultation	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<u>Budget Efficiencies</u>					
Communications & Consultation					
Reduction in staff training	(3)				
Web Team - Subscriptions £1030 -Solace plus budget underspends no longer required; Publicity budget £1540 used to raise profile of website	(3)				
General Supplies and Services saving	(8)				
Policy & Partnerships	(20)				
Other services - reduction in costs					
Civic Events	(10)				
Budget underspend on civic events					
	(44)	0	0	0	0
<u>Budget Reductions</u>					
Directors	(148)				
Restructure					
Communications & Consultation	(25)				
Delete the 0.5 FTE Consultation Officer post. Consultation is currently working at maximum capacity therefore, in order to maintain this level of service the work carried out by this post would have to be outsourced but is expected to cost less than the current post					
	(173)	0	0	0	0

Children's Service	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<u>Budget Efficiencies</u>					
Family Support Team	(44)				
Restructure team					
External Residential Care	(70)				
Increasing the capacity (bed) at New Park House					
Change in relationship with Foster carers	(20)				
Move more children onto special guardianship orders					
Governors Support service	(15)				
Review structure and overheads of traded service					
Specialist Team (complex special educational need support)	(100)				
Restructure team					
Education Welfare Service	(50)				
Restructure team					
Youth and Connexions	(145)				
Reduce resources available for future funding of voluntary sector grants for youth projects.					
Integration of Children's Service	(135)				
Further savings from integration					
Increased traded activity	(100)				
Civic Catering	(20)				
Increase price of meals and meeting refreshments					

Children's Service	2009-10	2010-11	2011-12	2012-13	2013-14
Performance & Information Teams	(87)				
Restructure team					
	(786)	0	0	0	0
<u>Budget Increases</u>					
Reported monitoring pressures 2008/9 :					
SEN Transport	400				
Children in Care	440				
Children & Young Persons Act	130				
	970	0	0	0	0
<u>Budget Reductions</u>					
Play Service	(186)				
Reconfiguration of services					
Youth & Connexions Service	(250)				
Restructure of Connexions and Youth service					
School Improvement Function	(228)				
Restructuring of provision of support and challenge to primary and secondary schools					
Building Resilience & Supporting Independence	(300)				
Reduce commissioning budget for early intervention and prevention services for children and families in need					

Children's Service	2009-10	2010-11	2011-12	2012-13	2013-14
High Incidence and Educational Psychology Team Restructure team	(170)				
Communications & Complaints Cease courier service to schools	(24)				
Performance & Information Teams Deletion of match funding for Government ICT funding for schools	(210)				
Workforce Development Reconfiguration of service	(42)				
	(1,410)	0	0	0	0

Environment & Transport	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<u>Budget Efficiencies</u>					
Drainage New contract arrangements have realised additional investment in early stages which result in reduced ongoing maintenance costs	(20)				
Traffic Census Full recharge of budget to projects	(15)				
E-Permits Electronic allocation of resident and visitor permits	(120)				
Parking Permits Revised charges for Pay and Display and Permits	(165)				
	(320)	0	0	0	0
<u>Budget Increases</u>					
Roads and Pavements - planned & responsive maintenance Revenue pressure - implication of capitalisation	150				
Fleet Contract Impact of increased costs relating to new fleet contract that commenced in October 2008	154				
Recycling - Replacement of Grant Funding Replacement of revenue element of funding for green waste scheme previously funded by Waste Performance and Efficiency Grant	380				
	684	0	0	0	0

Environment & Transport	2009-10	2010-11	2011-12	2012-13	2013-14
<u>Budget Reductions</u>					
Winter Maintenance More efficient allocation of spend	(100)				
School Crossing Patrols Schools to pay locally for this service. This would require the agreement of Schools Forum to charge to schools	(75)				
Roads and Pavements - planned & responsive maintenance Budget to be funded by capital investment	(1,100)				
Traffic Management Removal of budget allocated to Area Environment Sub-Committee's	(55)				
Refuse Collection - Charging for Green Waste Charge £50 for any additional bin for green waste collection	(75)				
Increase income for sports ground Above inflation increase in fees and charges including reduced subsidy for Bowls and Cricket	(30)	(30)	(30)		
	(1,435)	(30)	(30)	0	0

Corporate Governance	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<u>Budget Efficiencies</u>					
Legal Services	(100)				
Transfer of salaries from revenue to capital for work relating to property disposals, capital receipts projects					
Corporate Anti-Fraud Team	(172)				
Reduction of one management post. Two investigators & one visiting officers. Efficiency in working practices carried out to support this					
CCTV	(95)				
Reorganisation of responsibilities and efficiencies identified					
PIT Team	(60)				
ASB co-ordinator post subsumed within the Community Safety & PIT					
	(427)	0	0	0	0
<u>Budget Increases</u>					
Registration of Electors	185				
General Functions Committee have approved establishing a dedicated elections team. Executive has approved funding for 08/09					
Civil Protection	36				
Inability to fulfil statutory duties as Category one responders					
Scrutiny	58				
Scrutiny Officer growth bid. This represents a first step in the adoption of the Council recommendation for an establishment of 4.5 staff					
	279	0	0	0	0

Corporate Governance	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<u>Budget Reductions</u>					
Internal Audit Reduction in audit plan work and rationalisation of information and other governance work dealt with by Internal Audit	(100)				
Democratic Services Members Training - Core training requirements will still be delivered	(20)				
	(120)	0	0	0	0

Planning, Housing & Regeneration	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<u>Budget Efficiencies</u>					
Housing					
Improvement in income/ cost balance for provision of temporary accommodation	(150)				
Review of housing systems to remove wasteful processes	(100)	(100)			
Re-organisation of Security Contracts at Barbara Langstone House	(60)				
Increase income from sponsorship to fund costs of events such as Housing conference	(15)				
Merge Complaints and Appeals functions across the Directorate, which would allow for deletion of 1 Management post	(40)				
Environmental Health					
Restructured Business Case for Cemetery and Crematoria whilst existing arrangements continue	(100)				
Increased income from pest control services to respond to income-generating demand	(25)				
On-Line efficiencies and reductions in Business Support costs associated with introduction of new IT software	(120)				
Restructure of the service focussed on the managerial level	(120)				
Building Control and Structures					
Business Growth - Increase in income due to increase in external work secured	(25)				
Increase in charges for copies of notices / visits for structures work as well as core fees	(68)				

Planning, Housing & Regeneration	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
Regeneration					
Deletion of Agency Staff Budget	(20)				
Planning					
Delete 2 vacant posts of development management planners in area planning teams	(60)				
Income from new planning gain processes to be implemented over the next 2 years	(50)				
	(953)	(100)	0	0	0
<u>Budget Increases</u>					
Land Charges	700				
Income loss due to poor economic conditions					
Housing and Planning Delivery Grant	60				
Shortfall in grant allocation					
	760	0	0	0	0
<u>Budget Reductions</u>					
Environmental Health					
Public Health Nuisance - Reduce the operating hours of the Out of Hours Noise and Nuisance Service. Close the service at 04:00 at night at the weekend	(15)				
Deletion of 3 posts in Environmental Health services	(100)				
	(115)	0	0	0	0

Resources	2009-10	2010-11	2011-12	2012-13	2013-14
<u>Budget Efficiencies</u>	£000	£000	£000	£000	£000
Staffing Efficiencies					
Delete Head of Shared Service Centre post - merge team with Shared IT function	(85)				
Accurate recovery of costs for administering the Pension Fund	(150)				
Delete one post in Student Finance	(34)				
Property Services & Asset Management - efficiency saving from consolidation of asset management, facilities management and property services across the council	(100)				
IT Efficiencies					
E-recruitment	(30)				
Registrars					
Registrars - review of allowances / increased income	(40)				
Council Tax & Income Collection					
A further net benefit arising from an ongoing invest to save programme	(500)				
Property Rents - Increased rent collection	(100)				
Insurance					
Reduction in external premiums from re-tendering of property and miscellaneous insurance cover	(107)				
Banking Contract					
New contract	(10)				
	(1,156)	0	0	0	0

Resources	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
<u>Budget Increases</u>					
Reduction in Housing Benefit Administration grant	230				
Bailiffs' - Fees for Liability Orders		360			
	230	360	0	0	0
<u>Budget Reductions</u>					
Grants - remove provision for inflation on grants budget	(30)				
Staffing Reductions					
Delete one HR Head of Service post	(85)				
Delete one finance / accountancy post	(50)				
Housing Benefit Subsidy	(760)				
Increased subsidy through efficient processing and property classification					
Credit Card Surcharge	(140)				
	(1,065)	0	0	0	0

Medium Term Financial Strategy

Introduction & Context

The Council is producing its first Medium Term Financial Strategy to formalise its financial aims and intentions and to invite comment from residents, local businesses, partners and other stakeholders as to whether these aims and intentions are consistent with their needs. It is also an important step in making the transition from producing single year budgets to having robust financial forward plans that reflect the position of the Council in the medium term.

The Council Constitution sets out how decisions are made including setting the Council budget. Whilst the Council budget sets out what those decisions are, the Medium Term Financial Strategy determines the underlying principles behind them and is key in driving the delivery of the Corporate Plan.

The Financial Forward Plan sits beneath the Medium Term Financial Strategy indicating future years' budgets and council tax levels. Those indications are based on the current available information and provides the starting point for the following year's budget.

Background

As a result of strong budgeting decisions and robust monitoring, the Council's general fund balances have risen steadily over the last three years. Balances have reached the minimum level of £10m recommended by both the Chief Finance Officer and the Council's external auditor.

This strengthened financial standing was enhanced by decisions made during the annual budget setting process where over £50m was removed from the base budget over a period of five years (2003/04 to 2007/08). This was achieved through making substantial efficiency savings to meet central government targets a year early and better managing growth in prioritised services through effective resource allocation by shifting resources away from non-priority areas. These savings took place in the context of diminishing grant allocation from central government including in 2003/04 not receiving sufficient grant to meet the required level that had to be passported to schools.

The improving financial management of the authority has been recognised by the external auditor and has recently seen the Comprehensive Performance Assessment Use of Resources judgement increase to a '3'.

Guiding Principles

The Council faces the prospect of very low grant settlements in the coming years through the Government's Spending Review, but at the same time will have to accommodate increasing levels of demand, particularly from demand led service areas over which the Council has no or limited control such as adults and children's services.

Despite these challenges, the Council is committed to keeping annual increases in council tax as low as possible and adheres to a set of key principles in the decision making process to support this. These principles are set out below:-

Medium Term Financial Health

- to maintain unearmarked General Fund balances at at least the minimum level recommended by the Chief Finance Officer (currently £10m) and supported by a financial risk assessment;
- to have a strong Treasury Management Strategy that maximises the Council's cashflow and investments;
- to continue to deliver efficiency savings of at least 3% every year and provide services that represent value for money
- to continually review the use of council assets so as to reduce the cost of accommodation year on year and to obtain best consideration for any surplus assets to maximise funds for capital investment and/or the repayment of capital debt;

Integrating Financial Planning with Service Planning

- to continually review services being delivered to residents and local businesses and re-direct resources from lower to higher priority services (in support of the Corporate Plan);
- whilst recognising the importance of maintaining investment in the Council's infrastructure, having adequately resourced corporate support services and ensuring all services are delivering value for money;
- in reviewing services, to prioritise service outcomes but also focus on service delivery mechanisms, taking into account the short and long term risks associated with alternative methods of delivering services;
- to require Cabinet Members and Directors to undertake risk based financial forward planning for their portfolios and services thereby improving the quality of decision making and reducing the risk from changes made to the annual council budget;
- to make use of fees and charges to supplement council tax and other sources of income, and to set these at a level that at least recovers all the costs of service delivery and income collection and recovery, other than in areas where there is a clear policy objective in support of the Corporate Plan;
- to maximise external funding in support of the Corporate Plan, whilst taking into account the full year effects on future years' budgets and levels of council tax resulting from grants that are time limited;
- to undertake capital borrowing in accordance with the Prudential Framework;

Budgetary Control

- to have adequate budget and project monitoring arrangements in place;

- to take decisions to re-direct resources in support of the Corporate Plan at any time during the financial year, rather than wait for the start of the next financial year;
- to maximise collection and recovery of income due to the Council;
- to establish earmarked reserves whenever possible during each financial year to meet future policy objectives, reduce the impact on future years' budgets and levels of council tax increases, and adequately provide for anticipated liabilities in the future;

Sound governance

- to comply with all EU and national procurement and contracting regulations, whilst also seeking to be innovative to improve service delivery and value for money;
- to recognise the role that partnerships can have in delivering services, but to enter these only when satisfactory arrangements for financial control, risk management and performance monitoring are in place;
- to have in place adequate anti-fraud and corruption arrangements, and to take robust action if and when fraud and corruption is identified;

Deliverables

Once adopted and implemented, the Medium Term Financial Strategy will support the Council in its move toward:-

- achieving the vision of "a smaller entity with a smaller, but more efficient corporate support function and a greater concentration of resources on outcomes" and use Shared Services as a lever to identify and obtain increased efficiencies across the Council;
- delivering high quality services whilst maintaining Council Tax increases below the rate of inflation;
- effectively link policy and service development and performance management with financial planning, aligning resources with corporate priorities and away from non-priority areas;
- fully integrated capital and revenue financial planning;
- managing better the financial implications of unforeseen events, due to the maintenance of balances at a sensible level;
- achieving a level '4' in the Comprehensive Performance Assessment Use of Resources judgement;
- having clear individual medium term financial strategies for each service area which details the delivery of the Key Priority Plans;
- having robust arrangements for the monitoring of budgets and resources throughout the year;

Financial Risk Management

The principal mechanism by which the Council will manage financial risks is through the establishment and maintenance of adequate reserves, balances and provisions.

Members will be informed about financial risks through a variety of mechanisms, including:-

- the annual financial risks statement by the Chief Finance Officer that accompanies the annual budget report;
- Key Priority Plans, which support the delivery of corporate priorities;
- regular budget monitoring reports and the annual financial outturn report to Cabinet Resources Committee;
- the annual Statement on Internal Control (SIC)¹, which is considered by the Audit Committee and signed off by the Leader and Chief Executive, and is the product of a corporate risk management framework incorporating service mini-SICs and Internal Control Checklists;
- the annual Use of Resources Assessment.

Links to Other Council Strategies

The Medium Term Financial Strategy supports and is supported by the following strategies and plans:-

- o Sustainable Community Strategy
- o Corporate Plan
- o Organisational Strategy
- o Capital, Assets & Property Strategy
- o Treasury Management Strategy
- o Debt Management Strategy
- o Procurement Strategy
- o Risk Management Strategy

¹ The Statement on Internal Control will be replaced by the Statement on Corporate Governance at the end of 2007/08

Glossary of terms

Audit Committee

Independent Committee that looks at the effectiveness of risk management and the control environment, and how this can be affected by the authority's financial and non financial performance

Balances

The outstanding amount of money owed (or due) at a given date (usually the end of a financial period) after all payments and withdrawals have been accounted for. It can be positive (an asset) or negative (a liability)

Base Budget

Budget at the start of the financial year based on the previous year's output and adjusted for inflation, savings and growth items

Cabinet Resources Committee

Cabinet level committee that monitors the use of the authority's resources to ensure they support the Council's priorities as set out in the Corporate Plan.

Chief Finance Officer

The corporate officer responsible for managing the financial risks of an organisation. Also responsible for financial planning and the communication of financial performance and forecasts

Comprehensive Performance Assessment

Audit Commission's assessment of the authority's performance and the services it provides for local people. This is part of assessing the authority's statutory obligation to secure continuous improvement known as Best Value

Corporate Plan

Review of the performance of the authority over the last twelve months and sets out priorities and targets for service improvement over the next three years

Council Tax

The main form of local taxation in England, Scotland and Wales paid by residents to local authorities, the base of which is property value. Only contributes a small proportion (25% on average) of local government revenue

Financial Forward Plan

Financial plan covering a period of at least four financial years (including the current one) reported in conjunction with the annual budget and updating throughout the year. Will cover revenue and capital budgets and will highlight how resources are being re-directed to address Corporate Plan priorities

Grant settlement

The central government grant funding of local authority revenue expenditure calculated by the total amount that central government assumes an authority should spend (in line with national economic policy) in a given year together with the forecasted collection of Council Tax and other funding sources.

Key Priority Plan

Identification of service objectives and their contributions to the authority's key priorities, setting out targets and priorities for the current year and the next three years

Internal Control Checklist

Review of the controls within the Council by all managers to ensure compliance with legislative requirements and local procedures.

Prudential Framework

The framework within which local authorities can be awarded greater freedoms in borrowing dependent upon their financial performance.

Reserves

Commonly used in the private sector to describe the shareholders equity in an organisation. In the public sector it is a reflection of the level of public funding in a public sector organisation

Shared Services

Converged and streamlined operational functions of an organisation ensuring effective and efficient delivery of services. Consisting of the following services: IS Operations, HR Operations, Finance Support, Corporate Services, Revenue Services and the Service Desk

Statement of Internal Control

Statutorily required document reviewing the Internal Controls within the authority that support the efficient and effective management of the delivery of services. Required to provide assurance that the Corporate Plan can be delivered

Use of Resources

Element of the Comprehensive Performance Assessment that assesses how well the authority manages and uses its financial resources. Focuses on the following five areas: Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money

Financial Forward Plan 2008-2013

	2008/9	2009/10	2010/11	2011/12	2012/13
	£m	£m	£m	£m	£m
Base budget (net of AEF, DSG & Collection Fund)	147.50	147.19	152.34	157.67	163.19
Pay awards & inflation (excluding Schools Budget)	5.93	6.17	6.31	6.46	6.59
Full year effects	0.21	(0.00)	0.00	0.00	0.00
Efficacies	(7.87)	(1.97)	(1.34)	0.00	0.00
Pressures (inc. reductions in specific grants)	2.38	7.46	1.31	(0.09)	0.00
Reductions	(2.39)	(0.50)	0.00	0.00	0.00
Collection Fund adjustments	(1.61)	0.00	0.00	0.00	0.00
Formula Grant (provisional 3-year settlement)	(2.06)	(1.89)	(2.61)	0.00	0.00
	147.19	156.43	156.01	164.04	169.78
Contingency for new budget pressures	0.00	5.00	5.00	5.00	5.00
Budget reductions to be certified	0.00	(9.09)	(3.34)	(5.85)	(5.88)
Call on Collection Fund	147.190	152.34	157.67	163.19	168.90
Council Tax (Band D)	£1,082.75	£1,120.61	£1,159.82	£1,200.42	£1,242.42
Medium Term Financial Strategy	3.49%	3.50%	3.50%	3.50%	3.50%