

AGENDA ITEM: 5 Page nos. 1 – 29

Meeting	Cabinet
Date	12 January 2010
Subject	Budget Headlines 2010/11
Report of	Leader of the Council/Cabinet Member for Resources
Summary	This report presents the key headlines upon which will be based the Council's budget for 2010/11

Officer Contributors	Jan Willis, Interim Director of Finance
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A – Budget Headlines 2010/11 Appendix B – Medium Term Financial Strategy Appendix C – Financial Forward Plan (as at March 2009)
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 consultation arrangements as outlined in paragraph 9.5 below.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Council, March 2009 – 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. A draft Corporate Plan will be presented to Cabinet on 22 February.
- 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 2010 and a meeting of the Council has been arranged for 2 March 2010 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 2010/11, 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 2009, 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 12 January 2010.

7. LEGAL ISSUES

- 7.1 None other than the legal references made in the body and appendices 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 2010/11 budget back in February 2009, 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 2009	Budget Headlines
	£m	£m
Pay awards, inflation, full year effects	6.724	0.204
Budget pressures, capital financing	10.950	16.402
Changes in contributions from reserves and balances	1.000	0.469
Efficiencies, budget reductions	(12.538)	(14.738)
Formula & Area Based Grants	(2.340)	(2.337)
Council Tax increase	2.5%	0%

- 9.3 In recognition of the continuing impact that the recession is having on Barnet residents and the need for the Council to provide support for the local community in these exceptional times the council tax will be kept at its current level.
- 9.4 There is scope for freezing the Council Tax due to the current low level of inflation which has made it possible for pay and price increases to be contained within existing budgets. Additional savings of £2.2m have also been found over and above those assumed in the Forward Financial Plan (including a £3m contribution from Future Shape programme) and some expenditure of a once-off or transitional nature is being met from existing reserves. However, with the Council's grant funding likely to be frozen or cut from 2011/12 and

inflation expected to begin rising again during 2010 this is not a sustainable position. Against this backdrop it will be essential for progress to be made over coming months towards developing a new Medium Term Financial Strategy built on Future Shape foundations which is capable of delivering the further substantial efficiencies required to realign spending to the Council's shrinking resource base.

- 9.5 As in previous years, the council is running a participatory budgeting process to engage residents in the budget setting process. Information on the Council's budget has been published in Barnet First and residents have had the opportunity to express their views and spending priorities at a series of consultation meetings held throughout November and December and via an online budget simulator. Further consultation on the budget headlines will be undertaken during January and February 2010.

10. LIST OF BACKGROUND PAPERS

- 10.1 None

Legal: MM
CFO: JW

<u>2010/2011 Draft Budget</u>	£m	£m	Council Tax Increase
2009/10 Council Tax Requirement	152.069		
Pay Awards, Inflation & Full Year Effects	0.204		
Budget Savings	(14.738)		
Budget Increases	16.402		
	<hr/>		
	153.937		
Change in use of balances and reserves	0.469		
Change in Area Based and Specific Grants	0.270		
Government Grant (provisional settlement)	(2.607)		
	<hr/>		
2010/11 Council Tax Requirement @ nil tax increase	152.069		0.00%

2010/11 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 endorsed by Council in March 2009. Cabinet determined that the appropriate minimum level of balances was £15m, having taken account of the financial risks facing the Council and the effects of the economic recession. The Chief Finance Officer's key recommendation from the 2009/10 Council Budget report is repeated below:-

Having taken into account the forecast level of balances and specific reserves at 31 March 2009, the Chief Finance Officer's recommendation is that General Fund balances should not be allowed to fall below £15m. This is in the light of the risks set out in this report and the economic recession. Also, any drawing from balances to meet recurrent expenditure must be made good in the following year's base budget, which would otherwise compound the risks in that year and weaken the Council's financial standing should the minimum level be breached.

There has been no significant diminution of the financial risks detailed in the 2009/10 Council Budget report, and indeed some new ones have emerged since then. In particular, the recent decision of the Winding Up Board for Glitnir Bank not to treat English Councils as having priority creditor status gives rise to a substantial risk that further provision for impairment may need to be made during 2010/11.

The Council entered 2009/10 in a strong financial position with general balances of £17.482m (excluding school balances). This position has provided the Council with some measure of flexibility to meet the financial challenges it faces in 2009/10, most notably demand led cost pressures in Adult Social Services and Children's safeguarding; reduced returns on our investments due to falling interest rates and reduced income from fees and charges due to the effects of the recession. The latest monitoring report to Cabinet Resources Committee (8 December 2009) showed balances forecast to reduce by £1.2m to £15.786m by 31st March 2010. In addition, it will be necessary in closing the 2009/10 accounts to make provision for £2.2m of grant income in respect of inherited pension fund liabilities recognised in previous years accounts which will not now be received. This will reduce the General Fund balance further to £13.586m which is below the minimum recommended level.

Earmarked reserves at 31 March 2009 amounted to £31.9m, a significant increase on the previous year. The majority of these reserves will be consumed over the next two years. However, in the short term, there is some scope for drawing from reserves to meet a limited amount of expenditure of a once-off or transitional nature – for example, development, reorganisation and restructuring costs associated with the Future Shape programme.

The statutory guidance on balances and reserves as set out in LAAP78 emphasises the importance of taking account of the Council's medium term plans and forecasts of resources, and not focusing solely on short term considerations. In this context there are two matters to which I wish to draw Members' attention.

2010/11 is the last year covered by the 2007 Comprehensive Spending Review. With the public sector net borrowing requirement set to reach £175bn in 2010/11 we are now entering a period of sustained and intense fiscal tightening with public sector spending expected to bear the brunt of measures designed to address the deficit over the next 3 to 5 years. The Forward Financial Plan assumes a cash standstill in the Council's formula grant in 2011/12 and it is likely that increases in future years will be below the prevailing rate of inflation which means that the real terms resources available to fund Council services will be shrinking year on year for the foreseeable future. Against this backdrop it would be prudent to preserve a General Fund balance of no less than £15m in order to provide a degree of flexibility to adjust to these new economic realities. I will give further consideration to the need to increase the minimum level of balances in my detailed Budget and Council Tax report to Cabinet in February 2010.

My predecessor has 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 and with new regulations on the calculation of minimum revenue provision coming into force from 1st April 2010 the increase in capital financing costs in 2010/11 alone will be £2m.

The council is currently benefiting from an exceptionally low rate of interest on this borrowing (4.09% on borrowing of £215m) but with rising long term interest rates any new borrowing (for new capital expenditure programmes, or to re-finance the shorter term market loans when they are called in) is likely to be at a significantly higher rate. A 1% increase in the average rate of existing borrowing would add over £2m to the annual General Fund budget. In this context, it should be noted that there is no specific budget provision for any new resource dependent capital programmes/projects not already in the existing capital programme.

Adult Social Services	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Budget Savings</u>					
Promoting Independent Living Development of Supporting Living Accommodation to enable 60 individuals to move from more expensive Residential Care settings	(250)	(250)			
Cost Effective Commissioning of Services Efficiencies generated through more cost effective commissioning of services to promote Choice and Independence	(182)				
Residential Care - Negotiation of prices downwards using Care Funding Calculator The Care Funding Calculator (CFC) is a widely accepted tool for determining the fair price of residential care based on the needs of an individual. Adult Social Services have already generated savings through the application of the CFC but believe there is more scope to generate further savings	(250)				
Enablement The development of short-term, high intensity support and care, structured to avoid the development of long-term dependency	(884)	(400)	(200)		
Reconfiguration of catering arrangements within Learning Disability In-house Day Services Day services provide a separate hot meals service across three sites. As more people are spending time out in the community, the number of people wanting a hot meal is reducing	(36)				
Learning Disabilities In-House Service - 3% Efficiency Target Efficiencies generated through a reduction in contract payments to Notting Hill Housing for the provision of premises as part of the New Choices programme and more effective utilisation of resources to achieve positive outcomes for service users	(165)				
Reduction in care package costs through more targeted investment in preventative services Implementation of the Prevention Framework for Adult Social Services through remodelling third sector contracts to be outcomes based and awarded based on open competitive procurement approach. For 2010/11 proposals are for a proportionate amount of overall savings across the grant funded sector through performance and Value For Money review of each agreement	(165)				
More Efficient Use of Workforce - Reducing staff spend through better absence and vacancy management Tightening arrangements for the use of consultants and agency staff	(130)				
Business Process Efficiencies More effective case reviews to ensure care packages are being delivered in the most cost effective manner	(50)				
Mental Health Trust - Application of 1.5% efficiency target Barnet, Enfield and Haringey Mental Health Trust (MHT) manages mental health social care services for the Council. Each year NHS providers are required to deliver cash releasing efficiency savings. This efficiency target relates to the social care element of the activity of the MHT in Barnet	(40)				

Adult Social Services	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
Transport Efficiencies Ensuring existing transport contracts are more effectively utilised	(30)				
Future Shape					
• Performance and Supply Management Reductions Remodelling performance and supply management functions as part of the Future Shape and Choice and Independence programmes	(300)				
• Future Shape Implementation - Social Care Reform Grant Deployment of £200,000 of Social Care Reform (Transformation) grant to align social care transformation with the implementation of the Future Shape proposals. This grant ceases in 2011/12, and should lead to the identification of further Future Shape savings for Adult Social Services for 2011/12 budget	(200)	200			
Contribution of 2009/10 underspend (one-off only) Non-recurrent efficiencies of £377,000 have been generated in 2009/10. This will provide a one-off contribution to the 2010/11 budget	(377)	377			
Supplies and Services - 10% reduction in controllable budgets This is based on a 10% budget reduction across stationery; advertising; magazine subscriptions etc. budgets and will necessitate Adult Social Services ensuring that all spend on these non- care items is on London Borough of Barnet contracts	(68)				
	(3,127)	(73)	(200)	0	0
<u>Income</u>					
Additional Income generated through more efficient processes Full year effect of improvements made to financial assessment processes which have led to income being generated in a more timely manner, in particular ensuring that all individuals eligible for contributing to residential care are assessed and billed in a timely manner	(297)				
Income inflation on client fees and other non-grant income Additional income generated through: a) raising charges by 2% and b) increases in residential care home income resulting from rises in pension credits	(255)				
	(552)	0	0	0	0
<u>Budget Increases</u>					
Transitions from Children's Service to Adult Social Services In 2010/11, there are 8 named individuals with social care needs identified due to become 18 years old with indicative transition plans for which estimated costs are known. These individuals will become the responsibility of Adult Social Services through 2010/11 as and when they turn 18, and as a result the full year impact of these transitions will not be recognised until 2011/12	523	952	952		
Sheltered Housing - Delays due to Judicial Review for one quarter The implementation of the new remodelled support service for people living in sheltered housing will not be in place until 1st June 2010 as contracts on existing providers cannot be terminated pending the outcome of Judicial Review. Therefore the full year effect saving of £400k will not be realised in 2010/11	100	(100)			

Adult Social Services	2010-11	2011-12	2012-13	2013-14	2014-15
Asylum Seekers Additional housing costs resulting from responsibility transferring from Housing Revenue Account following Slough Judgement	£000 60	£000	£000	£000	£000
	683	852	952	0	0
Headline Control Total	(2,996)	779	752	0	0

Central Expenses	2010-11	2011-12	2012-13	2013-14	2014-15
<u>Budget Increases</u>	£000	£000	£000	£000	£000
General provision for pressures in service areas that cannot be contained. The contingency makes provision for unforeseen expenditure and service pressures arising in-year that cannot be contained within base budgets. Specific provision has been made for the impact of volatility in energy price increases	1,130				
Capital Financing Increase in capital financing costs resulting from capital programme commitments and changes in the minimum revenue repayment regulations	2,000	1,500			
Pension Fund – employer’s contribution increase Third year of phasing in the increase in the employer’s contribution rate as set out in the actuarial valuation 2007	855	TBD	TBD	TBD	TBD
North London Waste Authority Levy and State of Separation Increase in levy due to increase in landfill tax rates and other operational costs, including a new formula for sharing waste disposal costs between the member boroughs	1,470	49	(222)		
Concessionary Fares levy increase & grant loss Increase in levy due to the increase in the number of Freedom passes issued to Barnet residents and the cost of extending the scheme for elderly pass holders into the morning peak. Additional pressure due to likely loss of government grant for new national concessionary bus travel scheme	1,877	100	400	400	500
Temporary Accommodation (TA) Funding Changes in Housing Benefit subsidy regulations from April 2010 will see tighter restrictions on the level of rents that can be charged and thus income to the council. The budgetary impact of this change will be phased in over two years with half of the first year’s cost being met from reserves	1,180				
Greater London Authority (GLA) 2p Supplementary Business Rate (Crossrail) The Mayor of London has introduced a supplementary business rates levy of 2p on larger businesses to help fund Crossrail. This sum represents the additional business rates that will be due on Council owned properties	142				
Restructuring and reorganisation costs The Future Shape programme and workforce review will involve significant restructuring and reorganisation costs. The costs arising in 2010/11 will be met from reserves	2,000				
Future Shape There will be some costs associated with taking forward the Future Shape programme, including programme office set up and running costs, preparation of business cases and other project related costs	1,500				
Provision for reduction in income to the Planning, Housing & Regeneration service due to the recession Contingency provision for reduction in income relating to future income land and planning charges as a result of the recession	500				
	12,654	1,649	178	400	500

Headline Control Total	12,654	1,649	178	400	500
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Chief Executive and Strategy	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Budget Savings</u>					
Reduction in non-staff costs Efficiency savings to reduce spend on non-salary budgets including training, travel expenses, postage, etc.	(20)				
Stop centrally funded non-statutory consultation activity Stop centrally conducted non-statutory consultation activity and associated spend	(70)				
Reduction in spend on Barnet First Rationalisation of the budget to produce Barnet First by 1/3 - through reduced publication frequency or securing additional income from advertising/partners	(30)				
Reduce numbers of staff across teams in the Chief Executive's Service This proposal removes a total of 3 posts across Chief Executive and Strategy	(127)				
Reduce Council Funding for Primary Care Trust (PCT) policy work We currently contribute £33k to the funding of two policy analysts posts with the PCT. Proposal is to stop this funding	(33)				
	(280)	0	0	0	0
<u>Budget Increases</u>					
Software licence pressure Geographic Information Service (GIS) licenses and maintenance and renewal of mapping services agreement	27				
Likely shortfall against £80k income target for the GIS service The strategic hub budget includes an expectation of £80k worth of income from carrying out street naming and numbering. The economic climate in 2009/10 means that there has been less call for this service and we anticipate a shortfall of £20k (i.e. income of only £60k). We anticipate a similar position for 2010/11	20				
	47	0	0	0	0
Headline Control Total	(233)	0	0	0	0

Children's Service	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Budget Savings</u>					
Reduction in agency and consultant's costs Reduce consultant and agency costs	(40)				
Restructure early intervention and prevention services (Building Resilience, Supporting Independence [BRSI]) - efficiencies A package of efficiency measures to reduce costs of supplies and services, staffing and maintenance	(111)				
Restructure early intervention & prevention services (BRSI) A package of measures to refocus the future commissioning budget	(249)				
Connexions Service efficiencies to reduce cost of commissioned service Retendering contracts and reduction in premises costs	(42)				
Connexions Service - restructure service Staffing restructure	(155)				
Youth Offending Service budget realignment Reduction in agency staff and administration costs	(35)				
Reduction in Supplies and Services across all service areas 10 per cent reduction in supplies and services allowances across all cost centres.	(160)				
Restructure Conference and Review team Restructure of the team through re-grading of posts and reassignment of duties.	(14)				
Restructure Support Functions The further integration of support functions across the Children's service	(380)				
Improve management of the administration of external grants Improve management of the administration of external grants	(270)				

Children's Service	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
Reduce centrally retained budgets in Dedicated Schools Grant and replace with eligible spend currently in general fund Reduce centrally retained budgets in DSG and replace with eligible spend currently in general fund	(253)				
Senior Management Team restructure Restructure senior management team	(80)				
Education Business Partnership - develop as a traded service To develop as a traded service to schools	(90)				
Reduce building maintenance budget for Youth Centre Reduce building maintenance budget for youth centre	(11)				
Reduce transport costs Reduce cost of essential car allowance and school bus travel	(76)	(14)			
Schools and Learning Restructuring of provision of support to primary and secondary schools	(198)				
Restructure School Improvement Strategy, Standards and Early Years service Refocus school improvement service	(253)				
Reduce Schools Causing Concern budget Reduce Schools Causing Concern budget	(50)				
Reduce schools information service Reduce schools information service - deletion of one post	(40)				
PCT contribution towards cost of CAMHS team To increase the contribution of the Primary Care Trust (PCT) towards the cost of Children & Adolescent Mental Health Services (CAMHS) team	(83)				
Restructure Educational Psychology team Reduce the Educational Psychology Service	(66)				
	(2,656)	(14)	0	0	0

Children's Service	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Income</u>					
Increased Traded Services income	(196)				
Catering increased charges	(57)				
	(253)	0	0	0	0
<u>Budget Increases</u>					
Inflation Above inflation Increases in contracts	30				
Local Safeguarding Board Costs Costs of implementing the Laming Review	39				
BSF Programme Contribution to support the Building Schools for the Future Programme	250				
Contact Point Local implementation of children's information database	90				
Additional Children in Need team to address increased volume of referrals, assessment and child protection plans Additional resource to meet this increased and ongoing level of activity	233				
Social Care Workforce- funding to implement Market Factor Payments and regrading of social care staff To address the recruitment and retention of social work staff	434				
Increase in the cost of Children in care placements Increase in the cost of Children in care placements	460				
	1,536	0	0	0	0
Headline Control Total	(1,373)	(14)	0	0	0

Commercial Services	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Budget Savings</u>					
Reduction in Library Caretakers Staff One Caretaker (1.0 FTE) post is currently vacant and will not be filled. Two other 0. 5 FTE posts will be deleted A service review of requirements of the Library Service will define the level of need and an SLA with Facilities will be agreed	(50)				
Consolidation of Driving Service The Courier drivers within the Post Room Service and the Library caretaker / drivers will be merged to provide a joint service	(15)				
Friern Park Surrender of the Friern Park lease would generate a saving, but may have associated one-off dilapidation costs	(50)				
Reduction in Repairs and Maintenance Budget at Mill Hill Depot The time frame for leaving the Mill Hill premises is clearer with the decision to sell the Pinkham Way Site and the planned re-development of a new facility there. Repairs and Maintenance spend will reflect a three year life span and can be re-profiled	(67)				
Leisure Contract A review of the Leisure Budgets and the new Copthall Stadium management contract have identified a saving of £87k in the contract sum budgets in 2010/11. There is clear scope for further budget reductions in future years	(87)				
	(269)	0	0	0	0

Commercial Services	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Income</u>					
Increased rent income above inflation Lettings of some long term vacant properties and several rent reviews mean that the commercial property rents are forecast above inflation	(60)				
Rental Agreement has been reached on Stag House Stag House has been held vacant for some time and there are no immediate development plans. Stag House has been leased out on a short term rental	(50)				
Increased Income from room lettings at Hendon Town Hall A small number of Weddings and Civil Ceremonies are already booked for Hendon Town Hall. A small income target is being set for the use of the rooms. Work is under way to develop the opportunities from such facilities rentals	(3)	(1)			
	(113)	(1)	0	0	0
Headline Control Total	(381)	(1)	0	0	0

Corporate Governance	2010-11	2011-12	2012-13	2013-14	2014-15
<u>Budget Savings</u>	£000	£000	£000	£000	£000
Internal Audit (and Ethical Governance) - reduce middle management support Following reduction in staffing in 2009/10 through deletion of two posts and proposal for a transfer of one more post, middle management support needs to be reduced	(46)				
Deletion of post of Deputy Director of Corporate Governance 80% of Corporate Governance Deputy Director post	(80)				
Corporate Anti-Fraud Team General efficiencies	(25)				
A 50% reduction in the Corporate Governance staff training budget	(34)				
Democratic Services Cut in overall expenditure of Leader's office	(10)				
Printing saving	(20)				
Re-organisation	(20)				
Cut in budget for Member training	(5)				
	(240)	0	0	0	0
<u>Budget Increases</u>					
Income pressure The Legal Services budget is predicated on being able to meet 2 main income target streams. One of the targets is highly geared to the property market and related transactions. The downturn is severely impacting upon income. Some in relation to Barnet Homes and the Housing Revenue Account (HRA) have been over-estimated and centrally set income inflation estimates have not related to the real income being received	150				
	150	0	0	0	0
Headline Control Total	(90)	0	0	0	0

Corporate Services & Finance	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Budget Savings</u>					
Reduction of one post in Student Finance This service is transferring to central government and is being gradually reduced	(30)	(30)	(30)		
Staff efficiencies					
Re-organisation of Adult Librarian Team and Operations Team	(60)				
Re-alignment of opening hours of Local Studies & Archives Service & Church Farm Museum	(14)				
Re-organisation of Bibliographic Services Centre	(32)	(32)			
Recruitment Advertising Spend A combination of measures used to reduce job advertising spend would include review of house style, restricted media selection, mandatory advert length and possibly salary dependent capped expenditure	(85)				
Information Systems (IS) Managed Service Contracts Managed Service contracts for IT Infrastructure	(250)				
Telephony Review Reduction in telephone call spend through investment in GSM (Global System for Mobile communication) gateway	(50)				
Operational Efficiencies Car allowances / transport costs	(50)				
Realignment of Organisational Development (OD) and Change budget to align with HR transformation programme. OD also being considered as part of the Future Shape Programme and delivery of this needs to reflect the needs of the programme	(115)				
Partnership arrangement for Managing the Registration Service with Brent Council. Aligning the service with the Accommodation Strategy and moving the service into other council/ partners' buildings.	(33)	(73)	(20)		
Reduction in lease costs of secure cash collection vans The lease charges for secure cash collection vans are no longer applicable	(40)				
Reduction in Library Media Fund Reduce spending on some areas of library stock that are in low demand or where there are lower cost alternatives – to include replacing hard-copy reference stock with online material, and a review and reduction in spending on books, CDs and DVDs that have limited demand from customers	(40)	(10)	(10)		
Future Shape Consolidating corporate support functions and improvements to commercial activities in line with Future Shape recommendations	(3,000)				
Delete Customer Service Officer post (cashiers cover)	(31)				
Finance staff reductions Efficiency generated through more streamlined and process related structure of shared and strategic finance	(125)				
Information Systems (IS) Reductions Deletion of vacant Infrastructure Posts in IS	(147)				
	(4,102)	(145)	(60)	0	0

Corporate Services & Finance	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Income</u>					
Secure cash collection increase in income Recharge of secure cash collection service to schools	(100)				
	(100)	0	0	0	0
<u>Budget Increases</u>					
E-Recruitment E-recruitment means using information technology to speed up the recruitment cycle and streamline administration allowing the Council to manage vacancies more effectively and co-ordinate recruitment processes	75				
IT- business continuity - move to commercial data centre (capital investment requirement of £0.480m)	0	150			
Burnt Oak Centre budget shortfall The original budget for the centre was based on the revenue costs of the previous Burnt Oak library and a pre-launch estimate of extra running costs. This estimate did not contain provision for the costs of all additional services in the centre; the requirement for an increase in security cover due to cash transactions being carried out on site and all related additional staffing costs	135				
Library income pressure Historical pressure on library income target (£234k in 2009/10). This will be partially offset by realigning within library budgets. We are seeking a correction to the revenue base budget of £134k	134				
Voluntary Redundancy and Staff Change Processes Additional Human Resources pressure for cost of managing Voluntary Redundancy exercise and other staff changes	300	(300)			
	644	(150)	0	0	0
Headline Control Total	(3,558)	(295)	(60)	0	0

Environment & Operations	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Budget Savings</u>					
Reduction in posts in Trade Waste Service Reduction in posts due to re-structure	(124)				
Deletion of Personal Assistant to Chief Highways Officer Work will be absorbed within the service	(33)				
Capitalise posts in Data Collection Capitalise work to relevant capital projects	(55)				
Save £1,000,000 on previous years overtime costs Reduce overtime costs by £1,000,000	(1,000)				
Reduction of staff in Highways Admin Team Customer Relationship Management (CRM) and re-structure will reduce the number of posts required to provide service	(60)				
Re-Profiling of Cost Centre 10617 The miscellaneous items in this cost centre have been re-profiled and linked to the appropriate cost centre with general supplies and services savings identified	(59)				
Reduction in posts in the Performance and Development team A new Capital Monitoring system and the development of the Highways Asset Management system will negate the need for an officer dedicated to Works Order Management (WOM) processes and developments	(47)				
Reduction of staff within Street Scene Service Reduction of posts within Town Keeper Service as a result of re-profiling service delivery	(46)				
Reduction in posts within Trading Standards Reduction of posts as a result of re-profiling of operations across the directorate.	(60)				
Reduction in posts within Licensing Reduction of posts as a result of re-profiling of licensing enforcement processes across the partnership	(117)				
Reduction in management across Community Protection Group Reduction of post as a result of re-profiling of functions across the Community Protection Group.	(56)				
General Supplies and Services General supplies and services due to re-profiling	(3)				
Reduction in posts in Priority Intervention Team Reduction of post as a result of re-profiling of functions across group	(40)				

Environment & Operations	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
Reduction in posts in Community Safety Team Reduction of post as a result of re-profiling of functions across group	(16)				
Reduction in posts providing support to Community Protection Group Reduction of posts due to re-structure	(93)				
Clothing / Equipment Savings generated from combining of budgets	(30)				
Winter Maintenance Savings generated from combining of budgets	(100)				
Street Scene Savings generated from the on-going review of the Street Scene Service	(85)				
	(2,024)	0	0	0	0
<u>Budget Increases</u>					
Enforcement and Investigations Manager	66				
	66	0	0	0	0
Headline Control Total	(1,958)	0	0	0	0

Planning, Housing & Regeneration (PHR)	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
<u>Budget Savings</u>					
<u>Planning & Building Control</u>					
Efficiencies and post reductions whilst development activity impacted by recession. Vacancy rates managed closely to reflect development activity	(309)				
<u>Regeneration & PHR</u>					
Efficiencies & travel savings Consultancy & travel cost reductions etc.	(54)				
<u>Housing</u>					
Housing Service Efficiencies and contract reviews Reduction of posts in Housing following improved processing/assessment with savings from previous restructuring and other efficiencies (Lean programme)	(425)				
Efficiencies and reduction in costs of providing housing for people who have no recourse to public funds but for whom the Council has an interim duty to house. Modernising and introducing cheaper housing options for people in these circumstances.	(150)				
Re-allocation of costs of improving security for people experiencing domestic violence The general fund has been charged for costs that should have been charged to the HRA.	(30)				
	(968)	0	0	0	0
<u>Income</u>					
<u>Building Control & Structures</u>					
Building Control Fees Increase Increase most charges for Building Regulations applications by 5%	(25)				
<u>Environmental Health</u>					
Additional income from Cemetery, Crematorium, letting of flat on mortuary site and sun bed licensing and events	(30)				
	(55)	0	0	0	0
<u>Budget Increases</u>					
<u>Planning & Building Control</u>					
Reduction in Planning & Building Control Income Reduced income due to economic downturn and proportionally larger drop in high fee generating residential applications	550				
<u>Environmental Health</u>					
Income Shortfall Houses in Multiple Occupation License fees and income variations over medium term	72				
	622	0	0	0	0
Headline Control Total	(401)	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 £59m 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:-

- Sustainable Community Strategy
- Corporate Plan
- Organisational Strategy
- Capital, Assets & Property Strategy
- Treasury Management Strategy
- Debt Management Strategy
- Procurement Strategy
- 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 outturn 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 2009-2014

	2009/10	2010/11	2011/12	2012/13	2013/14
	£m	£m	£m	£m	£m
Base budget (net of AEF, DSG / Collection Fund)	147.194	152.069	155.865	159.766	163.757
Pay awards & inflation (excluding Schools Budget)	6.557	6.724	6.892	7.064	7.240
Full year effects	0.474	0.026	0.000	0.000	0.000
Efficiencies	(4.000)	0.050	0.000	0.000	0.000
Pressures	13.802	5.527	1.549	(0.223)	0.000
Reductions	(7.141)	0.347	0.070	0.400	1.000
Collection Fund adjustments	(0.508)	0.000	0.000	0.000	0.000
Area Based Grant	(1.168)	0.270	0.000	0.000	0.000
Formula Grant	(1.890)	(2.610)	0.000	0.000	0.000
	153.320	162.403	164.376	167.007	171.997
Balances	(1.000)	1.000	0.000	0.000	0.000
Special Parking Account	(0.251)	0.000	0.000	0.000	0.000
Contingency for new pressures	0.000	5.000	5.000	5.000	5.000
Budget reductions to be identified	0.000	(12.538)	(9.610)	(8.250)	(9.140)
Call on Collection Fund	152.069	155.865	159.766	163.757	167.857
Council Tax (Band D)	£1,113	£1,141	£1,170	£1,199	£1,229
Medium Term Financial Strategy	2.81%	2.50%	2.50%	2.50%	2.50%