

AGENDA MANAGEMENT SHEET

Name of Committee Cabinet

Date of Committee 02 November 2006

Report Title Development of the 2007/08 to 2009/10
Medium Term Financial Plan

Summary To inform members of the latest information on available resources, spending pressures and investment proposals for the period 2007/08 to 2009/10.

For further information please contact: Virginia Rennie
Group Accountant
Tel: 01926 412239
01926 412962

Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers Detailed information on spending pressures and investment proposals produced by Directorates.

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Tandy and Cllr Roodhouse - for information
- Cabinet Member Cllr Farnell and Cllr Cockburn
- Chief Executive Jim Graham - reporting officer
- Legal David Carter
- Finance Dave Clarke - reporting officer
- Other Chief Officers The information has previously been considered by SDMT
- District Councils
- Health Authority
- Police

Other Bodies/Individuals

FINAL DECISION NO

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council Council will approve the 2007/08 to 2009/10 Medium Term Financial Plan and Budget at its meeting on 6 February 2007

To Cabinet Further reports updating the information will be considered, as necessary by Cabinet before February 2007.

To an O & S Committee The relevant Overview and Scrutiny Committee will consider the detailed information at their autumn meeting.

To an Area Committee A presentation of the budget position for 2007/08 will be given at each Area Committee in November 2007

Further Consultation

Cabinet - 02 November 2006

Development of the 2007/08 to 2009/10 Medium Term Financial Plan

Report of the Chief Executive and Strategic Director, Resources

Recommendation

Cabinet are recommended to:

- Note the latest resource forecast and early indications of spending pressures and investment proposals from Directorates.
- Request that Overview and Scrutiny Committees review and comment on the information relevant to their terms of reference.

1 Introduction

- 1.1 In approving the medium term financial strategy in July, Members reinforced the need to ensure that a budget is produced that will help deliver the Council's objectives and enable the organisation to modernise to meet the challenges facing the authority.
- 1.2 However, it was also recognised that new resources over the medium term, from traditional sources such as government grant and council tax, will be limited. Therefore any budget proposals moving forward would need to consider disinvestment and further improvements in efficiency as a means of generating the further investment resources.
- 1.3 This report aims to provide a very early indication of the issues to be faced in developing and approving the 2007/08 to 2009/10 medium term financial plan. It provides a preliminary list of spending pressures, the possible actions that will need to be taken if the required resources are not forthcoming and investment proposals from Directorates.

2 Recap of the Medium Term Financial Strategy

- 2.1 The medium term financial strategy agreed by Council at their meeting in July states:

“The County Council will plan on the basis that:

- ◆ Inflation and the corporate costs of capital (through to the end of the current approved programme) will be funded from government grant and council tax income.
- ◆ Subsequent to this the corporate costs of funding a base capital budget to ensure the long-term maintenance of our asset infrastructure will be funded from council tax income.
- ◆ Any other unavoidable pressures Members wish to meet will be funded from the balance of council tax income and reducing investment in low priority services.
- ◆ Spending on schools and pupil related services is guaranteed to the level of the Dedicated Schools Grant.
- ◆ New developments will be funded from efficiency savings (with a minimum of 2.5% cash savings generated each year) and any further reduced investment in low priority services.”

3 Budget Guidance to Directorates

3.1 In practical terms, implementation of this strategy will mean the consideration of the budget in two parts:

- ◆ The cost of doing what we currently do and funding it from government grant, council tax and disinvestment.
- ◆ The generation of efficiency savings and further disinvestment to fund investment proposals.

It is accepted that there will be some overlap between the categories. But it is felt that at this early stage, retaining this split makes the consideration of the volume of information concerned more manageable and enables the key decisions to be clearly identified.

3.2 To provide the information to underpin the development of the budget Directorates have been asked to separately identify:

- ◆ Inflation
- ◆ Other spending pressures
- ◆ Details of the actions and decisions the Directorate would need to take to meet all the other spending pressures assuming no additional resources are available
- ◆ Investment bids (both revenue and capital).

3.3 Directorates returned this information at the end of September 2006. Work is still underway checking the figures for accuracy, compliance with the guidance, consistency and completeness. Whilst this may result in minor changes it is unlikely to significantly change the picture presented in this report.

4 Available Resources

4.1 **Appendix A** outlines the latest forecast of available resources for the medium term. It shows that the financial position of the authority is very tight over the whole period. However, the situation is most critical in 2007/08 where it is expected there will be £7.999 million on-going and £5.050 million one-off resources available for allocation. In considering the available resources the following points are worthy of noting:

- ◆ The assumed increase in the council tax each year is 5%. This is the maximum allowed if the authority is not to break the capping limit. Each 1% increase in the council tax less than 5% will reduce the available on-going resources by £1.850 million.
- ◆ No provision for the possible costs of the pay and conditions review (single status) has been included in the figures. Work is underway to assess realistic cost estimates of both the potential on-going cost and the cost of any back-pay. This is the key issue that will need to be included as part of any final 2007/08 budget resolution.
- ◆ The forecasts for the level of general reserves available are based on the forecast position as at quarter 1 budget monitoring. This figure is particularly volatile, depending on fluctuations in the money markets and/or interest rates.

5 Spending Pressures

5.1 Directorates have identified spending pressures of £16.165 million for 2007/08, increasing to £25.901 million by 2009/10. These are detailed for each Directorate in **Appendix B**, alongside the Directorates proposals as to how they would manage the pressure if additional resources were not forthcoming.

5.2 A separate justification form has been prepared for each spending pressure. These identify in more detail the reason for the additional spending need and the management action needed to balance the Directorates budget if additional funding is not forthcoming. These are currently being collated into a single publication. As soon as this is issued two copies will be placed in each Group room.

6 Efficiency Savings

6.1 The medium term financial strategy assumes a minimum of 2.5% cash efficiencies will be generated each year. If this is to be identified by way of a pro-rata top-slice then the level of efficiencies required from each Directorate is shown in Table 1 below.

Table 1: Impact of 2.5% Efficiencies Top-slice on Directorates in 2007/08	
	£m
Adult, Health and Community Services	2.393
Children, Young People and Families	1.585
Community Protection	0.504
Environment and Economy	0.922
Performance and Development	0.232
Resources	0.397
Total	6.033

- 6.2 There have been significant difficulties in some services in agreeing how the efficiencies in the current year should be found. To the extent efficiencies of this level are not generated then the level of resources for on-going developments will be reduced on a £-for-£ basis.
- 6.3 If the level of available resources is to be increased above the levels shown in **Appendix A**, or generating efficiencies of this level for individual Directorates is felt not to be possible, then there are a number of options available:
- ◆ Generate efficiencies from corporate projects. For example, the customer service centre taking resources out of Directorates budgets on the basis of the business cases
 - ◆ Implement a series of value for money/cost cutting reviews. A proposal as to how this could be taken forward will be considered by SDMT shortly. The initial priority programme of services was reported to Cabinet in April 2006. Further work has subsequently been undertaken and amendments to this programme were reported to SDMT.
 - ◆ Agree a programme of disinvestment in lower priority services. Achieving any savings from this option is clearly linked to the development of a clear corporate vision and service objectives clearly identifying higher and lower priority services. With Directorates already potentially having to identify options to find £16.2 million of pressures savings there will be limited scope for further savings that do not have a significant impact on service delivery in the short to medium term.

7 Investment Proposals

- 7.1 At their meeting in July Leaders Liaison Group agreed a list of medium term objectives that should form the basis of investment proposals for both revenue and capital.
- 7.2 The investment proposals, from Directorates, are listed at **Appendix C** and have been listed according to the key medium term objective the proposal will support. However, it should be recognised that many of the bids will directly impact on more than one objective. The list includes both revenue and capital bids to ensure the borrowing costs of any capital investment proposals are picked up as part of the revenue cost of proposed investments.

8 Summary Position

- 8.1 Table 2 summarises the total resources available to the authority. However, it must be borne in mind that these resources are an accumulation of one-off and on-going resources. A detailed breakdown of the resources available can be found in **Appendix A**.

Table 2: Available Resources Position 2007/08 to 2009/10			
	2007/08 £m	2008/09 £m	2009/10 £m
Government Grant	75.826	77.722	79.665
Council Tax (assuming 5% increase every year)	204.428	215.508	226.963
Collection Fund Deficit	(0.300)	(0.300)	(0.300)
Reserves (based on Quarter 1)	3.600	0.000	0.000
Local Authority Business Growth Incentive Scheme	1.750	2.450	0.000
Total Available Resources	285.304	295.380	306.328
Less Spending Allocations			
- base budget	(268.425)	(279.629)	(293.230)
- inflation	(8.101)	(8.057)	(8.211)
- cost of capital programme (corporate only)	(0.977)	(1.739)	(1.328)
Net Available/(Shortfall) in Revenue Resources	7.801	5.955	3.559
Cash Efficiency Savings (2.5% each year)	6.033	6.184	6.339
Less Spending Allocations Already Agreed			
- customer service centre	(0.785)	0.000	0.000
Net Development Resources	5.248	6.184	6.339
Total Resources	13.049	12.139	9.898

- 8.2 Against these resources, Directorates have identified additional spending pressures amounting to £16.165m for 2007/08, £19.910m in 2008/09 and rising to £25.910m in 2009/10. These figures do not include any spending pressures arising from single status.
- 8.2 Furthermore, Directorates have identified investment proposals amounting to £7.178m in 2007/08, £8.880m for 2008/09 and rising to £9.513m in 2009/10.
- 8.3 Where on-going solutions to manage spending pressures are identified and/or investment proposals funded in one financial year the impact in future years will be reduced by an equivalent amount.
- 8.4 If all of the information presented above is taken into account then, without services absorbing their own spending needs, there is a significant shortfall of resources for both strands of the budget process in 2007/08. This situation will

only resolve itself in future years if decisions on how to manage spending pressures in 2007/08 have an on-going impact.

9 Next Steps

- 9.1 Table 2 clearly outlines that some difficult decisions will be needed to achieve a balanced budget for 2007/08 and over the medium term. This is especially so once the potential impact of single status is factored in and if retaining resources to invest to deliver the modernisation agenda remains a priority.
- 9.2 Cabinet is asked to request that, over the next six weeks, the relevant Overview and Scrutiny Committee will consider the spending/investment proposals for each Directorate. The results of this consideration will be reported to Cabinet on 11 January 2007.

JIM GRAHAM
Chief Executive

DAVE CLARKE
Strategic Director,
Resources

Shire Hall
Warwick

11 October 2006

Available Resources 2007/08 to 2009/10 - update as at 2 November 2006

Table 1: Available Revenue Resources 2007/08 to 2009/10 with new Medium Term Financial Strategy									
	2007/08			2008/09			2009/10		
	On-going £m	One-off £m	Total £m	On-going £m	One-off £m	Total £m	On-going £m	One-off £m	Total £m
Government Grant	75.826		75.826	77.722		77.722	79.665		79.665
Council Tax (assuming a 5% increase each year)	204.428		204.428	215.508		215.508	226.963		226.963
Collection Fund Deficit		(0.300)	(0.300)		(0.300)	(0.300)		(0.300)	(0.300)
Reserves (based on Quarter 1)		3.600	3.600		0.000	0.000		0.000	0.000
Local Authority Business Growth Incentive Scheme		1.750	1.750		2.450	2.450		0.000	0.000
Total Available Resources	280.254	5.050	285.304	293.230	2.150	295.380	306.628	(0.300)	306.328
Less Spending Allocations									
- base budget	(268.425)		(268.425)	(279.629)		(279.629)	(293.230)		(293.230)
- inflation	(8.101)		(8.101)	(8.057)		(8.057)	(8.211)		(8.211)
- cost of capital programme (corporate only)	(0.977)		(0.977)	(1.739)		(1.739)	(1.328)		(1.328)
Net Available/(Shortfall) in Revenue Resources	2.751	5.050	7.801	3.805	2.150	5.955	3.859	(0.300)	3.559
Cash Efficiency Savings (2.5% each year)	6.033		6.033	6.184		6.184	6.339		6.339
Less Spending Allocations Already Agreed									
- customer service centre	(0.785)		(0.785)			0.000			0.000
Net Development Resources	5.248	0.000	5.248	6.184	0.000	6.184	6.339	0.000	6.339
Total Resources *	7.999	5.050	13.049	9.989	2.150	12.139	10.198	(0.300)	9.898

Note

* These figures do not include a provision to meet any additional costs faced by the authority as a result of the pay and conditions review (single status) A 5% council tax increase has been assumed as this the capping level and represents the maximum level of resources available from this source.

Spending Pressures and Funding Strategy

Spending Pressures		2007/08 Cost £000	2008/09 Cost £000	2009/10 Cost £000	How pressure would be managed without additional resources
Community Protection					
CP-02	Implementing the outcomes of the assessment and development centres for fire-fighters	35	36	37	Reprioritisation of the existing training and development budget with the overall effect of slowing down the delivery of assessed training needs.
CP-03	Permanent funding for the firebreak scheme to replace the need to identify external funding annually	13	13	14	Continue to seek ad hoc external funding on an annual basis from external sources or internal social inclusion/young people's funds. If not successful then the scheme may have to be stopped in future years.
CP-04	Provision of maintenance arrangements for operational ladders	30	31	31	Continue with the existing service arrangements or reprioritisation of the existing maintenance budget which is already earmarked for other pieces of essential operational equipment.
		78	80	82	
Children, Young People and Families					
CYPF-02	Funding for the family support workers & parenting post to replace Children Fund grant only confirmed until 2007/08	0	122	125	
CYPF-03	Increased demand for statutory services for looked after children, child protection register referrals and care leavers	415	425	437	
CYPF-04	Additional pressures on the education social work service for e.g. "missing children", attendance and admin support	96	98	101	
CYPF-05	8 posts and other running costs to provide additional information to parents from new legislative requirements	185	214	243	
CYPF-06	Underlying base budget pressure for the Youth Offending Team to sustain current statutory service levels	76	101	104	
CYPF-07	Estimated cost of Primary School Improvement Partners (inspectors) above level of DfES funding provided	133	136	140	
CYPF-08	Mainstream home to school transport	60	61	63	
CYPF-09	Implementation of a common assessment framework for integrated working in Children's Services	146	150	153	Approximately £30,000 per annum is expected from partner agencies
CYPF-10	Underlying base budget pressure in the assessment, statementing and review service	100	100	100	
CYPF-11					The directorate will review all services, but in particular its discretionary services in order to release resources for redirection towards the spending pressures. Discretionary services include, for example: aspects of the youth service, home to college transport, the county music service, the intercultural curriculum support service, the education of looked after children service and REEACH which is non statutory but promotes better outcomes for black and ethnic minority children. In addition the directorate will review its capacity for generating cash-backed efficiencies through improved commissioning and procurement, changes to charges and fees and reviewing the current level of support services.
		1,211	1,407	1,466	
Environment and Economy					
EE-02	Permanent funding for the Speed Aware scheme to replace one-off funding received in 2006/07	30	31	31	Increased workload for existing staff to continue as much of this work as possible within existing resources.
EE-03	2 posts to implement the government's wish for authorities to review speed limits on all A and B roads	51	52	53	Increased workload for existing staff to continue as much of this work as possible within existing resources.
EE-04	Impact of the annual increase in household waste tonnages on the cost of disposal	18	192	371	Costs will be absorbed within the service in 2007/08. In future years it will not be possible to dispose of some of the waste collected.
EE-05	Purchase of landfill allowances in 2009/10 based on forecast of being 5,000 tonnes short of meeting landfill targets	0	0	500	Review progress on implementing the waste strategy to determine a funding strategy over the medium term. Without a solution the authority would fail to meet its waste targets and would incur penalty fines.
EE-06	Additional post to meet the duty to monitor mining and landfill sites as we are unable to charge for unplanned visits	30	31	31	The post would be part funded from fees earned. Any balance would be found from reprioritising work elsewhere within the service.
EE-07	Contingency to meet the costs of a planning appeal against a decision made by the Regulatory Committee	100	0	0	The decision of the Committee was against officer advice and therefore a contingency should be identified in corporate/democratic resources.
EE-08	Delivering two public planning enquiries biannually as required under the 2004 Planning & Compulsory Purchase Act	200	0	200	The directorate would need to identify resources to meet these costs through savings or cuts in other areas.

Spending Pressures and Funding Strategy

Spending Pressures		2007/08 Cost £000	2008/09 Cost £000	2009/10 Cost £000	How pressure would be managed without additional resources
EE-09	Allocation to fund the shortfall in the Stratford Upon Avon park and ride scheme due to higher costs/lower patronage	333	362	391	Funding will be from increased revenue (fares), surpluses from decriminalisation and on street parking charges in Stratford and reallocating the budget currently used to develop LTP transport initiatives.
EE-10	Gypsy and traveller services	78	38	0	The directorate would need to identify resources to meet these costs through savings or cuts in other areas.
EE-11	Funding for Warwickshire Education Business Partnership to replace resources now allocated directly to schools	210	215	220	Promote sales to schools and company sponsorship to raise income. If this is not successful then the service would be cut back to match the resources available.
EE-12	Succession funding for Building Sustainable Neighbourhoods	139	143	147	Funding is being sought from AWM, ERDF the Big Lottery etc. If this is unsuccessful then the team of six will be disbanded.
EE-13	Expansion of the work-life balance project, maintenance for the HUB , fall-out of grant funding for business centres	45	46	47	Reduce services and staffing to the level of funding available within the business development group
EE-14	Opportunities centres in Warwickshire	66	157	183	Seek additional external funding and raise the income generation capacity at both centres with service savings to be identified to pick up any shortfall.
EE-15	Elliot Park Innovation Centre - lower than expected occupancy rates resulting in a shortfall in income	175	120	50	Reduce operating costs where possible and seek to relocate WCC services in the short term to the Centre to increase occupancy. Any remaining shortfall would need to be funded from elsewhere in the directorate..
EE-16	Master planning and feasibility	45	0	0	Increased workload for existing staff to continue as much of this work as possible within existing resources. There may be delays in developing further schemes.
		1,520	1,387	2,224	
Other Services					
OS-03	WCC Elections - to increase the annual provision to meet costs being charged by District/Borough councils	15	15	15	There will be an overspend in election year of about £60,000 that will fall on general reserves. At this point a one-off allocation to make good any shortfall would need to be made.
		15	15	15	
Adult, Health and Community Services					
AHCS-02	Underlying base issue - Libraries, Learning, Culture	500	510	520	Restructuring of the management arrangements for the service is planned to deliver savings of this level over the three year period. However, there may be some shortfall in the first year as the changes will take time to implement.
AHCS-03	DDA compliant counter - Kineton Library	8	0	0	Reprioritise the minor works programme
AHCS-04	Improvement in minority languages stock	40	41	42	Reprioritise book purchase programme impacting on other client groups
AHCS-05	Specialist book materials - older citizens	30	31	32	Reprioritise book purchase programme impacting on other client groups
AHCS-06	Reduced income from Learning and Skills Council	110	112	114	Reduction in range of learning opportunities, increasing charges
AHCS-07	Biodiversity - museum service	40	41	42	Reprioritise staff time causing delays in responding to other service demands
AHCS-08	Museum Service - public demand for information through the Freedom of Information Act	27	28	29	Potential reduction in opening hours to respond to postal/internet enquiries
AHCS-10	Overspend in 2006/07	1,150	1,150	1,150	A management strategy for Adult Services to manage the spending pressures is being developed. It is expected to deliver £3.3m, £5.4m and £6.8m respectively over the period 2007/08 to 2009/10. The strategy includes increasing income, commissioning new/restructured services, reducing management and support and reducing development and other costs. The spending pressures in Adult Services will be accommodated through this strategy in the priority order listed here. Any spending pressures not managed through this strategy will have to be met through a reduction in services.
AHCS-11	Underlying base issue - Adult Services	5,965	6,084	6,206	See above
AHCS-12	Loss of government grant	749	968	1,191	Reprioritise services within actual grant levels potentially reducing services

Spending Pressures and Funding Strategy

Spending Pressures		2007/08 Cost £000	2008/09 Cost £000	2009/10 Cost £000	How pressure would be managed without additional resources
AHCS-13	Supporting People	160	163	166	Vital part of the Council's CPA judgement. Resources will need to be moved from adult services to meet this pressure affecting capacity for adult services Need to review FACS criteria and further service change to meet growth in demand Reprioritise service provision to meet service developments and contribute to overall Directorate pressure.
AHCS-14	Adult Services demographic growth	2,925	6,746	11,464	
AHCS-15	Funding strategy for Trading Standards				
		11,704	15,874	20,956	
Resources					
RE-02	Saltisford phase 2 running costs	522	532	543	Some funding should arise as staff moving into Saltisford Phase 2 vacate other buildings. This may be insufficient and it would then be necessary either to charge the occupying directorates without giving them a budget or by an increased charge (also without budget) for all directorates that use the main offices in Warwick. £17,000 of this cost can be met from the Central Purchasing Unit's budget. The balance of £18,000 will be met by efficiency savings not yet identified. Cut spending on 'planned' (as opposed to reactive) building maintenance by nearly half from the current £1.3 million. The external redecoration programme would be totally eliminated. From within directorate budgets but minimising cost by early implementation of appropriate strategy.
RE-03	Environmental procurement officer post - loss of funding	35	35	35	
RE-04	Asbestos/water hygiene surveys, revenue remedial works etc - legal requirements	580	580	580	
RE-05	Catering service deficit (arising partly from 'Jamie Oliver' effect)	500	0	0	
		1,637	1,147	1,158	
TOTAL		16,165	19,910	25,901	
Schools					
CYPFS-02	Additional grants to parents/organisations to provide mainstream places for early years children with special needs	32	33	34	Half of the costs to be top-sliced from DSG with the agreement of the schools forum £100,000 in 2007/08 to be funded from the underspend in the current financial year Continue with the existing service arrangements or reprioritisation of the existing maintenance budget which is already earmarked for other pieces of essential operational equipment.
CYPFS-03	Underlying base pressure for the education of looked after children service	93	95	97	
CYPFS-04	Management of the tree stock on Warwickshire school sites	100	100	100	
CYPFS-05	Underlying base pressure for out of county school placements from the assessment, statementing and review service	315	315	315	
CYPFS-06	New requirement to undertake a school workforce census for the DfES on an annual basis	50	0	0	
TOTAL		590	543	546	