Agenda No

AGENDA MANAGEMENT SHEET

Name of Committee	**Resources, Performance And Development Overview And Scrutiny Committee**
Date of Committee	**11 November 2008**
Report Title	**Development of the 2009/10 to 2011/12 Medium Term Financial Plan**
Summary	The report seeks the Committees views on the content of the 2009/10 to 2011/12 Medium Term Financial Plan.
For further information please contact:	Virginia Rennie Group Accountant Tel: 01926 412239 vrennie@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	No.
Background papers	None

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

Other Committees	☐	....
Local Member(s)	☐	……………………………………
Other Elected Members	☒	Cllr Booth, Cllr Haynes, Cllr Atkinson - for clearance
Cabinet Member	☒	Cllr Cockburn for information
Chief Executive	☐	....
Legal	☒	Jane Pollard
Finance	☒	David Clarke - reporting officer
Other Chief Officers	☐	....
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	☒	The 2009/10 to 2011/12 Medium Term Financial Plan will be approved by Council in March 2009
To Cabinet	☒	There will be further consideration of the Medium Term Financial Plan by Cabinet in February/March 2009
To an O & S Committee	☐	....
To an Area Committee	☐	....
Further Consultation	☐	....

Agenda No

Resources, Performance and Development Overview and Scrutiny Committee - 11 November 2008

Development of the 2009/10 to 2011/12 Medium Term Financial Plan

Report of the Strategic Director, Resources

Recommendation

The Committee is asked to:

- Comment on the proposed structure for the 2009/10 to 2011/12 Medium Term Financial Plan shown in Appendix A
- Note the timetable for approval of the Plan shown in paragraph 2.2, and
- Review the content of the 2008/09 Plan, making recommendations for any changes.

1 Introduction

1.1 At the 24th June meeting of the County Council the core work programme for Overview and Scrutiny Committees was agreed. This required, amongst other things, that the Medium Term Financial Plan (MTFP) for the Council be presented to Resources, Performance and Development O&S in November 2008. This is to enable the committee to have some input into the plan as part of the corporate planning process.

1.2 The MTFP is the resource framework within which the Corporate Business Plan (CBP) will be developed. As such it helps align policy to resource availability and achieve value for money in the delivery of services. It is published as a companion document to the CBP.

2 Timetable for the Production of the Medium Term Financial Plan

2.1 The key document in the development of the MTFP is the agreement of the budget resolution for the forthcoming year. Therefore, other than agreeing the general focus and structure of the MTFP, little progress can be made on the content before the 2009/10 Budget is agreed by Council on 3 February 2009.

2.2 As a result the timetable for the production of the MTFP is condensed into the six weeks after the budget is agreed and before the full Council meeting in March. The timetable for the approval of the MTFP is outlined below.

Date	Consideration by:
11/11/08	**Resources, Performance and Development Overview and Scrutiny** consider the outline proposal (this paper)
03/02/09	**Council** approve the 2009/10 Budget and Medium Term Financial Planning Framework
25/02/09	Draft MTFP to **SDLT** for approval
10/03/09	Draft MTFP to **Resources, Performance and Development Overview and Scrutiny** for consideration
19/03/09	**Cabinet** approve the MTFP for recommendation to Council
24/03/09	**Council** approve the 2009/10 to 2011/12 MTFP

3 Outline Proposal

3.1 It is proposed that the broad structure of the MTFP remains unchanged for 2009/10, with the key underlying document being the budget resolution. Some proposed changes are recommended to reflect enhanced requirements of medium term planning reflected in the relevant Key Lines of Enquiry in the 2009 Use of Resources assessment currently out to consultation, and the continued development of the LAA and partnership working.

3.2 It is therefore proposed that the following new sections are included in the 2009/10 to 2011/12 MTFP:

- Sustainability including long term cost management
- Strategic commissioning
- Financial risk management, including treasury management

3.3 Incorporating these changes the proposed structure of the 2008/09 to 2010/11 MTFP is shown in **Appendix A**. It is not expected that adding these additional sections will increase the size of the MTFP far beyond the current 16 pages.

3.4 Attached at **Appendix B** is a full copy of the current MTFP that the Committee may wish to use as a reference point when considering any changes they would like see.

DAVID CLARKE
Strategic Director, Resources

Shire Hall
Warwick

16 October 2008

Outline Structure of the Medium Term Financial Plan

Section	Contents
1.0	**Introduction**
2.0	**Contextual Background**
2.1	Financial constraints/uncertainty
2.2	Value for Money
2.3	Partnership Working
3.0	**Our Priorities**
4.0	**Resourcing our Priorities**
5.0	**Financial Strategy**
5.1	Low Council Tax Levels
5.2	Bridging the Funding Gap
5.3	Funding for Schools and Pupil Services
5.4	Area Based Grant
5.5	Strategic Commissioning
5.6	Prudent Levels of Reserves, Contingencies and Balances
5.7	Budget Management
6.0	**Efficiency Planning**
7.0	**Guideline Revenue Allocations**
8.0	**Capital Strategy and Capital Programme Allocations**
9.0	**Sustainability**
10.0	**Financial Risk Management**
10.1	Key Financial Risks
10.2	Treasury Management
11.0	**Value for Money**
11.1	What do we mean by Value for Money?
11.2	Objectives
11.3	Delivering Value for Money
11.4	Responsibilities for Value for Money
11.5	Equality and Access
12.0	**Partnership Working**
12.1	Warwickshire Local Area Agreement
12.2	Enhanced Two-Tier Working
12.3	Significant Partnerships

Medium Term Financial Plan

Introduction

The Corporate Business Plan has been developed within a medium term resource framework to reflect changes both in the way we work and the environment in which we operate. Planning over the medium term (three years) will help to align policy to resource availability and achieve value for money in the delivery of services. This Medium Term Financial Plan is therefore published as a companion document to the Corporate Business Plan.

Contextual Background

In considering the medium term resources and their allocation to support delivery of the Corporate Business Plan it is useful to understand the contextual background. There are a number of factors that heavily influence the future environment in which we will be operating. While these are discussed later in the plan, a flavour of the issues is set out below to provide some contextual background to the Medium Term Financial Plan.

1. **Financial constraints/uncertainty**
   The 2007 Comprehensive Spending Review (CSR) was announced in October 2007 with the financial settlements for the period 2008/09 to 2010/11 announced in January 2008. Whilst providing increased certainty, as anticipated, these announcements revealed a tight settlement across the public sector, and included a cash efficiency savings target of 3% a year over the period of the CSR. Council tax capping is expected to be enforced at similar levels to previous years and so the overall picture for the next three years at least remains one of restricted financial resources. As is highlighted later in this document, this is at a time when demands are growing.

   In the wider financial climate, recent events in the world economy reinforce the need for careful budget and treasury management. A number of other issues have the potential to impact upon our financial position within the period of the CSR, such as the possibility of 3-year pay agreements in Local Government, the possible introduction of Supplementary Business Rates and the outcomes of reviews of key services such as Adult Social Care.

2. **Value for Money**
   We have a long track record of delivering efficiency savings. Over the last decade services have being required to deliver year on year efficiency savings of approximately 2.5%, and as noted above this has now increased to a 3% target of entirely cash efficiency gains. With the tightening financial position it is essential that we deliver significant savings from an aggressive value for money agenda. A programme of value for money reviews has been identified with the expectation of identifying significant future savings.

3. **Partnership working**
   The current national and local agenda is about new ways of working. This involves joining up service provision and support services to enhance the service, and cost effectiveness, to the customer. The Warwickshire Local Area Agreement that was introduced in 2007 alongside the enhancement of two-tier working and the consideration of wider public sector shared service provision are key strands in our approach.

Our Priorities

Our long-term vision for Warwickshire sets out a focus for our services and acts as a reference point in the allocation of resources. The Corporate Business Plan 2008-2011 takes forward this focus and identifies actions and targets for the next three years to our key priority outcomes.

Our long-term vision for Warwickshire is “Working in Partnership to put Customers First; Improve Services and Lead Communities”.

Our top priorities in striving for our vision are:

1. **Raising levels of Educational Attainment**
2. **Caring for Older People**
3. **Pursuing a Sustainable Environment and Economy**
4. **Protecting the Community and Making it a Safer Place to Live**

Resourcing Our Priorities

We recognise that the demand for more and better services will always outstrip the availability of additional resources to deliver them. In order for resources to be allocated to the areas of most priority, reductions from areas of lower priority have to be made.

In 2008/09 we plan to spend £897.8 million providing services and investing in our infrastructure. Much of this planned spending has been previously approved or is funded by government grants directed to specific services. However, as part of agreeing the 2008/09 budget £67.3 million of new allocations will be invested in our priorities.

The type of investment will vary depending on the nature of the service. For example, our investment in caring for older people is mainly a revenue cost on the day-to-day provision of services, whereas pursuing a sustainable environment is about investing in our infrastructure over the longer term. Of the £67.3 million invested £29.0 million was revenue investment (of which £9.1 million is the increase in Dedicated Schools Grant (DSG) and £19.9 million net revenue allocations) and £38.3 million capital investment.

Diagrams 1 and 2 below show how the revenue (excluding DSG) and new capital allocations in our 2008/09 budget demonstrate that resources are allocated to our priorities. The £9.1 million additional investment funded by DSG was included in our Medium Term Financial Plan and will be invested in meeting our priority of raising levels of educational attainment.

Diagram 1: 2008/09 Revenue Allocations – by Priority (excluding DSG)

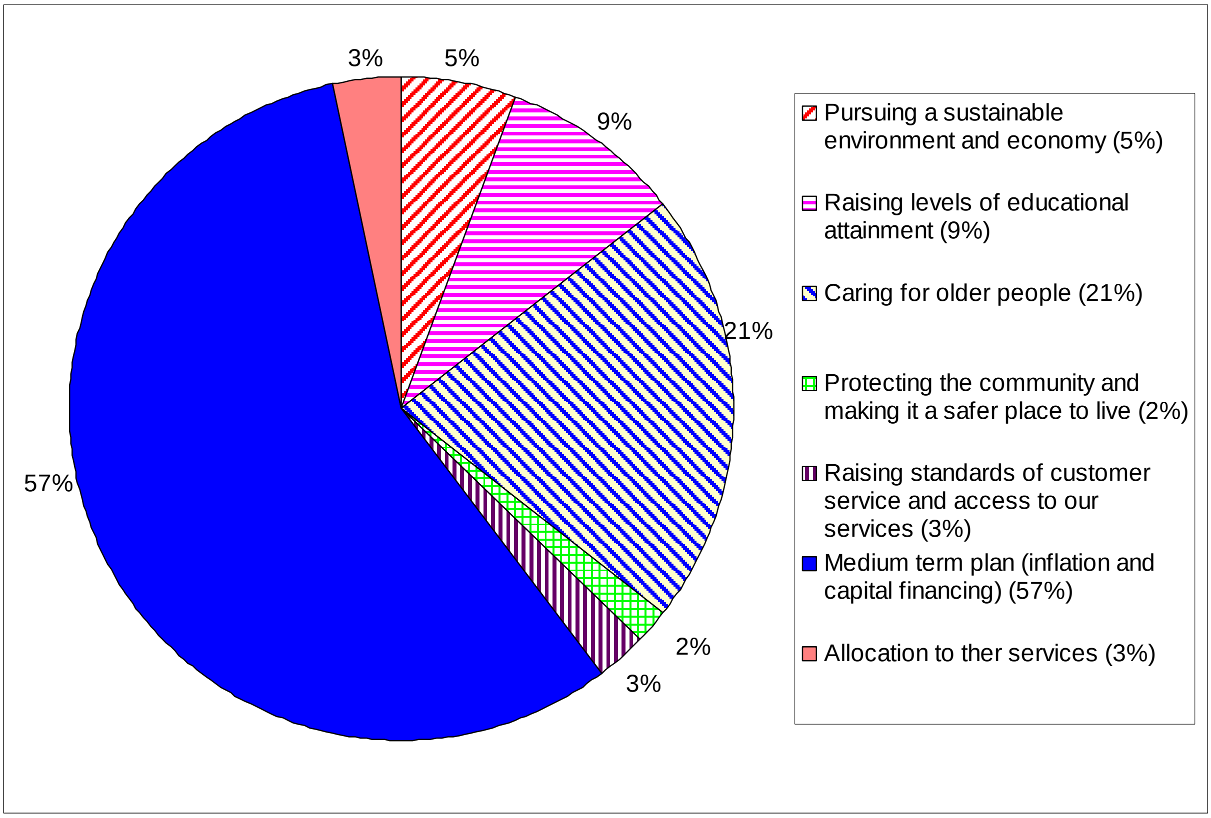
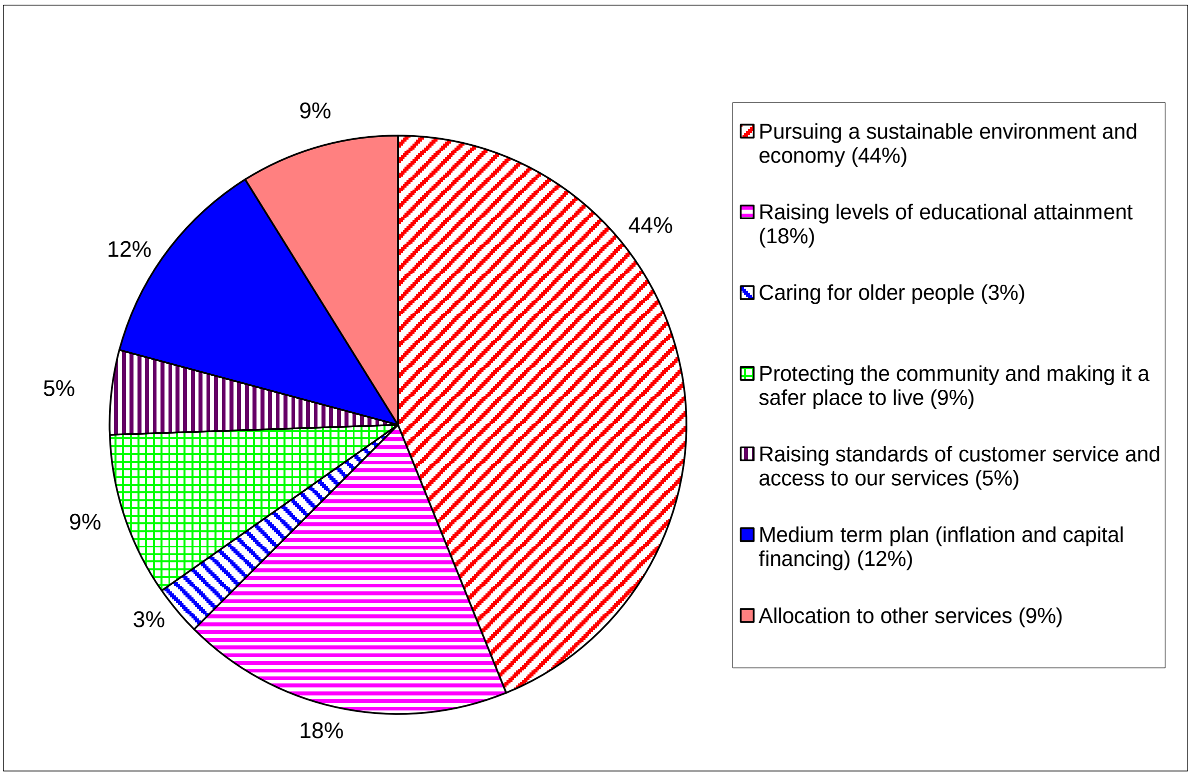


Diagram 2: 2008/09 New Capital Allocations – by Priority *



* The allocations shown here are those funded from borrowing. They do not include capital allocations funded by government grant or third parties.

We will use resource planning over the medium term as the tool that will help us manage competing priorities. Whilst it covers a three-year period, the Medium Term Financial Plan will be refreshed annually to reflect changes in the Corporate Business Plan and our priorities.

Our key mechanisms for resource planning include:

- Invest-to-save programmes that will generate long-term savings for the authority.
- Continuing to work closely with partners, in particular our district and borough councils, where we are committed to increasing efficiency and effectiveness by exploring shared services.
- Investigation of the opportunities to deliver savings through the implementation of the customer access strategy.
- A programme of reviews to improve the value for money provided by our services.
- Reducing Warwickshire's energy costs as part of our commitment to a sustainable development programme, reducing Warwickshire's overall carbon footprint.
- The development of proposals for how increased community engagement within localities can be taken forward, including the consideration of devolved budgets to localities in light of the growing focus on locality working and the new duty to involve.

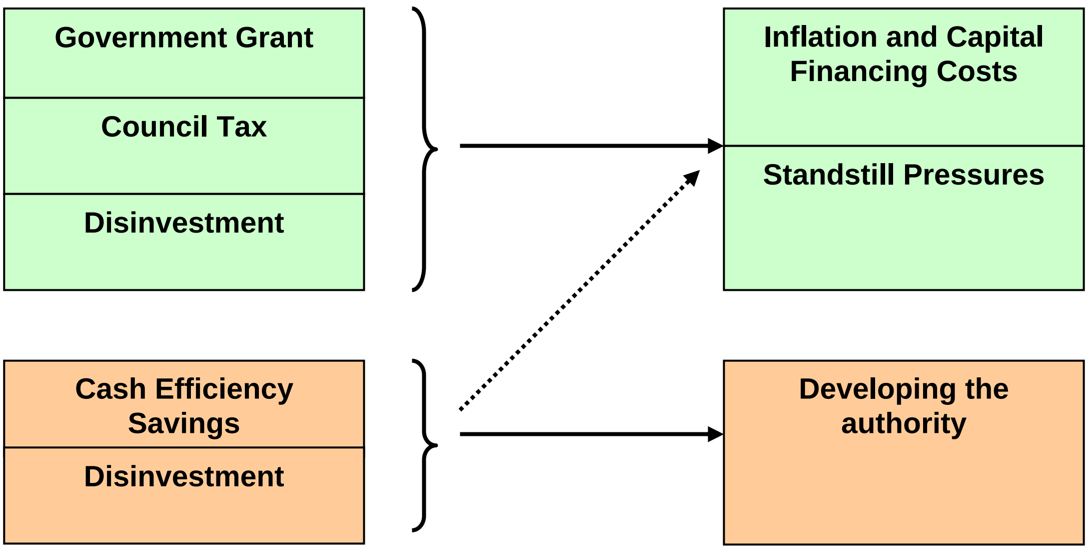
Financial Strategy

We have achieved sustainable revenue and capital budgets and a prudent level of reserves. Our approved Medium Term Financial Strategy is:

- Inflation and the corporate costs of capital will be funded from government grant and council tax income.
- The financing costs of a base capital programme to ensure the long-term maintenance of our asset infrastructure will be funded from government grant and council tax income.
- Any other spending pressures members deem to be unavoidable and 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 will be guaranteed to the level of the Dedicated Schools Grant.
- New developments will be funded from efficiency savings (with a minimum of 3% cash savings generated each year) and any further reduced investment in low priority services.
- In setting the council tax increase in future years we will work within any guidelines issued by the government.

The medium term financial strategy is shown more clearly in Diagram 3 below.

Diagram 3: Medium Term Financial Strategy



The overall revenue position for the authority over the medium term, after applying the Medium Term Financial Strategy is shown in Table 1 below. This does not include any resources or spending commitments that may arise as a result of disinvestment.

Table 1: Overall Predicted Council Revenue Position

		2008/09 £m	2009/10 £m	2010/11 £m
Resources	Formula grant	86.486	89.103	92.092
	Council Tax *(3.90% increase in 2008/09 and 0% in 2009/10 and 2010/11)* [1]	215.167	216.243	217.324
	Reserves and balances	0.386	-	-
	Total Council Resources	302.039	305.346	309.416
Spending	Net spend [2]	302.039	297.335	302.264
	Inflation and capital financing costs	-	11.469	12.005
	Total Net Spending	302.039	308.804	314.269
	Net Deficit in year	**-**	**(3.458)**	**(4.853)**
	Deficit carried forward			**(3.458)**
	Cumulative Deficit			**(8.311)**

Notes:
1. Council Tax figures assume a 0.5% year-on-year increase in tax base in 2009/10 and 2010/11
2. Net spend figures have been reduced by the efficiency savings shown in Table 4

The financial strategy has been developed in order to manage both revenue and capital spending and to ensure that resources are directly linked to our priorities. The key elements of the strategy are as follows:

Low Council Tax Levels

We have made a commitment to keep council tax levels at or below the government guidelines. To maintain council tax at this level means that we must exercise the strongest control over performance and expenditure. We have specific corporate processes designed to ensure that this control exists, ranging from corporate planning process to the corporate performance management framework. Council tax increases of 0% for 2009/10 and 2010/11 have been assumed as a planning guideline for the next two years and have been built into the figures in Table 1. The resulting deficits indicate that keeping council tax levels constant in this way in 2009/10 and 2010/11 is not sustainable.

In light of this and without significant disinvestment in services, some increase in council tax is likely. Table 2 summarises the additional resources that could be made available by increasing levels of Council Tax in 2009/10 and 2010/11. A 5% increase in council tax (in line with the Government's statements on the maximum allowable increase) would generate an additional £10.812 million in 2009/10 and a further £10.866 million in 2010/11.

Table 2: Additional resources from future increases in Council Tax			
Council Tax Increase	**Band D Council Tax £**	**2009/10 Additional resources £m**	**2010/11 Additional resources £m**[1]
0%	1,085.98	-	-
1%	1,096.84	2.162	2.173
2%	1,107.70	4.325	4.346
3%	1,118.56	6.487	6.520
4%	1,129.42	8.650	8.693
5%	1,140.28	10.812	10.866

Notes:
1. 2010/11 Additional resources are calculated assuming a 0% increase in council tax in 2009/10

Bridging the Funding Gap

Sustainable funding provides a firm base for delivering consistently high quality services. It is important, however, to ensure that we spend our money on the services that our community tells us they most need. It is vital we are able to disinvest from services that are not important to our communities and invest in and protect those services that are.

In addition to funding inflation and the costs of financing our capital programme, future indicative spending pressures of £3.538 million for 2009/10 and £3.374 million for 2010/11 have been identified to date and funding committed as part of setting the 2008/09 budget. Table 3 provides the detail of these spending pressures.

Table 3: Future Spending Pressures	**2009/10 £m**	**2010/11 £m**
Adult Health and Community Services		
• Increasing numbers of older people	1.694	1.956
• Other, mainly increasing numbers of residents with learning disabilities	1.447	1.297
Environment and Economy		
• Waste disposal	0.322	0.121
Resources	0.075	-
Total	**3.538**	**3.374**

In addition there will inevitably be a number of unplanned spending pressures that will emerge over the next two years and funding to meet these will also need to be identified. We therefore have in place a range of strategies and programmes to allow us to bridge the funding gap.

These strategies/policies include:

- A commitment to working in a more efficient and effective way through our New Ways of Working programme, which draws together transformation activity across the authority which will change the way we work and make the organisation fit for purpose. The programme includes approaches ranging from culture change and capacity building to re-engineering.

- A review of the relationships with schools and the provision of services to schools, in conjunction with the Schools Forum, to ensure a common understanding and approach is adopted within a clear set of corporate principles.

- A value for money review programme (see separate section below).

- A corporate charging policy and review of all income streams and income collection processes, with implementation of any changes for 2009/10.

- A review of sustainability across the organisation that builds on the sustainable development programme included in the 2007/08 MTFP, to incorporate the planning needed for the Comprehensive Area Assessment being introduced from 2009/10.

- The transfer of services into the Customer Service Centre and One-Stop Shops wherever this is feasible.

Savings identified from these programmes and reviews will contribute to bridging the funding gap and provide flexibility for investment in higher priority services.

Funding for Schools and Pupil Services

Funding for schools and pupil services is primarily through a specific government grant called Dedicated Schools Grant. We are committed to funding schools up to the level of the grant received in any year. Any pressures to increase spending on these services above the level of the grant will be considered alongside all other spending priorities.

The expected level of grant to be received in 2008/09 is £277.867 million. Indicative indications for 2009/10 and 2010/11 are £285.673 million and £295.881 million respectively.

Area Based Grant

Area Based Grant was introduced by Government to support local authorities and their partners in delivering their local, regional and national priorities. It increases local flexibility over the use of resources, and reduces reporting requirements. The totals allocated to Warwickshire are £22.063 million in 2008/09, rising to £33.140 million in 2009/10 and £32.518 million in 2010/11 when the funding of the Supporting People programme becomes part of the grant. As the County Council in a two-tier area we are responsible for the allocation of the Area Based Grant and we recognise its importance in delivering, in particular, the aims and priorities of our Local Area Agreement.

Key Financial Risks

The Council is committed to considering risk as an integral part of corporate and service planning, service delivery and project and partnership governance. As part of this proactive approach we carry out strategic risk assessments annually to assess the potential risks to the delivery of our priorities. All employees share the need to understand and look for risks and opportunities in their work. The Corporate Risk Policy and Strategy expand further upon our approach to risk management.

A number of uncertainties can be identified which may have an impact on the Council's financial strategy and for which no accurate estimates of future resource needs are yet known, including:

- **Waste disposal costs** – costs are set to rise significantly year on year and it is likely we will have to spend significant amounts of money in the future on new and innovative ways of reducing and disposing of the County's waste.

- **Demographic growth** – The population of Warwickshire is growing rapidly with 41,000 additional houses planned over the next 20 years. Inevitably this means increasing demands for services and hence increased costs. This is particularly acute in adult social care where the increased numbers of older people are forecast to mean increased costs of about £2 million a year.

- **Impact of Climate Change** - in recent years, emergencies such as flooding have become more prevalent. Whilst such events attract short term funding support from the Government, we need to be able to respond with immediate aid and support. We will also continue to consider and invest in longer-term solutions with our strategic partners.

Prudent levels of reserves, contingencies and balances

We have built up our reserves and balances in line with the financial risk assessment undertaken by the Strategic Director, Resources. Our general balances are expected to be about 2% of annual net revenue spending over the medium term.

These balances allow us to deal with very unexpected financial shocks in a planned way, reducing the risk of service failure and reducing the cost of such shocks to the organisation. Balances will be maintained at least in line with the risk assessment throughout the medium term. We also have a process for managing service financial risks through the use of earmarked reserves and contingencies.

To pump prime investment in services that will deliver future savings we operate a Virtual Bank, whereby a service can "borrow" money to be repaid, with interest, from future savings.

Table 4: Forecast County Council Reserves and Balances as at 31 March

	2008 £m	2009 £m	2010 £m	2011 £m
General Reserves	8.045	6.500	6.500	6.500
Earmarked Reserves	7.335	6.000	6.000	6.000
Schools Reserves	14.758	14.000	14.000	14.000
Insurance Fund	9.220	9.000	9.000	9.000
Virtual Bank	(3.485)	(2.400)	(1.400)	(0.800)
Capital Fund	0.607	0.300	0.600	0.600
Total	**36.480**	**33.400**	**34.700**	**35.300**

Our forecast general reserves of £8.045 million in 2008/09 are above the minimum level of £6.5 million specified by the Strategic Director, Resources in his risk assessment. This is because of additional advice that it would be advisable to retain any reserves, above the minimum level, to meet any costs arising from Phase 2 of the pay and conditions review.

Budget Management

Effective budget management arrangements are the cornerstone of Directorates' work to secure value for money. Directorates, and also schools, are encouraged to take a medium term view of spending commitments and to ensure a prudent approach is adopted, both in entering into initiatives which create commitments in future years and developing clear strategies for the utilisation of service reserves. Directorates report their revenue and capital financial performance as well as progress in the delivery of their savings targets quarterly to Cabinet, identifying any variances of projected outturn against budget and action plans to counteract such variances.

Efficiency Planning

As part of our medium-term, aggressive approach to the delivery of savings Directorates will be required to deliver savings of £6.2 million in 2008/09 rising to £8.8 million by 2010/11. The targets allocated to Directorates are shown in Table 5 below and represent the balance between the drive for greater efficiency across the organisation with the direct contribution that each Directorate makes towards our Corporate Priorities.

Table 5: Approved savings targets						
Service	**2008/09**		**2009/10**		**2010/11**	
	Percent	**£m**	**Percent**	**£m**	**Percent**	**£m**
Adult, Health & Community Services	2%	2.002	3%	3.003	4%	4.004
Children, Young People and Families	3%	1.932	3%	1.932	3%	1.932
Community Protection (community safety element only)	-	0.140	-	-	-	-
Environment and Economy	2%	0.768	3%	1.152	4%	1.536
Performance and Development	5%	0.533	5%	0.533	5%	0.533
Resources	5%	0.822	5%	0.822	5%	0.822
Total		**6.197**		**7.442**		**8.827**

Guideline Revenue Allocations

The benefits of medium term financial planning in a financially constrained environment, as a key tool in aligning policy to resource availability and ensuring value for money in the delivery of services, are not only relevant for the whole authority, but apply equally to individual services. Cascading the overall predicted revenue position down to directorate level improves the ability of services to plan and develop over the medium term.

The Medium Term Financial Strategy would give minimum guideline allocations for individual services as set out in Table 6 below. These figures include the efficiency savings shown in Table 5 above.

Table 6: Directorate Guideline Medium Term Allocations [1]			
Service	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**
Adult, Health and Community Services	113.021	115.288	116.710
Children, Young People and Families	68.145	68.533	69.312
Community Protection	21.849	22.158	22.807
Environment and Economy	41.527	42.335	42.371
Performance and Development	11.145	10.745	10.462
Resources	15.833	15.725	15.252
Other Services	30.519	34.020	37.355
Authority Total	**302.039**	**308.804**	**314.269**

Notes:

1. The costs of services provided by one Directorate to another are shown in the guideline allocation of the Directorate undertaking the spending.

Capital Strategy and Capital Programme Allocations

We have over many years invested in assets that have a lasting value, for example land, roads, buildings and large items of equipment such as vehicles. Each year we need to spend more money to ensure our existing assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements.

Our Capital Strategy sets out a framework of how we aim to use our capital resources to invest in assets with a lasting value, ensuring all investment decisions maximise the benefits to the people of Warwickshire.

The level of planned capital investment is partially determined by the level of resources available.

- All directorates are encouraged to look for external funding prior to bidding for corporate resources.

- We continuously monitor and review our property portfolio to ensure we make the best use of the capital value tied up on those assets, taking decisions on the disposal of assets where and when it is in our best interest to do so. Any decisions made are in accordance with our Corporate Property Strategy and Capital Receipts Strategy.

- We borrow money for investing based on a set of principles called prudential guidelines. These include an assessment of affordability, efficiency, sustainability and investment returns. Our prudential guidelines are continuously monitored and agreed annually as part of the Treasury Management Strategy. However, there is a tangible revenue cost to borrowing.

- Directorates can use their own resources for day-to-day spending to directly fund capital investment. We also encourage investment that will result in savings or generate additional income in the future.

- We operate within a set of corporate performance standards that seek to regulate quality, equality of opportunity, competition, sustainability, economic regeneration and a whole life-cycle costing approach to our capital investment decisions.

Table 7 below sets out our approved capital programme for the next three years. The draft capital programmes for 2009/10 and 2010/11 above were approved by the Council in January 2008. The future years programme will be further enhanced by:

- Additional externally funded schemes for transport and other services

- Projects approved in line with our medium term objectives

- Purchases of vehicles, plant and equipment funded from revenue budgets

Table 7: Approved Capital Programme			
Service	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**
Capital Resources			
Borrowing	54.579	37.991	26.526
Capital Receipts	25.507	13.152	-
Grants and External Contributions	63.707	40.207	36.813
Revenue	1.812	0.364	-
Total Capital Resources	**145.605**	**91.714**	**63.339**
Capital Spending			
Adult, Health and Community Services	3.234	0.890	0.395
Children, Young People and Families	57.122	44.912	37.692
Community Protection	0.889	0.770	0.785
Environment and Economy			
• Transport	58.790	30.876	19.797
• Waste Management	3.646	5.066	1.240
• Regeneration and Economic Development	4.850	0.034	-
• Other, including Countryside and Rural Strategy	4.266	0.635	0.460
Performance and Development	0.807	-	-
Resources			
• Office Accommodation and Property	10.301	7.351	2.930
• Other, including Finance and Information Technology	1.700	1.180	0.040
Total Capital Spending	**145.605**	**91.714**	**63.339**

Value for Money

We have been successful in recent years in dealing effectively with increasing demands for services whilst at the same time driving up performance in our key services and hence improving value for money. Our capacity to reprioritise resources is constrained by the ring fencing of the budget for schools and pupil services that represents half our revenue spending. It is against this backdrop of increasing demands for services in the context of a constrained budget that we have worked creatively to secure value for money.

Whilst we strive to deliver high quality services, which are recognised by local residents as value for money, the government also currently requires us to make 3% cash savings annually. Since the Government introduced formal reporting of efficiency savings in 2005/06, we have delivered, proportionately, the 5th highest efficiency gains out of all shire counties.

What do we mean by value for money?

We have a statutory duty to deliver best value in the provision of our services. We aim to achieve value for money by efficiently delivering effective and economic services to our citizens. These are services that meet the needs of the population and our priorities and are delivered to the right place, for the right price, at the right time. Our target is to provide value for money (as measured through a cost performance comparison) at the upper quartile for all services.

Objectives

We will remain a cost effective, high performing council that spends its taxpayers' money wisely by:

- Maintaining a clear focus on our citizens' priorities
- Working "smarter" and making the best use of new technologies to improve services whilst reducing costs
- Actively managing procurement across the organisation
- Driving out efficiency savings and making the best use of our assets to further invest in our priorities
- Working through an efficient organisational structure
- Making appropriate use of management systems e.g. risk management, performance management
- Ensuring we recruit the right people and retain and develop their skills
- Working with partners to achieve economies and deliver more efficient and effective services
- Actively pursuing external funding to contribute to the delivery of our priorities
- Achieving public confidence in our prudent financial management, service delivery and corporate governance through positive external audit and inspection feedback, and
- Maintaining a level of council tax such that the public feel we make good use of the money we spend and it reflects the quality of services they receive.

Delivering Value for Money

We have a comprehensive range of approaches to promoting and delivering our value for money objectives which provide a degree of challenge and ensure that value for money is at the forefront of everything we do.

We assess the value for money of our services in three ways:

- The cost vs. performance analysis of services using spend per head and performance across all BVPIs, and those included as corporate headline indicators, relative to all shire counties
- A review of the Audit Commission Value for Money Profiles and the PwC Benchmarking analysis, and
- An analysis of spend per head compared to shire counties showing performance relative to the median and the upper and lower quartiles

This assessment reflects the absolute position at any point in time and, as far as possible, the trends over recent years.

As a result of this analysis we operate a rolling programme of value for money reviews. These are being undertaken to generate cash savings to increase the resources available for direction to our priorities over the medium term. Our current review programme is:

Medium Term Review Programme	
Year	**Review**
2008/09	• Transport provision, including the viability of introducing a concessionary travel scheme for young people • Adult/Post 16 learning and skills provision • Community safety • The sustainability of Children's Centre's
2009/10	• Youth Services • Rural and countryside services and estates • Culture, heritage, tourism and the arts
2010/11	• Transport infrastructure • Customer service and access • Performance management

We will use our value for money assessments to update the review programme on an annual basis.

Responsibilities for Value for Money

The responsibility for delivering value for money lies with all members and staff and is not restricted to those with resource or financial management responsibilities. Responsibility for value for money is devolved to an appropriate level and the responsibilities of Members are set out in the terms of reference for both the offices they hold and the committees and panels of which they are members. The Strategic Director, Resources is responsible for reviewing the Value for Money strategy on an annual basis and the methodologies to be used in consultation with Strategic Directors' Leadership Team prior to their approval by Cabinet.

With the increased focus on partnership working, it is important that services delivered through these mechanisms are subject to the same level of value for money scrutiny as other services. Our partnership agreements include the allocation of responsibility for the performance and success of the partnership, which includes achieving value for money. Such agreements also clarify all budgeting and financial monitoring arrangements. Our Partnership Governance Toolkit provides further advice on these requirements.

Equality and Access

Our definition of value for money recognises the diverse needs of the residents of Warwickshire. The Council is committed to understanding the needs and priorities of our entire community and using our value for money assessments to measure the impact of our services on all our residents.

Partnership Working

We see effective partnership working as the key to tackling many of the challenges facing the County. Whilst most parts of Warwickshire can properly be seen as being relatively prosperous, there are many residents living in both urban and rural areas who experience significant levels of deprivation. These complex issues cannot be addressed by any one agency working in isolation and demand joined up and focussed delivery through partnership.

Warwickshire Local Area Agreement

In Warwickshire we aim to tackle those issues which have the greatest impact on the quality of life of local residents through our Local Area Agreement. We intend that the continued development of the Local Area Agreement will start off a longer-term continuous process of improvement that will bring greater benefits to Warwickshire people and communities year-on-year. The outcomes from our Local Area Agreement focus on those that are best delivered through partnership approaches to deliver our aim of Narrowing the Gap and the link to the medium term financial plan ensures there are sufficient resources in place to deliver the outcomes.

Most of the specific funding for the Local Area Agreement for 2008/09 will come from our Area Based Grant. We have the responsibility for the allocation of this grant and decisions will go hand in hand with developing and agreeing the Local Area Agreement. However, in operational terms the Public Service Board and other partners will have considerable influence over the allocation of Area Based Grant.

We approved allocations of £23.063 million Area Based Grant as part of our budget setting for 2008/09. These allocations are £1 million above the level of the grant. The additional £1 million is funded on a one-off basis in 2008/09 from our reserves and will be repaid from the reward grant we expect to deliver as a result of the improved performance we have delivered through our partnership working. Table 8 summarises our plans for using Area Based Grant in 2008/09.

Table 8: Allocation of 2008/09 Area Based Grant

Partner	Allocations £m
County Council	
• Adult, Health and Community Services Directorate	7.864
• Children, Young People and Families Directorate	5.822
• Environment and Economy Directorate	1.432
• Performance and Development Directorate	0.212
Sub-total	**15.330**
Warwickshire Safer Communities Partnership	2.554
Connexions	4.379
Local Strategic Partnerships (for Narrowing the Gap)	0.800
Total	**23.063**

We are committed to undertaking a joint review, with our partners, of the value delivered before any decisions about allocations in future years are made.

Enhanced Two-Tier Working

To build on the partnerships emerging through the development of our Local Area Agreement we are committed to moving forward with enhanced two-tier working in Warwickshire. Based upon robust business cases plans demonstrating that partnership outcomes will be attained, we are committed to pursuing:

- A set of integrated front door access arrangements for all our services.
- A shared back office service solution between as many public agencies and local councils as possible.
- The joining up of services locally to ensure greater accountability at all levels.
- The integration of services delivered to the public across organisational boundaries.
- The integration of plant, equipment and building solutions across the public sector bodies is a “given”.

- The use of an integrated Workforce Planning Strategy.
- Integrated governance arrangements for a range of place and people specific services, beginning with a number of pilots.
- Solutions that go across the county boundary in those areas where this would increase service efficiencies and enhance effectiveness.

We aim to begin working on those elements of the collaborative programme that have not yet started in 2008/09. Alongside this work we aim to develop a collaborative financial strategy for the County to manage the challenges of the 2007 Comprehensive Spending Review.

Significant Partnerships

As our involvement in partnership working expands, the Council recognises that it is essential to identify those partnerships which are particularly significant, in order to ensure that they have appropriate arrangements for governance, operation and monitoring their value for money. We regard a partnership as significant if:

- It is a statutory requirement upon the Council
- It is fundamental to delivery of our services
- It is fundamental to achieving our corporate objectives
- We allocate significant resources to the partnership.

An initial assessment has identified 66 such partnerships.

Our strategy for managing significant partnerships encompasses the following aspects:

- Clear lists of objectives, outputs and outcomes expected from each partnership
- Regular review of financial performance and outputs, with established monitoring and control arrangements
- Consideration of risks and plans for their management
- Regular assessment of value for money offered by each partnership, benchmarking where possible to identify trends and plan improvements where necessary.