

Cabinet

28th August 2008



Budget & Medium Term Financial Plan 2009/10 – 2011/12 Strategy and Work Programme Budget Monitoring and Forecast Outturn 2008/09 KEY DECISION CORP/TR/01/08

Report of Stuart Crowe, County Treasurer [Cabinet Portfolio Member for Corporate Resources, Councillor Michele Hodgson]

Purpose of the Report

- 1 The purpose of the report is to –
 - Propose a process and an outline timetable for the production of the 2009/10 Budget and the Medium Term Financial Plan (MTFP) for 2010/11 – 2011/12 for the new Unitary Authority.
 - To provide a framework to help prepare the MTFP for the new Unitary Authority
 - Establish the budget strategy for the new Unitary Authority.
 - Propose the framework for budget monitoring through 2008/09 and for forecasting the 2008/09 outturn for the County Council.

Background

- 2 The County Council and the District Councils have well established MTFP processes, taking a view of the revenue account and capital budget. Appendix 2 shows extracts of the County Council's MTFP. In 2008 the County Council and the District Councils received a three year financial settlement from Government and this will enable more detailed planning to be undertaken. In summary the County Council expects formula grant increases of 4.8% in 2009/10 and 4.1% in 2010/11. District Council increases for these two years average at less than 0.5%.
- 3 A timetable needs to be agreed for the production of the revenue and capital budgets and the MTFP taking into account:
 - The creation of the new Unitary Council, and estimates included in the "Bid Document" prepared by the County Council and accepted by Government.
 - A review of Council priorities.

- The targets of the Local Area Agreement.
 - A review of progress during the current year.
 - Member decision making and scrutiny.
 - Consultation requirements.
 - Government announcements.
 - Annual Efficiency Statements (as a successor to the Gershon regime).
 - Comprehensive Performance Assessment Framework (CPA).
 - An analysis of the risks involved.
- 4 Given this will be the first budget for the new Unitary Authority and will need to be developed using the resources and staff of the County and District Councils the process will need to be carefully defined and the basic budget strategy agreed. This basic strategy will inevitably be refined as the process develops.

Budget and MTFP

(A) Process

- 5 A proposed detailed timetable is shown in Appendix 3.
- 6 It is proposed that the Budget and MTFP will be managed through the structures of the existing County Council:
- The Cabinet will provide strategic direction and make decisions.
 - The Budget and MTFP will initially be prepared using the document issued for consultation on the Proposed Senior Management Structure following Member workshops earlier in the summer. As structures are firmed up, appropriate adjustments will be required so that the final budget can be aligned to services for monitoring purposes.
 - Chief Officers will be allocated the lead role for each Directorate as proxies for the Corporate Directors expected to be appointed in the autumn. Where appropriate additional support will be provided.
 - Chief Officers will submit proposals for consideration based on information from County and Districts about Service pressures and opportunities for savings informed by the work of the LGR workstreams and in the knowledge of the need to achieve the commitments in the bid.
 - Directors should engage the appropriate portfolio holders at the earliest opportunity and ensure portfolio holders play an integral part in developing options and proposals.
 - The complexity of aligning district functions into this process needs to be taken into account. Each existing County Council service will be allocated at least one senior district finance officer to co-ordinate the information coming from districts and ensure that information is

both complete and consistent. They will also support County staff with the production of service and corporate budgets.

- This structure is shown below:

Service	Responsible Chief Officer	County Finance Lead	District Finance Staff	Related LGR Work stream
Adults – including well being and health	Rachael Shimmin	Jeff Garfoot	Dave Watson Ian Herberson	Adults, Wellbeing and Health Programme Board
Childrens and Young Peoples Services	David Williams	Phil Barclay	Dave Watson Ian Herberson	Children’s and Young People
Development	Roger Elphick } Janet Johnson }	Neville } Noble }	Stuart Reid Dave Temple	Environment and Neighbourhoods Programme Board & Place Shaping Programme Board
Neighbourhood Services	John Richardson } Mike Clark }			
Corporate Resources including Assistant Chief Executive	Stuart Crowe	Tony Hope	Paul Darby Joanne Kellett	Internal Challenge, Corporate Support Programme Board

- The Budget will be coordinated through the County Council’s central accounting function led by Hilary Appleton. Recognising the complexity of this year’s process, a senior District finance officer, Alan Smith, will ensure that District services and functions are appropriately reflected in the consolidated budget.
- This framework will require the creation of a virtual joint County/ District finance team to carry out the budget process.

- 7 The process will apply to both Revenue and Capital expenditure proposals. However, in respect of capital, additional steps will be necessary to consider an over-arching property strategy and “ranking” or “scoring” to identify priority projects.
- 8 Cabinet will be asked to consider issues on which they will engage in consultation. Overview and Scrutiny will determine their own workplan and will work in parallel with Cabinet so that Cabinet can be informed of Overview and Scrutiny views as decisions are made. After consultation Cabinet will reflect on responses and recommend final proposals for full Council.

(B) Strategy

- 9 The Strategy will need to take into account the following issues.
- 10 In January 2008 the Government confirmed the funding for the existing eight Authorities in County Durham for the period 2008/09 to 2010/11. We have assumed that funding will increase in 2011/12 by 2% but that we will also lose the “Being in Business” element of the grant relating to the former District Councils of £2.3m in that year.

- 11 We need to be mindful of proposals made by the County Council in the Bid Document and the estimates for savings, investments and transitional costs.
- 12 We need to be mindful of the Government's approach to capping. The Government is likely to publish a 'Notional Amount' for the new Council against which increases in council tax will be measured.
- 13 We have maintained the County Council's planning assumption for Council Tax increases of 5%, although as detail is refined this is likely to change. Each 1% change in Council Tax is worth around £1.9m to the new Authority.
- 14 We have assumed that the Collection fund generates a surplus of between £2.0m and £2.4m. We have assumed that the Council Tax base continues to rise at this stage, but the current financial climate may impact upon this assumption, and for the purposes of the Council Tax Base, we will assume a 99% collection rate.
- 15 We have reviewed the base budget increasing it for inflation on Staff Costs and general prices by 2.5%. This acknowledges that within services there will be elements which have higher and lower percentage increases in prices. Services will be expected to accommodate all but the most significant increases due to inflation which will need to be dealt with as 'separate additional items for inflation' (over the general 2.5%) in the calculation of the base budget. We have also built in known changes to the base.
- 16 As a common pension contribution rate is applied across all former District and County staff, overall costs will not increase over and above the anticipated cost of the 'stepped' actuarial increases. However, services will be affected differently as costs associated with former District staff will fall and those associated with former County staff will rise as rates are equalised.
- 17 We have factored in the investments required by the County Council's existing MTFP and will need to recognise additional pressures and District service changes. The key pressure identified is in waste disposal where £6m is added into the base in 2010/11 and a further £6m in 2011/12.
- 18 The Authority will need, for the first time, to agree a Housing Revenue Account and Housing Capital Budget for 2009/10. The issues around aggregations add some complexity to the production of the necessary information. Discussions are ongoing with CLG around a number of options that could be pursued and members will be kept apprised of developments. Once final arrangements are known, then these will be factored into the detailed budget timetable. The production of a Housing Revenue Account will impact on the General Fund Budget position in terms of staffing recharge, ground maintenance and cost of debt. Information requirements will be co-ordinated as part of the neighbourhood services work programme.

- 19 This work is still at a very high level and will change as more analysis is done over the next few months but it is useful to help understand the scale of our challenge. In simple terms the table below suggests that we will need to find savings in the region of £12m in the first year rising to £13m in the second year and £16m in the last year of the MTFP. This equates to savings of between 3% and 4% in each year.

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Base Budget – sum of the County and District Councils’ budgets	406,276	406,276	434,027	451,925
Less: Bid Savings		* -13,763	* -6,772	0
Add: Bid Investments		9,548	0	0
Add: Transitional costs met from Reserves	4,150	8,299	0	0
Met from Reserves	-4,150	-8,299	0	0
Base Revised for LGR Bid	406,276	402,061	427,255	451,925
Base Budget Adjustments		25,342	24,880	25,319
Investments from County Council’s MTFP	0	6,624	11,500	6,000
Assumed savings from previous year	0	0	-11,710	-12,684
Revised Base Budget	406,276	434,027	451,925	470,560
Government Grant	-216,227	-224,573	-231,699	-236,754
Council Tax	-187,613	-195,308	-205,533	216,292
Collection Fund (Surplus)/Deficit Applied to CTAX	-2,436	-2,436	-2,009	-2,009
Net Budget Deficit or savings required to be found in year	0	11,710	12,684	15,505
Savings as a % of Base Budget		2.88%	2.92%	3.43%
Band D Council Tax – Excl. Local Precepts	1,222.94	1,261.95	1,325.05	1,391.30
		**3.19%	5.00%	5.00%

* An extract from the Bid Document is attached at Appendix 4

** The Band D % Increase in 2009/10 is a 5% increase but on the lower value of all the districts Band D’s equalised to Easington’s level at 31/3/08. The “loss” or cost of this equalisation is £3.234m in 2009/10

- 20 Some Councils have over recent years supported their base budgets from reserves. This is not sustainable in the long run. The new Council will have to decide to what extent this issue is redressed in the first year. The base has been adjusted to assume that all spend is funded by external resources and, where appropriate, earmarked reserves.
- 21 We have also assumed that where earmarked reserves have been used in the past, spending will stop when the reserve is utilised.
- 22 Any Reward Grant available to the Council following achievement of Partnership targets will need to be considered. The treatment of Area Based Grants will need to be reviewed.
- 23 The Council may wish, over the period of MTFP, to move to a “Resource allocation” budget process which will be focussed on a priority driven agenda and be designed to give greater flexibility between years.
- 24 Our approach to identifying savings is outlined in our strategic and financial planning cycle. This is supported by:
- **Scrutiny** of the Budget and MTFP via Corporate Management Team, Cabinet, Overview and Scrutiny and external consultation.
 - **Challenge** through areas such as Best Value Performance Indicator and Key Performance Indicator analysis, audit commission profiles and external inspections.
 - **Efficiency and Improvement Steering Group** which coordinates our efficiency programme, procurement and other business process reengineering projects.
 - **Management of the Council’s property** through the asset management plan.
- 25 The Unitary Submission has identified savings of £13.8m for 2009/10 and a further £6.8m for 2010/11. In the period of the MTFP these savings will be needed to deliver the new investments (£15.2m) and transition costs (£12.5m). The pay back period of 2.79 years detailed in the bid effectively uses up the savings in the medium term.
- However, initially Reserves will be used to meet the transition costs and the council need to consider the extent to which those reserves are replenished. As part of the Budget and Medium Term Financial Plan, the Reserves Policy of the existing Council will need to be reviewed to reflect the risks facing the new Authority.
- 26 The successor to the Gershon review also expects the County Council to achieve 3% efficiency savings on average in each of the 3 years of CSR07 in addition to any LGR savings. This would deliver approximately £13m per annum (excluding schools).
- 27 In addition, changes in demand-led services, the impact of any standardising of service levels across the new authority, changes in statutory requirements and the aspirations of the new Council need to be factored into the equation.

- 28 Consequently it would seem from this initial review that savings of at least 3% per annum will be required in each of the three years of the MTFP.
- 29 Last year, in-year savings were identified and Members sought schemes which could be introduced which would not have long term demands on resources. A number of proposals were agreed but it was not possible to implement them in year. It is suggested that, during the budget process, thought be given to the approval of a list of projects which could be released should Members determine, and if resources become available during the year.
- 30 It is important that the risks involved in establishing a new council's budget are appreciated and considered. We are already aware of a number of risks facing the existing County Council from a finance point of view. Districts' risks will need to be added to these. These will then be overlaid with the financial risks associated with bringing eight organisations together. Members will need to bring together these and other issues – such as the national economic climate as the MTFP develops, and make decisions appropriately.
- 31 Taking into account the information outlined above it is suggested that the new Unitary Council develops its Budget strategy around the following key assumptions:
- Investments / Growth should be kept to a minimum, defending service provision, not expanding on it.
 - Council Tax rises be modelled at 5% with an underlying assumption that the minimum level of increase should be 3%.
 - Housing issues, including decisions around the production of a Housing Revenue Account and Housing Capital, will be factored in at appropriate times.
 - Fees and Charges should be agreed at levels delivering at least the same level of income as currently generated.
 - Savings are focussed on efficiencies, not service cuts.
 - Reserves should be used flexibly to facilitate a smoothing of the impact of changes.
 - All services to supply realistic, achievable savings proposals of 3% of their net budgets.
 - Savings will be identified as efficiency or service cuts on the assumption that all proposals with minimal impact on front line services will be taken.
 - All services to supply additional savings of a further 2% of their net budgets to allow Members the opportunity to vary the impact of savings and target under spends towards priorities.
 - Efficiency savings where identified, will be taken first on support service areas whether they sit within Service delivery areas or within Corporate Resources, although savings will reflect the proposed consolidation of support services.
 - Services should develop proposals which could utilise in year savings should they arise. (These proposals should be capable of being introduced quickly but must not have long-term consequences).

32 Approximate savings targets by service would equate to:

Savings Targets by Service £000s	3% Target	5% Target
Children and Young People's	2,600	4,300
Adult and Community Services including well being and health	5,000	8,400
Development } Neighbourhood Services }	3,700	6,100
Corporate Services (incl. Chief Execs and Treasurers)	2,000	3,500
Total	13,300	22,300

NB These figures will need to be revalidated as the process develops but they usefully give an indication of the scale of the savings required.

Capital

33 It is anticipated that the development of the capital programme will follow the same process as for revenue except that all proposals will go through the Asset Management process.

34 The first stage in the process is the development of the Capital Strategy for the new Authority – this extends beyond property into all forms of capital asset.

35 It needs to be recognised that investment in assets, particularly property, is a long-term project and the Council may need to establish a short and medium to long term approach to this issue.

36 Resources for the Capital Programme will need to be carefully considered, particularly in the current financial climate when capital receipts may be less than originally envisaged.

(C) Timetable

37 The following proposals are summarised in Appendix 3.

38 Priorities will be outlined as part of the LGR process during July/August.

39 Consultation on priorities during early September.

40 In early October, there will need to be a joint discussion between Cabinet and officers on the broad principles emerging, to jointly understand and agree base budgets, savings and investment proposals for the MTFP.

41 Base budget and savings and investment proposals for consultation for the MTFP agreed with Cabinet during October.

42 Fees and Charges to be consolidated and standardised, where appropriate, during October.

- 43 Consultation on the budget year with key stakeholders, local people and businesses on detailed proposals during November in line with last years “Your Council Your Say” process. This reflects the need to consult on proposals before setting the budget, and ensures that the budget is based on robust estimates.
- 44 The consultation will be reflected upon and details finalised in terms of growth, savings and resources. This work will take place in December and January.
- 45 During January and early February Cabinet will take final decisions, informed by the views of consultees and the final grant settlement. In early January, again, it will be useful to have a joint discussion between Cabinet and officers before final decisions are framed.
- 46 It is proposed that at regular intervals through the budget process, “Budget Briefings” will continue to take place between Portfolio Holders (Resources and Services), Overview and Scrutiny, Service Directors and the County Treasurer.
- 47 In addition, Overview and Scrutiny Committee will need to programme its approach around this timetable. Any further requirements will need to be factored into the timetable. The County Treasurer will work closely with Scrutiny to help meet their needs.
- 48 As usual the process needs some degree of flexibility to reflect such things as Government announcements being later than expected. Nevertheless previous experience has proved the value of agreeing a timetable at this stage which can, if necessary, be subject to change.

Budget Monitoring through 2008/09

- 49 The revenue and capital budget will be monitored on a monthly basis (excepting April) by each of the services and reviewed centrally by the County Treasurer and reported to Corporate Management Team (CMT).
- 50 Reports will be presented to CMT and Cabinet on a quarterly basis for the year to June, September, November (this is a two month period but facilitates the incorporation of this revised estimate into the budget process) and March. These reports will provide a full analysis of the following items:
- Balanced Scorecard and Key Performance indicators;
 - Efficiency;
 - Revenue budget;
 - Capital budget;
 - Balance sheet and cash flow;
 - Savings identified in 2008/09 budget;
 - Contingencies;
 - Prudential Code;
 - Treasury Management;

- Risk Management.

- 51 In addition a report will be provided by each District detailing key issues in their budget and highlighting any key variances and their forecast impact on the District's reserves at year end.
- 52 At the quarter end of September and November revised estimates of outturn will also be reported to Cabinet. Budget revisions will not take place at any other time during 2008/09.
- 53 In line with the Constitution, as part of this process we will also be seeking approval for the use of unspecified contingencies. This will be necessary to approve spending on items not specifically provided for in the detailed budget.
- 54 These reports will continue to be subject to a "Budget Briefing" review which will take place after Cabinet to enable all Members of the Authority the opportunity to have a full explanation of financial and non financial performance of the Council.

Recommendation

- 55 It is recommended that:
- the budget strategy for revenue as outlined in paragraph 31 is agreed;
 - the budget strategy for capital as outlined in paragraphs 33-36 is agreed;
 - the proposed work programme and timetable for budget preparation and reporting outlined in Appendix 3 is agreed;
 - the need to work cohesively and flexibly in the budget process across the former County and District structures is noted and welcomed.

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p/r/ha10-08

Appendix 1: Implications

Finance

Local Government Reorganisation

(Does the decision impact upon a future Unitary Council?)

Details the strategy and timetable for the Unitary Council's budget .

Finance

No direct consequences, but provides the basis for decisions on the Budget for 2009/10 and the Medium Term Financial Plan.

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Sustainability

None

Human rights

None

Localities and Rurality

None

Young people

None

Consultation

The budget process comes under closer scrutiny each year and time needs too be made available to consult widely on all proposals.

Health

No

Appendix 2: Medium Term Financial Plan (extract from Budget Book)

Basis of the Preparation of the MTFP 2008/09 – 2010/11**Base Budget****Introduction**

- 1 The County Council is expecting Parliamentary Consent for the replacement of the current Council and the 7 District Councils with a new 'Unitary Council' from April 2009. It is also expected that in May 2008 elections will be held so that a transitional authority of 126 Members can be established. This new elected body will undertake the detailed financial planning for the new unitary authority for 2009/10 and 2010/11. The approach in this report is to project spending at a high level into 2009/10 and 2010/11 on the basis of on-going County Services. When the new Council begins to meet, after May this year, it will need to turn its attention to producing a more detailed Medium Term Plan bringing together the work of the 8 existing councils and taking into account the proposals set out by the County Council in its submission to Government to create one unitary council for County Durham.
- 2 The Base budget has been reviewed and uplifted for the following items:

	2008/9	2009/10	2010/11
	%	%	%
Price inflation	2.0	2.3	2.3
Salary and cost inflation	2.5	2.5	2.5
Pensions contributions increase	5.0	4.5	4.5

In addition provision has been made in the base for increases in Residential Care for the Elderly, Home Care costs, costs associated with the elections in May and the establishment of the transitional authority and the costs of the Capital Programme.

Resources

- 3 The details of the Local Government Finance settlement are outlined in Section D. The settlement is for a three-year period. On that basis we have forecast, as part of our MTFP, increases in grant of 4.8% for 2009/10 and 4.1% for 2010/11.
- 4 Specific Government Grants have been budgeted at a net nil impact on this budget assuming that all grants received in year will be spent in year. This impact will be shown gross to reveal the full impact on income and costs.
- 5 The Dedicated Schools Grant (DSG) is a specific grant and must be spent entirely on schools related expenditure.
- 6 Area Based Grant, with the exception of the 'top slice' referred to in Section E have been included as a separate income line and appropriate expenditure included in services.

- 7 The Collection Fund (the excess Council Tax collected by the Districts over that which they had budgeted to collect) has a surplus of £1.917m in 2008/09 and is assumed to have a surplus of £1.0m thereafter.
- 8 Reserves levels have been reviewed in accordance with the Reserves Policy agreed by the County Council in February 2006.
- 9 Council Tax increases of 5% have been used in our Medium Term Planning arrangements. This report is based on a 2.9% increase levied in 2008/09 and that 5% continues to be the planning assumption for subsequent years.

Investment

- 10 The investment proposals are detailed in Annex G1 and summarised below:

Service	2008/09	2009/10	2010/11
Adult and Community Services	4,700	4,500	4,500
Children and Young People's Services	1,796	350	1,000
Environment	2,160	1,774	6,000
Chief Executives	0	0	0
Corporate Services	0	0	0
County Treasurers	0	0	0
Service Direct	0	0	0
TOTAL	8,656	6,624	11,500

- 11 The significant investments in 2008/09 are:

Adults and Community Services:

- Supporting People with Learning Disabilities
- Reduction in Grants
- Day Service Improvement

Children and Young Peoples Service

- Direct Payments
- Transport for Looked After Children
- University Allowances
- National Minimum Fostering Allowance
- Youth Service
- Community Centres

- 12 Major investments in 2008/09 and 2009/10 are likely to be in Adult and Community Services and in Environment Service (relating to Waste).

Savings

13 The savings proposals are detailed in Annex G2 and summarised below:

Service	2008/09	2009/10	2010/11
Adult & Community Services	6,609	370	0
Children & Young People's Services	2,206	1,083	0
Environment	512	251	0
Chief Executives	128	33	0
Corporate Services	243	91	0
County Treasurers	445	175	0
Service Direct	0	0	0
Other	0	0	0
Total per Annex G2	6,143	2,003	0
Savings not yet identified		3,046	12,914
TOTAL	6,143	5,049	12,914

14 Detailed proposals for the majority of savings for 2009/10 and 2010/11 have yet to be identified. Services will be asked to review options and bring back proposals to Members in the coming months.

MTFP Summary

- 15 The above assumptions and information above lead us to a MTFP summary as outlined below:

	Analysis of available resources £000s	2008/09	2009/10	2010/11	Calculation
A	Government grant increase	20,889	7,615	6,864	
B	Area based grant	27,380	17,193	-375	
C	Council Tax increase (2.9% 2008/09, 5% thereafter) including changes to council tax base	6,496	7,856	8,257	
D	Changes in Reserves	9,685	-21,181	-135	
E	Surplus on Collection Fund	58	-917	0	
F	Total increase in available resources	64,508	10,566	14,611	A+B+C+D+E
	Impact of spending and savings				
G	Increases in base budget	-24,846	8,202	-16,400	
H	Grants into base budget	-37,149	-17,193	375	
I	Net resources available	2,513	1,575	-1,414	F+G+H
J	Possible savings	6,143	2,003	0	
K	Total amount available for investment	8,656	3,578	-1,414	I+J
L	Investment options	-8,656	-6,624	-11,500	
M	Surplus / Deficit (-)	0	-3,046	-12,914	K+L

Financial Reserves

- 16 The current strategy for the Council is based on the premise that for the period of the Medium Term Financial Plan general reserves will stay broadly within the reserves policy.
- 17 Reserves are held as:-
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.

- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.
 - A means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.
- 18 However, it would be inefficient to build up excessive reserves. The current policy is that the County Council will:
- Set aside sufficient sums in earmarked reserves as it considers prudent to do so.
 - Aim to maintain, broadly, general reserves of around 4.5% of the budget requirement or about £16m.
- 19 In accordance with the Council's policy on reserves, with the exception of those held by schools over which the County Council has no control, each reserve has been reviewed.

20 The following table shows the estimated movement in financial reserves:

Financial Reserves	Balance at 31.3.2007	Variation 2007/08	Estimated Balance at 31.3.2008	Variation 2008/09	Estimated Balance at 31.3.2009	Variation 2009/10	Estimated Balance at 31.3.2010	Variation 2010/11	Estimated Balance at 31.3.2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Unearmarked	11,814	1,566	13,380	496	13,876	0	13,876	0	13,876
Earmarked	47,695	4,000	51,695	-15,094	36,601	-1,038	35,563	-903	34,660
County Council Reserves	59,509	5,566	65,075	-14,598	50,477	-1,038	49,439	-903	48,536
Schools' Balances	21,215	-	21,215	-7,621	13,594	-	13,594	-	13,594
Total Reserves	80,724	5,566	86,290	-22,219	64,071	-1,038	63,033	-903	62,130

Value for Money

- 21 It is important that the Council delivers value for money as it spends public funds. Across the Authority various mechanisms are used to test value for money and within each Service report in Section I, a section on value for money will be found.

Risk

- 22 The Council is paying increasing attention to the risk management process across the Authority.
- 23 In our budget setting process a number of specific risks have been identified which we believe can be managed using contingencies and reserves.

	Description
Equal Pay/ Job Evaluation	Costs may be higher than anticipated
Inflation	Only 2.0% provided in 2008/09 – costs may be greater.
Waste	Volumes may be higher than anticipated and the contract for Waste Disposal is under review.
Property	The Government's Building Schools for the Future initiative may require further investment in both revenue and capital before precise costs and plans are determined. Further 'waves' are planned.
LGR	There may be additional costs over and above those which have been forecast. There may be staffing issues to address.

Minimum Revenue Provision (MRP)

- 24 Draft Communities and Local Government (CLG) regulations are currently issued for comment which, if implemented, will require full Council to approve a Minimum Revenue Provision (MRP) Policy Statement in advance of each financial year. MRP is the amount that must be charged to revenue each year for the repayment of debt.
- 25 It is possible that these regulations will come into force before 31st March 2008, and will therefore be effective from 2007/08. Whilst the regulations will revoke current MRP requirements and replace them with more flexible statutory guidance, councils are allowed to continue historical accounting practice for 2007/08. A variety of options are provided to councils to replace the existing regulations from 2008/09, so long as there is a prudent provision.
- 26 As the regulations are only draft at this stage, members have authorised the County Treasurer to determine the most appropriate option once the details of the final regulations are known.

Summarised spending and investment proposals – Key to abbreviations

To help to assess the impact of each of the budget proposals, we have considered what effect they would have on the Council's improvement and investment priorities and our service performance.

This is shown in the tables below where the following abbreviations are used:

Improvement Priority

VA	Protecting and supporting vulnerable adults
EC	Promoting economic wellbeing
QE	Quality of the Environment
EA	Improving educational attainment
IH	Improving health
VC	Protecting and supporting vulnerable children

Areas for Additional Investment

VC	Vulnerable children and young people
PLD	People with learning disabilities
OP	Older people to retain their independence
TI	Transport infrastructure and reducing the rate of decline in public transport
BSF	Building Schools for the Future

Impact

I	Improves performance
M	Maintains current performance
U	Undermines performance

Summarised spending and investment proposals

Item	Title	Summary	2008-09 £	2009-10 £	2010-11 £	Improvement Priority	Areas for Additional Investment	Impact
Adult and Community Services								
1	Supporting people with learning disabilities	To meet the costs of supporting an increased number of people with learning disabilities.	1,200,000	1,200,000	1,200,000	VA	PLD	M
2	'Supporting People' loss of income	To cover the cost of services previously met by grants which have now changed.	550,000	100,000	100,000	VA	PLD/OP	M
3	Supporting older people (over 65) who care for people with learning disabilities	Providing support to older carers to help them to continue to support their adult children with a learning disability.	500,000	500,000	500,000	VA	PLD/OP	M
4	Ageing population - additional capacity	Increasing our capacity to provide care and support to enable growing numbers of older people to remain in their own homes.	850,000	1,000,000	1,000,000	VA	OP	I

Item	Title	Summary	2008-09 £	2009-10 £	2010-11 £	Improvement Priority	Areas for Additional Investment	Impact
5	Learning Disabilities - external care pressures	Increasing costs of caring for an ageing population of people with learning disabilities, alongside increasing need to provide placements for people either moving out of long stay, institutional establishments, being discharged from hospital or whose carers are over 65 and who are no longer able to care for them.	500,000	500,000	500,000	VA/EC	PLD	M
6	Supporting people with learning disabilities leaving school	Increasing costs of supporting people with learning disabilities who are leaving school. The trend is that the number will increase, as there has been a marked increase in the number of young people diagnosed as being autistic in the last five years.	450,000	450,000	450,000	VA	PLD/VC	M
7	Reduction in Grants	Compensating for reduced levels of Government Grants for maintaining clients in residential and nursing care.	250,000	250,000	250,000	VA	OP	M

Item	Title	Summary	2008-09 £	2009-10 £	2010-11 £	Improvement Priority	Areas for Additional Investment	Impact
8	Improving Day Services	The continuation of Day Service Improvements, which meets the individual and diverse needs of people with learning disabilities. The improvements help to meet the Government's 'Valuing People' Agenda and avoid the Council incurring significant capital costs in ensuring that our large older day centres meet Health and Safety requirements.	400,000	500,000	500,000	VA	PLD	I
Children and Young People's Service								
9	Direct Payments	To meet the costs of increasing demand for statutory payments to parents who choose to support children with disabilities at home.	220,000	50,000		VC	VC	I
10	Transport for Looked After Children to contact visits and school	To meet increased demand for transport for children in care, associated with court orders which require transport to parental visits and school.	40,000	40,000		VC	VC	I

Item	Title	Summary	2008-09 £	2009-10 £	2010-11 £	Improvement Priority	Areas for Additional Investment	Impact
11	University Allowances	To meet the increasing demand for the Council to assist children in care to attend university.	30,000	30,000		VC	VC	I
12	National Minimum Fostering Allowance	The additional cost of increasing the level of payments paid to foster carers, in line with the Government's proposed minimum levels.	210,000	210,000		VC	VC	I
13	Criminal Records Bureau checks	The additional cost of implementing three yearly 'police checks' on people who have access to children, in line with latest guidance.	20,000	20,000		VC	VC	I
14	Building Schools for the Future	Costs of the support team developing the programme to rebuild/redevelop all secondary schools in the County.	176,000			EA	BSF	I
15	Youth Service	Increased provision for youth activities and local provision.	500,000			VC	VC	I
16	Legal Fees	Increased cost of care proceedings.	250,000			VC	VC	I
17	Community Centres	Consolidation of grants and support structures for community-based organisations and associations.	350,000			EC	OP	M

Item	Title	Summary	2008-09 £	2009-10 £	2010-11 £	Improvement Priority	Areas for Additional Investment	Impact
A	Children's	Additional Investment – Transport, Youth Services, BSF and Fostering			1,000,000			
Environment								
18	Inflation in highways maintenance and civil engineering costs	Supplementing the highways maintenance budget, to cope with increasing levels of inflation, which have seen the costs of civil engineering works increase by 31% over the last five years.	386,360	420,340		QE/EC	TI	M
19	Minerals and Waste Development Frameworks	Meeting the costs of our statutory requirement to update the Development Plan for Minerals and Waste and hold an Examination of Development Plan documents, in line with Best Value, Government Office and Planning Inspectorate requirements.	130,000	200,000		QE/EC	-	M
20	Public Transport Inflation	Additional increase in bus operator costs	143,750	154,000		QE/EC	TI	M
21	Landfill Tax	Cost of increases in the tax levied on putting waste in landfill sites	1,000,000	1,000,000		-	-	M

Item	Title	Summary	2008-09 £	2009-10 £	2010-11 £	Improvement Priority	Areas for Additional Investment	Impact
22	Environment	Environmental initiatives including improving the condition of roads and footways.	500,000			QE/IH	TI	I
B	Environment	Waste Project			6,000,000			
TOTAL INVESTMENT AND INCREASES IN SPENDING			8,656,110	6,624,340	11,500,000			

Summarised proposals for savings, efficiency gains, income and service reductions

Item	Name	Summary	2008-09 £	2009-10 £	2010-11 £	Impact
Adult and Community Services						
1	In-House Home Care Service	Review of staffing levels to take account of lower levels of current demand.	183,000			M
2	Respite Care eligibility criteria	Ensuring access to respite care on the basis of assessment and annual allocation linked to need.	25,000			M
3	Consistent application of eligibility criteria - Older People	Continued review of clients' needs and provision against published criteria for services.	185,000			M
4	Home Care – shopping	Using internet shopping service for home care clients rather than staff visiting shops.	50,000	50,000		M
5	Service Level Agreements (Learning Disabilities Commissioning)	Review of all service level agreements with organisations who commission support for people with learning disabilities to evaluate relevance, usage and value for money	100,000			M
6	Service Level Agreements (Mental Health Commissioning)	Review of all service level agreements with organisations who provide support to people with Mental Health needs to evaluate relevance, usage and value for money	75,000			M

Item	Name	Summary	2008-09 £	2009-10 £	2010-11 £	Impact
7	Service Level Agreements (Learning Disabilities In-house Provider)	Review of supplementary service level agreements within in-house provider services to evaluate relevance, usage and value for money	40,000			M
8	Independent sector day care	Savings made by regulating the fees charged by independent providers of day care services.	50,000			M
9	Physical Disabilities care	Savings made by regulating the fees charged by independent providers of care services.	10,000			M
10	Learning Disabilities residential care	Savings made by regulating the fees charged by independent providers of residential care services.	25,000			M
11	Handyperson Service Level Agreement	Reduction in services provided through the Home Improvement Agency and Handyperson Services, following a review by the Supporting People Partnership. Assumes a 20% saving from 2007/08.	40,000			M
12	Integrated health, housing and social care teams	Review of management and support costs - assumes saving of contribution to Sedgefield Head of Integration post.	30,000			M
13	Learning Disability Statutory Responsibilities	Consistent application of eligibility criteria to ensure the County Council adheres to and can maintain its statutory responsibilities for people with high level needs.	200,000			M

Item	Name	Summary	2008-09 £	2009-10 £	2010-11 £	Impact
14	Learning Disability - Care Package Review	Pro-active review of individual clients needs on a regular basis	500,000			M
15	Extending Hired Transport Review (within our remit)	Encouraging independent travel has allowed transport contracts to be renegotiated/terminated	60,000			M
16	Shift from Residential to Domiciliary services	Increased use of domiciliary services in preference to residential care.	42,000	43,000		I
17	Coming Home	Project to bring Learning Disabilities clients back to County Durham from care facilities outside the County when appropriate.	100,000	100,000		I
18	Mental Health Day Service Provider	Review of in-house provision	50,000	50,000		M
19	Section 117 Aftercare (Learning Disabilities)	Ensuring application of charging for people discharged for S117 orders.	30,000	20,000		M
20	In-house Provider Efficiency Savings	Reducing car allowance/travelling and reducing Equipment/Furniture/Materials	100,000			M
21	Purchase of Nursing Care	Continued reduction in purchase of nursing care. Assumes reduction of five beds.	82,000			I
22	Welfare Rights - Publications and general office expenses	This will include a switch to free rather than purchased materials.	15,000			M
23	Inter Sector Training Allocation	Reduction in respect of direct costs for training – remaining infrastructure will support strategic development of training programme and attracting inward involvement	51,000			M

Item	Name	Summary	2008-09 £	2009-10 £	2010-11 £	Impact
24	Planning and Performance Staff Reduction	Savings achieved from restructuring.	20,000			M
25	Finance and Business Support Staff	Efficiency savings generated from Service restructure	160,000	62,000		M
26	Additional income from Reassessments	Income generated from Invest to Save posts	100,000			M
27	Reduction in budget for General Office Expenses	Reductions in spend – little impact	50,000			M
28	Reduction in budget for telephones	Reductions in spend – little impact	50,000			M
29	Charge developers for Archaeological services	Introduce charge for Archaeology services.	12,000			M
30	Marketing – Review service as a result of restructure and improve income generation	Review a number of functions in this section and improve income generation.	14,000			M
31	Pontop Centre	Removal of set up costs allowed for initial year of day service improvements in Derwentside	160,000			M
A	CREATE			6,000		
B	Travellers Rents			19,000		
C	Restructure of Finance Team			10,000		
D	Non-staff budget reductions			10,000		

Item	Name	Summary	2008-09 £	2009-10 £	2010-11 £	Impact
Children and Young People's Service						
32	Early Years	Funds previously used on an Early Years database are no longer required	17,300			M
33	SureStart	Specific grant is to be used to meet Support Services costs and accommodation costs	96,000			M
34	Early Years	Foundation Teaching Early Years providers to be met from grant	91,530			M
35	Redundancy costs	Costs associated with school staff redundancy payments to be met from Dedicated Schools Grant	100,000			M
36	Transport	Fewer pupils in schools should reduce transport costs.	55,000	55,000		M
37	Integrated Transport Unit	More efficient transport management for pupils and students.	30,000	40,000		M
38	Inflation	Cash limit grant funded projects	5,040	3,210		M
39	Revenue budget contribution	Reduced contribution to Education and Business Learning Organisation and Continuing Professional Development Infrastructure.	51,640	5,110		M
40	Post-16 Transport	Revised post-16 transport policy from September 2006	500,000			M
41	Community Buildings	Removal of resources added as a one year fund in 2007/08	250,000			M

Item	Name	Summary	2008-09 £	2009-10 £	2010-11 £	Impact
42	Service Management Structure and support functions	More efficient Service Management Structure and support functions	97,150	80,000		M
43	Supplies and Services	Reduced spend on Supplies and Services	59,800	59,800		M
44	Curriculum Initiatives	Removal of budget as initiatives have ended	49,000			M
45	Secondary School Examination Performance	Provide improvement funding via grant	200,000			M
46	Payment for Skills budget	Reduced demand on Payment for Skills budget	40,000			M
47	Day Nursery Provision	Alternate arrangements for Day Nursery Provision	64,600			M
48	Day Care and Child Minding Provision	Reduced demand on Day Care and Child Minding	50,000			M
49	Staff turnover	Reduced spend due to staff turnover and vacancies	41,880			M
50	Adoption – “Invest to Save”	Savings from alternative provision	350,000	300,000		M
51	Woodham prevention of exclusion service to DSG spell out	Woodham prevention of exclusion service funded via grant	22,000			M
52	Investing in Children	Income generation	10,000	10,000		M
53	Youth Engagement Service	Rationalised support services	10,000	25,000		M
54	Grants	Remove small grants budget	3,300			M
55	Youth Engagement Service	Provision for software costs – no longer required	12,000			M

Item	Name	Summary	2008-09 £	2009-10 £	2010-11 £	Impact
E	Surestart support functions			40,000		
F	Building Schools for the future			465,000		
Environment						
56	Landfill Tax	Landfill tax savings arising from increased rates of recycling.	150,000	150,000		M
57	Rechargeable works	Increase in income from rechargeable works undertaken on behalf of developers and from statutory undertakings	77,400	24,500		M
58	Parking charges	Increased income from parking charges and enforcement of parking restrictions in Durham District	60,000	57,000		M
59	Travelling Expenses	Reduction in car mileage	8,850	6,000		M
60	Supplies and Services	General efficiency measures	21,500	3,000		M
61	Bus Service data monitoring	Improved performance monitoring through introduction of Electronic Ticket Machine (ETM) technology	7,500			M
62	School Crossing Patrols	Deletion of existing unfilled posts and service rationalisation	26,500			M
63	Road Safety Information and Publicity	A cut in the service currently provided would be partially offset through redirection of funds from the Specific Road Safety Grant	40,000	10,000		M
64	Salaries and Wages	Various staff related restructuring proposals	91,000			M
65	Hardwick Park	Reduction in running costs	6,000			M
66	Community Forest Project	Removal of financial contribution	21,750			M

Item	Name	Summary	2008-09 £	2009-10 £	2010-11 £	Impact
67	Economic Development and Regeneration	Reduction in Supplies and Services budget.	2,000			M
Chief Executive's Office						
68	Change Programme	Reduction in the Change Programme budget	34,000			M
69	Business Support Division	Rationalisation of staffing.	46,000	26,000		M
70	Human Resources	Reduction in travelling expenses and supplies and services.	34,000	7,000		M
71	Human Resources	Increased income from Service Level Agreements with outside organisations.	13,500			M
Corporate Services						
72	Staffing	Rationalisation of staffing	59,500	28,000		M
73	Legal Services	Increase charges for external work above the rate of inflation.	15,000	20,000		M
74	Corporate & Democratic Services	Increase charges for external work above the rate of inflation and additional income generation.	33,500	33,000		M
75	Estates	No longer a requirement for the condition survey budget.	88,000			M
76	Estates	Increase income from disposal and capital fees.	32,000			M
77	Estates	Reduction in supplies and services.	4,500			M
78	Corporate Procurement	Increased income from Service Level Agreements with outside organisations.	3,000	3,000		M
79	Registration Service	Increase in non statutory fees above the rate of inflation.	7,000	7,000		M
County Treasurer						
80	Staffing	Rationalisation of staffing due to system changes	108,000			M
81	Supplies and Services	Reduction in recruitment of staff budget	25,000			M

Item	Name	Summary	2008-09 £	2009-10 £	2010-11 £	Impact
82	Customer Services	Reduction in call charges following conversion of sites to VOIP (voice over internet provision).	27,000			M
83	Customer Services	Reduction in ICT maintenance contract which is possible due to recent replacement of PC's and servers.	50,000			M
84	Customer Services	Saving in energy costs due to introduction of new PC's.	73,000	31,000		M
85	Customer Services	Rationalisation of staffing.	59,000			M
86	Customer Services	Durham Net – DCC's share of trading surplus on network provider jointly owned with Derwentside District Council.	103,000	144,000		M
	Total Savings		6,143,740	2,002,640		

Appendix 3: Timetable

Week Commencing	MTFP & Budget	Priorities	Budget Monitoring Quarterly including District Forecast
28/07/2008		CMT - Priorities	
04/08/2008			
11/08/2008	CMT - Budget Timetable and Strategy		CMT - Q1 Financial & performance
18/08/2008	Pre-Agenda- Budget Timetable and Strategy		
25/08/2008	Cabinet - Budget Timetable and Strategy	CMT - Draft Priorities	Cabinet - Q1 Financial & performance
01/09/2008	Draft MTFP - savings, investments, base budget and commentary to central accounting	Priorities consultation with Citizens Panel	Budget Briefing - Q1 Financial and Performance
08/09/2008	Finance and Priorities Session for Members	Finance and Priorities Session for Members	
15/09/2008			
22/09/2008	CMT - Draft MTFP – Options – Savings and Investments		
29/09/2008	CMT - Revised Draft MTFP		
06/10/2008	MTFP Review week - CMT and Cabinet joint meetings		
13/10/2008	Draft MTFP agreed by Cabinet for consultation	Priorities agreed by Cabinet	Q2 draft Financial return to Central Accounting
20/10/2008	Pre-Agenda - Budget Consultation Paper to be agreed by Cabinet		CMT - Q2 Finance Section
27/10/2008	Budget Consultation Paper agreed by Cabinet		
03/11/2008	Consultation on Draft Budget		Cabinet - Q2 Finance Section
10/11/2008	Consultation on Draft Budget		Budget Briefing Q2 Performance CMT - Q2 Financial & performance

Week Commencing	MTFP & Budget	Priorities	Budget Monitoring Quarterly including District Forecast
17/11/2008	Consultation on Draft Budget Consultation with TU, NNDR, Citizens' Panel and Other groups		
24/11/2008	Consultation on Draft Budget concludes 28/11/2008		
01/12/2008	CAG – Analysis of Consultation Responses		Cabinet - Q2 Financial and Performance
08/12/2008	CMT - Report on Settlement		Q3 (Nov) draft Returns Finance Section to Central Accounting
15/12/2008	Cabinet - Report on Settlement CMT - Response to Consultation and outline final draft MTFP		
22/12/2008			CMT - Q3 Finance Section
29/12/2008			
05/01/2009	MTFP Review week - CMT and Cabinet joint meetings		Cabinet - Q3 Finance Section (papers will be late)
12/01/2009			Budget Briefing Q3 Finance
19/01/2009			
26/01/2009	Cabinet - agrees final Budget & MTFP		
02/02/2009			Q3 Financial & performance
09/02/2009			
16/02/2009			CMT - Q3 Finance & performance
23/02/2009	County Council - agrees final Budget		
02/03/2009	Rent Notification Letters Issued to Tenants		Cabinet - Q3 Finance & performance
09/03/2009	Council Tax and NNDR Billing and issue of Benefit Notification Letters		
16/03/2009			
23/03/2009			
30/03/2009	Budget loading and profiling within Oracle Financials completed		

Appendix 4 – Extract from the Bid Document

Area of Saving	Value £m	Timing	Description
Housing services	0.610	25% 2009/10, 75% 2010/11	Savings in cost of Housing Benefit Administration based on centralisation. Saving derived from benchmark analysis (2 staff)
Cultural	2.178	25% 2009/10 75% 2010/11	Reduction in management costs (11 staff) and areas of duplication
Environmental	1.961	50% 2009/10, 50% 2010/11	Reduction in management costs for Economic Development, Environment and Health, Licensing and Consumer Protection, Community Safety and Street Cleansing (8 staff) and areas of duplication.
Planning	0.400	25% 2009/10, 75% 2010/11	Reduction in management costs (4 staff)
Corporate and democratic Core	6.289	90% 2009/10, 10% 2010/11	Calculation based on Allowances of £20k pr member and County Council Special Responsibility Allowances. Other costs based on County Council model. Saving taken as the difference between existing CDC costs and the new model adjusted for areas of double counting in savings identified below.
Central services	1.445	25% 2009/10, 75% 2010/11	Saving in cost of Council Tax Collection based on centralisation – saving derived from benchmark analysis (4 staff). Saving on district insurance premiums by being brought under County Council insurance umbrella. More efficient management of working capital cross single organisation.
Utilise District infrastructure for DCC one stop shop plans	0.500	1/4/2007	Reduction in County Council Budget for One Stop Shops as covered by District infrastructure.
Chief Executives	0.865	1/5/2009	Reduction of 7 Chief executives
Treasurers	0.582	1/5/2009	Reduction of 7 Treasurers
Senior HR head	0.400	1/5/2009	Reduction of 7 HR heads
Support Staff	0.546	1/5/2009	Reduction of 21 related support staff
Payroll staff	0.316	1/4/2009	Reduction of 9 payroll staff across County and Districts
External audit	1.144	1/4/2009	Reduction in Audit Fees and 7 audit staff
Legal	0.364	1/4/2009	Reduction of 7 Heads of Legal
Property Services	0.364	1/4/2009	Reduction of 7 property managers
IT Managers	0.260	1/4/2009	Reduction of 5 IT managers
It Hardware maintenance and running	0.900	1/4/2009- 1/4/2010	Reduce IT platforms & system licences
Payroll software licenses	0.100	1/4/2009- 1/4/2010	Move to one Payroll system
Support staff	0.488	1/4/2009- 1/4/2010	Reduce Finance staff by 15 across County Council and Districts
Procurement staff and contracts	0.203	1/4/2009	4 less procurement staff across County Council and Districts
Policy and performance	0.337	1/4/2009	7 less Policy staff
Communications	0.282	1/4/2009	7 less communications staff
Staff Reductions		1/4/2009	The above assumptions include 36 staff lost through attrition in the process at no cost. All other staff numbers are included in the redundancy and early retirement calculations.
TOTAL	20.534		

