

SCRUTINY COMMISSION
31ST JANUARY 2007

REPORT OF THE DIRECTOR OF RESOURCES

MEDIUM TERM FINANCIAL STRATEGY 2007/8 – 2009/10

Purpose

1. This report provides information on the proposed 2007/8 to 2009/10 Medium Term Financial Strategy (MTFS) with particular reference to the Resources Department.

Background

2. The County Council agreed the MTFS in February 2006. The current process involves updating and refining the strategy.
3. The Scrutiny Committees and the Commission considered the draft MTFS in the autumn and the respective comments were considered by Cabinet on the 21 November 2006.
4. Since the Autumn the County Council has received confirmation of the £0.6m (0.8%) increase in government funding for 2007/8 and has undertaken budget consultation on the MTFS through a questionnaire to its citizens' panel, the public and staff through an on-line questionnaire and two focus groups.
5. Reports such as this one are being presented to the relevant scrutiny committees and to the Scrutiny Commission. Cabinet will consider the results of the scrutiny process before recommending a budget and capital programme to the County Council meeting on the 21 February.

Financial Strategy

6. The Medium Term Financial Strategy has four key elements:
 - Restrict Council Tax increases
 - Maximise efficiency savings
 - Improve high priority services
 - Minimise reductions in lower priority services
7. Nearly 90% of the respondents to the surveys either agreed or strongly agreed with the approach outlined above. The detailed findings of the budget consultation are available as an information item provided through the Members Information Service.

8. Even though the government announced only a one year settlement pending the 2007 Comprehensive Spending Review (CSR) the strategy has been developed for the medium term (2007/8 to 2009/10). As has been the practice in previous years the revenue and capital planning processes have been integrated.
9. The key features of the proposed strategy are:
- Council tax increase of 4.25% in 2007/8 with lower increases (4%) in later years.
 - Cashable efficiency savings of at least 1½% per year (1.7% in 2007/8 with a total of £14.2m over the three year strategy).
 - Investment of £2.3m in key service improvements in 2007/8 (£10.3m, over the three years of the strategy).
 - Service reductions and increased charges of £900,000 in 2007/8 and £3.9m planned over the three years of the strategy.
10. This report seeks to highlight the main implication of the strategy for the Resources Department.

Proposed revenue budget

11. The table below summarises the proposed 2007/8 revenue budget and provisional budgets for the next two years. The proposed 2007/8 revenue budget is shown in detail in Appendix A. The 2006/07 column in Appendix A has already been adjusted to take account of transfers of £290,000 (shown in the other changes in Table 1 below). Overall the 2007/8 budget shows a 5.6% increase in net expenditure year on year.

Table One – Summary Proposed Budget 2007/8 and Provisional Budgets for 2008/9 to 2009/10

	2007/8 Budget £'000	2008/9 Budget £'000	2009/10 Budget £'000
Updated original budget	17,019	18,287	18,819
Inflation to outturn	631	605	632
Previous years growth and savings	250	0	0
Other changes	290	0	0
Sub Total	18,190	18,892	19,451
Add proposed growth (App B)	365	234	119
Less proposed savings (App B)	-268	-307	-259
Proposed/Provisional budget at outturn prices (App A)	18,287	18,819	19,311

12. The other changes in 2007/08 mainly relate to the transfer of the budgets for the Internet and Wide Area Network charges from Departments to ICT.

13. The 2007/8 budget includes inflation of:
 - Pay @ 3%
 - Additional employers' pension contributions @ 1.2% of pay
 - Running costs 2.5%
14. Where inflation exceeds these assumptions specific growth is included.
15. The budgets for 2008/9 and 2009/10 are provisional and are based upon available information. They will be revisited following publication of the CSR in summer 2007. However, it is very unlikely that the savings requirement in these later years will reduce, in fact given the funding gap of £1.8m over the three years, and the likelihood of a difficult CSR, the pressure could be in the opposite direction. In these later years the strategy includes £2.5m for corporate strategy growth or to meet new unavoidable service pressures.

Growth

Demand and cost

16. Additional resources of £85,000 are needed to support the required investment in the ICT function to support the Corporate Change Programme and other Corporate initiatives. Many of the efficiency savings that the authority will be making in the medium term rely upon the effective use of ICT to support service delivery. In addition, the continually increasing demands upon external internet services mean that further investment in facilities is required at a cost of £90,000.
17. Additional resources of £234,000 (2008/09) are required to meet the revenue consequences of the ICT capital programme, especially in terms of increased resilience of the ICT infrastructure and improved disaster recovery facilities.
18. Also additional resources of £190,000 per annum are required for the increase in energy prices for County Hall.

Savings

Efficiency

19. Within financial services, savings will arise from a new contract for mail collection and sorting and reduced costs of the PUMA software used in Payroll. Also savings will arise from the introduction of p-cards and lease car administration. These savings have been identified from work being undertaken as part of the strategic procurement programme. A small reduction is being made to the training budget. Also staffing savings will be delivered within financial services from not filling vacant posts.
20. Within ICT specific savings result from a reduction in the ongoing costs associated with corporate licenses for ORACLE database software. Various other savings will result from re-negotiation of the contract for Internet provision and reduced costs for the Wide Area Network, Voice

Telecommunication rentals and hardware maintenance. Also a reduction is being made to the ICT training budget.

21. Within Property Services, savings will be delivered, partly through not recruiting to vacant posts, partly through reductions to the budget for contract staff and partly from identified savings in overhead costs.
22. A project is currently being undertaken on building maintenance around County Hall, looking at caretaking, cleaning and facilities management in general. This is expected to deliver savings for Property Services from 2008/09 onwards.
23. In all three areas savings will be delivered as a result of reductions in the costs of maintenance for the Sun servers.
24. A saving is anticipated within the Departmental administration section, likely to be delivered through not recruiting to vacant posts. How the departmental efficiency savings for 2009/10 will be delivered will be identified at a later date.

Service reductions

25. A reduction is being made to the budget for general maintenance of buildings. A property review is underway which will identify those buildings which perform poorly. As part of the corporate management of buildings, efforts must be concentrated on utilising those buildings and those locations which offer best value. Over a period of time, backlog maintenance will be reduced and the opportunity to make further reductions in the revenue maintenance budget should be possible.

Capital Programme

26. The main focus is continuing the development of the ICT infrastructure to support the increasing number of services delivered to the public electronically. A major priority in 2007/08 is to enhance the resilience of key systems and to begin the implementation of improved disaster recovery facilities.
27. Resources continue to be allocated to meet the Disability Discrimination Act requirement to improve access to County Council buildings.
28. Resources have also been allocated to meet the potential cost of replacement sports facilities following the planned sale of land housing the existing facilities at County Hall.
29. The capital resources for risk management are used to fund specific projects at County Council properties to improve security (such as the installation of fire alarms or intruder alarms). The improved security reduces the chances of these properties being damaged and has a positive impact on insurance costs.

30. The allocation for County Farms is to be used partly for further effluent works and partly to improve Landlord's fixtures, where the tenant agrees to a rent increase to cover the costs of borrowing
31. A summary of the proposed Capital Programme is set out in Table two below. The detailed programme is set out in Appendix C. The capital programme is funded by a combination of capital receipts, borrowing and external grants.

Table Two – Summary Capital Programme

Project	2007/8 £'000	2008/9 £'000	2009/10 £'000
County Hall	300	400	-
ICT Services	1,495	730	610
Corporate DDA	100	200	100
Risk Management	100	100	100
County Farms	125	125	125
Total	2,120	1,555	935

Recommendation

32. Members are asked to consider the report and any response they may wish to make to the Scrutiny Commission.

Equal opportunities implications

33. There are no discernable equal opportunity implications as a result of the proposed MTFS. All capital projects undergo appropriate planning to ensure that the needs of all users are taken into account. This will include the intellectual as well as the physical access and cover both services provided as well as buildings they are provided from.

Background papers

MTFS – Cabinet 11th January 2007

Circulation under sensitive issues

None

Officers to contact

Brian Roberts 0116 265 7830

Pat Sartoris 0116 265 7642

Appendices

Appendix A – Revenue budget 2007/8

Appendix B – Growth and Savings 2007/8 to 2009/10

Appendix C – Capital Programme 2007/8 to 2009/10