HEREFORDSHIRE COUNCIL

DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME 2007/08

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET **8TH FEBRUARY, 2007**

Wards Affected

County-wide

Purpose

To formally propose the revenue budget and capital programme for 2007/08 as a basis for seeking the views of the Strategic Monitoring Committee.

Key Decision

This is not a Key Decision. Cabinet will confirm its budget proposals for 2007/08 in the light of comments from the Strategic Monitoring Committee on 22nd February, 2007 prior to the Council meeting on 9th March, 2007 to set Council Tax levels for 2007/08.

Recommendations

THAT

(a) **the review of the national context to the Council's Medium-Term Financial Management Strategy outlined in this report be noted;**

(b) **the review of the Herefordshire context to the Council's Medium-Term Financial Management Strategy outlined in this report be noted;**

(c) **the Medium-Term Financial Resource Model included as an appendix to this report updated to reflect Cabinet decisions on 18th January 2007 be endorsed;**

(d) **the updated forecast outturn for the revenue budget in 2006/07 be noted with a further update to be included in the next Integrated Performance Report to Cabinet in March 2007;**

(e) **the draft revenue budget for 2007/08 outlined in this report be endorsed;**

(f) **the updated forecast outturn for the capital budget in 2006/07 be noted with a further update to be included in the next Integrated Performance Report to Cabinet in March 2007;**

(g) **the Council establishes a corporate strategy on fees and charges as an integral part of the MTFMS when it is updated prior to the start of the next Performance Improvement Cycle;**

(h) **the delivery of the benefits resulting from the Invest to Save/Invest to**

Mitigate proposals is managed using the benefits realisation process developed for Herefordshire Connects;

(i) the draft capital programme for 2007/08 outlined in this report be endorsed; and

(j) the Strategic Monitoring Committee be invited to consider the content of this report in time for their comments to be incorporated into a further report to Cabinet on 22nd February, 2007.

Reasons

Cabinet has received a series of reports on the Medium-Term Financial Management Strategy (MTFMS) along side the draft Corporate and Annual Operating Plans since July 2006. At each stage, Cabinet has sought views from the Strategic Monitoring Committee. This report brings both the revenue and capital spending plans up to date reflecting the decisions taken by Cabinet on 18th January, 2007.

Considerations

National Context

1. There has been no news to dispel the view that the policy and financial context for Local Government is looking any less challenging than reflected in the assumptions used last October when Cabinet approved the MTFMS as part of the new Performance Improvement Cycle.

2. Assumptions contained in the MTFMS about the immediate future hold good. The local government finance settlement for 2007/08 was announced at the end of November 2006 and confirmed in the middle of January 2007. The cash increase was in line with the expected 2.4% included in the MTFRM. The headline increase published by the Government was higher at 3.4% because our 2006/07 entitlement was recalculated to reflect the latest data available and this led to a reduction in the level of funding we would have received by way of Formula Grant for the current year.

3. The headline increase in per pupil funding for schools was confirmed at 4.3% in line with expectations. This funding arrives as Dedicated Schools Grant (DSG) and must be fully allocated to the 'Schools Budget'. The allocation is based on pupil numbers and affected by falling rolls. This is a key issue in Herefordshire and forms part of the on-going review of school provision. For 2007/08 each authority has received a minimum cash increase of at least 4% over their 2006/07 DSG allocation and this is in part to provide additional support for falling rolls. This level of increase in financial support is unlikely to be maintained in future years.

4. Looking to the medium-term, the Government's plans for public service reform remain just as ambitious as anticipated when Cabinet agreed the MTFMS last October, although the text of the document needs updating to reflect the most recent developments.

5. The Local Government White Paper (LGWP) published in late October 2006 offers significant opportunity and challenge. Cabinet has already received a report on the LGWP and officers have begun to assess the impact it may have for future plans once enacted. A brief summary of the key issues covered in the LGWP is as follows:

- A new performance framework;
- An enhanced role for councils as strategic leaders and place-shapers;
- Development of Local Area Agreements (LAAs);
- Stronger political leadership;
- An invitation to consider alternative structures particularly in two-tier areas;
- A strengthened role for front-line councillors;
- A wider and stronger role for scrutiny;
- Devolution of some powers; and
- Using community strategies to enhance community cohesion.

6. The Queen's Speech followed in November 2006 and included a number of initiatives within the Government's legislative programme for the current session of Parliament with important implications for local government including:

- **Local Government White Paper** – see above;
- **Further Education & Training Bill** – measures to implement the Skills White Paper;
- **Offender Management Bill** – proposals to create a regionally based National Offender Management Service;
- **Criminal justice Bill** – measures around sentencing, anti-social behaviour and probation service reform;
- **Climate Change Bill** – measures to limit carbon emissions to meet the Government's target of reducing CO_2 emissions by 60% by 2050;
- **Road Transport Bill (draft)** – measures to reform passenger Transport Authority governance, to provide councils with increased powers over bus provision and measures on road pricing; and
- **Other proposals** impacting on local government including:
    - Concessionary Bus Travel Bill;
    - Border and Immigration Bill;
    - Energy White Paper;
    - Planning Reform;
    - Local Better Regulation Office Bill;
    - Mental Health Bill;
    - Statistical Reform Bill; and
    - Welfare Reform Bill.

7. Staying with the medium-term, the assumptions about future increases in general grant support from the Government and cashable efficiency targets contained in the

MTFMS still hold good too. However, they do need to be kept under review as further information becomes available.

8. The Chancellor's pre-budget 2007 report in December 2006 noted the progress already made in achieving the Government's Spending Review 2004 (SR04) efficiency targets for the three-year period to 2007/08. Building on this success, the Government's baseline savings ambition for the 2008/09 to 2010/11 period covered by the Spending Review 2007 (SR07) will be at least 3% per year across central and local government with a focus on net cashable savings to free-up resources to meet the challenges ahead.

9. The Government's assumptions on future efficiency gains rely on Sir David Varney's findings in his review entitled *'Service Transformation: a Better Service for citizens and Businesses, a Better Deal for Taxpayers'*. The Chancellor commissioned the Varney Review in March 2006 as part of his last budget and it was published alongside the Chancellors pre-budget 2007 report last month.

10. The Varney Review identifies major opportunities for strengthening public service delivery, making it more accessible, convenient and efficient in meeting changing citizen and business expectations. The report's recommendations include:

- Developing a change of circumstances service starting with bereavement, birth and change of address by 2010, so that citizens don't have to notify multiple public services;
- Providing citizens and businesses with single information and transactional websites through Directgov and Businesslink.gov;
- Improving public sector contact centre performance including reducing operating costs by 25% to release £400 million; and
- Developing a cross-government identity management system to enable greater personalisation of services and to reduce duplication across Government.

11. Much about the medium-term remains, however, uncertain and cannot yet be reflected in terms of assumptions underpinning the MTFMS. A key issue we will need to continue to monitor is the impact that the final outcome of the Lyons Inquiry might have for the reform of the local government funding system.

12. Sir Michael Lyons was due to make his final report in December 2006. Instead, the Government announced it had given Sir Michael a short extension to give him time to consider the implications for local government of:

- the Eddington transport study;
- the Barker review of land use planning; and
- the Leitch review of skills.

13. Sir Michael plans to publish his final report in March 2007, around the time of the Budget 2007. This will allow time for his report to influence SR07, which is not expected to conclude until the late summer 2007.

14. The national context remains one in which much more will be expected of local government at a time when growth in public spending will slow significantly and a greater proportion is spent on sectors other than local government. An already difficult

scenario could be made even more challenging if a new local government funding system alters the current pattern of general grant distribution, and the Department for Education and Skills (DfES) is also planning to review the way in which Dedicated Schools Grant (DSG) distributed. Whilst these changes could have a positive impact for Herefordshire and help improve the Council's relative funding position, it could make matters worse for both non-school and school services. The provisional local government finance and DSG settlement announcements that will follow on from SR07 in November this year will set out the level of funding we can expect for non-school and school services respectively for 2008/09 to 2010/11. The announcements are likely to generate a lot of debate and last minute changes to budget strategies.

Herefordshire Context

15. The new Performance Improvement Cycle has helped establish a more efficient process for assessing the overall financial envelope within which corporate and service plans are developed. The framework in place ensures that resources follow identified and agreed priorities, removing the adversarial feel of more traditional approaches to strategic financial planning and budget setting. The Audit Commission has commented on positive progress in this area in recent reports.

16. Directors have worked more corporately in the past twelve months on strategic financial issues than has formerly been the case. The Corporate Management Board (CMB) continues to support the key assumptions in the MTFMS including that on no inflation on non-pay budgets. CMB recognises that this time last year it had identified £4.8m of budget pressures it said would be difficult to manage in 2006/07 but is now on course to under spend – the fourth year in a row - suggesting there is still some 'slack' in the base budget. Annual under spending of around £3m - £4m equates in approximate terms to allowing for inflation on non-pay budgets.

17. The evidence suggests therefore that the challenge for CMB is not the amount of money that is available in the base budget for 2007/08 to fund planned levels of service. The challenge is to ensure even closer alignment between the budget and established spending patterns. CMB needs to continue to work corporately to identify any 'hot spots' the inflation policy included in the MTFMS might produce and seek appropriate approval when necessary to adjust the base budget across Directorates. To date, no 'hot spots' that cannot be managed in 2007/08 using the flexibility of existing financial policies and procedures have been identified. All inflation assumptions contained in the MTFMS need to be reviewed annually at the start of the annual Performance Improvement Cycle to ensure they reflect changes in the economic climate.

Medium Term Financial Resource Model (MTFRM)

18. The MTFRM appended to this report reflects the changes included in the Financial Strategy Update report agreed by Cabinet on 18th January 2006 (Section 1 of that report refers), plus the Cabinet's announcement at that meeting to change the planning assumption for the proposed Council Tax increase for 2007/08.

19. One of the changes agreed by Cabinet is that the financial risk of not achieving the £5.8m cashable efficiency gain target within the 2007/08 financial year be covered in full until such times there is a detailed benefits realisation plan for Herefordshire Connects in place that allows the overall figure to be allocated to specific budgets. Sections 25 to 29 of the Local Government Act 2003 impose a duty on local authorities to ensure they make prudent allowance for risk and uncertainties in their budgets. Given that final selection of the preferred partner will not take place until the end of February 2007, this information will not be available in time for the budget setting

process. The level of saving deliverable in 2007/08 is therefore uncertain, as the programme will entail upfront investment. Cash set aside to cover this risk has not been taken from Directorate budgets or top-sliced from resources earmarked for investment in priority services; it can be released for further investment once the benefits realisation programme has been agreed.

20. Cabinet has now firmed up on the previous planning assumption for the proposed Council Tax increase for 2007/08, proposing a Council Tax increase of 3.8% compared to the provisional figure used of 4.7%. Whilst this is not inconsistent with the emerging national picture, it will lead to a reduction in income from Council Tax to support the Council's corporate plan for 2007 – 2010 of some £560k per annum over the next three years, a sum that will be difficult to replace given planned Council Tax increases for subsequent years of 4.7% are close to the 5% capping limit expected to remain in force. With schools funding now ring-fenced via the Dedicated Schools Grant, Council Tax income now represents approximately 60% of the Council's budget requirement.

21. Given the national context outlined in the beginning of this report, a lower than originally planned Council Tax increase this year could have implications for the future if the three-year settlement for 2008/09 to 2010/11 is as difficult as all the current indications suggest. It would impact on the Council's ability to meet the challenges identified in this report that cannot yet be quantified and reflected in the MTFRM, and limit the extent of future Invest to Save / Mitigate investment plans for priority service areas (Section 3 of the Financial Strategy Update report agreed by Cabinet on 18th January, 2007 refers).

22. One further issue that needs to be reflected in the MTFRM emerged as the capital programme for 2007/08 was drafted and the financing arrangements finalised. The Financing Transactions budget needs to reflect the opportunity cost of the Council providing funding whilst waiting for external contributions to capital projects such as Rotherwas Futures and the Edgar Street Grid redevelopment to arrive. It is difficult to assess the impact of the latter in particular with any degree of accuracy as a detailed financial model is not yet available. It is felt prudent to allow £500k a year for 'bank-rolling' of capital projects in the Financing Transactions budget.

Forecast Outturn for Revenue Budget 2006/07

23. Cabinet reviewed the latest Integrated Performance Report (IPR) covering the first 8 months to the end of November on 18th January, 2007. The report included information detailing the projected outturn for the current financial year. The Head of Financial Services updated Cabinet on emerging financial pressures areas of further potential under spend as he presented the report. It is now possible to revise the outturn projection based on financial information to the end of December 2006.

24. The following table compares the latest outturn forecast with that to the end of Month 8 included in the last IPR:

	December 2006 Net over (+) or under (-) spend £000	November 2006 Net over (+) or under (-) spend £000
Adult & Community Services	+1,039	+1,424
Children & Young People's	+214	+214
Customer & Corporate Services	+1	+1
Environment	-459	+25
Resources	+19	+19
Gross projected outturn	**+814**	**+1,683**
Less:		
Local Authority Business Growth Incentive Scheme Grant (LABGI)	-1,000	-
Social Care Contingency	-1,302	-1,302
Financing Transactions surplus	-1,000	-750
Net projected outturn	**-2,488**	**-369**

25. The above table indicates that there is likely to be an under spend in the region of £2.5m in overall terms on the revenue account based on the financial information available at the end of December. The improved financial position is due to changes indicated to Cabinet on 18th January, 2007 in the IPR and Financial Strategy Update reports as follows:

- A further reduction in the over spend forecast for adult social care services;
- An under spend on waste collection services;
- An increase in the surplus on Financing Transaction due mainly to further slippage in the capital programme; and
- Inclusion of £1m LABGI grant.

26. However, there are two further factors known at the present time that could alter the forecast outturn again in the Month 10 IPR that will be presented to Cabinet in March 2007. As previously reported to Cabinet, the Government will not be announcing LABGI grant figures for each council until February 2007. Herefordshire's grant is not expected to be less than £1m but could be more based on the information currently

available. The other issue relates to ICT Services. As indicated to Cabinet on 18th January, 2007, work to assess the likely outturn for ICT budgets was ongoing. This work will be complete by the time of the next IPR. Work to date indicates that the gross projected outturn position is likely to be an over spend and that there may be ongoing budget issues to resolve.

27. The outturn remains a projection until the accounts are closed but the figures suggest that there will be a significant net under spend on the revenue account in 2006/07. This is despite the fact that CMB were anticipating a tough task in managing spending within budget for the year. It reinforces the view that there is sufficient capacity within the base budget to manage without inflation on non-pay budgets for at least 2007/08.

Draft Revenue Budget 2007/08

28. Cabinet agreed the Financial Strategy Update on the 18th January, 2007. The Strategic Monitoring Committee considered this report at its meeting on 15th January, 2007.

29. The emerging financial 'hotspots' for 2007/08 and proposed 'remedies' identified in the Financial Strategy Update report have been included in the draft revenue budget for 2007/08, along with the agreed Directorate base budgets and Invest to Save/Invest to Mitigate proposals. For convenience, the key points are summarised in the following paragraphs.

'Hotspots' and 'Remedies'

30. The 'hotspots' are as follows:

- Reduction in proposed Council Tax increase for 2007/08 only (£560k in 2007/08 and subsequent years);
- Providing temporary cover until the benefits realisation programme for Herefordshire Connects has been established and is delivering cashable efficiency gains for reinvestment in priority services (£5.8m in 2007/08);
- Reduction in the assumed rate of growth in the Council Tax base (£500k in 2007/08 and subsequent years) to be reviewed on an annual basis;
- Adjusting the base budget to reflect the initial investment needed to implement the Customer Services Strategy (£500k in 2007/08 and 2008/09 only); and
- Addressing capacity issues in the corporate Directorates (£400k in 2007/08 and subsequent years).

31. The 'remedies' were identified as follows:

- Use of existing Herefordshire Connects reserve (£1.5m);
- Use of Budget Management Reserve (£1.1m);
- Use of excess Social Care Contingency (£1.3m);
- LABGI grant increase (£1m in 2006/07 and 2007/08);
- Financing Transactions (£950k); and

- Procurement & efficiency savings (£250k).

Directorate Base Budgets for 2007/08

32. The base budgets for 2007/08 have been increased by amounts previously agreed by Cabinet in order to correct more minor anomalies in the existing base budget. The list of agreed changes is repeated below:

- **Queenswood Park** - £25k to restore the base budget;

- **Procurement & Efficiency Review** - £55k increase in the staffing budget to generate procurement savings and an enhance level of West Mercia Supplies (WMS) dividend;

- **Herefordshire Matters** - £50k to correct a base budget omission;

- **Corporate Development Fund** - £150k to pay for corporate subscriptions and corporate organisational development initiatives;

- **Housing Benefit & Council Tax Benefit (HB/CTN) Administration Subsidy** - £150k reduction in expected grant income from the Department of Work and Pensions (DWP);

- **Service Level Agreements** - £100k a year in the event a planned review reveals budget pressures;

- **Edgar Street Grid (Herefordshire) Ltd** – increase in base budget provision of £225k for the period 2007/08 to 2009/10.

33. The above base budget changes total £755k for 2007/08 and subsequent years.

34. The base budget for 2007/08 also includes provision for inflation on income and expenditure budgets in line with the MTFMS as follows:

Budget Heading	**Inflation Assumption**
Employees	2%
Employers' pension contributions	0.6%
Income budgets (see below)	2.5%
Other expenditure	0%

35. The total for pay inflation allowed for in the draft budget for 2007/08 is £1.196m. After allowing for income inflation of £578k, the net increase is £618k. The figure for income inflation is lower than reported to Cabinet on 18th January, 2007 as the calculation has been updated to exclude some income budgets that are reducing or cannot be inflated. In line with the MTFMS, inflation has not been applied to the income budgets for services such car parking or planning because there are no plans to increase the fees and charges. The budgets are however regularly reviewed to reflect changes in demand.

36. The following table summarises the draft base budget position for 2007/08 after taking

into account previously agreed changes and inflation provision:

	Base Budget 2006/07 £000	Base Budget 2007/08 £000
Adult & Community Services	44,404	44,485
Children & Young Peoples	22,030	22,694
Corporate & Customer Services	7,546	7,688
Environment	24,361	25,246
Human Resources	1,379	1,401
Resources	5,712	6,122
Sub Total Directorate Budgets	**105,432**	**107,636**
Plus:		
Financing Transactions	8,530	10,242
Social Care Contingency	1,302	1,302
Central Services	3,021	3,191
Total Base Budget	**118,285**	**122,371**

Invest to Save/Invest to Mitigate Proposals

37. An integral part of the 2007/08 budget process has been the emphasis on three-year strategic investment proposals to support the draft Corporate Plan 2007 – 10. Cabinet received a report on 26th October, 2006 confirming that the 2007/08 budget would be framed within the context of these three-year strategic decisions.

38. The updated MTFRM indicates capacity for increased spending over the period covered by the draft Corporate Plan as follows:

- 2007/08 - £3.5m
- 2008/09 - £3.9m; and
- 2009/10 - £4.7m.

39. The 2007/08 figures allows for setting aside £1.5m to enhance financial capacity in 2008/09 to the level indicated above and £1.5m to cover delays in the Herefordshire Connects benefits realisation programme.

40. The Cabinet has approved Invest to Save/Invest to Mitigate proposals requiring

£3.447m of investment in corporate priorities using current charging policies for social care services. For ease of reference, a summary of the proposals is provided in the appendices to this report. The level of investment required using current charging policies can be accommodated in 2007/08. However, charging policies for social care and other services will need to be reviewed as an integral part of the MTFMS update at the start of the next Performance Improvement Cycle given the financial outlook for 2008/09 and beyond. The cashable benefits of each investment proposal need to be managed using the benefits realisation process that has been developed for the Herefordshire Connects programme.

Draft Revenue Budget Summary for 2007/08

41. The draft net budget for 2007/08 excluding schools funding is £122.371m. The Dedicated Schools Grant (DSG) will be £78.151m. The following table details the funding sources for non-school services:

	£000	**%**
Draft net budget for 2007/08	122,371	
Funded by:		
Central government grant	47,648	38.9
Collection Fund Surplus	256	0.2
Council Tax	74,467	60.9

42. The above is based on a Council Tax base of 68,730, representing a 0.7% rise in the equivalent figure for the current financial year. It assumes an increase in Council Tax of 3.8%, increasing the Band D Council Tax by £39.64 a year from £1,043.80 to £1,083.44.

Forecast Outturn for Capital Budget 2006/07

43. The revised capital outturn forecast for 2006/07 as at 29th January totals £47,902,000, which is a decrease of £3,899,000 from the November forecast. The main reason for this decrease is a reduction in Herefordshire Connects forecast of £4,000,000. A contractor is expected to be appointed shortly with capital spend of £19,356,000 expected in 2007/08.

44. The expected use of Prudential Borrowing has decreased by £4,850,000 in total. This represents slippage on Herefordshire Connects, as mentioned above, and on the following capital schemes:

- Friar St museum resource and learning centre of £150,000. Scheme works have been delayed by seven weeks due to substation problems.

- Capital adaptation works of £50,000. Waiting for confirmation of requests for funding from Registered Social Landlords.

- Crematorium Hereford of £650,000. Land acquisition delays have resulted in projected scheme slippage.

This will result in slippage on capital financing costs incurred in the revenue budget this year.

Capital Receipts Reserves Position as at 29th January, 2007

45. The capital receipts reserve totals £14,945,000, £8,693,000 of which is ring fenced to fund affordable housing schemes following LSVT. The remaining balance will be used to fund the capital schemes in the following three financial years.

Children and Young People's Directorate Summary as at 29th January, 2007

46. There have been no forecast changes. There is a predicted shortfall in future years in funding Sutton St Nicholas primary school replacement, the provision of children's centres and Riverside Junior and Infants amalgamation. These schemes are under review.

Resources Directorate Summary as at 29th January, 2007

Budget Reported as at 30th November 2006	£2,960,000
Capital Budget Increases • Purchase of Cattle Market Site (new budget)	£739,000
Other budget revisions (<£100k)	£12,000
Revised Budget	£3,711,000

47. The purchase of the new livestock market site is being funded through capital receipts reserve pending capital receipt income generated by redevelopment of the Edgar Street Grid.

Corporate and Customer Services Directorate as at 29th January, 2007

Budget Reported as at 30th November, 2006	£7,742,000
Capital Budget Decreases • Herefordshire Connects (no spend)	(£4,000,000)
Revised Budget	£3,742,000

Environment Directorate Summary as at 29th January, 2007

Budget Reported as at 30th November, 2006	£13,387,000
Capital Budget Decreases • Crematorium (slippage)	(£650,000)
Revised Budget	£12,737,000

Adult and Community Services Directorate Summary as at 29th January, 2007

Budget Reported as at 30th November, 2006	£16,120,000
Capital Budget Decreases • Capital adaptations (slippage)	(£150,000)
Other budget revisions (<£100k)	£30,000
Revised Budget	£16,000,000

48. There is a potential budget shortfall on the Crematorium project. Discussions with the preferred contractor to reduce costs to budget are ongoing. Inflation in the construction industry is in the region of 15% due to increased energy costs and new building regulations on energy efficiency.

Draft Capital Programme 2007/08

49. CMB's capital programme proposals for 2007/08 were less in number than in previous years. This was mainly due to concerns about the capacity of the revenue account to absorb the financial implications arising form prudential borrowing. Cabinet has approved the following schemes for inclusion in next year's capital programme:

- **Stretton Sugwas Closed Landfill Site** – replacing gas wells and gas extraction system pipe work;

- **Stretton Sugwas Closed Landfill Site** – new gas flare to meet environmental and legal requirements;

- **Strangford Closed Landfill Site** – installation of leachate wells and gas monitoring boreholes to detect and monitor any adverse environmental effects;

- **Hereford CCTV** – new links to provide high quality images, potentially part funded by West Mercia constabulary;

- **Hereford Library & Info Centre** – feasibility work on a replacement library (this would have to be charged back to revenue if the project failed to proceed);

- **Ross Library & Info Centre** – outline budget to extend the existing library so the Info facility in Swan House can be relocated.

50. The draft capital programme includes the sum required as a contribution towards a bid for lottery funding of £2m for the Ledbury Library & Info Centre (a report elsewhere on this agenda refers).

51. The draft capital programme also includes a spending proposal relating to the Integrated Community Equipment Service approved by Cabinet at its meeting on 14th December, 2006.

52. The estimated capital financing costs for the above schemes totals £61k in 2007/08, £168k in 2008/09 and £175k in 2009/10 with annual reductions in repayments thereafter.

53. The Council is involved in either facilitating or delivering a number of capital schemes funded from external sources. In some cases these schemes have cash flow

implications that may have an impact in 2007/08. The opportunity cost to the Council of temporarily funding £1m of capital expenditure for 1 year pending receipt of the anticipated external funding contribution is approximately £50k in terms of lost investment income. This potential cost has been built into the MTFRM. Schemes where this may apply are as follows:

- Rotherwas Futures;
- Edgar Street Grid; and
- Grant funded schemes such as the Ross Flood Alleviation Scheme and the Building Schools for the Future programme.

54. Summary of the draft capital programme for 2007/08 is provided in an appendix to this report.

Conclusions

55. Herefordshire can demonstrate a sound track record on providing value for money services. The recent changes in corporate planning processes will help underpin further improvements for the future as resources follow priorities more closely than has previously been the case.

56. The renewed commitment to using resources more corporately also makes sure the Council is best positioned to tackle the significant service and financial challenges that lie ahead. The MTFMS provides a mechanism for making best use of available resources to pump-prime a business transformation programme that will deliver cashable efficiency gains that can be recycled for investment in corporate priorities such as protecting the vulnerable in our communities.

57. The MTFMS provides the financial context for corporate and service planning and ensures that resources are allocated efficiently in line with the agreed strategy. The Council needs to continue to closely monitor service and financial performance alongside one another, embedding the recent developments in the quality of our Integrated Performance Reports. The benefits realisation programme for Herefordshire Connects and other Invest to Save initiatives will also need to be closely monitored to ensure that the benefits are released by Directorates to support investment in corporate priorities.

Alternative Options

Alternative options have been considered at each stage of the Performance Improvement Cycle.

Risk Management

The Medium-Term Financial Management Strategy identifies and proposes mitigating action for the key corporate financial risks. It includes a detailed description of each of the key variables in the Medium-Term Financial Resource Model and assesses the impact of a change in each of them assuming the others remain constant (sensitivity analysis).

Consultees

The public via the October 2006 Community Forum meetings, business rate payers via consultation meeting, Strategic Monitoring Committee, Unison, Corporate Management

Board, Senior Management Team, Leadership Forum and members via a seminar.

Background Papers

None identified.