HEREFORDSHIRE COUNCIL

APPENDIX A

DRAFT REVENUE BUDGET STRATEGY

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET **26TH JANUARY, 2006**

Wards Affected

County-wide

Purpose

To receive the Corporate Management Board's (CMB's) suggested revenue budget strategy for 2006/07.

Key Decision

This is not a key decision. The final decision will not be taken by Cabinet but by Council at its meeting on 10th March, 2006.

Recommendations

THAT (a) the revenue budget strategy for 2006/07 outlined in this report be endorsed; and

(b) the Strategic Monitoring Committee be invited to consider the revenue budget strategy for 2006/07 in time for their comments to be incorporated into a further report to Cabinet on 23rd February, 2006.

Reasons

Corporate Management Board needs confirmation that the approach it has developed to setting the budget for 2006/07 is acceptable in order to be able to complete the detailed budget proposals for next financial year.

Considerations

Background

1. The Budget Panel met on 7th December, 2005 to consider the feedback from the Directors' budget meetings held in November 2005. The Panel decided to ask the Corporate Management Board (CMB) to develop budget options for it to consider within the following framework:

   - Council Tax increases for 2006/07 and 2007/08 of 4.7%;
   - Transfer of unspent Invest to Save budget in 2005/06 into 2006/07;
   - Writing off the significant overspends from 2004/05;

- Writing off 2005/06 overspends to reserves;
- Correcting the ongoing base budget issues;
- Preparation of detailed efficiency plans; and
- Preparation of detailed Invest to Save plans.

2. CMB developed the draft budget strategy for 2006/07 and 2007/08 during a team exercise on 13th December, 2005. The Budget Panel considered a report from the Director of Resources outlining CMB's draft strategy on 13th January, 2006. This report describes the draft revenue budget strategy developed by CMB and incorporates the comments made by the Budget Panel.

Key Assumptions

3. The information available on the settlement available to CMB when it considered budget strategy options indicated that there would be approximately £2.75m of financial capacity in 2006/07 above that previously being indicated by the Financial Resource Model. The situation for 2007/08 was that approximately £500k of savings would be needed. CMB assumed that the Gershon target for cash savings through efficiencies of £1.65m a year would be achieved.

4. It is important to note that the financial planning figures that CMB was working with were **indicative** because the settlement information was still incomplete at the time it was developing this strategy. The accountancy team was updating the Financial Resource Model on a daily basis as settlement information arrived in piecemeal fashion.

5. CMB had to make key assumptions about capping too. CMB felt that a 4.7% Council Tax increase should be low enough to avoid attention given very clear ministerial statements that the government is expecting the average Council Tax increase to be less than 5%.

6. Whilst I believe that the key test for capping will be Council Tax increases, I do not know what other factors the government may take into account as part of the capping mechanism for 2006/07 and 2007/08. The capping principles will not be announced until after local government has set its budgets for 2006/07 so it is impossible for officers to give councillors definitive advice at this stage.

7. The local government minister has said that 'authorities should not use previous capping principles as a guide to capping for 2006/07 and 2007/08'. However, in previous years, the government's capping criteria have included reference to budget as well as Council Tax increases. Given the minister's statement, this criterion may or may not feature as part of the capping principles for 2006/07 and 2007/08. If it does, Herefordshire's budget requirement for 2006/07 would be approximately £118.3m based on a Council Tax increase of 4.7%. This is a 6.6% increase on the notional budget requirement figure for 2005/06 that the government consulted on.

8. To complicate matters further, we are querying the way the government has calculated the notional budget requirement figure for 2005/06. Certain transfers relating to social care grant that are now included in the distribution formulae have been omitted. The headline increase of 6.6% may therefore change – if indeed it is relevant for capping purposes.

9. I have written to the local government minister asking for an indication on whether his capping principles are likely to include reference to budget increases and, if so, what level of increase would give him cause for concern. I have not yet received a reply. For illustrative purposes, if the minister were minded to cap budget increases at say 5% based on the notional budget figure for 2005/06 he has consulted on, the anticipated headroom in the Financial Resource Model indicated in this report would reduce by approximately £1.8m.

10. The gaps in the detailed information, the uncertainty surrounding some of the figures we do have and the absence of capping criteria makes financial planning with any certainty very difficult until the final settlement has been announced.

Budget Strategy

11. CMB worked on the basis that current and prior year over spends would be written off given Herefordshire's overall financial position and the ability of the over spending areas to recover the situation. It also worked on the assumption that the £1.65m cash efficiency gain target would be achieved. CMB then identified 3 potential budget strategy options:

    - **Option 1** - use the £2.75m capacity to address base budget issues and growth issues in 2006/07 and identify cuts of £500k for 2007/08;

    - **Option 2** – assume no financial capacity in 2006/07 as well as a reduction of £500k in 2007/08; and

    - **Option 3** – use up to £2.25m capacity in 2006/07 leaving £500k in reserve to offset the indicative level of savings needed in 2007/08.

12. CMB felt that a strategy that involved immediate service cuts would be unacceptable as well as undeliverable and rejected options 1 and 2.

13. CMB pursued option 3 as it enabled it to use the capacity anticipated over the 2-year period to:

    - smooth pressure on Council Tax increases;

    - correct structural issues within the base budget;

    - target remaining resources at key spending pressures; and

    - develop, implement and realise the cash benefits from Invest to Save and service improvement initiatives (particularly accommodation and ICT).

14. CMB recognise that delivery of a robust Invest to Save and service improvement programme that would start to generate significant cash benefits by 2008/09 at the latest would be fundamental to Herefordshire's financial stability for the future. Current levels of spending are clearly not sustainable given the requirement to maintain at least £3m in reserves and the poor prospects for local government in the government's next Spending Review (SR07) and the 3-year settlement that will follow for 2008/09 and beyond.

Base Budget Pressures

15. CMB reviewed the list of base budget pressures identified during the Directors' budget meetings and agreed which to recommend councillors include in the base budget for 2006/07 and beyond. The updated list is set out in the table below:

CMB's proposed base budget adjustment	Addition in 2006/07	Change in 2007/08
Learning Disabilities – ongoing deficit	758	0
Homelessness – temporary accommodation costs (this figure excludes £300k virement in 2005/06)	686	-260
Loss of income from Hereford City Council	85	0
Unrealisable savings in TIC service	124	0
Land Charges – ongoing budget deficit	80	0
Concessionary Fares – excess over FRM needed to introduce the new statutory scheme	154	0
Revenues and Benefits – Academy support not included in the budget	76	0
Social Care – independent assessment of future demand for service	75	-75
Older People – catch up on contract inflation indices for SHAW contract	393	0
Parks and Countryside – catch up on contract inflation indices	41	0
Waste Collection – catch up on contract inflation indices (net of additional Trade Waste income)	200	0
Children's Services transport costs – catch up on contract inflation indices	90	0
Street Cleansing – catch up on contract indices	50	0
Property Services – excess inflation on fuel costs	75	0
Total	**2,887**	**-335**

16. CMB's initial list of base budget adjustments totals £2.9m including catch-up on contractual inflation indices in six areas of £849k. The list does not reinstate the £75k reduction in the Queenswood Country Park budget for 2005/06 to take account of the decision taken last budget cycle to introduce charges for parking.

Growth Pressures

17. CMB then went on to review the list of growth pressures also identified during the Directors' budget meetings. A significant proportion of this sum related to the Director of Adult and Community Services' and Director of Children's Services' assessment of increasing demand for social care services. All Directors agreed this was the highest priority area and recognised that even if current and prior year over spends were written off and the base budget adjustments outlined in paragraph 15 were approved, there were still significant financial risks for these services.

18. CMB was concerned however to base future financial plans for adult social services on a robust assessment of the likely level of future demand. This was felt important as further investment in this service area could lead to reductions elsewhere. CMB therefore propose that independent work linked to that currently being carried out by the Association of Directors of Social Services be commissioned to assess the service and financial impact of changing demographics as a basis for planning for the future. I suggest £75k is earmarked for this purpose and have included it on the list of base budget pressures as one-off funding for 2006/07.

19. Having agreed on this plan, CMB felt it important to recognise the ongoing financial risk for adult and children's social care budgets was significant given past trends in spending, future predictions of need and legal requirements to provide services. CMB therefore propose finding the capacity to create a contingency in the event that demand cannot be managed within the approved budget for the Adult and Community Services Directorate. This resource would not form part of base budget and would not be released without formal approval.

20. Following the CMB away event, Directors were asked to assess the impact of their agreed strategy in terms of the growth items they had previously identified (Appendices – A to F refer). Directors were asked to assess which items:

    - were essential for contractual/legal reasons;
    - did not depend on additional resources;
    - could be dealt with by the social care contingency arrangement; and
    - could be developed as Invest to Save initiatives.

Adult and Community Services – Impact Assessment of Growth Pressures

Essential Growth Items

21. The Adult and Community Services Directorate identified growth items totalling £4.9m in 2006/07 and £6.8m in 2007/08. These items have been further analysed by the Director as set out in Appendix A.

22. The table in Appendix A sets out the reasons for classifying the growth pressures identified by the Director of Adult and Community Services as essential, non-essential or a Social Care Contingency item. The risk associated with being unable to make budget provision for these items is also indicated.

23. The Director of Adult and Community Services has identified one essential, high-risk item estimated at £137k in 2006/07 and 2007/08. This is needed to maintain the level of services currently paid for by Access and Systems Capacity grant.

24. The value of growth items that the Director of Adult and Community Services has agreed he will have to manage within existing resources given the corporate financial context totals £2.292m in 2006/07 and £2.844m in 2007/08.

25. Based on the information available at the present time, the financial implications of demand led pressures in Adult Social Care Services is estimated at £2.253m in 2006/07. This figure rises to an estimated £3.603m in 2007/08. CMB propose that the risk of over spend due to increasing demand for social care services is recognised by creating a separate social care contingency.

Efficiency Gains

26. The Director of Adult and Community Services has not identified any further efficiency savings since the Budget Panel report on 7th December, 2005. This Directorate's contribution to the overall cash target of £1.65m in 2006/07 remains at £404k – this is the largest contribution to the target.

Invest to Save

27. The Director of Adult and Community Services has not identified any Invest to Save options at this stage.

Children's Services – Impact Assessment of Growth Pressures

Essential Growth Items

28. The Children's Services Directorate identified growth items totalling £2.606m for 2006/07 at the Director's budget meeting including £786k of Invest to Save Items. This figure has been adjusted upwards to £2.815m due to the addition and deletion of items that have emerged since the November meeting. The items now included on the growth list have been further analysed by the Director as set out in Appendix B.

29. The table in appendix B sets out the reasons for classifying the growth pressures identified by the Director of Children's Services as an essential, Social Care Contingency or non-essential item. The risk associated with being unable to make budget provision for these items is also indicated.

30. The Director of Children's Services has identified four essential, high-risk items totalling £688k in 2006/07 and £275k in 2007/08. These are needed to:

    - maintain current levels of service provision as external support is lost / reduced;
    - support pooled budget arrangements with the Primary Care Trust; and
    - support implementation of an improvement plan following the recent JAR inspection.

31. The value of growth items that the Director of Children's Services has agreed she will have to manage within existing resources given the corporate financial context totals £841k in 2006/07 and £450k in 2007/08.

32. Based on the information available at the present time, the financial implications of demand led pressures in Children's Social Care Services is estimated at £500k in 2006/07. The corresponding figure for demand led pressures in Children's Social Care Services in 2007/08 is £575k. CMB propose that the risk of over spend due to increasing demand for adult and children's social care services is recognised by creating a separate social care contingency.

Efficiency Gains

33. The Director of Children's Services has not identified any further efficiency savings since the Budget Panel report on 7th December, 2005. This Directorate's contribution to the overall cash target of £1.65m in 2006/07 remains at £299k – this is the second largest contribution to the target.

Invest to Save

34. The Director of Children's Services has identified 3 potential Invest to Save options totalling £786k as identified at the end of the table in Appendix B.

Corporate and Customer Services – Impact Assessment of Growth Pressures

Essential Growth Items

35. The Corporate and Customer Services Directorate identified growth items totalling £283k in 2006/07. This figure grows slightly to £303k in 2007/08. The items included in this growth list have been further analysed by the Director as set out in Appendix C.

36. The table in Appendix C sets out the reasons for classifying the growth pressures identified by the Director of Corporate and Customer Services as essential, non-essential or an Invest to Save item and the risk associated with being unable to make budget provision for these items.

37. The value of essential, high-risk items for Corporate and Customer Services is £30k for 2006/07 and 2007/08.

38. The Director of Corporate and Customer Services has agreed that she will have to manage £253k of growth pressures in 2006/07 within existing resources for the Directorate given the corporate financial context. The corresponding figure for 2007/08 is £273k.

Efficiency Savings

39. The Director of Corporate and Customer Services has identified £135k of potential efficiency savings in 2006/07.

Invest to Save

40. The Director of Corporate and Customer Services has not identified any Invest to Save options at this stage.

Environment – Impact Assessment of Growth Items

Essential Growth Items

41. The Environment Directorate identified growth items totalling £1.33m in 2006/07 including £250k for an Invest to Save proposal (see paragraph 45). This figure reduces to £995k in 2007/08. The items included in this list have been further analysed by the Director as set out in Appendix D.

42. The table in Appendix D sets out the reasons for classifying the growth pressures identified by the Director of Environment as an essential, non-essential or Invest to Save item. The risk associated with being unable to make budget provision for these items is also indicated. The value of essential, high-risk items is £85k in 2006/07 and £150k 2007/08.

43. The Director of Environment has agreed that he will have to manage the remainder of the list of growth items within existing resources for the Directorate given the corporate financial context.

Efficiency Gains

44. The Director of Environment previously identified £245k of efficiency gains. This total remains the same and includes:

- Reduction in supervision between client and HJS contractor (£100k);
- Reduction in HJS rates (£45k); and
- SIPS programme in planning, environmental health and trading standards (£100k).

Invest to Save

45. The Director of Environment has identified a potential Invest to Save item needed to deliver the SIPS improvement outlined above. An investment of £250k is required to enable the electronic capture of the Planning Statutory Register.

Human Resources – Impact Assessment of Growth Items

Essential Growth Items

46. The growth items for Human Resources totals £124k in each year. The items included in this growth list have been further analysed by the Head of Service as set out in Appendix E.

47. The table in Appendix E sets out the reasons for classifying the growth pressures identified by the Head of Human Resources as essential, non-essential or an Invest to Save item and the risk associated with being unable to make budget provision for these items.

48. There are no essential, high-risk items for Human Resources. The Head of Human Resources has agreed he will have to manage all his growth items either within existing resources or as Invest to Save bids given the corporate financial context.

Efficiency Gains

49. The proposals to restructure the Human Resources team include setting up a Centralised Recruitment Team. Work is currently taking place to determine the level of efficiency savings that will be generated as a result of reduced recruitment times and reduced reliance on agency workers. The Human Resource team is currently leading a project to put in place a contract by which a single agency is retained rather than the current inefficient and costly method of using over 65 different agencies. The proposed approach has many advantages including generating savings leveraged from agreed contracted agency pay rates.

Invest to Save

50. The Head of Human Resources has identified potential Invest to Save options as identified in the table in Appendix E.

Resources – Impact Assessment of Growth Items

Essential Growth Items

51. The Resources Directorate identified growth items totalling £717k in 2006/07. This figure reduces to £678k in 2007/08. The items included in this list have been further analysed

by the Director as set out in Appendix F.

52. The table above sets out the reasons for classifying the growth pressures identified by the Director of Resources as an essential, non-essential or Invest to Save item. The risk associated with being unable to make budget provision for these items is also indicated. The value of essential, high-risk items is £179k in 2006/07 and 2007/08 although this figure will fall to £40k in following years.

53. The Director of Resources has agreed that she will have to manage the remainder of the budget pressures for her Directorate within existing resources given the corporate financial context providing the budget strain in respect of implementing the Accommodation Strategy is treated as an Invest to Save item.

Efficiency Savings

54. The Resources Directorate is currently operating using the management structures inherited from the former County Treasurer's Department and the Property Services Section that transferred from the Environment Directorate. The Director is starting to review the Directorate structure with a view to improving efficiency by:

- Creating a dedicated resource for procurement to support corporate efficiency gains and compliance with the national procurement strategy for local government;
- Strengthening where appropriate the professional and managerial links between the Director of Resources and 'out posted' finance teams / staff;
- Consolidating similar activity currently carried out in other Directorates – e.g. customer services and custodian services;
- Consolidating similar activity currently carried out in different parts of the Resources Directorate;
- Aligning accountancy support with new Directorate structures;
- Reviewing potential for shared services across all service areas – be that joint working at one end of the spectrum to outsourcing at the other;
- Review potential for earning additional income by providing services to others;
- Providing capacity within Property Services to deal with the corporate property agenda; and
- Establishing property as a support service that provides asset and facilities management services under a service level agreement in line with client requirements.

55. There may be some one-off costs associated with the restructuring of the new Directorate that will need corporate support at least at the outset to help drive the efficiency and improvement agenda for the Resources Directorate. Critical to success will be the Corporate Strategy Review that will involve the development of a Service Improvement Programme for the Directorate. A draft plan will be ready be the end of March 2006. I believe there is potential for the Resources Directorate to contribute more significantly to the efficiency agenda but am not yet able to identify how or quantify the benefits.

Essential Growth Items - Summary

56. The following table summarises the outcome of the further analysis of the growth pressures identified by Directors for the Budget Panel on 7th December, 2005 (all figures in £000s).

2006/07 Summary of Essential Growth Items

Directorate	Essential Items	Additional Resource Not Essential	Social Care Contingency	Invest to Save	Total
Adult & Community Services	137	2,292	2,253	0	4,682
Children's Services	688	841	500	786	2,815
Corporate & Customer Services (& HR)	30	291	0	86	407
Environment	85	995	0	250	1,330
Resources	179	269		269	717
Total	**1,119**	**4,688**	**2,753**	**1,391**	**9,951**

2007/08 Summary of Essential Growth Items

Directorate	Essential Items	Additional Resource Not Essential	Social Care Contingency	Invest to Save	Total
Adult & Community Services	137	2,844	3,603	0	6,584
Children's Services	275	450	575	300	1,600
Corporate & Customer Services (& HR)	30	311	0	86	427
Environment	150	845	0	0	995
Resources	179	399	0	100	678
Total	**771**	**4,849**	**4,178**	**486**	**10,284**

Efficiency Savings – Summary

57. The cash efficiency plan for 2006/07 and 2007/08 still does not achieve the £1.65m a year target required by Gershon and assumed in the Financial Resource Model. Whilst opportunities have identified resulting from the Corporate Strategy Review, structural changes and the accommodation strategy, many cannot yet be quantified in financial terms and require an Invest to Save approach to delivering them. Such programmes will have to be managed closely to avoid the risk that the investment is made and the saving not achieved.

58. The efficiency cash plan is therefore still work in progress. The following table summarises the position as at 13th January, 2006. CMB still need to identify £538k of efficiency savings for 2006/07 and a further £313k in 2007/08.

CMB's Cash Efficiency Plan 2006/07 AND 2007/08
(All figures in £000's)

Directorate	2006/07		2007/08	
	As at 07/12/05	**As at 13/01/06**	**As at 07/12/05**	**As at 13/01/06**
Adult & Community Services	404	404	624	624
Children's Services	299	299	299	299
Corporate & Customer Services (& HR)	135	135	130	130

Environment	145	245	145	245
Resources	29	29	39	39
Total	**1,012**	**1,112**	**1,237**	**1,337**

Invest to Save – Summary

59. CMB has identified approximately £1.4m of growth pressures for 2006/07 that could be treated as an Invest to Save initiative (see paragraph 56). Each of these ideas needs to be the subject of a robust business case setting out the management arrangements for ensuring that the savings that result from the investment will be achieved.

60. The list of potential Invest to Save bids does not include the investment that may be required to support the outcome of the Corporate Strategy Review currently underway or the full delivery of the Accommodation Strategy. The £2m Invest to Save pot that CMB propose carrying forward from this financial year into next is already under significant pressure. Any investment decisions will need to be clearly prioritised.

Key Principles

61. CMB identified a number of key principles for future financial management during the course of its deliberations on budget strategy. These principles are set out below.

62. The list of base budget pressures set out in paragraph 15 does not include any items from the Children's Services Directorate. CMB have worked on the assumption that savings in non-schools education budgets will be used to offset pressures across the Directorate. This would include any budget pressures relating to services transferring into the Directorate as a result of the recent senior management restructure such as youth services. CMB recognise that spare capacity in budgets are a corporate resource but felt that virement within this Directorate alleviated pressures elsewhere in trying to establish a balanced budget.

63. CMB agreed that all Directors should manage their budgets at Directorate level to come in at or below approved budget for the year. CMB recognised that future over spending would be very difficult to manage given reserves would be depleted following write off of historic and current year over spends. CMB also recognised that councillors would not be best pleased if having adjusted the base budget and having written off current and prior year over spends continued.

64. CMB agreed that the base budget adjustments identified in paragraph 15 should be ring-fenced for that purpose and not used to offset overspends elsewhere within a Directorate. Directors agreed that if they could manage without the cash they would and that any surplus would be returned to the corporate pot.

65. CMB agreed the principle of a 'one organisation' approach to managing the use of corporate resources such as Human Resources, performance management, policy development, property management, financial management, procurement, risk management etc. CMB accepted that Directorates should find the resource to pay for any increase in demand on support services such as legal and finance rather than it being assumed that this cost will be met corporately. It was agreed that all support services expenditure should be recharged in line with best practice and that a review of Service Level Agreements would be needed.

66. CMB noted that SR07 was likely to be more incisive in terms of value for money and efficiency. It also recognised the importance of the current efficiency agenda both in terms of meeting Gershon targets and setting a budget with saving proposals clearly

identified and quantified. Directors therefore agreed to firm up on efficiency plans at the target level of £1.65m a year.

67. The recent CPA report highlights the need to continue developing a consistent approach to performance management and for further progress in rationalising office accommodation and reviewing business processes (whether ICT based or not). CMB accepted that Directorate based performance management resources need to be transferred to Director of Corporate and Customer Services to support this key corporate objective and to support the principles agreed in her Directorate restructure. CMB also committed to developing clearly defined Invest to Save, accommodation and ICT programmes with the investment requirement and pay back clearly identified in amount and over time.

Corporate Financial Risks

68. CMB identified the following corporate financial risks:

- **SR07 and future settlements** – Her Majesty's Treasury is already planning for the next spending review that will set out public spending plans for the 3-year period starting 2008/09. This will inform the next local government settlement covering 3 financial years from April 2008. It is clear that recent growth in public spending cannot be sustained and that the Treasury is already gearing up to carry out a much more incisive efficiency review and a zero based review of the effectiveness of government spending programmes. With national priorities likely to be education, health and security services, the prognosis for local government settlements would appear fairly bleak.

- **Efficiency programme** – plans for delivering the Gershon efficiency target in 2006/07 and 2007/08 are not fully developed and are £538k short of the £1.65m target needed. Directors were asked to review their budgets with a view to firming up their efficiency plans following the CMB away day event. The current situation is outlined in paragraph 58.

- **Invest to Save/Service Improvement Programmes** – plans for driving out cash efficiencies as a result of Invest to Save and service improvement programmes need to be developed and implemented. The draft budget contains neither the investment needed to deliver the accommodation and ICT strategies nor the cash benefits that will result.

- **Accommodation** - the draft budget doesn't include the cost of Directorate moves into Plough Lane planned for 2006, dual running costs and other one-off costs associated with this part of the accommodation strategy. The draft budget also does not allow for other premises issues e.g. Registration Service.

Conclusion

69. Herefordshire Council has a strong track record for providing good services and achieving good value for money. It has made significant changes in service delivery arrangements over the years to this end – e.g. contracting out, strategic partnership, transfer of the housing stock and purchasing supplies and services through West Mercia Supplies. The obvious routes to achieve a reduction in net spending to match the level of government funding and Council Tax income available have been largely exhausted. The scope is reduced further by the fact that a large element of the budget is now ring fenced to schools.

70. Looking to the future, CMB has identified budget pressures of some £20m for next financial year. Their initial list of base budget adjustments totals £2.9m in 2006/07 (see paragraph 15). In addition, CMB has identified essential growth items of £1.1m and social care pressures of £2.8m for 2006/07 (see paragraph 56). CBM has accepted that it will have to manage other growth pressures of some £4.8m in 2006/07 given the corporate financial context.

71. This report sets out the approach CMB propose to developing a better-balanced budget for 2006/07 and 2007/08 given the constraints. The Budget Panel has endorsed this approach and the priorities identified by the CMB. Each Director has worked within the planning framework collectively agreed at the CMB away event in December and has avoided 'over-egging' Directorate issues in recognition of the corporate financial position. This is a positive development for the Council overall but the financial and service risks at Directorate level are still potentially significant.

72. CMB also considered the potential for raising extra income to reduce net spending as an option for promoting financial stability for the future. It asked the Budget Panel for a steer on this option for protecting services at the current level due to the sensitivities surrounding changes in charging policies. The Budget Panel's view was that officers should carry out a review of fees and charges to establish:

    - whether the range of services Herefordshire charges a fee for is comparable with similar authorities;
    - whether the level of fees and charges in Herefordshire is comparable with similar authorities;
    - which fees and charges it would be appropriate to give concessions for and at what level; and
    - which fees and charges could be automatically uplifted for inflation each year.

73. If Council ultimately approves the approach set out in this report, next years budget will reflect more accurately the Council's priorities and service pressures given the level of additional resources we anticipate will be available. There is however much more work to do in order to secure financial stability over the medium term. Improving services with a cash resource that is reducing in real terms will present major challenges for each Directorate.

Budget Process

74. This report marks the start of the Cabinet's consideration of the budget situation for 2006/07 and 2007/8. It is hoped that final settlement figures will have arrived by the date of the meeting. There is potential for the provisional figures and hence anticipated headroom in the budget to change.

75. The scrutiny process will run through February. The Cabinet will consider comments from the scrutiny process on 23rd February, 2006 when it makes its final budget recommendations to Council for Council Tax setting purposes in March. Both Cabinet and the Strategic Monitoring Committee will take the Budget Panel's views into account as they consider the budget issues.

76. Proposals for capital spending will be considered alongside those for revenue as outlined above.

Alternative Options

Alternative Option 1

Outlined in paragraph 11 of the report.

Risk Management

Outlined in paragraph 68 pf the report.

Consultees

Corporate Management Board, Budget Panel, Community Forum events.

Background Papers

None identified.

APPENDIX A

ADULT AND COMMUNITY SERVICES

Growth Item	Amount (£000)		Impact Assessment	Reason
	2006/07	2007/08		
Older People – maintaining services currently funded by Access and Systems Capacity Grant	137	137	Essential – high risk of budget pressure	This item is seen as essential in order to protect current levels of service provision.
Older People – improving performance in intensive home care services	827	1,614	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Older people – improving performance in community equipment services	300	350	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Older People – increase in cost of Shaw contract development	207	207	Additional resource not essential	Still assessing extent of budget pressure
Older People – potential extension of anti bed-blocking measures to community hospitals	200	200	Additional resource not essential	Still unsure when this might come into effect
Older People – full year cost of net growth in 2005/06 placements	204	204	Social Care Contingency – high risk of budget pressure	Provisional figure pending independent research and assessment of financial implications
Older People – current assessment of increasing demand for services	476	1,710	Social Care Contingency – high risk of budget pressure	Provisional figure pending independent research and assessment of financial implications

Mental Health – full year cost of net growth in 2005/06 placements	226	226	Social Care Contingency – high risk of budget pressure	Provisional figure pending independent research and assessment of financial implications
Mental Health – current assessment of increasing demand for services	115	231	Social Care Contingency – high risk of budget pressure	Provisional figure pending independent research and assessment of financial implications
Learning Disabilities – full year cost of net growth in 2005/06 placements	337	337	Social Care Contingency – high risk of budget pressure	Provisional figure pending independent research and assessment of financial implications
Learning Disabilities – current assessment of increasing demand for services	895	895	Social Care Contingency – high risk of budget pressure	Provisional figure pending independent research and assessment of financial implications
Social Care performance management – production of PAF statistics from CLIX	270	0	Additional resource not essential	A plan to replace CLIX is one of the outcomes anticipated from the Corporate ICT Strategy Review. Growth that needs to be managed within the existing base budget for the Directorate
Homelessness – further development of prevention and mediation services	28	28	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Strategic Housing Enabling Services – further development of Rent Deposit Scheme and HNS	111	96	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Parks, Countryside and Rights of Way – a number of service improvements plus shortfall in funding due to declining s106 availability	159	159	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context. The proposed restructure of the Legal Services team will ensure there is increased capacity for s106 management.

Social and Economic Regeneration – providing extra CCTV services	80	80	Additional resource not essential	Increase in demand as a result of extended opening hours not yet established. Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context.
Cultural Services – Phase 3 of Museums Resource Learning Centre	40	40	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Cultural Services – supporting the Bromyard Centre following grant reduction	20	20	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Cultural Services – support for Olympic project	20	20	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Cultural Services – increasing libraries book stock	30	30	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Total	**4,682**	**6,584**		

APPENDIX B

CHILDREN'S SERVICES

Growth Item	Amount (£000)		Impact Assessment	Reason
	2006/07	2007/08		
Children with Disabilities	279	250	Essential – joint budget with health	Contribution to the Joint Agency Agreement from Social Care over and above the contribution from Direct Schools Grant
Children's Commissioning – replacement of one-off funding	160	0	Essential – high risk of budget pressure	Necessary to maintain current level of service provision
Safeguarding Children – replace reduction in grant funding	149	0	Essential – high risk of budget pressure	Necessary to maintain current level of service provision
JAR / Children and Young People Action Plan	100	25	Essential – however an indicative figure at this stage	Funding necessary to deliver JAR improvement plan – a key corporate priority
Secure Placements – anticipated increase in demand for service	250	200	Social Care Contingency	Smooth impact on revenue account by managing this pressure through the proposed Social Care Contingency arrangement
Placements – anticipated increase in demand for service for children with learning disabilities	200	200	Social Care Contingency	Smooth impact on revenue account by managing this pressure through the proposed Social Care Contingency arrangement
Children with Learning Disabilities – anticipated growth in demand for service	50	50	Social Care Contingency	Provisional figure pending independent research and assessment of financial implications

New transport policy with LSC for post 16 NVQs	60	35	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Foster Carers and Adopters Allowances – above inflation allowances anticipated as a retention measure	46	23	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Recruitment and Retention of social workers	25	12	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Early Years EPPE Birth to Three	30	30	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Early Years Area SENCO	40	40	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Family support - transitions Post	40	40	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Family Support – provision of services falling outside the Joint Agency Arrangement	70	100	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Family Support - NCH contract	30	50	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context

Youth Service – development of Youth Council	73	25	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Youth Service – increased provisions as set out in LAA	85	50	Additional resource not essential	Mainstream activity – LPSA2 allocations have been made separately
Youth Service – voluntary sector grants	26	0	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
CASS – increase in level pupil support service provision	45	45	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
CASS – TLR payments	6	0	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
CASS – correct over spend	50	0	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
CASS – specialist PD teaching assistant	22	0	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Children's management costs – assume current additional costs continue	93	50	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
ICT issues – change programme / information sharing	100	75	Additional resource not essential	Growth that needs to be managed within the existing base budget for the Directorate or as part of the Corporate ICT Strategy Review Programme

Children's Commissioning	306	100	Invest to Save	Potential bid to improve service provided is being worked up.
Homelessness	320	100	Invest to Save	Potential bid to improve the housing available to care leavers and young people is being worked up.
Out County Placements	160	100	Invest to Save	Potential bid is being worked up.
Total	**2,815**	**1,600**		

APPENDIX C

CORPORATE AND CUSTOMER SERVICES

Growth Item	Amount (£000)		Impact Assessment	Reason
	2006/07	2007/08		
Coroners Service	30	30	Essential – high risk of budget pressure	Legal obligation to pay increased fees.
Electoral Services	30	10	Non Essential – medium risk of budget pressure	Director has concerns about the adequacy of current base budget for elections and postal voting. Director to manage within context of Directorate's overall budget as far as possible.
Member IT Support	25	25	Additional resource not essential	Growth due to increasing number of users. Director to manage within context of Directorate's overall budget.
CA improvement plan	56	56	Additional resource not essential	Growth bid to support improvement work in readiness for next inspection. All Directorates will need to contribute to creating the capacity to deliver their aspects of the improvement plan.
Policy and Research	24	24	Additional resource not essential	Growth bid to improve the Council's research capacity. All Directorates will need to contribute to creating this capacity as a corporate resource in line with the structure principles paper for Corporate and Customer Services.
Communications Strategy	28	28	Additional resource not essential	Growth bid to improve the Council's PR capacity in line with the Communications Strategy. All Directorates will need to contribute to creating this capacity as a corporate resource in line with the structure principles paper for Corporate and Customer Services.

Web development	50	90	Additional resource not essential	Growth bid to recognise need to replace external funding for this work which is coming to an end. Service risk is inability to maintain current status of best local authority web site. Director to manage within context of Directorate's overall budget.
Total	**283**	**303**		

APPENDIX D

ENVIRONMENT

Growth Item	Amount (£000)		Impact Assessment	Reason
	2006/07	2007/08		
Subsided Bus Services – withdrawal of AMW funding	85	150	Essential – high risk of budget pressure in maintaining existing service level	This growth item is considered essential if the current level of service provision is to be maintained.
Winter maintenance – improving level of service current provided for by base budget	200	200	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context. Some contingency is available.
Gully emptying – increased cost of disposing of contaminated detritus	150	150	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Street Cleansing – development of enforcement services relating to littering and dog fouling	50	50	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context.. Director to investigate as a potential Invest to Save option.
Flood Alleviation – increased levy from Midland Regional Flood Defence Committee	70	70	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context.
Clinical Waste Collection – increase in demand for service	30	30	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context. Director to investigate as a potential Invest to Save option.

Regulatory Services – creating capacity to meet new statutory duties and utilise new powers under the Cleaner Neighbourhood and Environment Act 2005	75	75	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context.. Director to investigate as a potential Invest to Save option.
Trading Standards – creating capacity to meet new statutory obligations	45	45	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Licensing – anticipated shortfall in income	80	80	Additional resource not essential	Need to monitor the position and manage any shortfall within the existing base budget for the Directorate.
Out of Hours Services – provision of service to meet statutory duties	50	50	Additional resource not essential	Growth that the Director recognises will have to be delivered from existing resources given the corporate financial context
Planning – e-enabling the service	95	95	Additional resource not essential	There is potentially £236k of unused PDG that could help offset this cost
Planning - outstanding costs of the UPD Inquiry and Adoption Process	60	0	Additional resource not essential	There is potentially £236k of unused PDG that could help offset this cost. There may be scope to use under spends carried forward from the current financial year to help offset this cost as it is one-off in nature.
Planning – cost of transition from UDP to LDF development plan	90	0	Additional resource not essential	There is potentially £236k of unused PDG that could help offset this cost. There may be scope to use under spends carried forward from the current financial year to help offset this cost as it is one-off in nature.
Planning – electronic capture of Planning Statutory Register	250	0	Invest to Save	Investment required to support the Service Improvement Programme for the Directorate – could also be linked to the Corporate ICT Programme Review.
Total	**1,330**	**995**		

APPENDIX E

HUMAN RESOURCES

Growth Item	Amount (£000)		Impact Assessment	Reason
	2006/07	2007/08		
Employee Relations and Rewards – service development	30	30	Invest to Save	Following the deletion of the post of HR Manager – Employee Wellbeing structural changes are required to ensure compliance with Health and Safety legislation. Employee sickness levels are currently 11 days per employee. This Invest to Save bid will enable HR to target resource to reduce sickness levels.
Organisational Development and Workforce Planning – service development to provide statutory performance statistics	31	31	Invest to Save	Growth that needs to be managed within the existing base budget for the Directorate. Potential for Invest to Save if linked to the Corporate ICT Strategy Review.
Training and Development Services – service development	25	25	Invest to Save	A large proportion of employee training and development is bought in. This post would enable the Council to reduce the amount spent on external trainers.
HR support to Directorates – service development to ensure statutory compliance	38	38	Additional resource not essential	Whilst recognising there is a risk this is growth that needs to be managed within the existing base budget for the Directorate
Total	**124**	**124**		

APPENDIX F

RESOURCES

Growth Item	Amount (£000)		Impact Assessment	Reason
	2006/07	2007/08		
Senior management restructure	139	139	Essential – high risk of budget pressure	Legal obligation. Commitment ends 2007/08.
Support for Adult and Community Services	40	40	Essential – high risk of budget pressure	Social care budgets are a corporate financial risk. Additional accountancy support needs to continue.
Gideon House	269	269	Additional resource not essential	Aim to manage cost within housing benefit subsidy budget. Actively seek alternatives.
Edgar St Grid development	0	130	Additional resource not essential	Loss of rent income on Livestock Market – this is a genuine budget pressure but may arise later than 2007/08. This is a client rather than a support service budget.
Accommodation Strategy	269	100	Invest to Save – high risk of budget pressure	Revenue implications of the Accommodation Strategy - link to Service Improvement Programme
Total	**717**	**678**		