

MEDIUM TERM PLAN 2005-2010 - PROGRESS

(Report by the Director of Commerce and Technology)

1 PURPOSE

- 1.1 The purpose of this report is to inform the Cabinet of the progress to date in reviewing the Medium Term Plan in the light of the Council decision on the Financial Strategy (29 September) and the Base Budget Review.
- 1.2 It also seeks guidance from the Cabinet on the options to be presented when the Budget and MTP report is formally considered in January and February 2005.

2 BACKGROUND

- 2.1 The Council decided in December 2003 that a “ *member-led review of the District Council’s base budget, to include fees and charges but not to exclude any potential restructuring of existing arrangements for the delivery of services be undertaken with a target of identifying an overall saving of at least 2% in net expenditure*”.
- 2.2 In September 2004 the Council decided to endorse a financial strategy “*based around that that described in (the table below) with a minimum increase in Band D Council Tax for 2005/06 amounting to £12 per annum*”.

	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012
	£M	£M	£M	£M	£M	£M	£M	£M
Budget	16.7	18.2	20.3	21.8	23.6	25.3	26.6	27.9
REDUCTIONS		-0.5	-1.5	-2.0	-2.5	-3.5	-4.0	-4.5
Reduced Budget	16.7	17.7	18.8	19.8	21.1	21.8	22.6	23.4
Total Funding	14.0	15.2	16.6	17.8	19.0	20.4	21.4	22.5
Use of reserves	2.7	2.5	2.2	2.0	2.1	1.4	1.2	0.9

	£	£	£	£	£	£	£	£
Council Tax	94.54	106.54	118.54	130.54	142.54	154.54	166.54	178.54
Increase %	14.5%	12.7%	11.3%	10.1%	9.2%	8.4%	7.8%	7.2%

Note: Savings will need to increase further to approximately £5.5M post 2011/12

3. BASE BUDGET REVIEW

- 3.1 Executive Councillors have discussed the base budget review with officers and this has led to the identification of areas where net reductions can be achieved **without reducing levels of service**.
- 3.2 The following table shows the total impact and Annex A shows the individual items:

	2004/ 2005 £000	2005/ 2006 £000	2006/ 2007 £000	2007/ 2008 £000	2008/ 2009 £000	2009/ 2010 £000
Net Reductions	-557	-532	-588	-578	-578	-578

- 3.3 The Forecast budget for 2005/06, before any reductions, is £18.2M and so £532k represents a 3% reduction. It also slightly exceeds the level of saving assumed in the strategy approved by the Council.

4. REVIEWING THE MEDIUM TERM PLAN

- 4.1 The financial forecast presented to Council in September updated the approved MTP for various technical items (pension contributions, interest rates and inflation) but did not take account of any necessary variations to existing schemes or any need for additional bids.
- 4.2 Officers have been reviewing the spending profile for all schemes in the light of any unavoidable delays or new information. The Capital Contingency has been renamed as Social Housing Grant to reflect the intention for its creation. Reductions have been proposed in some cases where schemes can be carried out for less or the scheme is no longer considered to be the value for money that was originally assumed. There are also some increases due to additional costs or from new unavoidable pressures – often as a result of Government decisions.
- 4.3 Annex B shows the **current position** with all of the proposed variations to the approved plan being shaded. The plan is broken down into sections that reflect the degree of opportunity to make further variations. For example there is no opportunity to make changes to schemes that are already fully committed. Some of the categories are still to be updated for the latest information available – some of the partially committed schemes may by now be fully committed or additional schemes may have had their funding released by Cabinet.
- 4.4 The resulting position is shown below and would require a saving of £1.1m in 2009/10 rising to £4.6m in 2011/12 in order to avoid a Council Tax increase in excess of £12 per year:

	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010
	£000	£000	£000	£000	£000	£000
Approved budget and MTP	16,828	18,880	20,697	22,409	23,923	23,995
2003/04 Carry Forward and revenue impact of capital savings **	944	-17	-17	-17	-17	-17
Base budget reductions identified	-557	-532	-588	-578	-578	-578
MTP Variations						
Annex B ##	842	-517	64	-538	-239	1,489
Inflation		-7	15	6	27	71
Technical Variations						
Interest adjustments	-136	-313	-406	-416	-388	-417
Reduction required						-1,052
Resulting Position						
Spending	21,387	20,455	21,833	22,432	23,976	25,430
Reduction required						-1,052
Interest	-3,466	-2,961	-2,069	-1,565	-1,248	-887
TOTAL	17,921	17,494	19,765	20,867	22,728	23,491

** An earmarked reserve of £961k was set up to finance the revenue items that were delayed from 2003/04.

Includes:

- level of Alconbury costs currently offered (£1.25m plus interest)
- 2009/10 inflation (£1.1m) and other adjustments included in the forecast report

4.4 The above figures do not yet include the following items which will need to be brought into the MTP at later stages:

- Any correction to the assumption as to the speed with which the Council will get its additional Government Support. It has been assumed that it will be spread over four years which may be optimistic. The initial announcement may be made in the week commencing 15 November.
- The Middle Level Drainage Board is proposing to construct a major new pumping station on its main drain at St Germans, south west of Kings Lynn. A proportion of the cost will fall on the Council via increased Drainage Board rates or special levies.
- The net surplus from the Acorn Surgery resulting from a small real terms margin plus the impact of not being required to include depreciation in the Council's accounts.
- Any benefit received under the Government's Local Authority Business Growth Incentive scheme which will allow authorities a portion of increases in business rates over and above a norm. The scheme is such that it would be imprudent to estimate how much might be received until the operation of the scheme is clearer.

5. GOVERNMENT EFFICIENCY REVIEW

5.1 Following the Gershon review of public spending, which considered a wide range of opportunities including better procurement, the Government has been considering how best to achieve the significant potential for more efficient services that was identified. It is anticipated that it will require local authorities to publish plans on how they will achieve efficiency savings of 2.5% per year on the 2004/05 base for at least the next 3 years. External auditors will then be expected to review what has been achieved with particular emphasis in the authority's next CPA assessment. It is expected that there will be recognition that part of any savings achieved will not be "cashable" because the impact of some changes will affect only a small part of someone's job and, in isolation, would not warrant a restructuring to turn this into cash. Instead, it will provide the opportunity to carry out additional tasks to help Local Authorities achieve their priorities.

5.2 The table below assumes the savings target, which will include procurement savings, is applied for the whole MTP period but that 50% of the saving will not be "cashable". When formal notification is received from the Government any necessary adjustments will be made to this assumption.

	2004/ 2005 £000	2005/ 2006 £000	2006/ 2007 £000	2007/ 2008 £000	2008/ 2009 £000	2009/ 2010 £000
Gross efficiency target		-418	-836	-1,254	-1,672	-2,090
Non-cashable element		209	418	627	836	1,045
Net impact		-209	-418	-627	-836	-1,045

6. OPTIONS FOR MEMBER CONSIDERATION

6.1 The table below shows the position after the adjustments summarised in paragraph 4.3 and the proposed efficiency savings have been taken into account. No additional savings would be **essential** until £1.0M in 2010/11 rising to £3.6M in 2011/12. In practice such savings would be introduced earlier to create a smoother profile.

	2004/ 2005 £M	2005/ 2006 £M	2006/ 2007 £M	2007/ 2008 £M	2008/ 2009 £M	2009/ 2010 £M	2010/ 2011 £M	2011/ 2012 £M
Spending	21.4	20.4	21.8	22.4	24.0	25.4	26.5	27.6
REDUCTIONS								
Efficiency review		-0.2	-0.4	-0.6	-0.8	-1.0	-1.0	-1.0
Further							-1.0	-3.6
Interest	-3.5	-2.9	-2.1	-1.6	-1.4	-1.0	-0.7	-0.5
Net Expenditure	17.9	17.3	19.3	20.2	21.8	23.4	23.8	22.5
Use of reserves	3.9	2.0	2.8	2.4	2.8	3.0	2.4	0

	£	£	£	£	£	£	£	£
Council Tax	94.54	106.54	118.54	130.54	142.54	154.54	166.54	178.54
Increase %	14.5%	12.7%	11.3%	10.1%	9.2%	8.4%	7.8%	7.2%

6.2 As the Council decided that the Council Tax increase by a **minimum** of £12 per year, the following table shows the position if the Tax increases were £12 per year at 2004/05 prices i.e. the £12 would increase by a further 2.5% per year to reflect inflation. Obviously there is still no obligation for further reductions by 2009/10 and the savings requirement thereafter is £3.0M in 2011/12.

	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012
	£M	£M	£M	£M	£M	£M	£M	£M
Spending	21.4	20.4	21.8	22.4	24.0	25.4	26.5	27.6
REDUCTIONS								
Efficiency review		-0.2	-0.4	-0.6	-0.8	-1.0	-1.0	-1.0
Further								-3.0
Interest	-3.5	-2.9	-2.1	-1.6	-1.4	-1.0	-0.7	-0.6
Net Expenditure	17.9	17.3	19.3	20.2	21.8	23.4	24.8	23.0
Use of reserves	3.9	2.0	2.7	2.3	2.6	2.7	2.9	0

	£	£	£	£	£	£	£	£
Council Tax	94.54	106.84	119.45	132.37	145.62	159.19	173.11	187.37
Increase %	14.5%	13.0%	11.8%	10.8%	10.0%	9.3%	8.7%	8.2%

6.3 If these levels of service reductions are not acceptable then higher Council Tax increases will need to be considered. The next table therefore shows the constant percentage increase necessary if no reductions were to be required.

	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012
	£M	£M	£M	£M	£M	£M	£M	£M
Spending	21.4	20.4	21.8	22.4	24.0	25.4	26.5	27.6
REDUCTIONS								
Efficiency review		-0.2	-0.4	-0.6	-0.8	-1.0	-1.0	-1.0
Further								-0.8
Interest	-3.5	-2.9	-2.1	-1.6	-1.5	-1.2	-1.0	-0.8
Net Expenditure	17.9	17.3	19.3	20.2	21.7	23.2	24.5	25.8
Use of reserves	3.9	2.0	2.7	2.3	2.6	2.7	2.9	0

	£	£	£	£	£	£	£	£
Council Tax	94.54	107.78	122.86	140.07	159.67	182.03	207.51	233.29
Increase %	14.5%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	12.4%

6.4 These examples highlight a range of possibilities that comply with the Council's decision on the financial strategy and are intended to assist the Cabinet in determining the particular options it wishes officers to carry out further investigation on so that full debate can take place in January and February based around realistic options. The results of the recent public consultation on spending priorities and council tax will be taken into account in the development of these options.

7. CONCLUSIONS

- 7.1 Council have decided on increases in Council Tax of a minimum of £12 per year in order to reduce the need for service reductions. Over £500k per annum of budget reductions have already been identified.
- 7.2 The Government is expected soon to formally announce its approach to efficiency savings over the coming years and an assumption has been made on what this will be. It creates the need for further net savings of £1m per annum by 2009/10. These will not be easy to achieve given the historically low spending base of the Authority and will need to be the focus of significant management action
- 7.3 There are a number of reductions that will be proposed in the MTP but unfortunately there are also some pressures, generally unavoidable, for additional expenditure partly due to continuing growth in the District and the surrounding Region.
- 7.4 There will still be some changes to these figures as work is still continuing on refining the MTP variations and certain significant items are not yet able to be taken into account.
- 7.5 Paragraphs 6.1 and 6.2 show examples of the further cost reductions required if Tax increases are not to exceed £12 per year. Achieving these will inevitably require service reductions and/or deletion of approved MTP schemes. If Cabinet considers that these reductions are too high then an option for higher Council Tax increases is shown in paragraph 6.3.
- 7.6 Guidance is sought as to the options that Cabinet would like to be prepared for when the Budget and MTP are formally considered in January next year.
- 7.7 This report is to be considered by the Overview and Scrutiny Panel (Planning and Finance) on the 9 November so that Cabinet can consider their comments in reaching a decision at their meeting on the 25 November. It may be possible to update the position on certain of the items included in paragraph 4.4 by that date.

ACCESS TO INFORMATION ACT 1985

Source Documents:

1. Working papers in Financial Services
2. 2004/05 Revenue Budget and the 2004/09 MTP

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ANNEX A

Service	Bid No.	Description	2004/ 2005 £000	2005/ 2006 £000	2006/ 2007 £000	2007/ 2008 £000	2008/ 2009 £000	2009/ 2010 £000
PERSONNEL		Recruitment and Retention	-10	-10	-10	-10	-10	-10
		Pensions Increase	-10	-10	-10	-10	-10	-10
ADMIN SERVICES		Land Charges additional income from search fees	-45	-45	-45	-45	-45	-45
		District Council elections			-10	-10	-10	-10
		Publication of Forward Plan	-3	-3	-3	-3	-3	-3
LEGAL SERVICES		Additional income	-10	-10	-10	-10	-10	-10
		Consultancy budget	-5	-5	-5	-5	-5	-5
POLICY		Corporate Initiatives		-10	-10	-10	-10	-10
		Performance Management			-8	-8	-8	-8
		Economic Development / Town Centre Management		-5	-5	-5	-5	-5
		Community Strategy		-5	-5	-5	-5	-5
OPERATIONS								
Refuse and Recycling		Agency staff savings due to Interim Service Employee use	-30	-30	-30	-30	-30	-30
Car Parks		Tickets now at net nil cost due to advertising contract	-10	-10	-10	0	0	0
Risk Assessment - Tree Survey	62	Removed - not required after 2004/05		-10	-10	-10	-10	-10
Agency labour	514	Removed - no longer required	-32	-32	-32	-32	-32	-32
Vehicle Replacement Programme	195C	Removed excess lease payments	-56	-32	-13	-13	-13	-13
ENVIRONMENTAL HEALTH								
		Abandoned Vehicles	-20	-20	-20	-20	-20	-20

Service	Bid No.	Description	2004/ 2005 £000	2005/ 2006 £000	2006/ 2007 £000	2007/ 2008 £000	2008/ 2009 £000	2009/ 2010 £000
PLANNING SERVICES								
Development Control		General sales	-1	-1	-1	-1	-1	-1
		Application fee income	-50	-50	-50	-50	-50	-50
		Sign removal	-3	-3	-3	-3	-3	-3
HOUSING SERVICES								
		Staff Saving	0	-14	-14	-14	-14	-14
ENVIRONMENT AND TRANSPORT								
		Highways Agency		-41	-41	-41	-41	-41
		Drainage Engineer		14	14	14	14	14
		Admin Post		36	-21	-21	-21	-21
REVENUE SERVICES								
		subsidy adjustment and fraud awards	-70	-90	-90	-90	-90	-90
		Bank Charges extra cost	16	20	20	20	20	20
		Cashiers salaries	-20	-20	-20	-20	-20	-20
IMD								
		Desk Top rationalisation	-20	-20	-20	-20	-20	-20
COMMUNITY SERVICES								
Parks & Open Spaces	131	Publicity	-3	-3	-3	-3	-3	-3
Countryside Services		Additional income - review of charges and better utilisation.	-2	-2	-2	-2	-2	-2
Leisure Centres		Price Increase - Exercise Referrals		-3	-3	-3	-3	-3
Leisure Development		Expenditure – £2k transport, £3k software lease savings	-5	-5	-5	-5	-5	-5
Community Initiatives		Health for Hunts – Yaxley £7k (this year only).	-7					

Service	Bid No.	Description	2004/ 2005 £000	2005/ 2006 £000	2006/ 2007 £000	2007/ 2008 £000	2008/ 2009 £000	2009/ 2010 £000
Tourism Services		Additional ticket sales	-4	-4	-4	-4	-4	-4
		Rent budget too high	-2	-2	-2	-2	-2	-2
		Hardware/software and consultation/surveys	-3	-3	-3	-3	-3	-3
FINANCIAL SERVICES		Accountancy delete 1.5 posts	-42	-29	-29	-29	-29	-29
		Audit cost of regrading	6	11	11	11	11	11
		Credit Rating no longer required	-11	-11	-11	-11	-11	-11
		Unallocated balance on M&A	-70	-40	-40	-40	-40	-40
		Reduction in FMS provision	-20	-20	-20	-20	-20	-20
		Removal of departmental contingency	-25	-25	-25	-25	-25	-25
		Reduced external audit fees	-25	-25	-25	-25	-25	-25
		Funding of procurement manager post	35	35	35	35	35	35
		Total	-557	-532	-588	-578	-578	-578