

**Committee:** OPERATIONS  
**Date:** 28 September 2006  
**Title:** General Fund Budget 2007/08

**Agenda Item**

**10**

**Author:** Philip O'Dell, Executive Manager (Finance and Asset Strategy) 01799 510670

Item for decision

---

**Summary**

1. This report provides an updated position statement on the Council's 2007/08 budget now that new spending pressures have been considered by committees, and recommends a strategy for dealing with the resulting overall budget deficit projection. It also contains details of the progress made in developing a Medium Term Financial Strategy and considers the responses received from committees regarding budget devolution to Area Panels.

**Recommendations**

2. The Committee is recommended to approve
  - The six point strategy to achieve a balanced 2007/08 General Fund budget outlined in paragraph 10 of this report.
  - Further research into devolution to area panels of the seven budgets identified as potentially suitable in paragraph 16.

**Background Papers Background Papers**

3. Background Papers: Budget Book 2006/07. Report to Operations Committee 29<sup>th</sup> June 2006. Budget reports to committees in September 2006.

**Impact**

Communication/Consultation	Plans regarding public consultation on the budget are contained in paragraph 15
Community Safety	There are no specific community safety implications contained in this report
Equalities	This report includes a new spending pressure concerning the need to invest more time in training in equalities issues
Finance	This report is about all about the Council's General Fund budget for 2007/08 and beyond
Human Rights	There are no specific human rights implications contained in this report.
Legal implications	All new spending pressures take account of the Council's legal powers and responsibilities

General Fund Budget 2007/08

Operations Committee

Ward-specific impacts	There are no specific ward implications contained in this report, although devolvement of budgets to Area Panels is looked at
Workforce/Workplace	Consultation on budget issues with staff and unions is ongoing

**Situation**

- 4, The June 2006 report to this Committee indicated an initial need to save £408,000 to achieve a balanced budget for 2007/08, with no provision for new spending pressures included. This figure was essentially the cost of projected pay awards and inflation, plus the full year effect of the Council's new Waste Management Strategy. Committees have received reports about new spending pressures during this committee cycle. Assuming that the Development Control Committee, Environment Committee and this Committee approved the recommendations made to them after this report was written, the following updated position will have emerged:

	£	£
Cost of pay awards/inflation		350,000
Base budget variations:		
Full Year effect of Waste Management Strategy		140,000
Funding for Economic Development Post (from reserves 2006/07)		50,000
Single status staff pay and conditions harmonisation		130,000
Likely reduction in planning fee income		100,000
Possible reduction in land charges income		100,000
Spending Pressures (summarised in Appendix 1)		
Community Committee	46,700	
Environment Committee	60,200	
Development Control Committee	0	
Licensing Committee	0	
Operations Committee	195,300	302,200
Less: Yield from a 3% increase in fees and charges		(100,000)
Already notified 1.8% increase in Revenue Support Grant		(70,000)
Likely HRA chargeable element of spending pressures		(50,000)
Total savings requirement if all spending pressures agreed		952,200

5. The savings required are based on the following assumptions:

- A 4.5% increase in the council tax level for 2007/08
- an overall increase in the yield from fees and charges of 3%.
- Annual savings of £200,000 from the Integrated Customer Management (ICM) initiative
- No further variations in committee base budgets, which are now being reviewed

The main assumptions outlined above regarding the level of any council tax increase, changes in fees and charges, or ICM savings can of course be amended in the next few months. In fact the Environment Committee considered car park charges at their meeting on 26<sup>th</sup> September and their decision will be reported to this meeting. A decision not to increasing charges at all would add approximately £80,000 to the overall savings target given in paragraph 4, with the figure varying if other options were proposed.

6. A 1% variation, either up or down, in the previously projected 4.5% council tax increase would result in a £40,000 change in the overall savings target. In terms of a potentially higher council tax increase it is worth noting that the Government did use its council tax capping powers to limit increases for a few councils during the last budget cycle. Guidance will no doubt be issued in the coming months regarding any similar approach for 2007/08 budget setting purposes. In terms of a lower council tax increase than 4.5%, the main criteria is sustainability of the budget over the medium to long term, as well as the short term need to find additional savings to compensate for the potential income foregone.
7. At the moment the view of the Executive Management Team is that the projected annual savings from ICM should be left at the previously projected £200,000, pending further consideration.
8. At this stage the draft budget excludes any permanent resources to deal with staff recruitment and retention problems around the Council, where several services have to pay market supplements to obtain and keep key staff.

#### **Strategy for a Balanced Budget**

9. The level of savings required as shown in paragraph 4 represents a significant challenge to this Council at exactly the time when good progress is being made on many key initiatives. The Corporate Plan contributes virtually nothing to the size of the budget problem. When the breakdown of the figures in paragraph 4 is looked at closely it can be seen that the vast majority of the total is legislative/unavoidable, market driven, or a continuation of the Council's modernisation programme.

Operations Committee

10. The Executive Management Team has discussed the budget problem and has come up with the following strategy:
- a) A re-examination of the need/justification for inflationary increases in the cost of controllable budgets. This would not apply to staffing budgets, where a vacancy/turnover factor is already used.
  - b) A fresh examination of the Council's procurement practices, looking closely at a few of the highest value contracts
  - c) Close scrutiny of the spending pressures summarised in paragraph 4, which add up to £302, 200. It is proposed that each spending pressure is subject to a full business case and that it is made clear that only spending pressures which are a statutory necessity or which contribute to the achievement of the Corporate Plan are likely to be approved.
  - d) Looking to maximise scope for fees and charges income, where acceptable
  - e) Further examination of the potential loss of land charges income to see whether the Council is accounting fully for the cost of the service
  - f) Providing a mechanism for services to put forward both painless efficiencies, some of which inevitably come up each year, and exemplifications of the potential effects of real reductions in services, if these prove necessary. It is proposed to ask each service to look at efficiencies obtainable from 2%, 5% and 10% reductions in controllable budgets. These would involve total exemplified savings of approximately £170,000 (2%), £425,000 (5%) and £850,000 (10%). If agreed as part of the strategy, these will be broken down into individual services or clusters of services. It will be important not to double count exemplifications put forward in this way with proposals under a, b and d above.
11. The Council has previously favoured use of prioritisation in making budget decisions. The Executive Management Team believes that the strategy outlined above will still allow this approach to be used. When efficiency proposals are put forward they will be categorised according to the priorities previously indicated by Members and presented for their review. This will include the opportunity to revise the previous prioritisation structure of high, medium and low contributors to the Council's strategic aims. At the moment the key issue is to get the efficiency programme moving and to start addressing the budget shortfall. The Executive Management Team will be focussing on this in the coming months with a view to bringing options to committees in January and February 2007.

**One-Off Spending Pressures**

12. Various one-off spending pressures have been identified in this committee cycle. These are summarised in Appendix 1 and total £120,370. As with the ongoing spending pressures, the key issues here are whether these spending pressures are a legal necessity and/or contribute to the achievement of the Corporate Plan, and whether they can be afforded from the Council's reserves. It

Operations Committee

is again proposed that business cases are prepared, with these factors as the key criteria.

**Capital Programme**

13. Work has now commenced to establish the Council's medium to long term capital financing requirements and in particular whether current and projected future capital receipts are sufficient to sustain the likely capital investment needs over the next three years. If this is not the case the Council will need to consider the merits of borrowing or alternative financing options.

**Medium Term Financial Strategy**

14. The meeting of this Committee on 29<sup>th</sup> June 2006 endorsed the preparation of a Medium Term Financial Strategy to lay out the Council's planned spending and funding over the medium to long term. Work is progressing on preparing this key document and an outline will be brought to this Committee at its meeting on 16<sup>th</sup> November. One specific potential longer term requirement identified in the current committee cycle is the likely need for more planning staff, as well as a need to develop a financial strategy to cope with the end of Planning Delivery Grant after the 2007/08 financial year. The government has issued proposals regarding a potential replacement grant, but it is as yet unclear as to how this Council will be affected.

**Consultation**

15. Committees have been informed that it is the intention to consult the public on new spending pressures and have given an indication on what they would like included in this consultation. Consultation on this and other aspects of the Council's budget is currently being planned. The exact mechanisms have not been finalised but will include consultation with Area Panels.

**Devolution of Budgets to Area Panels**

16. Following the instruction from the July 2006 Full Council, committees have looked at the scope to devolve budgets to the Council's three area panels. The following have been proposed for further examination:

**Community Committee**

Grants to Outside Bodies

Community Safety

Drug Awareness

Day Centres

Public Conveniences

**Environment Committee**

Local Amenities

Saffron Walden Cemetery

Operations Committee

17. Area Panels will now be notified of this initial review and further details prepared for consideration by committees and the Full Council as part of the process to finalise the Council's budget.

**Risk Analysis**

Risk	Likelihood	Impact	Mitigating Actions
Failure to identify all new spending pressures	Low	Medium	Continual review of likely spending pressures for each service
Failure to agree sustainable budgets	Low	High	Robust challenge of new spending plans plus statutory report requirement for Chief Financial Officer to inform the Council of affordability and sustainability of budget
Over-estimating the budget deficit	Low	Medium	Continual review of the key elements of the projected deficit
Significant damage to services through the need to save money	Medium	High	The strategy outlined will attempt to protect Council priorities

General Fund Budget 2007/08

Operations Committee