

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET – 23 NOVEMBER 2006

REPORT OF THE EXECUTIVE DIRECTOR FOR
FINANCE, INFORMATION SYSTEMS AND PROPERTY

MEDIUM-TERM PLANNING – BUDGET AND SERVICE PROSPECTS

This report follows on from the July 2006 Cabinet report “Medium Term Budget Prospects and Business Planning” and reviews budget and service prospects as the context for the draft Cabinet Business Plan and future resource allocation. It sets out provisional proposals for growth and savings in next year’s budget.

FOR INFORMATION

1 INTRODUCTION AND HEADLINES

- 1.1 This report updates the financial and business planning picture set out in the report “*Medium-Term Budget Prospects and Business Planning*”, considered by Cabinet in July 2006, and sets the service context for the draft Cabinet Business Plan.

Headlines

- Services have considered the imperatives and opportunities facing them over the next planning period. An estimated £3.5 million of new spending pressures and investment has been identified for next year. Savings options of £3.5 million are put forward.
- The Family and Children’s Services (FCS) Business Group has recently launched its Children and Young People’s Plan (“Strong families at the heart of a strong community”) setting out its ambitions for Children’s Services. The Business Group faces a challenging agenda from national legislation, local demands on education and children’s social services, local ambitions for libraries, and bedding down the new consolidated service structure.
- Transport, Environment and Leisure Services (TELS) have a higher degree of discretion and spending is primarily driven by

local policy. Buoyant parking income has enabled high standards of service and the expansion of the congestion charge zone will impact negatively on this. Car parking income is used to fund services and helps to hold down Council Tax increases.

- The Housing, Health and Adult Social Care (HHASC) Business Group is addressing an agenda to promote greater independence in social care and stabilise demand-led budgets, to meet pressure on housing needs and to review Environmental Health services. The prospect is of reducing external grants over the longer term in temporary accommodation, 'Supporting People' housing, and housing management and maintenance for the Council's housing stock.
- Corporate Services strategic funding priorities remain community safety and customer services. Current performance on community safety indicators is strong.
- The Council can expect to meet its pledge of a second year of Council Tax freeze, assuming the Government confirms the £4.5 million Formula Grant increase announced last year.
- The Council's long-term share of Formula Grant funding is at risk both from negative formula changes for Children's and Adults Social Services, which are currently damped, and from potential revisions to the Government's resident population estimates.
- A local government White Paper was issued in October 2006 and set out a broad brush agenda for responsive and efficient local government. However the Government's detailed plans for the future of local government finance and quantum of local government funding will become clear only after the Lyons Inquiry reports (end 2006) and the next Comprehensive Spending Review is issued (Summer 2007).
- The 2007 Spending Review (SR2007) is widely expected to herald a period of restricted public expenditure growth and a greater contribution from efficiency savings.

2 SERVICE ISSUES

- 2.1 In July, Executive Directors were asked to consider the imperatives and opportunities for their Business Group over the coming three-year period, with a focus on 2007/08. As in previous years this

forms the preliminary stage of the next Cabinet Business Plan. The exercise rehearses:

- Business Group aims and objectives in the context of the Community Strategy
- Progress towards these aims, drawing on performance and service outcomes
- A forward look taking into account the national and local context
- Efficiency, value for money and savings opportunities, including learning from 2005/06 outturn
- Impact on residents' and service users' experience of the Council.

The exercise incorporated shared issues such as risk management, staffing issues and equalities impact.

- 2.2 It is intended this exercise will form the basis of the 2007/08 budget. Some fine-tuning may be required when budgets are finally set.

Family and Children's Services

Overview

- 2.3 The Family and Children's Services Business Group has recently launched its Children and Young People's Plan ("Strong families at the heart of a strong community") setting out its ambitions for Children's Services which are to enable children:
- to grow up safely and healthily
 - to be enquiring and keen to learn and to help others
 - to enjoy life and have fun
 - to have their achievements recognised and built upon
 - to be prepared for an active, economically independent, participative adulthood
 - to respect themselves and others, and engage positively with society
 - to get the extra help they need if they are in difficult circumstances.
- 2.4 Continuing its theme of integrating children's services, Business Group priorities include:
- supporting families
 - improving services for children with disabilities

- maintaining areas of good health outcomes for young people (e.g. teenage pregnancy reduction) and improving outcomes for obesity and immunisation
- young people's safety
- achievement in schools
- enabling young people to make a positive contribution
- economic well being, including supporting young people into work.

National drivers

- 2.5 Key issues are the implementation of the Children Act 2004, establishment of the new Business Group and the establishment of the Children's Trust arrangements. This will involve a significant review of current structures across the Business Group as well as a review of partnership working structures. The impact on resources that this may have is uncertain at the moment but it could be significant both in terms of delivering greater efficiencies but also in identifying areas that require greater investment.
- 2.6 There continues to be a very crowded national agenda for change in children's services. The Education and Inspections Bill/Act 2006 will have an impact on priorities for the service. In particular:
- Providing greater personalisation and choice in learning;
 - The use of school improvement partners to work with schools on school improvement
 - Local authorities will become a strategic commissioner, championing the needs of parents and pupils in delivering the school system they want and need and driving up standards.
- 2.7 One element is the funding regime for schools from 2006/07 through the ring fenced Dedicated Schools Grant (DSG). Although its introduction has had little initial effect on the level of funding for the Royal Borough, the Department for Education and Skills (DfES) is about to consult on a review of the DSG funding formula. If this were to be moved closer to the DfES's previous formula base it could result in a significant shift of resources away from historically high education spending authorities. The outcome of the review is likely to be announced in time for the 2008/09 local government funding settlement.
- 2.8 Other national drivers for the next three years include the ten-year Childcare Strategy – suggesting ten children's centres before 2008, of which four are in progress, and phased targets requiring half of primary schools to offer 8am to 6pm childcare by 2008. The Skills White Paper proposes a renewed emphasis on 14-19 education and

on basic skills for adults, a Youth Green paper will also set a framework for reviewing our services and Learning and Skills Council funding changes will impact on the pattern of adult learning provision and the level of fees. The Schools White paper, published on 25 October, proposes a new role for the local authority as a commissioner rather than a provider of services. Youth Matters – Next Steps will mean local authorities ensuring that young people have access to a wide range of positive activities, and an appropriate offer of “places to go and things to do” that reflects the ambition for youth opportunities set out in the national standards.

- 2.9 Information Sharing Index: the DfES has committed to continue funding the development of the IS Index application until its full cutover in March 2009 and to provide financial support for post implementation management. Further costs will be incurred by the Council to integrate its other children’s IT systems with the Index, to work with partner agencies on improving data quality and to meet DfES security requirements.

Funding issues and budgetary risk

- 2.10 Budgetary inflexibility makes it difficult to respond to changes in demand in-year. Large demand-led budgets, particularly relating to Special Educational Need (SEN), the parenting budget and nursery education, make it difficult to predict resource needs precisely, while the imperative of keeping within the overall budget transfers pressure from demand-led budgets onto more steady areas of service. The Cabinet has recently agreed additional funding for SEN travel in this financial year, and the Business Group has committed to examine how demand can best be managed across its services.
- 2.11 The high level of spending supported by external grants is a particular issue. The Primary and Secondary Strategies and the Behaviour Improvement Programme are funded through Standards Funds, with uncertainty about the future of several of these grants. Similarly Sure Start local programme grant funding will begin to reduce from 2007/08 with a £225k reduction in that year, eventually tapering to a level just sufficient to cover the Children’s Centres development. Most local authorities are finding that there is a shortfall in the running costs for children’s centres. The Government’s view is that this will be met through the taxation regime such as family credits.
- 2.12 The dependence on external grants and funding is a constraint on the Council’s freedom to develop its policies and priorities to meet the local needs of its residents and service users. There is also a risk of service users’ dissatisfaction when grants come to an end and the funded services have to cease. There is a further impact where

grant funding has borne a share of fixed management and administration costs.

- 2.13 As a small authority we face risks from having specialist expertise concentrated in individual officers. Alternative structures, management arrangements and ways of working can reduce the risks to some extent, but there is need for additional capacity to allow, for example, succession planning. The problem can be mitigated by exploring greater collaboration, joint procurement and management options with neighbouring boroughs.

Capital

- 2.14 Family and Children's Services will also be responsible for several of the Council's largest and most complex capital ambitions: Holland Park School, the Academy site, prospects of a 'Building Schools for the Future' programme, library refurbishment, restructured provision of respite care for disabled children and Information Systems development. At the same time there is the normal cycle of asset management expenditure, including appropriate access to buildings.

Housing, Health and Adult Social Care

Overview

- 2.15 The Housing, Health and Adult Social Care (HHASC) Business Group was formed in April 2006, with the overall aim:

To improve the quality of life, health and well being of residents and visitors to the Borough through straightforward integrated information and advice backed by really good services which make a real difference.

The Business Group's medium term strategic goals of promoting independence, protecting vulnerable people, meeting housing needs and promoting public health, are closely aligned to related Community Strategy Goals and Aims for housing, environment and a healthy and independent life.

- 2.16 Overall HHASC has a good track record of achievements, many of which are validated by external inspection and sit within an externally assessed performance assessment framework. Provider services have continued to receive very positive inspections and a new nursing home is due to open in 2007 offering nursing, residential and day care to both physically and mentally frail older people. Much of the Business Group's work covers statutory requirements in housing, social care and regulatory functions.

However, there is a substantial element of discretionary preventative service, such as practical home care, food safety training, or noise mediation.

External drivers

- 2.17 The national, regional and sub-regional housing agenda presents significant challenges. This includes the Housing Act 2004, changes to performance assessment, Supporting People, Decent Homes and the implementation of HMO licensing and the new hazard assessment and fitness rating system. It seems likely that empty properties will have a higher profile and there is an expectation that the Council will facilitate a reduction in their numbers through advice, financial assistance, voluntary learning schemes and, as a last resort, through enforcement.
- 2.18 Environmental Health Officers must now enforce the new Food Hygiene (England) Regulations 2006 for premises in the Royal Borough.
- 2.19 The Mental Capacity Act 2005 comes into force in April 2007, provides a statutory framework to protect vulnerable people, carers and professionals. The local authority will have a new statutory duty to commission an Independent Mental Capacity Advocate (IMCA) service, for anyone unable to make a major decision but who has no relatives or informal carers who can be consulted on what is in their best interests. There is a limited amount of money for this service; RBKC has been allocated £29,905. A formal commissioning process is being undertaken jointly with Westminster City Council and possibly some other West London Boroughs.
- 2.20 The Government intends to establish statutory "Health and Well-Being Partnerships" in all areas, with the expectation of closer partnership working on health and well-being issues across public, private and voluntary sector services. The timetable for this is not clear – best estimates is that the partnerships will be established by 2008/09.

Local issues

- 2.21 The Business Group is seeking to extend initiatives launched in 2006/07 to reduce the number of people in temporary accommodation. This depends on continuation of favourable funding arrangements for homelessness. The Government is exploring reductions in the underpinning of grant eligibility, including a completely new system in 2009/10.
- 2.22 The Council continues to promote local aspirations for housing, for example through the Housing Allocations scheme. It also has an

ambition to renew and regenerate our social housing stock beyond the current Decent Homes programme. The national subsidy system for Housing Revenue Accounts risks limiting our options, especially if the long-term reduction in the real terms value of management and maintenance allowance continues. The Business Group will be leading on a comprehensive stock options appraisal to set the course for the future.

- 2.23 The Council is supporting the drive to give people greater independence in managing their care needs. It is a pilot for Individual Budgets and is working with Octavia Housing Association to develop extra care accommodation. Proposals to overhaul Incapacity Benefit are likely to require the provision of high quality support to those returning to work.
- 2.24 Locally, market conditions for many types of residential placements continue to be difficult and there has been price inflation on externally purchased placements in some sectors e.g. older people's and disability residential care.
- 2.25 Demand-led volatile budgets remain a concern, especially Home Care and residential care for younger people where the cost of one expensive placement can have a considerable impact on the budget. The Learning Disability market is particularly difficult and officers are working with colleagues in North West London to try to manage costs.
- 2.26 The Primary Care Trust (PCT) faces a significant challenge to recover financial stability. The PCT now plans to re-profile its contribution to shared services through a £0.4 million reduction in 2006/07, and £0.3 million in 2007/08, compensated through later increased contributions. This is less than signalled in July.

Capital

- 2.27 Business Group capital priorities mirror those of the Council's Capital Strategy. Objectives are to improve the proportion of housing that meets the decent homes standard; to support flagship schemes such as the Ellesmere Home; to contribute to the well being of residents through housing regeneration and private sector housing renewal; to make the most of the Council's assets in schemes such as Elm Park Gardens basements, and to ensure that IT systems are fit for purpose.

Transport, Environment and Leisure Services

Overview

2.28 The Borough Aims and the aspirations of the Community Strategy are captured in three new Business Group aims:

- To provide leisure and arts facilities and services that promote physical and mental good health and a sense of well-being;
- To improve and maintain the structure and fabric of the public realm so that it serves the immediate and future needs of residents and visitors;
- To provide effective appropriate enforcement to encourage individuals and businesses to respect the environment and the rights of others in their safe enjoyment of it.

2.29 The Business Group's priorities include:

- Streetscape enhancement – particularly the future of Sloane Square
- Curbing the growth in domestic and commercial waste – both through minimisation and increased recycling
- Fulfilling the Council's sports strategy and contributing to the health of the community through sport and exercise
- Monitoring and encouraging the Council's delivery of the recent approved Environment Strategy – this time designed to reduce the Council's own environmental impact and, through its community leadership role, encouraging others to do the same
- Improving parks and open spaces, working in partnership with public and private organisations
- Developing the Arts service in accordance with the Arts Strategy, and beyond, as the Arts weave a thread through the work and aspirations of other business groups and in support of artists and arts organisations within the borough.

2.30 The Licensing Act 2003 is now in full effect following a challenging but successful transition from the old system in 2005, with over 1,000 premises now licensed and regulated under the Act.

2.31 The decision to extend the Congestion Charging Zone from February 2007 will have significant implications for the Council's parking

operations and income, with the reduction in parking income estimated at up to £4 million in a full year. This will affect the parking surplus that can be applied to meet eligible cost pressures, although its impact for the Council Tax equation is indirect.

Capital

- 2.32 Capital investment is complementary to the Business Group's contribution to community aims, both through rolling investment programmes in the streetscape and parks and open spaces, and also through flagship schemes such as Sloane Square and ambitions for Exhibition Road and the surrounding area.

Planning and Conservation

Overview

- 2.33 The Business Group continues the theme of creating a high quality local environment, through its influence on building in the Borough, the development of the future Local Development Framework and its enforcement activities, including removing graffiti. The priority for 2007/08 is the complete replacement of the Council's Unitary Development Plan with a new style "Local Development Framework" by September 2007, as required by the Planning and Compulsory Purchase Act, 2004. Other plans expect to continue current levels of activity, taking opportunities to exploit technology and to improve efficiency, although building control work now has to be won in increasingly competitive conditions. Whilst the high levels of grant enjoyed in the past few years are expected to wind down, increases in national planning fees are enabling an exit strategy.

Corporate Services

Overview

- 2.34 The varied activities of the Business Group contribute to all three of the Council's Aims.
- Service delivery to the public
 - Revenues and Benefits
 - Elements of the Communications Team
 - Voluntary Sector grants
 - Regeneration delivery
 - Community safety
 - Land Charges
 - Registrars
 - Planning and management of resources

- Finance
- Information Technology
- Property Services
- Personnel
- Service improvement and performance management
- Democratic and organisational overhead
 - Lawyers
 - Civic buildings
 - Town Clerk's office
 - Governance service
- Consultation and communications

2.35 The Business Group performs well on national performance indicators and local indicators and opinion trawls, including the 'excellent' rating by the Benefit Fraud Inspectorate (BFI), Legal Services' LEXCEL quality assessment, the Local Strategic Partnership work top ranking by the Government Office for London (GOL) and the judgements of the external auditor.

2.36 Business Group priorities include the 'Here to Help' initiative, promoting joined up customer service across the Council and improving customer accessibility and convenience. Community safety continues to receive a high profile, and an increase in the budget for Police Community Support Officers (PCSOs) was built into the plans for 2007/08 in the budget agreed last February. The Business Group coordinates the Local Area Agreement and takes the lead on equalities and economic regeneration. A move to testing area-based initiatives is under consideration for next year's budget. Several of the initiatives in the recent Local Government White Paper – on governance, leadership, accountability, performance management and partnership working – will be picked up by this Business group.

2.37 A strong Benefits Service and tax collection is a priority, and support services are expected to be competent and efficient. Efficiencies are being realised around procurement and IT, especially the move away from the mainframe computer.

Capital

2.38 Within Corporate Services the biggest delivery task remains the refurbishment of Kensington Town Hall. The new Customer Services Centre should be open by October 2007.

3. BUDGET PROSPECTS – FOCUS ON 2007/08

- 3.1 The bones of the budget strategy for a second year of Council Tax freeze in 2007/08 were agreed last February and rehearsed again at the July Cabinet. An increase of £4.5 million in Government Formula Grant was a key ingredient. At the time of writing we expect this to be confirmed in the settlement to be announced in late November.
- 3.2 **Table 1** sets out how the budget can be balanced, updated from July to reflect the cost pressures identified by Business Groups, together with savings options. Full details of these are set out in the Appendices. **Appendix 1** shows the estimated impact of 'super-inflation', i.e. cost increases that are expected to exceed a baseline two per cent, and which therefore consume a bigger share of the Council's resources. Up to now we have met inflation costs in full, so as to preserve the level of services in real terms. Many cost increases are contractual, or market driven, but in some cases Members have the option of maintaining the cash spend and buying less. **Appendix 2** shows where Business Groups are proposing there should be growth in expenditure, while **Appendix 3** shows proposals for savings.

Table 1	2007/08	
	£m	£m
Budget 2006/07		163.8
Cost increases - standard	5.5	
Cost increases - super-inflation	1.7	7.2
One-offs dropping out		-0.7
Service growth internally funded	1.2	
Corporately funded growth	2.3	3.5
Less savings		-3.5
Less central budgets redirected		-2.0
Spending sub-total		168.3
Less Car Parking Reserve contribution		-1.4
Reserves adjustments		0.4
Budget 2007/08		167.3
Less Formula Grant		-96.5
Council Tax		70.8
Band D 2007/08		£727
Band D 2006/07		£727

Notes

1. Figures may not sum due to rounding.
2. The projection assumes two per cent for prices, but adds in estimated 'super-inflation' where Business Groups anticipate higher costs from contract renewal or supply deficits. Pay is estimated at 2.5 per cent.
3. Assumes budget impact of capital programme is absorbed by interest receipts and adjustments to voluntary debt redemption provisions.
4. One-off expenditure dropping out was planned for one year only in 2006/07. This includes Corporate Services: £150k Children's Act/Joint Area Review; elections £150k; £20k website archivist; £100k Village Retail Commission; Families and Children:

£100k youth equipment, £100k library books boost and £40k schools admissions system set up; HHASC 75k housing consultancy. £699k parking expenditure on IT also falls out, but benefits the Car Parking Reserve (CPR).

5. Central budgets redirected are made up of 2006/07 contributions to the Demand Reserve £1,350k, and the Specific Grant Reserve £660k.
6. Reserves movements are on pensions (£74k) and 2006/07 one-off use of reserves dropping out – including elections (£325k).
7. Budget movements on parking operations are excluded as they are assumed to impact the Parking surplus transferred to the CPR. The exception is that Transport, Environment and Leisure Services are applying £192k of parking savings towards their target for savings to reduce Council Tax.
8. Formula Grant is at the level announced in January in advance for 2007/08. A number of Councils, backed by the Local Government Association, are arguing against the current population estimates, but the Department for Communities and Local Government is – at the moment - taking the line that there is no more authoritative data set available yet.
9. No estimate at this stage of surplus on Council Tax collection
10. All figures exclude Garden Squares and the Greater London Authority.

3.3 **Table 2** summarises the change in resource allocation by Business Group if all issues are built in. A schools increase of 6.2 per cent per pupil (£4.4 million) will be funded from Dedicated Schools Grant. This includes some expenditure that is held in the Business Group and not delegated to schools.

	CS	F&C	HHASC	P&C	TELS non- parking	Total
	£000	£000	£000	£000	£000	£000
Growth						
Super-inflation	100	190	617	0	778	1,685
Less one-off 06/07	-420	-240	-75	0	0	-735
Absorbed growth	543	180	158	100	205	1,186
Schools		4,448				4,448
Corporate bids incl PCSOs/ PCT	1,100	580	430	0	235	2,345
Total increase	1,323	5158	1,130	100	1,183	8,929
Less savings	-1,342	-663	-512	-165	-829	-3,511
Less schools grant		-4,448				-4,448
Net resource change	-19	47	618	-65	354	970

3.4 Business Groups are expecting to absorb £1.2 million of spending increases by reprioritising existing budgets, for instance moving staffing budgets within Corporate Services to strengthen Customer Service. Corporate funding steps in for specific priorities, new policies, or for cost increases too significant for the Business Group to meet. For example, it is proposed to provide additional resources

for corporate priorities in community safety, for children with disabilities and to maintain expenditure on adult social care shared with the PCT. A scheme to support area based initiatives at grassroots level is under consideration, focussing initially on four areas. The Members Allowance scheme is being revised, informed by a London-wide review. It is planned to direct additional income on temporary accommodation to continuing initiatives for preventing homelessness. It is also proposed to meet the additional demand-led cost of Special Educational Needs (SEN) transport next year. No provision is made for additional costs of 'single status' pay harmonisation, which is unresolved at this stage. This issue could also impact schools' budgets.

- 3.5 In addition, the Council will be taking forward the priorities of the Community Strategy through its mainstream funding and through the Local Area Agreement, which has an allocation of some £3 million over three years.
- 3.6 The current budget projection assumes that changes in specific grants will be broadly neutral or can be absorbed. These include a cash freeze on benefits administration, reduction of two per cent on Supporting People housing grants, and a potential two per cent reduction in temporary accommodation rent caps. More positively we would hope to earn additional grant through the Local Public Service Reward Grant, and up to £4 to £5 million on the Local Authority Business Growth Incentive (LABGI) scheme, which shares with councils the benefit of increased business rates yield from local development. This will be announced in February.
- 3.7 As reported in July 2006, the Council's reserves policy plays a critical role in fuelling capital investment ambitions and in protecting the Council Tax payer from volatile tax changes by anticipating threats to the resource base and planning ahead for changes in liabilities. Reserves will be reviewed as part of the Council's budget decision in February 2007, and this will include the scope to vary the current level of budgeted contribution to or from reserves.
- 3.8 At a tax freeze, capping should not be an issue for the Council. Nevertheless it is worth noting that the Secretary of State has said that he expects the national average tax increase to be below five per cent. For the Council, each one per cent variation on Council Tax means a £700,000 variation in expenditure.
- 3.9 Subject to any Member comment, and to the outcome of consultation with the Residents Panel, changes in resource allocation will be reflected in the Cabinet Business Plan and detailed Business Group budgets to be considered by Overview and Scrutiny Committees in January.

4. BEYOND 2007/08

- 4.1 The Cabinet Report in July outlined in some detail the factors influencing budget prospects in 2008/09, including the Government's response to the Lyons Inquiry into local government finance¹, which is due to report at the end of 2006. The Government's new Comprehensive Spending Review, (CSR07), expected next summer remains a dominant issue. This will set public expenditure plans for 2008/09 to 2010/11. We already know that the Treasury, Cabinet Office, Department of Work and Pensions, and Her Majesty's Revenue and Customs face a budget cut of five per cent a year in real terms, (i.e. around 2.5 per cent cash cut), and the Home Office will be frozen in real terms. For local government there will be "a more radical and ambitious value for money programme...local authorities securing far greater cashable efficiencies".² Similarly, the recent White Paper on local government lays great stress on efficiency and business transformation to reduce costs while enhancing service.
- 4.2 In addition to a squeeze on *total* funding the Borough's *share* of resources is also at some risk. We have around £20 million (nearly 20 per cent) of Formula Grant tied up in safety net processes. The Office for National Statistics (ONS) is also considering changing the method of counting migrant population, which has contributed to buoyant grant increases in 2006/07 and 2007/08, after several years on the grant 'floor', with minimum annual increases. How far grant distribution changes impact local services depends on the calculation of grant floors and ceilings. Over recent years these have favoured stability and avoided large annual gains or losses. The stance taken in 2008/09 will be very important because it is intended to give three-year fixed grant Settlements for the Council.
- 4.3 **Table 3** illustrates the effect on Council Tax if we assume a cash freeze in Formula Grant, based on the Council returning to the grant floor. This projection makes standardised assumptions about growth and savings. It currently assumes no impact from the actuarial review of the Pension Fund that comes into effect in 2008/09. In 2009/10 there is likely to be a deficit in Landfill Allowances on waste disposal that could cost the Council up to £3 million, as a result of the delay in planning approval for the Belvedere plant. If one-off, this could be met from reserves, but would need to be addressed in more permanent form if it is ongoing. The projection shows a tax level higher than we would wish. The

¹ <http://www.lyonsinquiry.org.uk/>

² Treasury Cmnd 6889 July 2006

overall budget will continue to rely on reprioritisation of expenditure to fund corporate ambitions at affordable levels, and Business Groups are encouraged to begin early thought on savings opportunities for later years.

Table 3	2008/09	2009/10
	£m	£m
Opening Budget	167.3	171.7
Cost increases	7.2	7.3
Corporately funded growth	1.5	1.5
PCT payments profile	-	-0.5
Service growth internally funded	1.0	1.0
Less savings	-3.5	-3.5
Less central budgets redirected	-0.6	0.0
Less CPR contribution	-1.2	-1.0
Budget	171.7	176.6
Less Formula Grant	-96.5	-96.5
Council Tax	75.2	80.1
Council Tax Band D	£769	£814
Band D previous year	£727	£769
Increase %	5.8%	5.9%

5 LEGAL CONTEXT AND IMPLICATIONS

- 5.1 The Borough is required to set a balanced budget in the context of the requirements of the Local Government Act 2003. Directors of Finance are required to project the budget in the medium term, including the impact of capital investment, under the Prudential Code regime, and to comment on the level of reserves. These will be taken to the February 2007 Cabinet as part of the Council Tax setting process.
- 5.2 The Secretary of State for Local Government and the Regions also has reserve powers to limit budget increases if these are deemed to be 'excessive'.

6 EQUALITIES IMPLICATIONS

- 6.1 The impact of specific budget proposals will be considered in January 2007 alongside the detailed Business Group budget estimate reports to Overview and Scrutiny Committees.

7. RECOMMENDATIONS

- 7.1 To note the report, as the background to preparation of the Draft Cabinet Business Plan.

Sue Beauchamp

**Executive Director for
Finance, Information Systems and Property**

Background papers:

Local Government White Paper issued 26 October 2006

<http://www.communities.gov.uk/index.asp?id=1503999>

Super-inflation 2007/08

Appendix 1

	Budget Change 2007/08 £'000
FAMILY AND CHILDREN'S SERVICES	
Non-Schools Services	
Energy Costs	100
Schools Services	
Special Educational Needs Transport	90
Total Family and Children's Services	190
HOUSING, HEALTH AND ADULT SOCIAL CARE	
Concessionary Fares	187
Adult placement costs	424
Energy Costs	6
Total Housing, Health and Adult Social Care	617
TRANSPORT, ENVIRONMENT AND LEISURE SERVICES	
Non-Parking Services	
Energy/Utility related costs	72
Cleansing contract and related costs	47
Highways related costs	404
General costs (the rest)	45
Grounds maintenance	50
Western Riverside Waste Authority, including landfill tax	160
Total Transport, Environment and Leisure Services	778
CORPORATE SERVICES	
General Services	
Energy Costs	100
Total Corporate Services	100
TOTAL ALL BUSINESS GROUPS	1,685

Note: excludes parking operations

Appendix 2 Growth

	Budget Change 2007/08 £'000
<u>CORPORATELY FUNDED</u>	
FAMILY AND CHILDREN'S SERVICES	
Services for children with disabilities	100
Increased cost of speech and language therapy	21
Special Educational Needs Transport	319
Family Services demand pressures, eg Hillingdon judgement	140
Total Family and Children's Services	580
TRANSPORT, ENVIRONMENT AND LEISURE SERVICES	
Congestion charge: estimated reduction in off street parking income	100
Coordinating local input to Olympics and Paralympics	30
Arts service development – including Museum maintenance	105
Total Transport, Environment and Leisure Services	235
HOUSING, HEALTH AND ADULT SOCIAL CARE	
Replacement Primary Care Trust funding	110
Primary Care Trust Interim Support	320
Total Housing, Health and Adult Social Care	430
CORPORATE SERVICES	
Police Community Support Officers	700
Enhanced members allowance scheme	280
Responding to residents – area initiatives	120
Total Corporate Services	1,100
TOTAL CORPORATELY FUNDED ALL BUSINESS GROUPS	2,345
<u>INTERNALLY FUNDED</u>	
FAMILY AND CHILDREN'S SERVICES	
Services for children with disabilities	140
Implementation of Adoption Inspection recommendations	40
Total Family and Children's Services	180
TRANSPORT, ENVIRONMENT AND LEISURE SERVICES	
Increased Licensing staffing	60

Appendix 2 Growth

	Budget Change 2007/08
Pump-priming funding for the Government's Business Transformation Initiative	50
Contractual impact of congestion charge zone	35
Increased spending on public toilets	45
Increased spending on World's End Place	15
Total Transport, Environment and Leisure Services	205
HOUSING, HEALTH AND ADULT SOCIAL CARE	
Investment in Environmental Health Service initiatives	66
Cost of new requirement to pay nursing staff at NHS rates	62
Additional funding for the Shop Mobility Scooter Loan Scheme	30
Total Housing, Health and Adult Social Care	158
PLANNING AND CONSERVATION	
Replacement of Planning Delivery Grant funding	100
Total Planning and Conservation	100
CORPORATE SERVICES	
Reduced external income for Information Systems	155
Customer service processes	90
Enhanced Council Tax recovery	50
Re-organisation of Governance Services	48
Reduced income from halls lettings	200
Total Corporate Services	543
TOTAL INTERNALLY FUNDED ALL BUSINESS GROUPS	1,186
TOTAL GROWTH	3,531

Note: excludes parking operations and schools budgets

Appendix 3 Savings Proposals

**Budget
Change
2007/08**

Family and Children's Services

Savings from rehousing social work teams	-85
Reduced Area Child Protection Committee budget (not needed for service delivery)	-7
Savings from reducing numbers of Looked After Children	-100
Deleted schools based social work post	-35
Reduced budget for training and development of school staff	-162
Reduced community learning costs e.g. rationalised support and management services	-102
Savings from new library stock procurement contract	-25
Local Area Agreement funding for the Healthy Schools Programme	-10
Restructured Employments Project Team	-8
Revised play centre fees	-45
Rationalised Policy, Performance and Resources Section	-84
Total Family and Children's Services	-663

Transport, Environment and Leisure Services

Increased licensing income	-70
Increased income from the 'Too Big for the Bin' service	-25
Reduced Commercial Waste Service consultancy budget	-30
Reduced waste management publicity budget	-10
Improved Commercial Waste Service debt collection	-50
Withdrawal of the loss making part of the Commercial Waste Service	-61
Reduced waste management budget (not needed for service delivery)	-50
Reduced commercial waste disposal costs	-110
Increased Commercial Waste Service income	-10
Reduced Holland Park water bills due to completion of bore hole	-10
Increased cemeteries income	-41
Increased Kensington Leisure Centre car park income	-30
Reduced road maintenance budget	-40
Reduced pavement maintenance and street furniture budget	-40
Reduced street lighting budget	-40
Increased street works income	-20
Savings from Parking Service budgets	-192
Total Transport, Environment and Leisure Services	-829

Housing, Health and Adult Social Care

Increased Environmental Health Service training income	-10
Reduced contribution to 'Lets Rent' scheme	-6
Reduced Environmental Health Service costs	-26
Increased Houses in Multiple Occupation licensing income	-10
Administration charge for Social Housing Grant	-22
Increased home care charges	-100
Savings from the closure of Tavistock Hostel	-100

Appendix 3 Savings Proposals

	Budget Change 2007/08
Reduced mental health budgets: various minor changes	-17
Reduced learning disability budgets: various minor changes	-34
Rationalisation of the assessment service for older people	-67
Commercial income from the reopened Ellesmere Residential and Day Care Centre for Older People	-80
Savings from review of older people's day care services	-40
Total Housing, Health and Adult Social Care	-512
Planning and Conservation	
Increased Planning Application fee income	-30
Savings from management and staffing rationalisation	-135
Total Planning and Conservation	-165
Corporate Services	
Savings from mainframe computer retirement	-270
Reduced software licence procurement costs	-40
Reduced Financial Services costs	-72
Increased Court Fee income	-20
Reduced Revenues Section processing and staff costs	-90
Improved Council Tax collection	-50
Increased income from commercial lettings	-67
Reduced Governance and Legal Services costs	-56
Reduced Media and Communication Team costs	-6
Reduced Personnel costs	-71
Reduced building maintenance budget	-55
Saving on photocopying procurement	-80
Increased Land Charges income	-200
Reduced Policy and Partnership Unit budgets	-35
Increased rental income from Baseline Studios	-30
Insurance cost reductions	-200
Total Corporate Services	-1,342
Total Savings	-3,511

Note: excludes parking operations and schools budgets