

LONDON BOROUGH OF WALTHAM FOREST

Committee/Date:	Cabinet: 15 September 2009
Title:	Medium Term Financial Strategy 2009/10 – 2013/14
Council Priority:	Achieve Excellence
Directorate:	Finance
Report of:	Interim Director of Finance
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Action required:	For Decision
Wards affected:	Not ward specific
Appendices:	Appendix 1 – MTFS approved by Cabinet at budget setting Appendix 2 – Analysis of Area Based Grant Appendix 3 – Revised MTFS 2010/11 – 2012/13 Appendix 4 – Revised MTFS after savings options
Status:	Open

1. SUMMARY

- 1.1 This report reviews the overall financial position for 2010/11 and future years. The Medium Term Financial Strategy (MTFS) provides a comprehensive resource envelope to allow Cabinet to set out the policy framework and service and financial planning leading up to the Budget and Council Tax setting in February 2010.
- 1.2 The MTFS builds on the budget for 2009/10 and the revisions to the MTFS that were made at that time. It takes into account the outturn for 2008/09, budget monitoring during 2009/10, estimates of new commitments and government funding and risks that the Council may face in the future.
- 1.3 The drivers for the Council's financial strategy are:
- To set a balanced budget over the life of the MTFS.
 - To invest in agreed priorities, ensuring that service and financial planning is fully aligned with the Sustainable Community Strategy and the plans of partners
 - To deliver a programme of planned efficiency savings, as opposed to reactive cuts in budgets and services
 - To strengthen the Councils financial position so that it has sufficient reserves and balances to address future risks and unforeseen events without jeopardising key services and delivery of outcomes
 - To ensure that the Council can demonstrate value for money in the delivery of priorities and meet efficiency targets set by the government

- 1.4 The 2010/11 forecast reflects the last year of the three-year guaranteed totals for Revenue Support Grant, Dedicated Schools Grant and Area Based Grant. Predictions about the level of Government Funding beyond 2010/11 are being made in a very uncertain environment.
- 1.5 The Council is currently reviewing its approach to efficiency and value for money, and the Chief Executive has reported on plans for a transformational approach to service and financial planning that will build on progress made by efficiency and smarter spending programmes.

2. RECOMMENDATIONS

Cabinet is requested to:

- 2.1 Note that for every 1% increase in Council Tax a sum of £874,000 is raised towards the cost of services supplied by the Council.
- 2.2 **Review** the use of Area Based Grant in the budget, specifically its prioritisation and the method by which it is targeted at outcomes.
- 2.3 **Note** the forecasts of Revenue Support Grant/NNDR and Dedicated Schools Grant contained in the MTFS projections.
- 2.4 **Agree** in principle the use of £13.2m earmarked reserves to fund one-off budget pressures from 2009/10 to 2011/12.
- 2.5 **Agree** the measures to balance the 2009/10 budget contained in paragraphs 5.4 – 5.7.
- 2.6 **Agree** the transformation saving targets of £12m in 2011/2, £10m in 2012/12 and £8m in 2013/14.
- 2.7 **Agree** the establishment of a £3m contingency to deal with unforeseen events, the use of which will be approved by cabinet.
- 2.8 **Note** the investment in strategic priorities identified in paragraph 5.18.
- 2.9 **Agree** the minimum level of general fund reserves of £10m
- 2.10 **Agree** the maximum level of general fund reserves of £15m
- 2.11 **Agree** that any future underspends that would cause general reserves to exceed £15m should be transferred to strategic reserve for priority investment.
- 2.12 **Agree** the principles for adopting the MTFS set out in paragraph 6.2
- 2.13 **Agree** the outline measures set out in paragraphs 6.10 to 6.15 to balance the 2010/11 budget position.
- 2.14 **Agree** that the Director of Finance should undertake a forensic review of the 2008/09 budget to identify any structural underspends.
- 2.15 **Note** the key financial risk assessment.

3. REASON FOR DECISION

- 3.1 The consideration and implementation of the Council's service and financial planning framework is a key decision for cabinet. Setting the budget and the level of Council Tax are two of the fundamental decisions that Members have to take each year. Members need to be fully involved in the process at all stages, with full information.

- 3.2 This report sets the scene for the overall financial strategy for the Council for 2009/10 and future years, and is the first in a series of reports building up to the Council Tax setting report in February 2010. The decisions agreed in this report will enable officers to begin the process of service and financial planning for 2010/11 and future years.

4. MATTERS FOR CONSIDERATION

Strategic Context

- 4.1 The Sustainable Community Strategy (Our Place in London) is structured around the following four principles:
- Manage population growth and change
 - Create wealth and opportunity for residents
 - Retain more wealth in the borough
 - Achieve excellence

Each of these principles contains a number of priority areas. The Medium Term Financial Strategy will align resources with these priority areas in order to achieve the associated outcomes.

National Resource Context

- 4.2 On 24 November 2008, the Chancellor of the Exchequer announced his Pre-Budget Report (PBR). The intention of the PBR was to stimulate the economy to counter a predicted recession. The existing MTFs approved by Cabinet when setting the 2009/10 budget shown in Appendix 1 took account of many of the measures introduced in the 2008 PBR, but an adjustment needs to be made for the introduction of an increase in the Employers National Insurance Rate of 0.5% from 6 April 2011. This has created an estimated budgetary pressure of £250,000 from 2011/12 onwards.
- 4.3 The Local Government Finance Settlement for 2008/09 to 2010/11 represented the first ever three-year settlement. Aligned with the Comprehensive Spending Review (CSR07) it promised the stability of a medium term guaranteed resource base. In total, Government revenue funding for local authority services will increase from £73.1 billion in 2009/10 to £76.4 billion in 2010/11. The headline increase in Total Aggregate External Finance (AEF) is 4.4% in 2010/11.
- 4.4 In paragraph 6.40 of his budget report, the Chancellor of the Exchequer indicated that the previously published settlement figures for 2010/11 would not be changed - "both the 2010-11 local authority formula grant and the police grant will remain as announced in the local government finance settlement and the police and community safety settlement."
- 4.5 The current economic climate and the fact that the next CSR has been delayed beyond the forthcoming general election means that any forecasts of grant level for 2011/12 and beyond are largely a matter of speculation. The Institute of Fiscal Studies¹ has done some work in this area and is suggesting that Departmental Expenditure Limits will drop by around 2.3% in real terms

¹ <http://www.ifs.org.uk/publications/4543> - summary article by IFS on potential levels of cuts
http://www.ifs.org.uk/budgets/budget2009/public_spending.pdf - more detailed graphs from IFS on public spending
http://www.publicservice.co.uk/news_story.asp?id=10000 - article on 6 July suggesting senior civil servants are planning for cuts of 20%

over each year of the next Spending Review i.e. 6.9% by 2013/14. If health was protected, this 6.9% cut would equate to a cut of 9.7% elsewhere. The figure rises considerably if schools are also protected (and International Development), to a cut of 13.5% required elsewhere.

- 4.6 London Councils are currently undertaking some scenario planning looking at what would happen with the decreases in grant over the next three years 0%, -3%, -5%, -10% (i.e. the worst case scenario is a cut of 30% by year 3). Grant forecasts are complicated by the government arrangements that ensure every Council receives at least a minimum level of grant increase each year (the grant “floor”). This is paid for by holding back some of the grant for all authorities whose grant is above the “floor”. Waltham Forest is one of 8 London Boroughs currently above the “floor”, which has deprived the Council of £0.5m grant this year, and a further £1m in 2010/11.
- 4.7 The above analysis gives a flavour of some of the thinking behind prospects for government grant funding, and a number of conclusions can be reached that feed into the revised MTFS:
- LBWF will receive a guaranteed Revenue Support Grant Increase of £2.2m taking the total to £123m in 2010/11 as part of the last guaranteed settlement in the CSR07 period.
 - The Council’s current assumptions that grant levels will be frozen at current levels are optimistic – a revised position of a reduction of £5m in 2011/12 rising to £10m in 2012/13 and £15m in 2013/14 is recommended. This represents a shift of emphasis from utilising efficiency savings to invest in outcomes, to saving in order to meet reduced government funding. The significance of this assumption cannot be emphasised strongly enough.
 - The external financial environment is very uncertain, and the next CSR period will end in 2013/14. A decision was taken to extend the last MTFS over a five year period, but it would seem to make more sense to align the MTFS with the CSR and analyse the overall financial position from 2010/11 to 2013/14
- 4.8 Area based grants, detailed in Appendix 2, are previously ring fenced grants that have been transferred into a ‘single pot’ in order that they can be targeted at priority outcomes in the Sustainable Community Strategy and the Local Area Agreement. In reality, the Council, like most Councils, has reallocated the grant back to the service area from which it was originally ring fenced. The Council should now examine this area and take a more strategic approach to prioritisation of ABG allocation in future years. Like Revenue Support Grant, the intention was to guarantee ABG funding over three years to introduce certainty in financial planning. There have been some notable exceptions:
- Working Neighbourhoods fund – government allocation mechanism inadvertently excluded communally living elements of the population from the eligibility criteria. The Waltham Forest element increased by £1.5m when the allocation method was updated, and this has been reflected in the 2009/10 and 2010/11 revised figures. The figures reflect a full transfer of the grant (£2.3m) from the Environment and Regeneration Directorate to ABG, although the grant is still accounted for in Environment and Regeneration.
 - Supporting People – this grant was always intended to be part of ABG, but it will not be included until 2010/11. It is shown in the revised MTFS as ring-fenced grant coming out of base budget and back in as ABG. The

Council received £8,859,269 in 2009/10 for Supporting People, and is scheduled to receive £8,888,332 in 2010/11 as the supporting people element of ABG.

- The MTFs assumes an aggregate reduction in government support over the life of the programme, shown as a £5m reduction year on year in revenue support grant. (see paragraph 4.7) ABG is shown at current levels over the life of the MTFs, but members need to be aware that ABG could be reduced as part of the Governments overall financial planning.
- 4.9 As previously announced, ring – fenced grant for social care reform in England will increase from £192m in 2009/10 to £237m in 2010/11. The Waltham Forest proportion of this grant will increase from £0.868m to £1.060m in 2010/11.
- 4.10 The Freedom Pass scheme is the London concessionary travel scheme. The London boroughs fund the Freedom Pass which grants free travel concessions after 9.00am to residents aged over 60 and for 24-hours for disabled residents on almost all tube and bus services and after 9.30am on National Rail and independently operated bus services in Greater London. On 10 December 2004, London Councils Transport and Environment Committee (TEC) agreed a 3 year framework deal between the then ALG, acting on behalf of the London Boroughs, and Transport for London (TfL) ensuring stability in terms of future budgeting for the Boroughs. London Councils negotiated an extension to the three year deal to run to March 2010 and this was agreed by TEC on 8 December 2006. However because of the uncertainty around the new national bus concession and the transfer of responsibility to TfL for certain railway services, these elements are subject to separate negotiation outside of the extended framework deal.
- 4.11 The 2009/10 deal has been fixed, but 2010/11 will see the figures adjusted for actual 2009/10 usage, the impact of non-London residents being eligible for the scheme and the beginning of a new 5 year settlement deal. The estimate for non-London eligible English residents' concessionary travel on the TfL bus network was difficult to forecast for 2008/9. Therefore, a notional estimated figure of £25m (total for London) was allocated. The 2009/10 settlement has been adjusted to reflect actual take up of the concession. It will be the 2010/11 settlement before complete actual take up data for 2008/09 can be used in a settlement. The payment to TfL is predicted to rise substantially in 2010/11 as part of a new five year settlement deal beginning 1 April 2010. Recent consultation has indicated that DfT concessionary fares grant for London could reduce by £52m with an ongoing impact of £1.5m per annum on the Council. This is subject to intense lobbying, and the figure has not as yet been included in the MTFs, but the situation needs to be closely monitored.
- 4.12 The 2010/11 provisional dedicated schools grant (DSG) figure of £170m has been included in the revised MTFs. The approved MTFs allows for 5% year on year rises in school funding, but given the above analysis from the IFS on public funding, this now seems optimistic. The Council needs to consider the likelihood of the following scenarios:
- Schools funding rises over the next CSR period
 - Schools funding remains frozen over the next CSR period
 - Schools funding is reduced over the next CSR period
- If funding does rise, it seems unlikely to be at 5%, and a freeze/reduction also

seems unlikely given political support to education at a national level. A prudent approach would be to take the middle ground and allow for a lower increase (1.5%) in schools funding 2010 onwards. The whole of the DSG received by the Council is passed into the school's budget (it is ring fenced). If increases in DSG are at a lower level than in recent years, the financial position will need to be managed by schools under delegated financial arrangements. There would not be an impact on the Council's General Fund.

5. WALTHAM FOREST OVERALL FINANCIAL POSITION

The Resource Base

5.1 The 09/10 approved budget contained the following resource levels:

	09/10	10/11	11/12	12/13	13/14
	£000	£000	£000	£000	£000
Revenue Support Grant	120,775	122,961	122,961	122,961	122,961
Area Based Grant	14,327	22,872	22,872	22,872	22,872
Dedicated Schools Grant	169,881	180,326	189,342	198,809	208,749
Council Tax	87,341	89,755	92,240	94,792	97,414
Total Resource	392,324	415,914	427,415	439,434	451,996

Applying the following assumptions to the model gives a revised resource base for the MTFS

- Government support decreases by £5m per annum from 11/12 onwards (para 4.7)
- ABG increases by working neighbourhoods fund in 09/10 and by supporting people in 10/11. The amount then remains the same over the life of the strategy. (para 4.8).
- Dedicated schools grant increases by the guaranteed amount in 10/11 and then by 1.5% per annum over the life of the strategy. (para 4.11)
- The setting of the Council Tax level is a political decision that needs to be recommended to full Council by Cabinet at budget setting time in February 2010. Each one per cent of Council Tax raises approximately £874,000. No change has been made to the assumption with regard to Council Tax levels from the previous Medium Term Financial Strategy approved by Council in March 2009.

	09/10	10/11	11/12	12/13	13/14
	£000	£000	£000	£000	£000
Revenue Support Grant	120,775	122,961	117,961	112,961	107,961
Area Based Grant	16,635	25,523	25,523	25,523	25,523
Dedicated Schools Grant	169,881	180,326	183,081	185,776	188,563
Council Tax	87,341	89,755	92,240	94,792	97,414
Total Resource	392,324	418,565	418,805	419,052	419,461

A comparison of the figures in this paragraph illustrates the extent to which the resources available could fall within the next Comprehensive Spending Review Settlements. It is essential that the Council commences planning now to ensure the appropriate level of base budget savings are achieved in 11/12

onwards thus reducing the impact of the level of savings required in succeeding years.

2009/10 Revised Expenditure Position

- 5.2 The Budget monitoring report presented to Cabinet at this meeting highlights a number of items uncovered during the normal monthly budget monitoring arrangement between Strategic Finance and Directorates. The end position for the General Fund is a predicted £1.4m overspend and appropriate action will be taken to bring the budget back on target by the end of the financial year.
- 5.3 The Interim Director of Finance, has undertaken a due diligence exercise on the 2009/10 budget in order to give members an assurance that budget assumptions underpinning 2009/10 are a robust platform for taking the MTFS forward into 2010/11 and the next CSR period. (An initial review of earmarked reserves has also been undertaken to identify the scope for release of these one-off resources to meet any non-recurring spending requirements). The findings of the due diligence exercise can be split between a list of one-off 2009/10 pressures and ongoing pressures:

2009/10 One-off Pressures

	2009/10	Note
	£m	
Olympics	1.0	1
BSF Revenue Costs	1.0	2
Accommodation Strategy	0.5	3
Single Status back pay costs	4.3	4
WFD extended hours	0.4	5
Kier contract - single status	0.3	6
Single Status - administration	0.2	7
Total	<u>7.7</u>	

Notes

1. The Council is one of five Olympic Boroughs, and the SCS and Multi Area Agreement recognise the importance of the Olympics in delivering long term benefit for the Borough. In order to achieve these benefits and outcomes, the Council, like other Councils in the Olympic area, will be required to invest in services and absorb additional costs. An amount of £1m has been set aside for 09/10 – 11/12 (total £3m) in order to meet these costs.
2. The Building Schools for the Future (BSF) programme is a significant investment in a key priority area. In order to reconcile the business case up to the point where it can now be signed off by the Section 151 Officer, the Council needs to commit £1m additional revenue investment for the next three years. Cabinet approved an extra £15m capital for BSF in June, and this £3m is additional revenue cost that cannot be capitalised.
3. The Council has just tendered for an accommodation strategy designed to release significant savings in the future. The realisation of these savings requires investment and £0.5m has been set aside in 2009/10 and 2010/11 to deliver the strategy.
4. The Council has a legal duty to ensure that its pay scheme does not discriminate between men and women, and the cost of implementing the second phase of this scheme for white collar staff up to scale 6 will be an estimated £4.3m payment in 2009/10. There will be additional £1.5m per annum ongoing costs.
5. The Council took a decision to extend the hours of Waltham Forest Direct in 2009, and this will result in a one-off cost of £400k in the current year.
6. The Kier Environmental contract requires additional funding regarding single status issues.
7. The Council's exercise to implement single status requires additional administration costing £200k

The full analysis of these one off costs over the life of the MTFS is as follows:

	2009/10 £m	2010/11 £m	2011/12 £m
Olympics	1.0	1.0	1.0
BSF Revenue Costs	1.0	1.0	1.0
Accommodation Strategy	0.5	0.5	0.0
Single Status back pay costs	4.3	0.0	0.0
WFD extended hours	0.4	0.0	0.0
Kier contract - single status	0.3	0.0	0.0
Single Status - administration	0.2	0.0	0.0
Total	7.7	2.5	2.0

2009/10 Ongoing Pressures

5.4 The following have been analysed as ongoing pressures over the life of the MTFS

	2009/10 £m	Notes
Children's Services	1.4	1
BT Contract Shortfall	0.3	2
Arcade capital finance	0.4	3
Environmental contract dispute	0.3	4
Leased vehicles - verdant error	0.4	5
Unachievable trade waste income	0.3	6
ICT loss of external income	0.2	7
Invest to Save	1.0	8
Transformation Programme	0.8	9
Total	5.1	

Notes

1. Demand for Children's Services is higher than the available resource envelope in the current financial year. An amount of £1.4m has been included for 2009/10 with £2.1m being included for future years.
2. The BT ICT services contract is underfunded in the budget to the extent of £300k per annum.
3. The Capital financing of the Arcade scheme depends on revenue support of £400k per annum.
4. A dispute in the environmental contract will cost the Council £300k per annum.
5. The Verdant refuse collection contract did not allow for the leasing costs of Council vehicles. These amounts have been added back into the budget.
6. The Trade Waste Service is not achieving its budgeted income levels by £300k.
7. The ICT budget contains provision for external income (EduAction etc) which will not be generated. £200k is needed to cover this.
8. The Council is embarking on a significant transformation programme, and investment will be needed to seed projects in order for them to succeed. £1m per annum for "invest to save" projects has been included.
9. The Transformation Team (formerly smarter spending team) has no substantive budget, their costs coming out of reserves. The section on reserves in this report shows that this is not good practice, and is inconsistent with making permanent appointments to the team. The costs of the transformation team have been included in mainstream budgets.

2009/10 – closing the gap

- 5.5 If it is accepted that the one-off pressures in 09/10 will be dealt with by the use of earmarked reserves, the Council still needs to find £5.1m in the current year to deal with ongoing budget pressures. The following items have been identified as part of the due diligence exercise that could be used in order to re-align the base budget position:
- Recovery of overpaid grant - £500k. Details are commercially confidential at this moment in time.
 - Housing Benefit Grant – £2m. The Council has consistently over achieved targets for the processing of Housing Benefits for the past three years, resulting in grant levels higher than originally anticipated. Adopting a prudent approach, the Council has transferred the surplus to an earmarked reserve until the external auditor signed off the claim, just in case any errors were discovered. For the second year running, the auditor has signed off the final claim, and the amounts have been certified as correct. The final claim for 2008/09 is yet to be signed off, but it is expected that there will be at least £2m available in the reserve. It is therefore proposed that the reserve is reduced by £2m in 2009/10 with the year-end situation being monitored closely to ascertain the ongoing extent of any base budget adjustment.
 - The Council budgeted for a pay award of 2.5% in 2009/10, and the settlement has been agreed at 1.045%. This has produced a saving of £1.6m.
- 5.6 After taking these three items into account, the 09/10 position is still £1m short of a balanced position. Leadership Team has asked Directorates to come up with proposals to balance the position, and Adults Services have contributed £450k through staffing reductions that were not counted in the 09/10 budget as part of the review of Commissioning. The Environment Directorate has identified savings totalling £675k. Children’s Services have also been asked to identify a further £750k savings in order to reduce base budget and reliance on Benefit Grant surpluses held in reserves.
- 5.7 The savings from Adults, Environment, and Children’s Services and the adjustments outlined in para. 5.4, bring the 09/10 budget back to a balanced position.

2010/11 Onwards

- 5.8 The revision to the MTFs needs to take account of emerging pressures over the life of the plan. As has been discussed previously, the outlook beyond 2010/11 is very uncertain, but a number of high level items have been identified:

	2010/11	2011/12	2012/13	2012/13	Notes
	£m	£m	£m	£m	
Homelessness	5.0	5.0	5.0	5.0	1
Increased pension contributions	0.0	1.0	1.0	1.0	2
Single Status Phase 3	0.0	1.5	1.5	1.5	3
Total	5.0	6.5	6.5	6.5	

1. The Government will change the way that it funds private sector temporary and homeless accommodation via housing benefit for all authorities from 2010/11 onwards. The government has been concerned about the way that

London authorities in particular have been seen to make a profit from the procurement of private sector leased accommodation, and then reclaiming rental figures at the maximum allowable for Housing Benefit. From 2010/11, Benefit will be capped at 90% of Local Housing Allowance, and the admin fee reduced to £40. It is estimated that this will have an ongoing adverse impact of £5m per annum to the Council in loss of income. The amount in the MTFs has been set at £3m – paragraph 6.8 explains the action that has been taken to achieve the reduced impact from £5m to £3m. This is a problem affecting a number of other London Boroughs as well as Waltham Forest.

2. The next triennial review of pensions is due as at 1 April 2010, and the results will be implemented in the 2011/12 financial year. It is expected that employers' contribution rates will rise at that point due to both actuarial assessments and investment returns. The estimated £1m increase represents a 2% rise in employer's pension contributions. This will be further reviewed when the revaluation is available during 2010.
3. The third phase of single status (staff above scale 6) has yet to be carried out. The £1m per annum from 11/12 onwards represents the estimated ongoing cost of implementation.

Transformation

- 5.9 The Council is embarking upon a Transformation Programme, a report on which is being presented to this committee. The Smarter Spending Programme has been involved in both reducing costs through transformation and working to balance the MTFs through management interventions and budgetary adjustments. It is proposed that the Transformation Team will focus on 'big ticket' transformational items that will both reduce costs and improve service outcomes, while the Finance Function will engage with directorates to manage operational budgets. This is particularly important given the lead-in times to implement large scale change and transformation programmes. The MTFs do not expect any transformational savings to accrue in 2010/11. Any gap will be balanced by prioritisation and budget review. The Transformation Team, with Directorates, will have the 18 months from September 2009 to April 2011 to produce an implementation plan and actions for delivery. This makes sense given that 2010/11 predicts an increase in external resources, while resources decrease from 2011/12 onwards. Efforts will be focussed on where it is most needed. Initial targets for transformation in the MTFs are expected at £12m for 2011/12, a further £10 for 2012/12 and a further £8m for 2013/14.
- 5.10 The Smarter Spending Programme developed an approach to efficiency built upon the findings of KPMG, who undertook an efficiency review to:
- Identify efficiencies to meet increasing financial pressures in service areas, e.g. social care provision
 - Release financial resources to support priority areas, e.g. recycling
 - Stay within its council tax target of maximum 2.5% annual increases.
 - Protect front-line services.
- 5.11 KPMG established 11 workstreams and identified probable savings of £14.2m against the £23.7m MTFs target. Only 3 of the 11 workstreams (Management Structures; Common Functions and Adult Care) were developed in detail by KPMG to give a saving of £9m, leaving the Council to develop and exploit the

potential opportunities from the other workstreams.

- 5.12 The profile of savings delivered is set out below. The £0.6m in 2010/11 is the full-year effect of savings made part way through 2009/10.

	2008/09	2009/10	2010/11	3 year total
MTFS saving req'mt from Feb'08 Cabinet report	£9.5m	£5.0m	£9.2m	£23.7m
KPMG "probable" saving	£9.3m	£4.5m	£0.4m	£14.2m
Savings delivered against KPMG workstreams	£1.9m	£7.5m	£0.6m	£10m

- 5.13 The value driven out of the KPMG work across the three years currently totals £10m. £7.5m of this has accrued from reviews of Management Structures and the consolidation of Common Functions.

- 5.14 As part of the implementation process a number of opportunities have been found to be undeliverable for various reasons. However, a number of the other KPMG workstreams continue to be progressed to extract value and further savings are anticipated.

- Workstream 5. Customer Access (moving more customer contact into WFD). KPMG savings estimates needed further refinement. This opportunity will continue to be pursued as part of the Transformation Programme's "One Contact" theme.
- Workstream 8 Asset Management (reduction in office space requirement). Again crude estimates which could not be realised as envisaged. However, substantial benefit will be realised as part of the Transformation Programme's large-scale accommodation and ICT strategy within the "One Infrastructure" theme.
- Workstream 9 Procurement. KPMG included some very rough estimates of savings. Continued value will be driven from this area with better contract negotiations and management and a corporate review of the function.
- Workstream 11 Outsourcing. The engagement of specialist consultants has produced reports indicating substantial savings of at least £200K-£300K from efficiencies and potential outsourcing of Building Cleaning, Facilities Management, Repairs and Maintenance and management of the Commercial Property portfolio. Soft market testing of the HR Shared Service Centre and HR advice is currently being undertaken. Work in this area will continue as part of the Transformation Programme's "Best Provider" theme.

- 5.15 The move to a Transformation approach, requiring £30m savings over three years as a contribution to a £42m requirement over the life of the strategy reflects the fact the KPMG findings have not been delivered to their fullest extent. It also needs to be borne in mind that KPMG did the study before the full impact of the credit crunch and the recession were fully understood. Options on assets have been much reduced by falling commercial property values, and reductions in grant funding due to the long-term effects of quantitative easing and fiscal stimulus have brought a harsher new economic reality. The scenario where 'easy' savings are achievable without the need to make relatively difficult decisions no longer exists.

Contingency

- 5.16 The Council needs to create the ability to deal with unforeseen items. The level of contingencies in the base budget are very low, and tend to be used for smaller items that are relatively predictable. A council the size of Waltham Forest, with an ambitious Community Strategy, needs significant headroom if it is to deal with unforeseen events. It is therefore recommended that a contingency of £3m is created by a £1m contribution from 2011/12 onwards. Use of the contingency will be subject to Cabinet approval.

Growth

- 5.17 There is no doubt that there are some severe financial challenges for the Council over the next four years. This makes it even more important that the Council demonstrates that it is investing in priorities agreed with partners rather than simply balancing the books for a standstill position.
- 5.18 The prospects for revenue growth are limited until there is more certainty about the financial environment post 2010/11. There are no unallocated growth provisions within the MTFS, but there is always the option to reprioritise existing services.
- 5.19 Even after allowing for limited future growth prospects, the MTFS contains significant commitments from the Council to extend investment in priority areas:

In order to manage population growth and change, the Council will:

Invest £92m capital expenditure

Spend £400k implementing the Housing Strategy action plan

Invest £2m per annum in the North London Waste scheme

In order to create wealth and opportunity for all residents, the Council will:

Invest £336m capital expenditure

Increase the amount set aside for the Olympics by £3m

Provide £3m to deliver improved schools

In order to retain more wealth in the borough, the Council will:

Invest £14m capital expenditure

Increase spending on regeneration by £383k

Spend £200k replacing play equipment

In order to achieve excellence, the Council will:

Invest £2m capital expenditure

Provide £3m to cope with unforeseen events

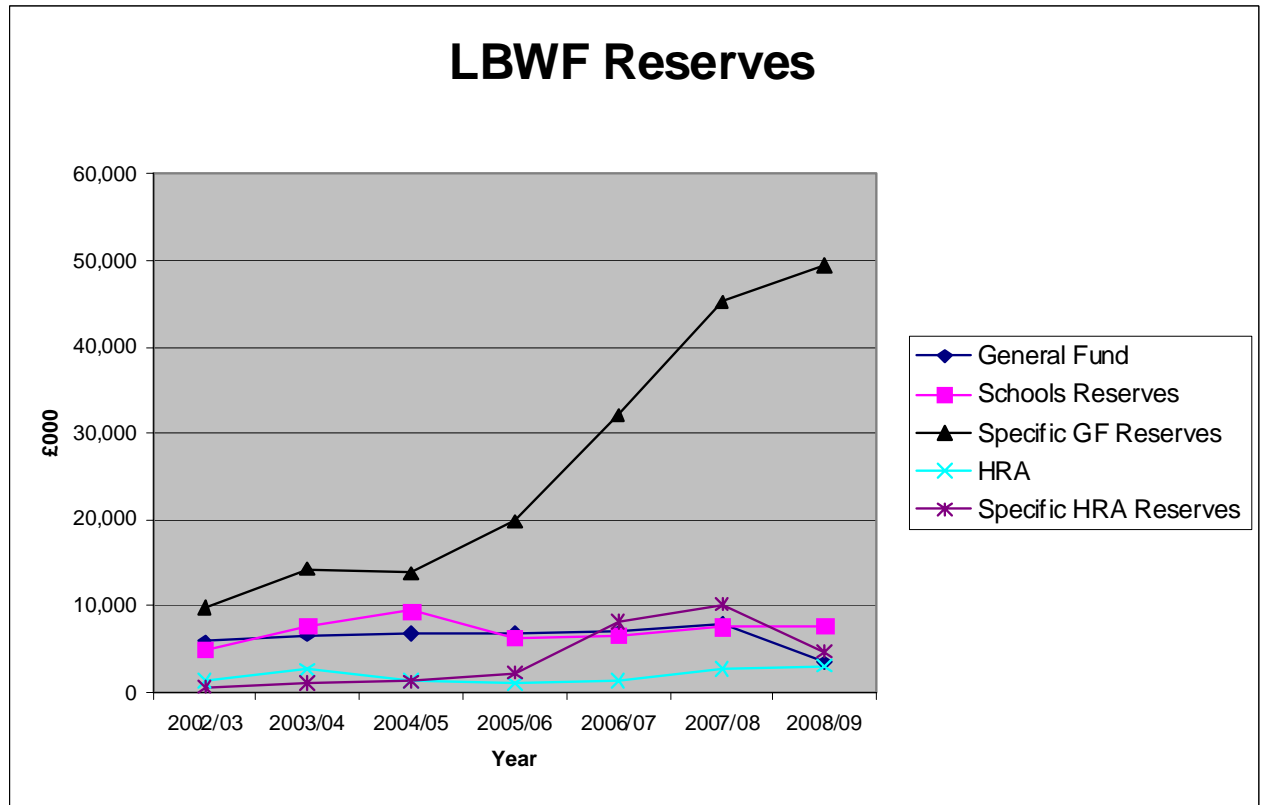
Restore general balances to £10m

- 5.20 The Council also receives a significant amount of Area Based Grant, which was intended to be a non ring-fenced resource to be targeted at shared

priorities and outcomes. Details of Area Based Grant can be found in Appendix 2. It is recommended that Cabinet put in place procedures to review the use of this £25m 'single pot' to ensure that it is being effectively prioritised and targeted.

Balances and Reserves

5.21 The following graph shows the change in the level and nature of Council balances over the last few years:



5.22 It can be seen that the level of specific reserves have increased significantly, and this is to be expected where significant PFI monies need to be set aside and reserves are used to hold grants such as LABGI, ABG etc. which have not existed in the past. However, at £3.4m (31/03/09), general fund balances have fallen below a level which could be seen to be acceptable or prudent for a Council the size of Waltham Forest. Part of the reason why the reserves have fallen so low is the fact that the Smarter Spending Team have been funded from them, and amounts have been 'borrowed' in advance of savings being achieved. This is not good practice, and is the reason why the Transformation Team has been transferred to mainstream funding.

5.23 Setting the level of reserves is just one of several related decisions in the formulation of the MTFIS In addition to cash flow requirements, the following factors also need to be considered when setting the level of general reserves:

- The treatment of inflation and interest rates
- Estimates of the level and timing of capital receipts
- The treatment of demand led pressures
- The treatment of planned efficiency savings/productivity gains
- The financial risks inherent in any significant new funding partnerships,

major outsourcing arrangements, or major strategic investment developments

- The availability of other funds to deal with major contingencies and the adequacy of provisions

5.24 Considering these factors, the minimum level of the general fund balance has been set at £10m over the life of the MTFS. Disregarding DSG, this represents 4.5% of net Council expenditure.

5.25 Current plans allow for a £3.2m contribution to reserves with a £800k contribution to Smarter Spending. The Smarter Spending/Transformation budget has now been identified as mainstream, and it is recommended that the budgeted level of contribution is smoothed out at £2m per annum until the £10m target is achieved. This gives the following profile:

	09/10	10/11	11/12
	£000's	£000's	£000's
Balance as at 1 April	3,475	6,675	8,875
Contribution to GF Balances	3,200	2,000	2,000
Closing Balance	6,675	8,875	10,875

5.26 This strategy gives the Council the headroom to deal with uncertainty in the first year of the new CSR settlement, and an adequate level of general reserves.

5.27 In line with best practice, the Council should also determine a maximum level of general fund balances. It is recommended that this should be set at £15m, or 6.75% of net expenditure.

5.28 If the Council finds itself in the situation where it is likely to exceed the maximum level of balances, the excess should be used to establish a Strategic Reserve, which could be used to fund:

- Priority projects
- Feasibility studies
- Capital funding in lieu of capital receipts

Collection Fund

5.29 The Collection Fund is the Councils 'cash account' for the collection and distribution of Council Tax and NNDR. The past few years have produced a deficit position on the collection fund, and technical analysis has been carried out on the situation. The bad debt provision within the fund is currently out of alignment with collection rates, and a one-off adjustment of £1m will be needed in 2010/11 to move the collection fund back into a neutral position.

6. REVISED GENERAL FUND MTFS

Principles

6.1 The MTFS should be guided by a number of principles, reminding the Council that the MTFS should be:

- Policy and priority driven
- Longer than a three year timeframe
- Focussed around transforming the organisation

6.2 The following are the proposed principles for adopting the MTFFS and Cabinet are recommended to agree these principles:

Theme	Principle Adopted
Council Tax	<p>Provides value for money to the people of Waltham Forest</p> <p>Council Tax levels demonstrate prudence and retain stability in the Council's Finances</p> <p>Manage Council Tax collection to secure recurrent efficiencies in the Collection Fund</p>
Income Generation	<p>Implementation of a fees and charges policy for the Council overall</p> <p>Develop new opportunities in relation to trading and charging powers</p> <p>Manage income and debt to reduce the need to make a provision for bad debts</p>
Revenue Budgets	<p>Annual budget resources aligned and prioritised to meet strategic objectives</p> <p>A reserves and balances policy in line with best practice</p> <p>General balances at a planned level of at least £10m, subject to annual risk assessment</p> <p>Earmarked reserves established appropriately for known and quantifiable future liabilities</p> <p>Pay and price inflation forecasts built into projections</p> <p>Continuous challenge of the base budget to secure service efficiency savings</p> <p>Implement service improvement plans to demonstrate how services can get to best cost, best quality and best customer satisfaction</p> <p>Deliver the Transformation programme to secure longer term sustainable efficiencies for re-investment against pre-determined targets (2011 – 2014 £30m cumulative)</p> <p>Where external funding is secured for a limited time period, any operational arrangements must not assume that the fall out of grant will be replaced by mainstream funding.</p>
Capital Budgets	<p>Strategic investment- the Capital Programmes reflects Council priorities and acknowledges available resources</p> <p>Strategic assets reviewed to maximise potential release value into the business for reinvestment</p> <p>Prudential borrowing to support capital investment priorities and invest to save schemes that will secure greater revenues efficiencies over the planning</p>

	<p>period</p> <p>Asset management plans updated on an annual basis and acknowledging available budget resources</p>
Treasury Management	<p>Treasury management strategy to focus on delivering investment income and maximising cash flow potential for the Council</p> <p>Constant examination of strategic options for reducing the overall cost of borrowing</p>
Risk Management	<p>Business risk built into all decision making processes of the Council</p> <p>Budget resources aligned to reduce any material financial risk to the Council</p>

Assumptions

- 6.3 The analysis in Section 5 and the above principles can be combined into a revised MTFS. The following assumptions will apply to the revised model
- 6.4 Pay and Prices – the 09/10 pay award has been settled at 1.045%. The Council provided 2.5% and this has resulted in an in-year saving of £1.6m that can be applied to ongoing spending pressures.
- 6.5 2010/11 will assume for modelling purposes an overall rise of 1.5% in pay and prices and a 1.5% rise in fees and charges. These levels will revert to 2.5% for the remainder of the MTFS. Pay and prices will be constantly reviewed up to the council tax setting meeting and adjustments will be made as required.
- 6.6 One-off pressures will be funded from the use of specific reserves. The Council is currently undertaking a full and detailed review of the level and purpose of each earmarked reserve held on the balance sheet. An initial review has revealed that some reserves could be used to fund one-off pressures, and £13.2m will be utilised for this purpose. This is a once only adjustment and cannot be repeated in future years.
- 6.7 The changes to the Housing Benefit regime have produced a significant financial impact for the Council. An officer group is currently looking at ways in which this impact can be mitigated, and a target of £1m per annum saving has been set. The amount has been included in the MTFS and will be monitored as the legislation is implemented in detail. The Council had also set aside an amount of £1.2m in the 09/10 budget for the transfer of clients from homeless accommodation to more substantive solutions. Although this is a loss of income, it does ameliorate the effects of the impact. The ongoing requirement has therefore been included in the MTFS at £3m.
- 6.8 Modelling these assumptions and including other analysis in the report gives a revised position shown in Appendix 3. Points to note are:
- Base Budget review to save £14m is required to balance the 2010/11 Budget.
 - The model shows that after £12m of transformation savings in 2011/12, there is still a deficit. After allowing for a further £10m of savings in 2012/13 and £8m in 2013/14 there remains a small deficit in each year, which will require to be addressed in the further work required on the MTFS.

2010/11 – closing the gap

- 6.9 There are a number of options that can be applied to the model in Appendix 3 that could reduce the gap in 2010/11. Given the gap in 2010/11 and the small excess in future years, there is scope for ‘smoothing’ expenditure over the life of the strategy to reduce the challenge in 2010/11:
- Delay renewal of the Leisure Management Contract. The Council decided to do this at the July Cabinet meeting and it will produce a £1m saving in 2010/11, replaced by a £1m cost in 2012/13.
 - Delay the contribution to the North London Waste Authority Sinking Fund by a year. This would involve delaying a payment of £1m in 2010/11 into 2012/13.
- 6.10 Appendix 4 shows the impact of these decisions on the model. In order to balance the 2010/11 budget, further savings options of £12m need to be identified. 2011/12, 2012/13 and 2013/14 show a balanced position +/- a few hundred thousand.
- 6.11 The Smarter Spending Programme identified a number of savings for 2010/11 during the current year. These were internally rated as Red Amber Green in terms of achievability, and £4m were identified as Green. Further work has revealed that £1m of these savings identified as ‘corporate’ will in fact only deliver £200k, so the revised figure is £3.2m. If it is accepted that these savings can be classified as deliverable, then the Council needs to find a further £8.8m.
- 6.12 Directorates have been asked to submit proposals that can be used as a starting point for savings. Delivery plans for Environment and Regeneration and Adults Services have been drafted. The Children and Young Peoples Directorate have also been asked to identify £1.8m savings, and if this can be delivered, then a total of £7,380 million will have been identified as potential saving.

Directorate Savings 2010/11	£000
Environment and Regeneration	2,290
Corporate Directorates	600
Children and Young People	1,800
Adults Services	2,690
Total Proposals	7,380

- 6.13 Further reports will be presented to Cabinet when plans are more mature and have been subjected to robust assessment. Even if all of the savings proposals are acceptable to members, there is still a shortfall of £1.42m. An exercise has yet to be undertaken to forensically examine the 2008/09 out-turn before transfers to and from specific reserves. It is recommended that this forensic review be undertaken with a view to establishing the underlying budgetary pressures and potential savings in order to identify further savings of £1.5m.

7. OTHER ISSUES

Housing Revenue Account

- 7.1 Attention in this report has been focussed on the General Fund, given the direct impact on levels of Council Tax and the numerous services involved. The HRA is ring-fenced from the impact of General Fund pressures and decisions, but further work needs to be done over the coming months to ensure that the HRA itself has a stable MTFS. There are some significant issues that will need to be addressed in the short and medium term, including the costs of managing the housing stock via the ALMO, rent collection, changes in Housing Subsidy and Housing Benefit arrangements and the impact of the reduction in the previously planned rent increase for 2009/10 (in the light of prevailing inflation rates and late changes in the Government's subsidy limitation rules). A report will be brought to the November Cabinet on the specific financial pressures on the HRA.

Capital Considerations

- 7.2 Bids for capital resources are subject to a formal and robust evaluation process reflecting affordability and corporate priorities. Bids must be made for all new items of capital expenditure not included within the current approved capital programme.
- 7.3 The Current programme was reported to July Cabinet, and the asset disposal programme to fund projected capital expenditure will be presented to this meeting. The demand for capital expenditure outstrips the supply of available resources, and given the current property market, this is unlikely to change over the next three years. The Council has commissioned an Accommodation Strategy, part of which will be a plan for rationalising assets and deriving optimum economic value from them. The results of this review will be fed into the Capital Programme revision at budget time, but at the moment there is no headroom for discretionary capital expenditure within the medium term plans.

8. KEY FINANCIAL RISK ASSESSMENT

- 8.1 The challenges to the Council's overall financial position comes from three main areas:
- The macro economic climate
 - Other External Factors
 - Internal Factors

The Macro Economic Climate

- 8.2 The Council, in line with most other local authorities, has adopted a risk-averse investment strategy after the collapse of the Icelandic Banks. There has been considerable turbulence on the financial markets, and bank base rates have been cut to historic lows. The amount the Council receives from investments has fallen significantly, and use of reserves, delayed capital receipts and the decision to allow 12 instalments for Council Tax will exacerbate the situation.
- 8.3 It is generally accepted that the UK economy is now in recession – the number of people out of work has risen to 2.4m, the Bank of England has increased its quantitative easing programme by £50bn. Specific impacts on the Council could be:

- Falling stock markets and asset values increase pressure on the Local Government Pension Scheme, and required employer contributions rise faster than those allowed for in the MTFS
- Council Tax and NNDR collection rates may fall, although there is little evidence of this impacting at the present
- The market for land and asset sales may impact on the short term financing of the capital programme
- Income from commercial property portfolios may decline
- Demand for the processing of Housing Benefit and Benefits advice may increase

Other External Factors

- 8.4 Equal pay remains a significant financial pressure. The MTFS assumes that the Government will approve a request for the capitalisation of £6m compensation payments in the current year, £4.3m has been set aside for back pay, and £1.5m rising to £3m has been included for ongoing cost increases.
- 8.5 Demand-led pressures, especially relating to areas such as adult social care, learning disabilities and placements for young people, are recognised in financial plans and are being monitored by the Adults and Children's Services Directorates.

Internal Factors

- 8.6 The Comprehensive Spending Review (CSR07) required that cashable efficiency savings of 3% must be achieved year on year by Local Authorities. The Smarter Spending Programme has ensured the delivery of £10m savings up until 09/10, but the Council is faced with delivering £42m savings over the 4 years of the strategy with a relatively efficient baseline, and thus no easy and obvious "wins" available.
- 8.7 The Council has responded by setting up the Transformation Programme, and a key part of this work will be demonstrating value for money in services and producing service improvement plans.
- 8.8 The North London Waste Authority has already produced significant cost additions in the MTFS, and it is likely that the GLA will be facing similar budget pressures and restrictions as the London Boroughs. Further increased contributions and precept increases may be likely.

9. ALTERNATIVES CONSIDERED

- 9.1 The report sets out overall financial prospects for the Council based on a number of assumptions about the level of Council Tax and the use of reserves and balances. Any decision taken is not irrevocable, and further reports will be presented to Cabinet throughout the year in which the relative merits of a variety of different options will be considered as more information becomes available. Appendices 3 and 4 set out the financial consequences of the assumptions as they are at the present time.

10. CONSULTATION

- 10.1 The report is the beginning of a process that will lead up to the setting of the Council Tax for 2010/11 and beyond. Appropriate consultation with partners businesses and the public will take place during the course of this process.

11. IMPLICATIONS

Financial

- 11.1 This report is all about financial issues and implications are contained in the body of the text. None of the decisions will commit the Council to additional expenditure.

Legal

- 11.2 The Cabinet is responsible for presenting and implementing proposals for the annual budget and Council Tax to full Council for decision. This report informs that process. It is a legal requirement to produce a budget that is robust and fit for purpose.

Human Resources

- 11.3 Any proposals for staff reduction as part of either base budget review or transformation will be subject to consultation with staff. The Corporate Budget contains amounts set aside for the potential cost of redundancies.

Health Impact Assessment

- 11.4 Wherever possible, reductions will be targeted to minimise the health impact.

Equalities Impact Assessment

- 11.5 Detailed proposals to deliver savings and Transformation are being worked on in advance of the 2010/11 budget and Transformation delivery plans. Once these proposals have been firmed up they will be assessed for Equality Impact, and mitigating action identified wherever possible. The outcome will be made available as an integral part of the budget setting report.

Climate Change Impact Assessment

- 11.6 There are opportunities through the Transformation Programme priorities, for example, in asset management, to reduce CO2 emissions whilst securing efficiencies that will help tackle climate change.

12. CONCLUSION

- 12.1 The impact of the 'perfect financial storm' that has hit global economies has been somewhat mitigated for Councils by the three year guaranteed funding settlement over the life of CSR07. The 2010/11 budget will be moderately difficult to balance, but the new CSR period, 2011/12 to 2013/14, will be extremely difficult. The Council will inevitably have to make some very tough decisions over the next 4 years, and the principles set out in paragraph 6.2 should be used as a checkpoint to ensure that a balanced overall financial position is maintained while still delivering priority outcomes.

Background Information:

Budget setting report - Cabinet and Council - February 2009

Financial Monitoring Reports

Approval by the Portfolio-Holder (before inclusion on the Cabinet agenda)

I have cleared this report for inclusion on the Cabinet agenda.

Signed



Date 7th September 2009

Cabinet Member for Finance and Resources

Appendix 1 – MTFS approved Council March 2009

	Plan 09/10		Plan 10/11		Plan 11/12		Plan 12/13		Plan 13/14	
	£'000	£'000	%	£'000	%	£'000	%	£'000	%	
Non-schools	217,628	222,443		235,588		238,073		240,625		
Schools	161,106	169,881		180,326		189,342		198,809		
LBWF expenditure at beginning of year	378,734	392,324		415,914		427,415		439,434		
Transfers of Government Funding:-										
Mainstreaming into FSS from specific grants	0	0		0		0		0		
Transfer into ABG from specific grants	(1,018)	8,545		0		0		0		
Additional short-term funding	(165)	0		0		165				
New burdens	0	0		0		0		0		
Adjusted Base previous year	377,551	400,869		415,914		427,580		439,434		
Pay and prices										
General Fund	5,985	6,673		7,068		7,142		7,219		
Schools (DSG)	4,833	5,096		5,410		5,680		5,964		
Base budget position	388,369	412,638		428,392		440,402		452,617		
Growth (Appendix 1)										
Growth proposed - 2007/08 to 2009/10	110	0		0		0		0		
Growth proposed - 2008/09 to 2010/11	2,609	751		0		0		0		
Unavoidable Growth 2009/10	1,803	1,450		140		0		0		
Statutory & Service Pressures	14,122	13,927		8,447		5,387		7,326		
Savings (Appendix 2)										
Savings already agreed 2007/08 to 2009/10	(2,869)	0		0		0		0		
Efficiency Savings identified November 2008	(6,173)	0		0		0		0		
Corporate Savings	(400)	0		0		0		0		
Efficiency Review : Savings identified	(11,097)	(340)		0		0		0		
In Year Savings re. Efficiency Review shortfall 08/09	4,500	0		0		0		0		
Savings to be identified	0	(12,512)		(9,564)		(6,355)		(7,947)		
	390,974	415,914	3.8%	427,415	2.8%	439,434	2.8%	451,996	2.9%	
Transfer from reserves re Collection Fund	1,350	0		0		0		0		
Total Waltham Forest expenditure	392,324	415,914		427,415		439,434		451,996		
(Surplus) / deficit on the Collection Fund	0	0		0		0		0		
Formula Grant (RSG plus NNDR)	(120,775)	(122,961)	1.8%	(122,961)	0.0%	(122,961)	0.0%	(122,961)	0.0%	
Area Based Grant (ABG)	(14,327)	(22,872)		(22,872)		(22,872)		(22,872)		
Dedicated Schools Grant (DSG)	(169,881)	(180,326)	6.1%	(189,342)	5.0%	(198,809)	5.0%	(208,749)	5.0%	
Total Exchequer support	(304,983)	(326,159)	6.9%	(335,175)	2.8%	(344,642)	2.8%	(354,582)	2.9%	
To be met from Council Tax	87,341	89,755		92,240		94,792		97,414		
Council Tax base	75,803	76,000		76,200		76,400		76,600		
Waltham Forest Council Tax	£ 1,152.21	£ 1,180.99	2.50%	£ 1,210.50	2.50%	£ 1,240.74	2.50%	£ 1,271.73	2.50%	
Total Council Tax	£ 1,462.03	£ 1,490.81		£ 1,520.32		£ 1,550.56		£ 1,581.55		
Overall increase	1.49%	1.97%		1.98%		1.99%		2.00%		

Appendix 2 – LBWF Area Based Grant 2009/10

Grant	Govt. Dept.	Dir.	09/10 final allocation (rounded) £	2010/11 Indicative
Preventing Extremism	CLG	EN	275,000	317,000
Stronger Safer Communities Fund	CLG/HO	PP	900,100	642,097
Supporting People Administration	CLG	EN	231,600	198,476
Supporting People	CLG	EN	0	8,888,332
Working Neighbourhoods Fund	CLG	EN	2,020,600	2,091,329
Cohesion	CLG	EN	48,500	75,000
Climate Change	CLG	EN	22,500	22,500
14-19 Flexible Funding Pot	DCSF	CH	65,400	65,301
Care Matters White Paper	DCSF	CH	349,400	412,035
Children's Fund	DCSF	CH	799,600	799,577
Choice Advisers	DCSF	CH	43,200	43,160
Connexions	DCSF	CH	2,457,000	2,459,481
Designated Teacher Funding	DCSF	CH	12,000	12,033
Education Health Partnerships	DCSF	CH	70,800	70,784
Positive Activities for Young People	DCSF	CH	810,900	1,052,948
Secondary National Strategy – Behaviour and Attendance	DCSF	CH	68,300	68,300
Secondary National Strategy – Central Coordination	DCSF	CH	173,400	173,522
Primary National Strategy – Central Coordination	DCSF	CH	156,300	156,282
School Development Grant (Local Authority element)	DCSF	CH	1,943,000	1,943,033
School Improvement Partners	DCSF	CH	90,200	90,200
School Intervention Grant	DCSF	CH	53,900	53,900
School Travel Advisers	DCSF	EN	24,000	24,000
Sustainable Travel General Duty	DCSF	CH	16,600	16,609
Teenage Pregnancy	DCSF	CH	125,000	125,000
Extended Schools Start Up Costs	DCSF	CH	878,300	361,211
Extended Rights to Free Transport	DCSF	CH	1,100	1,801
Childrens Social Care Workforce	DCSF	CH	154,800	154,262
Child Death Review Processes	DCSF	CH	63,000	65,325
Child Trust Fund	DCSF	CH	6,500	7,471
Young Peoples Substance Misuse	DCSF/HO	CH	196,000	195,944
Adult Social Care Workforce (formerly HRDS and NTS)	DH	AD	615,000	626,083
Carers	DH	AD	1,010,500	1,334,679
Carers	DH	CH	252,700	0
Child and Adolescent Mental Health Services	DH	CH	832,200	870,771
Mental Capacity Act & Independent Mental Capacity	DH	AD	139,900	133,259
Mental Health	DH	AD	757,400	792,797
Preserved Rights	DH	AD	581,700	561,574
Learning & Disability Development	DH	AD	225,700	224,972
Local Involvement Networks	DH	AD	162,700	161,797
Total Area Based Grant			16,634,800	25,292,845

Appendix 3 – Revised MTFS 2010/11 – 2013/14

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
General Fund Budget Brought Forward	222,443	238,239	235,724	233,276
Schools - Dedicated Schools Grant	169,881	180,326	183,081	185,776
Base Budget at Beginning of year	392,324	418,565	418,805	419,052
Additional DSG for schools	10,445	2,755	2,695	2,787
Transfer of Specific Grant to ABG	11,196	0	0	0
New Burdens:				
Housing Benefit Reform	3,000	0	0	0
Pay and Prices	5,524	5,956	5,893	5,831
Growth				
Policy Review Growth - 08/09	751	0	0	0
Policy Review Growth - 09/10	956	208	1,000	0
Unavoidable growth - learning disability	200	140	0	0
Contingency	0	1,000	1,000	1,000
Statutory and Service Pressures:				
NWLA Levy increase	1,700	1,200	850	850
Data/Legislation changes	300	0	0	0
Contribution to NLWA Sinking Fund	1,000	1,000	1,000	1,000
National Insurance increase	0	250	250	250
One-off Pressures	2,500	-1,500	0	0
On-going Pressures				
Single Status	1,500	0	0	0
BT Contract	300	0	0	0
Arcade Capital	400	0	0	0
Environmental Contract	300	0	0	0
Verdant Contract	400	-100	-100	-200
Trade Waste Income	300	0	0	0
ICT Income	200	0	0	0
Invest to save	1,000	0	0	0
Transformation	800	0	0	0
Single Status Phase 3	0	1,500	0	0
Pensions Increase	0	1,000	0	0
Savings				
Transformation	0	-12,000	-10,000	-8,000
Use of Specific Reserves	-3,500	1,500	0	0
Base Budget Review	-14,031	0	0	0
Collection Fund Adjustment	1,000	-1,000	0	0
Total LBWF Expenditure	418,565	420,474	421,393	422,570
Resources				
RSG	122,961	117,961	112,961	107,961
ABG	25,523	25,523	25,523	25,523
DSG	180,326	183,081	185,776	188,563
Council Tax	89,755	92,240	94,792	97,414
Total Resource	418,565	418,805	419,052	419,461

Appendix 4 – Revised MTFs after savings options

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
General Fund Budget Brought Forward	222,443	238,239	235,724	233,276
Schools - Dedicated Schools Grant	169,881	180,326	183,081	185,776
Base Budget at Beginning of year	392,324	418,565	418,805	419,052
Additional DSG for schools	10,445	2,755	2,695	2,787
Transfer of Specific Grant to ABG	11,196	0	0	0
New Burdens:				
Housing Benefit Reform	3,000	0	0	0
Pay and Prices	5,524	5,956	5,893	5,831
Growth				
Policy Review Growth - 08/09	751	0	0	0
Policy Review Growth - 09/10	956	208	1,000	0
Unavoidable growth - learning disability	200	140	0	0
Contingency	0	1,000	1,000	1,000
Statutory and Service Pressures:				
NWLA Levy increase	1,700	1,200	850	850
Data/Legislation changes	300	0	0	0
Contribution to NLWA Sinking Fund	0	2,000	1,000	1,000
National Insurance increase	0	250	250	250
One-off Pressures	2,500	-1,500	0	0
On-going Pressures				
Single Status	1,500	0	0	0
BT Contract	300	0	0	0
Arcade Capital	400	0	0	0
Environmental Contract	300	0	0	0
Verdant Contract	400	-100	-100	-200
Trade Waste Income	300	0	0	0
ICT Income	200	0	0	0
Invest to save	1,000	0	0	0
Transformation	800	0	0	0
Single Status Phase 3	0	1,500	0	0
Pensions Increase	0	1,000	0	0
Savings				
Transformation	0	-12,000	-10,000	-8,000
Use of Specific Reserves	-3,500	1,500	0	0
Base Budget Review	-12,031	0	0	0
Leisure Management Contract	-1,000	0	1,000	0
Collection Fund Adjustment	1,000	-1,000	0	0
Total LBWF Expenditure	418,565	421,474	422,393	422,570
Resources				
RSG	122,961	117,961	112,961	107,961
ABG	25,523	25,523	25,523	25,523
DSG	180,326	183,081	185,776	188,563
Council Tax	89,755	92,240	94,792	97,414
Total Resource	418,565	418,805	419,052	419,461