COUNTY COUNCIL

21 FEBRUARY 2007

EXECUTIVE REPORT TO COUNCIL

APPENDIX 1

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

6 February 2007

MEDIUM TERM FINANCIAL STRATEGY AND REVENUE BUDGET FOR 2007/08

**Joint Report of the Chief Executive
and the Corporate Director – Finance and Central Services**

EXECUTIVE SUMMARY

1. The purpose of the attached detailed report is to enable the Executive to make a recommendation to the County Council on 21 February 2007 regarding the Medium Terms Financial Strategy and Revenue Budget for 2007/08 incorporating the level of Council Tax.

2. The key points are -

(i) a recommended Council Tax increase of 4.9%

(ii) there has been much media speculation recently that Council Tax increases could be averaging 3.5% - it is important to note that this is in the context of service reductions and fees/charges increases above inflation to make this happen

(iii) the Budget package in the attached report does not rely on such measures, despite the rate of inflation for the County Council's "basket of goods" exceeding 4%

(iv) at service level, the Budget continues to invest additional funds in Adult Social Care (£2.3m), Waste Disposal Strategy (£1.2m) and Home to School transport (£1m)

(v) the picture for 2008/09 and 2009/10 is still problematic – assuming Government grant increases of only 2.5% (based on the signs for the Comprehensive Spending Review 2007) but further Council Tax rises of 4.9% for each of the two years, the current shortfall between assessed need and likely funds available is £8m and £8.2m respectively. These figures are effectively targets for the Efficiency and Transformation agendas to achieve if service reductions are to be avoided in these later years. The primary cost drivers in both years are Adult Social Care, the Waste disposal strategy and aspects of Children's Services

(vi) the 2% target figure for the General Working Balance (approximately £6m) is expected to be met in the current year and will be maintained throughout the 3 years of the MTFS

(vii) separate provision has been made for the anticipated costs of equal pay claims and the job evaluation process

JOHN MARSDEN	JOHN MOORE
Chief Executive	Corporate Director - Finance and Central Services

2 February 2007

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

6 February 2007

MEDIUM TERM FINANCIAL STRATEGY AND REVENUE BUDGET FOR 2007/08

Joint Report of the Chief Executive
and the Corporate Director – Finance and Central Services

1.0 PURPOSE OF REPORT

1.1 To update the previous reports to the Executive and County Council regarding the Medium Term Financial Strategy and Revenue Budget 2007/08 and to make associated recommendations to the County Council on 21 February 2006.

2.0 CONTEXT

2.1 The County Council has a duty to provide efficient, value for money services. This remains the fundamental priority for the County Council and a high expectation from the public of North Yorkshire. Local authorities are not the only public service where needs and demands are outstripping resources - the Police and the Health Service as two other examples. Later on in this report there is reference to performance but at this point it is suffice to say that the County Council compares very well against the tests set by the Audit Commission and other Inspectorates as well as demonstrating value for money.

2.2 Particular challenges that are current and will be ongoing include the increasing number of older vulnerable adults who need support, the need to further improve the educational attainment of children and the skill levels of adults and the disposal of the large amounts of waste produced in the County in an environmentally acceptable way. The County Council priorities reflect the need to address these challenges and the Chief Executive's Management Board alongside the County Council's Executive Members are very conscious of the need to keep under review both the challenges and the opportunities that arise.

2.3 The forthcoming Comprehensive Spending Review is likely to bring a further tightening of the allocation of Government money to local government and therefore the quest for further efficiencies remains a high priority. The Government has made it clear that they expect local government in two tier areas such as North Yorkshire to strive to reduce overheads and duplication costs in order to help address the financial challenges of finding resources to meet service demands and pressures. Whether there is a new unitary Council in North Yorkshire or the two tier arrangement stays, the requirement to work together and find higher levels of efficiency is very real. Corporate Directors have examined very carefully the duties that are placed upon them and have come forward with proposals for this year and succeeding years that try and limit the need for increased expenditure but at the same time prioritise the requirements they have to discharge their duties.

3.0 BACKGROUND

Introduction

3.1 The Medium Term Financial Strategy (MTFS) is designed to ensure that resources are effectively deployed to provide and improve County Council services to communities across North Yorkshire in line with the Council Plan. The County Council's detailed expenditure plans and Revenue Budget for 2007/08 seek to improve efficiency, to avoid service reductions but provide some investment and strengthening of services, to manage or reduce identified risks, and to raise performance.

Council Plan

3.2 The seven key objectives of the Council Plan are as follows:

- ➔ Security for all – by promoting safe, healthy and sustainable communities
- ➔ Growing up prepared for the future – through good education and care and protection when it is needed
- ➔ Independence – through employment, opportunity and appropriate support
- ➔ Keeping us on the move – with good roads and a safe and reliable transport system
- ➔ Strengthening our economy – by supporting business, developing our infrastructure, investing in powerful telecommunications and helping people improve their skills
- ➔ Looking after our heritage and our environment – in our countryside and our towns and villages
- ➔ Keeping in touch – by listening to your views, planning to meet your needs, providing new ways to contact us and by telling you what we are doing.

Performance

3.3 Performance has generally continued to improve in 2006/07, as evidenced by:

- ➔ Audit Commission rating at 'good', a 3 star (out of 4) authority that is improving well
- ➔ the Audit Commission Corporate Assessment rated the County Council as 3 out of 4
- ➔ a joint assessment by the CSCI and Ofsted has judged Services to Children and Young People at a score of 3 out of 4 with Education at the maximum of 4
- ➔ at Key Stages North Yorkshire results are in the top 15% in England and in the top 10% for Key Stage 3
- ➔ the overall Adult Social Care rating is 2 stars out of 3
- ➔ the Audit Commission has assessed the Council's Environmental Services at a score of 3 out of 4

- ➔ progress on the LTP has been assessed as 'excellent'
- ➔ household waste recycled and composted has increased to 30.2%
- ➔ the Audit Commission has assessed the Council's contribution to Cultural Services at a score of 3 out of 4
- ➔ the Audit Commission Use of Resources judgement is 3 stars out of 4 with a very good VFM profile.

3.4 Last year's increase in Council Tax was +4.9%. The County Council remains in the lowest taxing quartile of English Shire Counties and is well below the average in terms of net expenditure per head of population.

Medium Term Financial Strategy

3.5 An MTFS is required in business process terms because it:

- ➔ identifies the resources needed to achieve corporate objectives over the medium / longer term
- ➔ links the Revenue and Capital budgets

and therefore

- ➔ enables forward planning to take place with reference to levels of available funding.

3.6 The objectives of the MTFS, as reaffirmed by the County Council in the 2006/07 Budget cycle, are as follows:

- ➔ to support the **achievement of the vision and corporate objectives** expressed in the Council Plan
- ➔ to **maintain and improve service quality** and the Council's improvement planning priorities so as to secure high performance which is sustainable over the medium term
- ➔ to meet and **respond to the perceived needs and priorities of local people**
- ➔ to **manage and minimise the risks** to local services and customers
- ➔ to achieve **effective use of all land and property assets**
- ➔ to **maintain unallocated revenue balances** equivalent to 2% of the net Revenue Budget
- ➔ to **contain any rise in the Council Tax to a reasonable level**

Budget Cycle 2007/08

3.7 At the County Council meeting held on 20 December 2006, Members received details of:

- ➔ the key points arising from the Provisional Local Government Finance Settlement for 2007/08
- ➔ the implications of the Provisional Settlement for the Council Tax Precept

- ➔ the situation regarding capping
- ➔ an update regarding the expenditure assumptions in the MTFS
- ➔ consultation arrangements

3.8 Because of the lateness of the ODPM's announcement of the Provisional Settlement figures, the Executive was not in a position to provide details of any proposed Budget package to Members when the County Council met in December 2006.

3.9 Since that date a package of Budget proposals has been prepared by the Executive and used in the consultation process.

3.10 This report explains the details of that package, reflects the responses from the consultation process, and takes into account the details of the ODPM's Final Settlement figures so that a formal Council Tax Precept and associated Budget package can be recommended to the County Council.

3.11 A copy of this detailed report will be circulated to all Members as part of the papers for the County Council meeting to be held on 21 February 2007 and will therefore be available to all Members before the Budget Workshop III on 14 February 2007.

4.0 STRUCTURE OF REPORT

4.1 Based on the starting position outlined above this detailed report:

- ➔ explains the expenditure and Council Tax implications for the County Council of the Final Local Government Finance Settlement figures announced on 18 January 2007 analyses the feedback from the consultation process
- ➔ analysis of the feedback from the consultation process
- ➔ sets out the proposed Revenue Budget package for 2007/08
- ➔ rolls forward the MTFS for the period to March 2010
- ➔ identifies the risks associated with the proposed package
- ➔ deals with a variety of technical and other matters associated with the Revenue Budget for 2007/08

5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT – FINAL FIGURES

5.1 The key elements of the Provisional Settlement reported to Members on 5 December 2006 were as follows -

- ➔ grant allocations for 2007/08 for all authorities are the same as notified at the time of the 2006/07 settlement
- ➔ the **County Council's formula grant is £80.188m which is a 5.9% increase compared with 2006/07**
- ➔ the average national increase is 3.7% and 4.0% for county councils

- ➔ no changes to grant formula or total amount of formula grant allocated
- ➔ no change to damping mechanisms or grant floor levels
- ➔ no grant amending report issues recalculating 2006/07 grant allocations
- ➔ some specific grant allocations yet to be notified directly by individual Government departments
- ➔ Ministerial warning to keep Council Tax rises below 5% in 2007/08
- ➔ provisional Dedicated Schools Grant (DSG) of £300.126m is a 4.9% increase but will be refined in due course to reflect updated pupil numbers
- ➔ the first full 3 year settlements, for 2008/09 to 2010/11, will be announced next year following the 2007 Comprehensive Spending Review (CSR)

5.2 The Final Local Government Finance Settlement for 2007/08 was issued by the DCLG on 18 January 2007 with the formula grant for all authorities being exactly the same as for the Provisional Settlement. Following the formal consultation period which ended on 5 January 2007, no changes to formula grant have therefore been reflected in the Final Settlement.

In announcing the Final Settlement the Minister said that he found no "exceptional circumstances" so, in keeping with the principle of multi year settlements, has not made any alterations. He also reiterated his threat of Council Tax capping, warning that "no authority should be complacent about the Government's resolve in this matter".

The only change to the figures as announced in November 2006 relates to some minor variations in Specific Grant totals and in particular a new grant for the implementation of smoke free legislation. However this new grant is only being paid to Unitary and District Councils, not County Councils.

5.3 The formula grant figures for the County Council are therefore as follows -

Item	£000
2006/07 Grant	76,213
− Funding Transfers (mainly Social Services)	− 498
= Adjusted grant per DCLG	75, 715
+ Increase (+ 5.9%)	+ 4,473
= final grant notified by DCLG on 18 January 2007	80,188

5.4 A breakdown of the County Council's formula grant into the Government's 4-block grant model is as follows -

	Grant element	£000
	Relative Needs	84,761
	Relative Resources	− 60,825
	Central Allocation	61,616
	Floor damping	− 5,364
=	Total formula grant	80,188

5.5 A significant feature of the above table is that the County Council's grant allocation has been damped (scaled down) by £5.4m in 2007/08 to help fund minimum grant increases for those authorities whose initial formula grant falls below the prescribed floor level of 2.7%.

For the 150 authorities with both Education and Social Services responsibilities, initial formula grant for 60 fell below the minimum 2.7% and was brought up to the floor at a cost of £345m. Therefore, the 90 authorities above the floor (including NYCC) had 69% of their grant increase above 2.7% clawed back to finance the floor (total of £345m with the clawback from NYCC being £5.4m).

The Government has pointed out that damping will continue to be a feature of the Local Government finance grant system for the foreseeable future.

5.6 Taking these Final Settlement figures, together with the final tax base and Collection Fund surpluses notified by District Councils, and a Council Tax increase of 4.9% for 2007/08, the increased spending capacity available to the County Council is set out in **Appendix A** with a summary set out below.

It should be noted that the figures for 2007/08 are firm. Those for 2008/09 and 2009/10 are, by comparison, speculative at this stage, being based on Council Tax increases of 4.9%, a formula grant increase each year of 2.5%, and estimated District Council Tax bases and Collection Fund surpluses.

Item	2007/08 £000	2008/09 £000	2009/10 £000
Additional DCLG formula grant			
Funding transfers	− 498	−	
Annual Increase	4,473 (+5.9%)	2,005 (+2.5%)	2,055 (+2.5%)
Sub-total (a)	3,975	2,005	2,055
Additional Council Tax raised at a 4.9% increase			
Yield from 4.9% increase	9,930	10,495	11,099
Yield from increased tax base	1,614	1,806	1,910
Collection fund surpluses	174	− 409	0
Sub-total (b)	11,718	11,892	13,009
= total increase in spending available at 4.9% Council Tax increase (= a + b)	+ 15,693	+ 13,897	+ 15,064

The Council Tax assumptions referred to above are explored in more detail in **paragraph 7.19** et seq below.

5.7 The provisional Dedicated Schools Grant (DSG) allocation of £300.126m for 2007/08 notified to the County Council by the DfES at the same time as the Provisional Settlement, remains unchanged at this stage. The allocation is for financial planning purposes only, however, and will be updated to reflect January 2007 pupil numbers in May 2007.

5.8 A comparison of total Formula Grant plus Dedicated Schools Grant (DSG) is as follows

Grant	2006/07 Adjusted Baseline £m	2007/08 Allocations £m	NYCC Increase %	Ranking out of 34 Shire Counties	Shire's increase %	National increase %
Formula Grant	75.715	80.188	+ 5.9	4th	4.0	3.7
DSG	285.994	300.126	+ 4.9	29th	5.6	5.8
Total formula grant + DSG	361.709	380.314	+ 5.1	16th	5.0	4.8

6.0 CONSULTATION

6.1 Consultation and discussion on the Budget proposals has been undertaken in accordance with the ‘Bronze level’ referred to in the Consultation Strategy for the Budget approved by the County Council on 21 December 2005.

6.2 A series of meetings took place around the County during November and December in relation to the Budget, targeted specifically at Parish Council representatives, but also open to the wider public. Attendance was variable from location to location but provided the opportunity for Parish Council representatives to air their distinctive points of view.

6.3 A series of further public meetings have been held, linked to the Area Committee meetings, during January and February 2007. Brief presentations were made by the Leader, Chief Executive and Corporate Director – Finance and Central Services and then the meetings were opened up to questions from the public and then the Committee Members. Details of all the issues raised have been recorded and circulated to all members of the Executive and Management Board so that they could be factored into the final consideration of the Budget proposals contained in this report.

6.4 The feedback from these meetings has been mixed. At the majority of public meetings most speakers have been understanding of the County Council’s position and supportive of a steady state Budget. There has been a general recognition of the County Council’s efforts to keep the Council Tax increase low and the proposal for a 4.9% increase has drawn very little criticism. Whilst some attendees at meetings acknowledged that the County Council had got its finances under control and managed its services well there were also views expressed at most meetings that there were now many tax payers who felt they got little back for their money - not being users, in particular, of schools or care services. There was also concern expressed about the position of fixed income pensioners who faced a number of financial pressures (eg fuel bills) in addition to a prospective Council Tax increase above any inflation they might receive on their pension etc.

6.5 The statutory meeting with the **Business Sector** took place with the Chamber of Commerce on 14 December 2006. It was acknowledged that the County Council was high performing and cost effective compared with others across the country but a view was expressed that the impact of the proposals in relation to transport for Post 16 pupils and in rural areas generally would be of concern to employers. In addition there was disappointment that the level of Council Tax increase being proposed was greater than the level of high street inflation.

6.6 The opportunity has also been taken to seek views and responses in relation to the County Council's Budget by providing information in the NY Times, on-line through the website and through targeted Focus Groups which were held with -

- ➔ Older people
- ➔ Disabled people
- ➔ Young people
- ➔ BME people
- ➔ Business representatives
- ➔ Community and voluntary sector representatives

Overall, those responding to the consultation via the Focus Groups and on-line felt that ensuring an effective use of scarce resources should be an overall concern for the County Council when setting its Budget for 2007/08. The same respondents also felt that a rise in Council Tax would be more palatable if this led to an increase in service quality and services being delivered in accordance with local needs.

Focus groups and on-line respondents also considered what should be the higher and lower priorities for the Budget in 2007/08. Regarding the perceived higher priorities, most respondents felt that, in 2007/08, the County Council should invest in:

- ➔ achieving inclusive and sustainable communities across North Yorkshire; helping provide independence for all
- ➔ helping provide social care for older people

In terms of lower priorities, most respondents felt that the County Council could reduce / stop investment in the following areas -

- ➔ Strategy, brochure and plan production
- ➔ solutions to meet the needs of the majority of the population
- ➔ increasing staff numbers.

6.7 The third **Members' Budget Workshop** scheduled for 14 February 2007 will provide an opportunity for Members to probe the particular service proposals in detail. In previous Workshops Members have, in general, been supportive of a policy designed to minimise the level of Council Tax increase whilst avoiding service reductions wherever possible. The need to look at Budgets on a multi-year basis was understood and accepted and there was a growing recognition that the financial pressures the County Council was facing in its 2006/07 Budget were unlikely to ease in 2007/08 and 2008/09 (ie Years 2 and 3 of the MTFS)

6.8 Proposals for the use of Dedicated Schools Grant to fund the **Schools Block** have been the subject of separate and extensive consultations with schools. This was achieved by the circulation of a detailed Budget Commentary and a series of five roadshow meetings held in early December 2006. The meetings were informative to schools and provided helpful feedback on the formulation of a Schools Block budget package for 2007/08 together with provisional thinking for the remainder of the MTFS period.

School budgets for 2007/08 were fixed a year ago subject only to adjustments to reflect change in pupil numbers and a restricted number of other data items which determine the distribution of resources through the LMS formula. However, there was the opportunity for more detailed review of the budget allocations for non-delegated funds included within the Schools Block/DSG. All the proposals have been considered at two meetings of the Schools Forum. In overall terms the priorities included in the consultation document, including the funding package for the review of SEN and Behaviour, have the support of schools and can be afforded within the projections of available DSG. The package endorsed by the Schools Forum at its recent meeting is set out in **Supplementary Paper III** (see **paragraph 7.8**). Announcements on the methodology for the distribution of Schools Block/DSG for 2008/09 and beyond are expected to be the subject of consultation in the near future. Further detailed consultations will be held at that stage with all schools and the Schools Forum.

6.9 A meeting was due to be held on 31 January 2007 with the **Voluntary Sector** to explain the Budget proposals, particularly in the context of Adult and Community Services. The meeting will also be used to discuss the role that Voluntary Sector organisations might play in the future, and the challenges posed by the recent White Paper *Our Health, Our Care, Our Say*. Any issue arising from this meeting will be reported verbally.

6.10 Initial meetings have also been held with the **Independent Care Group (ICG)**, representing providers of residential, nursing and domiciliary care services within North Yorkshire. These have touched on the market position and cost pressures within the industry, and the ICG has stressed the continuing need for the County Council to reflect these cost pressures by moving towards an agreed "Fair Price for Care", for all these service areas over a fixed period. The discussions have also covered ways in which the sector, through the ICG and providers directly, can get more involved in shaping the commissioning strategy for the future. This links to the priorities in the White Paper mentioned in **paragraph 6.9**. There was a renewed request for the County Council, through its economic development role, to consider how it might assist providers in preparing for new service approaches required in the future. A formal budget consultation meeting involving the Executive Portfolio holder is due to be held on 29 January 2007. Any further issues arising at this meeting will be reported verbally

6.11 The Corporate Director – Adult and Community Services has held an initial meeting with the Chief Executive of the **North Yorkshire and York Primary Care Trust**. It was agreed at this meeting that the Corporate Director – Adult and Community Services and the PCT Chief Executive will meet on a monthly basis. Budget issues, including the potential impact of the PCT Financial Recovery Plan on social care budgets, are planned to be discussed at the first of these meetings in February

7.0 MTFS / REVENUE BUDGET 2007/08 – PROPOSALS

Approach

7.1 There are a number of factors that caused the Executive to change the Budget process last year and maintain that approach in this latest Budget cycle viz

(i) the Government's intention to announce 3 year grant Settlements accompanied by the clear message that authorities should set indicative levels of Council Tax for future years based on the grant figures provided

(ii) given the likely levels of future Government grant, and the continued threat of capping, the early financial projections for the County Council indicated that the funds available for service development are likely to be limited and therefore the self-help principle needs to be pursued wherever possible (eg efficiencies, review of service levels). The ongoing need to meet the Government's annual efficiency targets of 2.5% per annum emphasises this point

(iii) for the reasons explained in the 5 December 2006 report the new style Grant Settlement cannot be analysed meaningfully at service block level. The Executive therefore decided that other than in relation to the Dedicated Schools Grant (DSG), the allocation of all the year on year additional funds available to the County Council would be based on prioritised service needs reflecting Council Plan objectives

(iv) there is a recognition from work done in preparing last year's MTFS, by looking at spending pressures in the current year and by being aware of future legislative agendas etc there are four service areas that are likely to require significant levels of additional funding in the period to be covered by the updated MTFS (ie to March 2010). These areas are:

➔ demand pressures in Adult Care services

➔ Waste Strategy – both recycling and waste disposal

➔ home to school transport – market forces

➔ development of the integrated Children's Service

7.2 Given all the factors referred to above there is no sense in trying to prepare a Budget package for 2007/08 on its own – the emphasis has therefore been to look at the 3 year period (ie 2007/08 to 2009/10).

7.3 A diagram that illustrates how all the various internal and external factors link together in process terms as far as Budget preparation is concerned is provided at **Appendix B**. The Executive has been mindful of all of these factors at all stages of the MTFS / Budget process.

7.4 Members will be aware from previous Budget reports, the Quarterly Performance Monitoring reports and the recent Budget Workshops that there are spending pressures across all service areas The aggregate financial impact of all of these items is not affordable within the projected funding levels. The Executive therefore recognised that the eventual Budget package proposals would have to reflect a combination of the following:

(i) reducing future spending needs via
- curtailing policy improvements
- and/or reducing service levels
- and/or increasing income levels

(ii) finding cashable efficiency savings to offset the need for (i)

(iii) finding non-cashable efficiency savings to offset the need for (i) , and

(iv) looking at all of the above across 1/2/3 year timescales.

7.5 To ensure that value for money was evident and/or being pursued across all Services, the Executive undertook a systematic analysis of the performance indicators, unit costs and other statistics available for each Service. Particular use was made of those statistics provided by the Audit Commission but other local indicators were analysed where available. This approach will be expanded in the next Budget cycle to include the benchmarking figures for County Councils developed by PricewaterhouseCoopers.

7.6 Because of this challenging scenario, the Executive has maintained the following 'design principles' for the latest MTFS/Budget:

(i) its continuing commitment to the funding of schools – the fact that the level of Dedicated Schools Grant (now ringfenced for the Schools Block and £ for £ grant funded by the Government) takes into account the County Council's previous spending above Schools FSS in this area is reassuring (if not guaranteed indefinitely)

(ii) the County Council will not breach any capping criteria set by the Government

(iii) the County Council is committed to being a low taxing, value for money authority on an ongoing basis

(iv) the year on year increase in spending capacity would not be allocated on a formulaic basis to any particular Directorate nor will predetermined targets be set for each Directorate. Rather that the funds available will be treated as a single 'pot of money' which will be allocated based on the policies and priorities of the County Council.

7.7 To prepare the proposals contained in this report a number of further modelling assumptions / methodologies have been applied:

(i) whilst the Government's Final Grant Settlement figures for 2007/08 have been used, a 'best guess' has been used for 2008/09 and 2009/10 based on assumptions about the likely outcome of CSR 2007 that are already being trailed by DCLG; these will not be substantiated before the Budget process for 2007/08 is completed, but they will be updated once the CSR 2007 figures are announced later in 2007

(ii) Council Tax increases of +4.9% have been applied in each of the three years. Because of the pre-existing low tax base, and acknowledging the threat of capping, the Executive has chosen to adopt this % increase figure so that the maximum funds available to the County Council can be provided against the predicted spending needs

(iii) the County Council's policy regarding a 2% minimum level of General Working Balance should be retained

(iv) the MTFS package approved with the 2006/07 Budget was balanced with a £4m 'to be identified' figure. This has now been factored into the preparation of the Service budgets referred to in **paragraph 7.8** et seq.

(v) the targets included in future years for the results of the Transformation process and Efficiency programme (see **paragraph 7.12 (iv)** below) must be realistic – in a situation for Years 2 and 3 where the funds generated by Government grant and a 4.9% Council Tax increase are totally consumed by inflation and known commitments, the ability to provide additional resources for service development is solely dictated by the level of savings and cost reductions that can be made from service reviews, the Efficiency agenda, and the Transformation process.

Service Budgets

7.8 The key elements of the final MTFS / Budget proposals, on a service by service basis are provided in the **Supplementary Papers** pack as follows:

I Adult and Community Services

II Business and Environmental Services

Children and Young People's Services

III Schools Block (Dedicated Schools Grant)

IV LEA Block

V Chief Executive's Group

VI Finance and Central Services

VII Corporate Miscellaneous

7.9 The format used in the **Supplementary Papers** covers the 3 year period of the MTFS, and

- ➔ provides a contextual commentary by the Service Corporate Director
- ➔ identifies and explains the funding priorities and service efficiencies proposed together with an analysis of the risks associated with each proposal

7.10 The figures shown in these service specific papers are summarised, year by year, in **Appendix C**. The analysis is complicated by the fact that:

(i) the Dedicated Schools Grant is now funded by a £ for £ specific grant from the DfES

(ii) the remaining services are therefore funded by a combination of Government grant, fees and charges, a range of specific grants and, of course, the Council Tax.

(iii) the original 2006/07 Base Budget reflected the previous Directorate arrangements because detailed staffing structures etc for the new Directorates were not available when the Budget process for 2006/07 was concluded. The Base Budget has now been realigned and all the analyses used in this report reflect the new Directorate structure

7.11 An overall summary of **Appendix C** that highlights some significant points is as follows:

Item		2007/08	2008/09	2009/10
		£000s	£000s	£000s
	Grant funding loss / Tax changes	930	4009	4667
+	Inflation	10856	11183	11701
=	Standstill Requirement	11786	15192	16363
+	Additional Resources			
	➔ Services	7370	6422	5741
	➔ Corporate	2396	1435	1455
-	Service reductions/efficiencies	- 5859	- 1472	- 280
-	Contribution to GWB	0	320	- 20
=	Sub Total	15693	21897	23264
-	Transformation/Efficiency Process	0	- 8000	- 8200
=	Net Year on Year Funding £	15693	13897	15064
	Increases %	+ 5.6%	+ 4.7%	+ 4.9%

7.12 The key points to emerge from the above analysis are as follows:

(i) the significant cost impact of known **grant funding/tax changes** relate almost entirely to the annual increase in Landfill Tax, the introduction of LATS, etc.

(ii) **Inflation** in the 'basket of goods' for the County Council exceeds 4% per annum largely due to factors beyond the day to day control of the County Council (eg pay awards, fuel prices, care packages).

(iii) the net **additional resources required by services** (as detailed in the **Supplementary Papers** along with the service reductions / efficiencies that have been identified at this stage) and the **additional resources for corporate purposes** (to essentially meet the cost of servicing the increasing sizel of debt created by the Capital Plan offset by interest on working balances) exceed the funds available once (i) and (ii) have been resourced.

(iv) Finally there is a target figure of £8m and £8.2m in 2008/09 and 2009/10 respectively that will have to be found, on a recurring basis, from a combination of **Transformation and Efficiency savings** if service cuts are to be avoided.

As Members will be aware efficiency savings are linked to the Annual Efficiency Statement that, as a minimum, must meet the Government's annual target of 2.5% - this is expected to increase to 3% in CSR 2007.

The Transformation process involves a range of initiatives, eg Bright Office, use of technology to facilitate remote working, VOIP / videoconferencing as well as the BPR of back office functions linked to the transfer of telephone calls to the new Contact Centre that will open in April 2007.

(v) the **Net Funding** increases shown at the bottom of the table are effectively the year on year net additional spending capacity – they represent the aggregate of the year on year increase in Government grant and the yield of the 4.9% increase in Council Tax (see **paragraph 5.6** and **Appendix A**).

Waste Strategy

7.13 The costs of implementing the Waste Strategy are referred to in several places in this report. In summary, taking into account inflation, the annual increase in Landfill Tax, the introduction of LATS, and the increasing costs over time of recycling and residual waste disposal is estimated to increase as follows-

Financial Year		Year on Year increase £k	Base Budget £k	% increase cumulative
	2006/07		14934	
MTFS period	2007/08	+ 1345	16279	+ 9.0
MTFS period	2008/09	+ 2337	18616	+ 24.6
MTFS period	2009/10	+ 4510	23126	+ 54.8
	2010/11	+ 5582	28708	+ 92.2
	2011/12	+ 4601	33309	+ 123.0
	2012/13	+ 2868	36177	+ 142.2
	2013/14	+ 4870	41047	+ 174.8

7.14 What the above table shows is that within the 3 year period covered by the MTFS, the estimated increase is 54.8% whilst over the extended 7 year period to 2013/14 it is 174.8%. These figures will clearly place additional pressure on the County Council's budget for the foreseeable future.

7.15 In addition to the Landfill tax / LATS issue within this period there are costs included for residual waste treatment. Members will be aware that the County Council has submitted a bid, in conjunction with the City of York, for PFI funding of waste treatment facilities. Based on DEFRA advice

- ➔ this residual bid does not include so-called front end infrastructure (eg material recovery facilities and transfer stations), and

- ➔ the County Council is expected to secure planning permission for potential treatment sites in advance of final contract negotiations with PFI bidders

Provisional costs for both of the above have therefore been included in the MTFS.

7.16 A full report on the Waste Strategy is due to be submitted to the Executive in May 2007 when approval will be sought to commence work on both these issues.

Dedicated Schools Grant

7.17 The Dedicated Schools Grant (DSG) is effectively now ringfenced from the rest of the County Council's Budget. However as the LEA, the County Council is still the key player in the allocation of the funds provided by the DSG.

7.18 Further details including the proposed allocation of DSG funds is provided in **Supplementary Paper III**.

Council Tax

7.19 The effect of these proposals for the Council Tax is as follows:

- ➔ a year on year increase for 2007/08 of 4.9% - this is formal recommendation to the County Council
- ➔ an indicative year on year increase for 2008/09 of 4.9% - this takes into account the level of grant increase that is likely to be made available for 2008/09 following the CSR 2007. The County Council has prepared a Budget scenario for 2008/09 based on this, and a number of other assumptions – the County Council will need to review these assumptions in due course
- ➔ the same working assumption of a 4.9% increase for 2009/10.

7.20 The Executive has also considered the implications for the Budget of lower levels of Council Tax increase. Taking into account the terms of the Final Settlement the year on year increases in spending that are possible can be illustrated as follows:

Council Tax Increase	2007/08 £m
@ 2.5%	10.8
@ 3.5%	12.8
@ 4.9%	15.7

Because the grant figure is now fixed, the key variable in this table is the level of Council Tax increase – a 1% increase or decrease is equivalent to an estimated £2.04m in 2007/08.

7.21 To put this into a local context the impact of known or anticipated pay and price inflation on the current Budget (excluding schools) is approximately 4% - this is equivalent to £11m. Add to this the impact of the loss of specific grants and increased taxes (eg landfill) and the majority of the spending capacity for 2007/08 illustrated in **paragraph 7.20** has been utilised to maintain a 'standstill' position before spending needs generated by demand and/or policy improvements are considered. This financial scenario is worse in Years 2 and 3 of the MTFS (see **paragraphs 7.11 / 7.12** above) in that the annual increases in spending capacity will probably be fully consumed before inflation and grant/tax charges have been funded, ie there are no funds available for development unless recurring "savings" of £8m and £8.2m are identified.

8.0 RISK ASSESSMENT

8.1 The County Council has a formalised and systematic approach to assessing and evaluating risk. The corporate level risk assessment has recently been considered by both the Executive and the Audit Committee, and relevant issues are reflected in both the Revenue and Capital strands of the MTFS.

8.2 There are particular service risks associated with the Budget proposals which are referred to in the Service analyses contained in the **Supplementary Papers**. Some of these are risks which the County Council has managed for many years – such as bad weather (winter maintenance and flooding), increasing demand for services and market pressures on costs – others reflect relatively new issues, such as CPA star ratings and the implementation of the Children Act.

8.3 These risks will continue into Years 2 and 3 of the MTFS - an assessment of their potential financial impact in these years has been reflected in the expenditure and funding figures used in **Appendix C** and is expressed at service level in the **Supplementary Papers**.

8.4 It is impossible to predict the combined financial impact if all the identified risks become financial liabilities in excess of any budgetary provisions that have been made. It is therefore prudent to increase the level of the General Working Balance towards the policy target as soon as possible, and this remains a key strand of the MTFS (**paragraph 10.11 et seq** below for a detailed explanation of this issue).

8.5 An exercise has also been undertaken to map the proposals in the Budget/MTFS package against the strategic risks reflected in the current Corporate Risk Register. The details of this analysis are presented in **Appendix D.**

9.0 TECHNICAL ISSUES AND ASSOCIATED MATTERS

9.1 Within the proposed Budget package, and as part of the Budget process generally, a number of technical issues and associated matters that need to be addressed in this report.

Calculation of Council Tax Precept

9.2 There is a formal requirement for this calculation to be included in the Budget report. Full details are therefore provided in **Appendix E.**

Capping

9.3 The Government has made it clear that it does not expect local authorities to increase Council Tax by more than 5%. It has also indicated that, as last year, it will consider capping any authority that exceeds this figure.

9.4 To help Members assess the risk attached to this current Budget package, a briefing note is attached as **Appendix F – paragraph 9** thereof includes a table comparing the capping criteria used by the Government since 2004/05 against the relevant figures for the County Council.

9.5 **If the Budget is approved with a Council Tax increase of 4.9% it is considered unlikely that the Government will apply capping to the County Council.**

Capital Plan

9.6 An updated Capital Plan (for the period up to 31 March 2010) will be submitted to the Executive on 20 February 2007 as part of the Quarter 3 Performance Monitoring report for 2006/07. The report will include reference to the 10 year Capital Forecast which was initiated by the County Council as part of the 2004/05 Budget/MTFS process, and updated in subsequent Budget cycles, and will refer to the review of the Capital Plan process which is currently being undertaken.

9.7 The revised Capital Plan will be based on the version approved by Executive on 21 November 2006 but updated to incorporate

- ➔ additions or variations to schemes that are self-funded (ie through grants, contributions and revenue contributions and earmarked capital receipts
- ➔ Highways LTP allocations notified in December 2006 for 2007/08 together with indicative figures for subsequent years
- ➔ identified rephrasing of expenditure between years
- ➔ virements between schemes resulting from variations in scheme costs (eg arising from a tender process) and ongoing re-assessment between priorities within a finite control total
- ➔ additional schemes approved by Executive for inclusion in the Capital Plan
- ➔ various other miscellaneous refinements

9.8 The financing costs (interest and principal) required to finance this updated Capital Plan are already reflected in the 2007/08 Revenue Budget package within Corporate Miscellaneous - see **Supplementary Paper VII**. Financing costs for the subsequent two years 2008/09 and 2009/10 are reflected within the MTFS papers (see **Appendix C**).

9.9 Members will be aware that the way in which the borrowing requirements for the Capital Plan of the County Council are now managed and financed is directly linked to:

- ➔ the **Treasury Management** arrangements
- ➔ the **Prudential Indicators**

Because of these close links, reports on both of the above are also included on this Agenda and need to be recommended to the County Council as part of the “Budget set”.

9.10 Although a detailed Capital Plan is not being submitted to this meeting (see **paragraph 9.6** above), the expenditure / financing requirements of the Plan are available in sufficient detail to enable the reports referred to in **paragraph 9.9** to be submitted to this meeting.

Local Authority Business Rates Growth Incentive Scheme (LABGI)

9.11 The LABGI scheme was introduced by the Government in 2005/06 and has previously been reported to Members. The basis of the scheme is to provide an incentive for authorities to maximise local economic growth by allowing them to retain a proportion of the growth in local business rates rather than it being paid into the national business rates pot.

9.12 The County Council received £635k from this source in 2005/06 which was transferred into the General Working Balance. Income in subsequent years was reflected in last year's Budget / MTFS as a series of "one-off" contributions to the General Working Balance; it is now proposed to change this approach (see **paragraph 9.17** below).

9.13 A recent updated forecast is that the County Council could receive £1.7m in 2006/07 and £2m in 2007/08 from this source as a result of -

- ➔ historical levels of business rate growth being maintained, and
- ➔ recent relaxations to the scheme by the Government following a promised review after the first year of the scheme. These relaxations are principally removing a "payout ceiling" and distributing 100% of the growth calculated rather than 30% being retained by the Government. These changes significantly increase the estimated sums payable

9.14 Actual figures for 2006/07 are due to be notified by the Government in February 2007, and it is worth noting that in two tier areas approximately two thirds of the distributable growth is paid to Districts and one third to County Councils. Thus the latest forecast for North Yorkshire is as follows

Authority	**%**	**2005/06 actual £000**	**2006/07 forecast £000**	**2007/08 forecast £000**
Payable to NYCC	34	635	1,700	2,000
Payable to the 7 Districts	66	1223	3,300	3,900
Total payable to North Yorkshire authorities	100	1,858	5,000	5,900

9.15 The updated forecasts have in fact recently been scaled down following a Government announcement that they are going to cap allocations to ensure that the national sum of £1bn set aside over 3 years to 2007/08 is not exceeded.

9.16 As the scheme was instigated for a 3 year period only (ie 2005/06 to 2007/08) there is a great deal of uncertainty over what will happen from 2008/09. In particular, the Government has said that the future of LABGI is subject to any recommendations made in the Lyons inquiry which is due to report shortly. There is, therefore, no guarantee of funding being received directly from this source after 2007/08.

9.17 As the implications of the Equal Pay and Job Evaluation exercise become clearer it is now considered prudent to transfer the forecast LABGI receipts for 2006/07 (£1.7m) and 2007/08 (£2m) into a provision to meet the likely costs of Equal Pay and Job Evaluation in these two years.

Local Public Service Agreement (LPSA)

9.18 As reported in the Quarterly Performance / Budget Monitoring report for Q1, the level of anticipated LPSA Performance Reward Grant (PRG) for the period April 2003 to 31 March 2006 is £6.567m.

9.19 The Budget / MTFS report for 2006/07 indicated that the PRG should be provisionally earmarked to offset the costs of Equal Pay and Job Evaluation but, at that stage, no precise figures were available as to the likely level of PRG that would be receivable.

9.20 The indications from the Equal Pay and Job Evaluation exercises are now such that the full value of the PRG should now be transferred into a provision for costs arising from Equal Pay and Job Evaluation.

Local Area Agreement (LAA)

9.21 The County Council along with key partners through the North Yorkshire Strategic Partnership (NYSP), is currently negotiating a Local Area Agreement (LAA) with Government, which is due to start on 1st April 2007 for a period of 3 years. The LAA will set out the agreed priority targets for the North Yorkshire area, as well as defining performance targets for the 3 year period. The LAA has 4 Thematic Blocks within which the outcomes and targets have to be set.

9.22 There are a number of streams of Pooled Funding from the DCLG that must be managed through the LAA, within the 4 Thematic Blocks, and be utilised on service delivery activity to promote outcomes within those Blocks. The County Council is designated by the DCLG as the Accountable Body for the LAA, and as such must ensure robust governance and financial management of the LAA and, must formally approve the allocation of the Pooled Funding to partners and activities. It is therefore proposed that a process be put in place for the County Council to take the recommendations of the NYSP into account when approving the allocations at the start of a financial year, and then delegate authority to the Chief Executive to approve virements during a financial year, taking into account the views of the NYSP. The NYSP is supportive of such arrangements. This arrangement can be best accommodated by reporting such allocations in the Quarterly Performance Monitoring reports that are submitted to the Executive.

9.23 Generally speaking the LAA Pooled Funding is not new money, rather streams of funding that were, in previous financial years, paid to partners in the area (including the County Council) for specific purposes. It is expected, at least for 2007/08, that the proposed allocations of LAA Pooled Funding will broadly reflect how the streams were utilised in previous financial years and will therefore not be expected to have a significant impact on the County Council's 2007/08 Budget.

9.24 The DCLG have not yet finalised the LAA Pooled Funding for 2007/08, although information received to date would indicate a total sum in the region of £6m. It is suggested that the formal approval of the allocations (as indicated in **paragraph 9.22)** take place once the LAA Pooled Funding has been finalised.

10.0 STATUTORY REQUIREMENTS OF THE LOCAL GOVERNMENT ACT 2003 IN RELATION TO BUDGET SETTING

Background

10.1 A full analysis of the requirements of the 2003 Act as it affects the Budget setting process is provided as follows:

- ➔ an explanation of the statutory requirements particular in relation to Section 25 that relates to the Budget process – see **Appendix G**.
- ➔ a risk assessment methodology for Balances / Reserves which is also required under Section 25 – see **Appendix H.**
- ➔ a subsequent review of the County Council's Balances and Reserves – see **Appendix I.**

Section 25

10.2 Under the terms of Section 25 of the Local Government Act 2003 the S.151 Officer is required to report to the County Council, at the time when it is making its Precept, on two specific matters viz:

- ➔ **the robustness of the estimates** included in the Budget, and
- ➔ **the adequacy of the reserves** for which the Budget provides

10.3 The County Council then has a statutory duty to have regard to this report from the S.151 officer when making its decisions about the proposed Budget and consequential Precept.

10.4 The County Council has recently been assessed as a 3 (out of 4) for its Financial Standing and associated management procedures as part of the recent CPA Use of Resources assessment, and received a positive Audit and Inspection Annual Letter from the External Auditor in relation to the 2005/06 financial year.

Robustness of the estimates

10.5 In accordance with the principles laid out in **Appendix G**, the Corporate Director – Finance and Central Services has undertaken a full assessment of the County Council's potential financial risks in the period 2007/08 to 2009/10 including:

- ➔ the realism of Revenue Budget estimates for
  - pay awards, the impact of job evaluation and potential equal pay claims
  - price increases
  - fee / charges income
  - loss/tapering of specific grants and/or changes to their eligibility requirements
  - efficiency and procurement savings
  - provision for demand led services including Waste, Adult social care, Special Educational Needs, Home to School Transport, Highways Winter Maintenance and others
- ➔ the realism of the Capital Plan estimates in the light of
  - the potential for slippage and underspending of the Capital Plan
  - the possible non achievement of capital receipts targets and its implications for the funding of the Capital Plan
- ➔ financial management arrangements including
  - the history over recent years of financial management performance
  - current financial management arrangements
- ➔ potential losses including
  - claims against the County Council
  - bad debts or failure to collect income
  - major emergencies or disasters
  - contingent or other potential future liabilities

10.6 An assessment has also been made of the ability of the County Council to offset the costs of such potential risks – the MTFS therefore reflects:

- ➔ the provision of a contingency fund in the Corporate Miscellaneous budget
- ➔ specific provisions in the accounts and in earmarked reserves
- ➔ proposals to maintain the level of the General Working Balance at its 2% target level
- ➔ comprehensive insurance arrangements using a mixture of self funding and external top-up cover

10.7 Estimates used in the MTFS for the years 2008/09 and 2009/10 are also based on realistic assumptions taking into account:

- ➔ future pay and price increases
- ➔ commitments in terms of demographic changes
- ➔ known changes in legislation and taxation
- ➔ known changes in the levels of specific grants
- ➔ likely levels of grant settlements that will be announced as part of the Comprehensive Spending Review 2007
- ➔ policies and priorities as expressed in the Council Plan and associated Service Plans

10.8 It should be recognised however that whilst these estimates for future years are based on realistic assumptions, some elements thereof are subject to a degree of potential variance as actual expenditure in these future years can be significantly affected by factors outside the County Council's control that occur after the annual Revenue Budget is approved. For budgetary control purposes the County Council operates a system of cash limits for each Directorate; therefore with rules permitting the carry forward of under and overspends, it has to be accepted that within these cash limits for each Directorate there is an expectation placed on both the Executive Portfolio Holder and the respective Corporate Director that expenditure pressures in one part of their Budget will be managed against underspendings elsewhere and/or across financial year ends. These cost pressures and variances are monitored on a regular basis and reported, alongside other key performance information, to the Executive on a quarterly basis. The annual Budget process also provides an obvious opportunity to recalibrate the future years within the MTFS.

Adequacy of Reserves and Provisions

10.9 As explained in **Appendix I** all the current balances and reserves had been examined as to their adequacy and purpose using the methodology/criteria detailed in **Appendix H**.

10.10 Based on this analysis, the Budget proposals reflect:

(i) achievement of the target level for the General Working Balance (see **paragraph 10.11 et seq** below**)**

(ii) the transfer of funds received under LABGI (**paragraph 9.17**) and the LPSA PRG (**paragraph 9.20)** to a Provision for offsetting the anticipated costs of Equal Pay claims and the Job Evaluation exercise.

General Working Balance (GWB)

10.11 Members will be aware that the current MTFS policy is to achieve a level of the GWB equivalent to 2% of the net Revenue Budget by 31 March 2011.

10.12 This policy is accompanied by a set of "good practice rules" (see **Appendix I** for full details). The Executive remains committed to achieving this target and recognises that the "rules" are part of the financial discipline required to ensure the County Council achieves that policy target.

10.13 It is now proposed that the policy be strengthened so that the 2% target be achieved at each subsequent year end and that any necessary contributions from the Revenue Budget be reflected in the MTFS.

10.14 The year end target figures for the GWB now proposed as compared to those a year ago are summarised below (see **Appendix J** for full details).

Year End Date	MTFS 2006/07		MTFS 2007/08	
	£000	% of Net Revenue Budget	£000	% of Net Revenue Budget
by 31 March 2006	3800 *	N/A	4414	N/A
31 March 2007	4500	1.6%	5880 *	2.1%
31 March 2008	5000	1.7%	5880	2.0%
31 March 2009	5500	1.8%	6200	2.0%
31 March 2010	6000	1.9%	6500	2.0%
31 March 2011	6500	2.0%	6800	2.0%

[Note : * projected º actual]

10.15 On the basis of the GWB at 31 March 2006 (£4.14m) and the projected GWB at 31 March 2007 (£5.88m) it is evident that the County Council is ahead of schedule in replenishing the GWB. Having achieved the 2% target, the intention is now to maintain the GWB at the target level. Obviously this position will be kept under review by the Executive via the Quarterly Performance Monitoring Reports and appropriate action taken if, and when, necessary.

Equal Pay/Job Evaluation

10.16 The MTFS / Budget for 2007/08 needs to recognise the financial implications of settling Equal Pay claims and the Job Evaluation exercise.

10.17 The Head of Legal Services has delegated powers under the Constitution, to agree the settlement of any claims - this will cover the **Equal Pay** claims.

10.18 In respect of **Job Evaluation**, all Chief Officers are authorised to take any action with respect to the recruitment, appointment, promotion, training, grading, discipline, determination of wages and salary scales, determination and application of conditions of service, and determination of the establishment of the Business Units which they manage, subject to the Corporate Director – Finance and Central Services being satisfied that adequate provision is made in the Budget of the Business Unit and to the Assistant Chief Executive (Human Resources and Organisational Development) raising no objection to proposals affecting the grading, determination of wages and salaries scales, or determination and application of conditions of service.

10.19 Notwithstanding this, and in recognition of the fact that Job Evaluation will affect staff in all Directorates of the County Council and in schools, it is proposed that it should be a recommendation to the County Council that, for the avoidance of doubt, it is confirmed that the Chief Executive Officer has delegated powers to change salary levels and scales and conditions of service arising from job evaluation and the pay and reward review, for all employees other than Chief Officers, provided it is within the budgetary and policy framework agreed by the Council.

Section 25 opinion of the Corporate Director – Finance and Central Services

10.20 **Taking all these factors and considerations into account the Corporate Director - Finance and Central Services is satisfied that the figures used in the Revenue Budget 2007/08 and the MTFS, as proposed, are realistic and robust and that the associated level of balances/reserves is adequate within the terms of the approved policy in relation thereto.**

11.0 CONCLUSIONS

11.1 The reality is that Government prescribed standards and targets, and customer expectations will continue to rise. The County Council has major challenges in service delivery and improvements to meet. Feedback from the consultation process suggests no public appetite for reductions in service, although there are growing worries for people on fixed incomes about Council tax increases above the rate of inflation.

11.2 Members will be fully aware of the tension between the cost of service improvements and priorities as compared to Government grant provision for these items. After taking account of savings and/or efficiencies, the balancing figure is always the Council Tax. The ringfencing of schools funding into the Dedicated Schools Grant has increased the sensitivity of Council Tax to the level of spend.

11.3 The aim of maintaining services and meeting national standards in 2007/08 underpins the Revenue Budget proposals, which involve a net Budget increase of 5.6% and an increase in Council Tax of 4.9%.

11.4 The updating of the Medium Term Financial Strategy has identified significant investment needs relative to potentially available resources. The challenge facing the County Council for the next 2/3 years, will be to continue the work on the MTFS so that options to reconsider policies, identify opportunities to reduce costs without effecting performance or service quality etc, can be factored into the Budget cycles for 2008/09 and beyond. The Transformation initiative will need to make a significant contribution to this process as will as the continuing need to implement efficiency measures.

11.5 Notwithstanding these challenges the County Council continues to have robust financial systems and procedures on which it can rely to provide the financial information necessary to make the difficult decisions that will continue to be required into the future.

12.0 RECOMMENDATIONS

12.1 That the Executive recommends to the County Council the following:

(i) that for the year beginning 1 April 2007, a Council Tax precept of £214,199,000 be issued to billing authorities in North Yorkshire, such precept to be paid in instalments on dates to be determined by the billing authorities

(ii) that a net Revenue Budget requirement for 2007/08 of £295,796,000 be approved.

(iii) that the allocations to each Directorate, various corporate initiatives, and precepts/levies/contributions be as detailed in **Appendix C** and the **Supplementary Papers** for this report, subject to:

(a) the Corporate Director – Children's Services being authorised, in conjunction with Executive Members, to determine the final package for the use of available Dedicated Schools Grant in 2007/08

(b) the Chief Executive, having the delegated authority to approve virements necessary as between funding streams within the Local Area Agreement subject to such changes being reported to the Executive in the Quarterly Performance Monitoring reports (**paragraph 9.22**)

12.2 That the Executive recommends to the County Council:

(i) that the policy target for the level of the General Working Balance be retained at 2% of the net Revenue Budget, and that contributions be made from the Revenue Budget as necessary to maintain the 2% level at all subsequent year ends and be reflected in the MTFS

(ii) that the funds due to be received for LABGI and LPSA Performance Reward Grant be transferred into a provision for the costs of Equal Pay claims and the Job Evaluation exercise (**paragraph 10.10**)

(iii) that, for the avoidance of doubt, it is confirmed that the Chief Executive Officer has the delegated power to change salary levels and scales, and conditions of service, arising from Job Evaluation and the Pay and Reward review, for all employees, other than Chief Officers, within the budgetary and policy framework agreed by the Council

12.3 The Executive draws to the attention of the County Council, the Section 25 assurance statement provided by the Corporate Director – Finance and Central Services regarding the robustness of the estimates and the adequacy of the reserves **(paragraph 10.20)**

12.4 The Executive recommends to the County Council the Medium Term Financial Strategy, and its caveats, as laid out in **paragraph 7** and **Appendix C.**

JOHN MARSDEN Chief Executive	JOHN MOORE Corporate Director – Finance and Central Services

County Hall
Northallerton

2 February 2007

Background Documents

➔ **Provisional Local Government Finance Settlement 2007/08 :** Reported to County Council (20 December 2006)	Contact Steve Knight ext 2101
➔ **Grant Settlement Working Papers**	Contact Peter Yates ext 2119
➔ **Budget / MTFS Working Papers**	Contact John Moore ext 2531

6 FEBRUARY 2007

SCHEDULE OF APPENDICES
TO
MEDIUM TERM FINANCIAL STRATEGY AND REVENUE BUDGET 2007 / 08

Appendix	Title	Cross Reference in main report
A	Exemplification of Precept / Council Tax requirement in relation to Government Grant	paragraph 5.6
B	What's in the mix ?	paragraph 7.3
C	Medium Term Financial Strategy - Exemplification of Directorate spending (i) 2007 / 08 Sheets A1 / A2 (ii) 2008 / 09 Sheets B1 / B2 (iii) 2009 / 10 Sheets C1	paragraph 7.10
D	Corporate Risk Register – analysis of impact of MTFS / Budget proposals	paragraph 8.5
E	Calculation of Council Tax Precept 2007/08	paragraph 9.2
F	Briefing note re Capping procedure	paragraph 9.4
G	Statutory Requirements of the Local Government Act 2003 in relation to Budget setting	paragraph 10.1
H	Balances / Reserves – risks assessment methodology	paragraph 10.1
I	Review of Balances / Reserves	paragraph 10.1
J	Projection of General Working Balance	paragraph 10.11

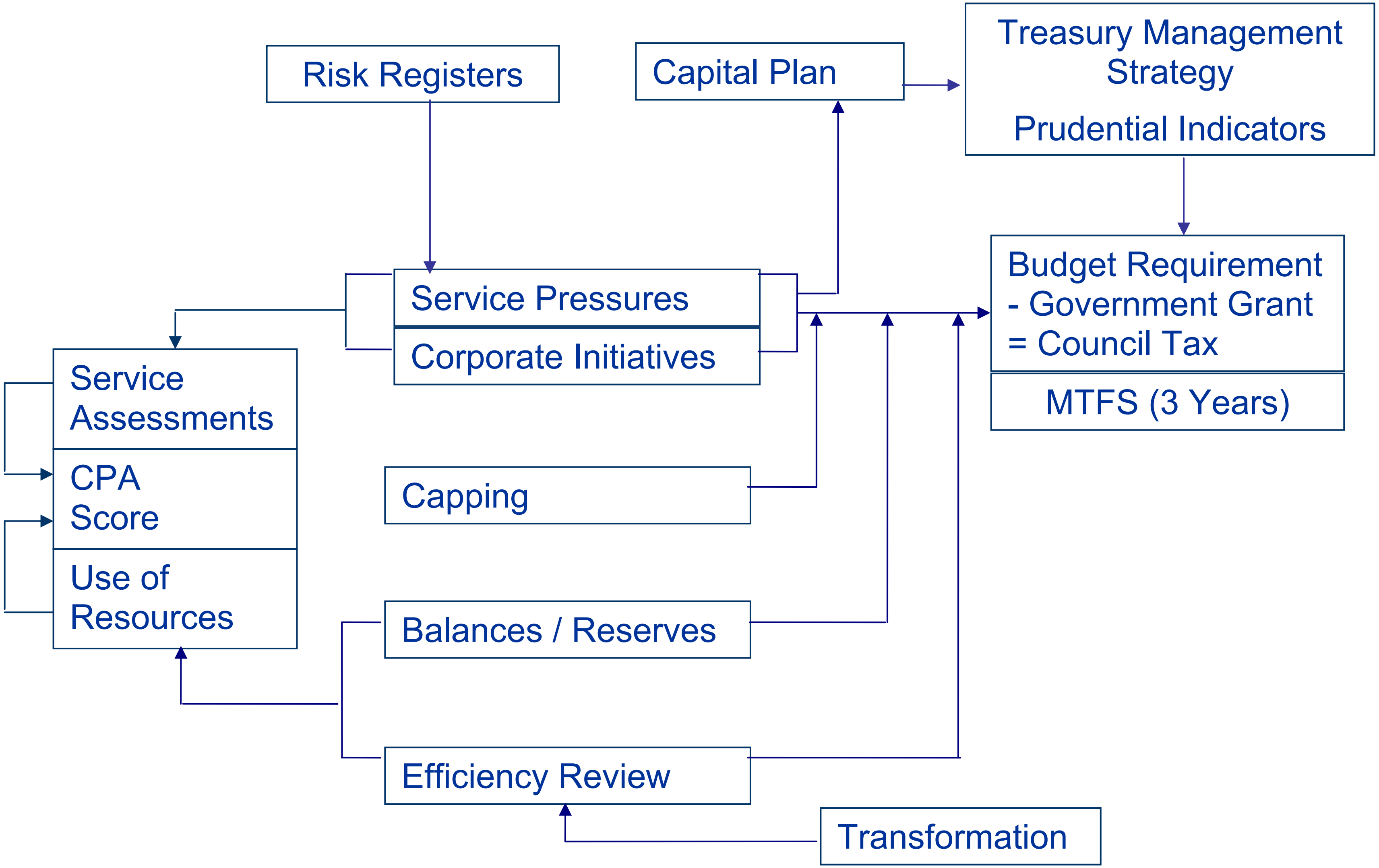
Appendix A

GRANT, SPEND & COUNCIL TAX EXEMPLIFICATION 2006/07 TO 2009/10

		2006/07 Actual £000s	2007/08 Provisional £000s	2008/09 MTFS £000s	2009/10 MTFS £000s
BUDGET REQUIREMENT (BR)					
2005/06 Actual BR		531392			
- Schools spend per Section 52 statement		-269301			
= adjusted BR for DCLG Capping purposes		**262091**	**280103**	**295796**	**309694**
Increased spend at CT increase of 4.9%					
Base transfers into grant (see (i) below)		2995	-498	0	0
Spend grant increase as per (ii) below		2872	4473	2005	2055
Increase Council Tax by 4.9%		9372	9930	10496	11099
Tax base increase		2027	1614	1806	1910
Collection Fund surplus variations		746	174	-409	0
		18012	**15693**	**13897**	**15064**
= Budget Requirement (BR)		**280103**	**295796**	**309694**	**324758**
= BR %age increase		**6.9%**	**5.6%**	**4.7%**	**4.9%**
GRANT					
Previous year		-339647	-76213	-80188	-82193
- Schools spend per Section 52 statement		269301			
other net transfers to / from formula grant	(i)	-2995	498	0	0
=adjusted formula grant per DCLG		-73341	-75715	-80188	-82193
increase	(ii)	-2872	-4473	-2005	-2055
= total grant		**-76213**	**-80188**	**-82193**	**-84248**
Increase on adjusted base per DCLG		**3.9%**	**5.9%**	**2.5%**	**2.5%**
Memo item - grant analysis into 4 block model					
Relative needs (formula - data at service block level)		-80952	-84760		
Relative Resources (strength of local tax base)		59256	60824		
Central Allocation (balance of Nat Pot on pop basis)		-61038	-61616		
Damping (to achieve min & max % increases)		6521	5364		
		-76213	**-80188**	**0**	**0**
COLLECTION FUND SURPLUSES		**-1235**	**-1409**	**-1000**	**-1000**
BALANCE FROM COUNCIL TAX		**202655**	**214199**	**226501**	**239510**
TAX BASE					
Gross estimate		226016	227498	229320	231160
- costs / losses etc to arrive at Districts forecast		-3318	-3432	-3450	-3480
= Districts net forecast		222698	224066	225870	227680
+ additional second homes		2607	2950	2970	3000
= total net tax base for Council Tax setting		225305	227016	228840	230680
%age increase in tax base		1.00%	0.75%	0.80%	0.80%
COUNCIL TAX					
Band D calculation (@ 4.9% increase)		**£899.47**	**£943.54**	**£989.78**	**£1,038.28**
Increase (2005/06 actual £857.45)					
£		**£42.02**	**£44.07**	**£46.23**	**£48.50**
%		**4.90%**	**4.90%**	**4.90%**	**4.90%**
Variations on Council Tax					
1.0%		2027	2042	2159	2283
£1m		0.49%	0.49%	0.46%	0.44%

01-Feb-07

What's in the mix?



APPENDIX B

MEDIUM TERM FINANCIAL STRATEGY

Exemplification of Directorate Spending

2007/08	Sheets A1 / A2
2008/09	Sheets B1 / B2
2009/10	Sheets C1

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2007/08

Version at 02/02/07 JW

SHEET A1

2007-08 Revenue Budget

Directorate	2006/07 Realigned Base Budget	Subsequent Base Budget Adjustments	2006/07 Revised Base Budget	Grant Funding /Tax Changes	Inflation	Inflated Base Budget	Additional Resources	Service Efficiencies, Reductions etc	Net Directorate Bid	Net Directorate Budget Requirement	Net Year on Year Requirement	
(a)	(b) £000s	(c) £000s	(d) £000s	(e) £000s	(f) £000s	(g) £000s	(h) £000s	(i) £000s	(j) £000s	(k) £000s	(l) £000s	
Adult & Community Services	111,727	-1,140	110,587	-407	4,768	114,948	4,584	-2,274	2,310	117,258	6,671	
Business & Environmental Services	54,037	-1,877	52,160	1,337	2,591	56,088	510	-544	-34	56,054	3,894	
Children & Young People's Service	69,506	-21	69,485		2,350	71,835	1,681	-2,436	-755	71,080	1,595	
Chief Executive's Group	8,798	312	9,110		508	9,618	275	-265	10	9,628	518	
Finance & Central Services	7,667	3,047	10,714		639	11,353	320	-340	-20	11,333	619	
			0									
Directorate Sub Total -ex- Schools DSG	**251,735**	**321**	**252,056**	**930**	**10,856**	**263,842**	**7,370**	**-5,859**	**1,511**	**265,353**	**13,297**	(a)
Capital Financing	29,162		29,162			29,162	200		200	29,362	200	
Interest Earned on balances	-2,488		-2,488			-2,488	-916		-916	-3,404	-916	
DSG - Corporate Overheads	-960		-960			-960	-29		-29	-989	-29	
Replace Yorwaste Reserve contribution	-1,530		-1,530			-1,530	1,530		1,530	0	1,530	Converted into recurrent funding
LPSA Reward Grant repayment	-1,000		-1,000			-1,000	1,000		1,000	0	1,000	
Winter Maintenance	1,500		1,500			1,500	500		500	2,000	500	Additional Provision
Other	3,684	-321	3,363			3,363	111		111	3,474	111	
Corporate Miscellaneous - Sub Total	**28,368**	**-321**	**28,047**	**0**	**0**	**28,047**	**2,396**	**0**	**2,396**	**30,443**	**2,396**	(b)
Overall Total-ex-Schools DSG	**280,103**	**0**	**280,103**	**930**	**10,856**	**291,889**	**9,766**	**-5,859**	**3,907**	**295,796**	**15,693**	(a+b)

Additional Spending capacity @ +4.9% Council Tax	15,693
2006/07 Base Budget + additional 2007/08 spend	**295,796**

Contribution to General Working Balance	0	Not required based on Q3 projection in 2006/07
Year on Year Funding Requirement	**295,796**	
Available to spend 2007/08	-295,796	@ + 4.9% Council Tax Increase
Balance	**0**	

Key to Columns
b = 2006/07 Approved Base Budget realigned to reflect new Directorate structure
c = Other Base Budget adjustments (eg centralised repairs and maintenance)
d = b + c
g = d + e + f
j = h + i
k = g + j
l = k - d

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2007/08 RELATIVE TO ORIGINAL MTFS

Version at 02/02/07 JW

SHEET A2

2007-08 Revenue Budget Directorate	Realigned Original MTFS Additional Requirement	Share of £4m	Net Realigned Original MTFS Additional Requirement	Net Year on Year Requirement	Variation +/-	
(a)	(b) £000s	(c) £000s	(d) £000s	(e) £000s	(f) £000s	
Adult & Community Services	6,921	-1,749	5,172	6,671	1,499	
Business & Environmental Services	4,362	-468	3,894	3,894	0	
Children & Young People's Service	2,773	-1,178	1,595	1,595	0	
Chief Executive's Group	372	-265	107	518	411	
Finance & Central Services	511	-340	171	619	448	
Directorate Sub Total -ex- Schools	**14,939**	**-4,000**	**10,939**	**13,297**	**2,358**	(a)
Capital Financing	2,923		2,923	200	-2,723	Capital Plan slippage + Interest Rates + Debt Rescheduling
Interest Earned on balances	60		60	-916	-976	Interest Rates + increased cash balances to invest
DSG - Corporate Overheads	-29		-29	-29	0	
Replace Yorwaste Reserve contribution	1,530		1,530	1,530	0	Converted into recurrent funding
LPSA Reward Grant repayment	500		500	1,000	500	
Winter Maintenance	0		0	500	500	Additional Provision
Other	-185		-185	111	296	
Corporate Miscellaneous - Sub Total	**4,799**	**0**	**4,799**	**2,396**	**-2,403**	(b)
Overall Total-ex-Schools	**19,738**	**-4,000**	**15,738**	**15,693**	**-45**	(a+b)
	Contribution to Working Balance		**500**	**0**	**-500**	Not required based on Q3 projection in 2006/07
	Year on Year Funding Requirement		**16,238**	**15,693**	**-545**	
	LABGI - non-recurring		**-1200**	**0**	**1,200**	
	2007/08 Additional Spending Capacity		**-15,038**	**-15,693**	**-655**	
	Balance		**0**	**0**	**0**	@ + 4.9% Council Tax net yield

Key to Columns

d = b - c
e = taken from col I of Sheet A1
f = e - d

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2008/09

Version at 02/02/07 JW
SHEET B1

2008-09 Revenue Budget Directorate	2007/08 Base Budget	Grant Funding /Tax Changes	Inflation	Inflated Base Budget	Additional Resources	Service Efficiencies, Reductions etc	Net Directorate Bid	Net Directorate Budget Requirement	Net Year on Year Requirement	
(a)	(b) £000s	(c) £000s	(d) £000s	(e) £000s	(f) £000s	(g) £000s	(h) £000s	(i) £000s	(j) £000s	
Adult & Community Services	117,258	0	5,072	122,330	3,731	98	3,829	126,159	8,901	
Business & Environmental Services	56,054	3,174	2,484	61,712	310	-1,040	-730	60,982	4,928	
Children & Young People's Service	71,080	835	2,500	74,415	2,421	-530	1,891	76,306	5,226	
Chief Executive's Group	9,628		469	10,097			0	10,097	469	
Finance & Central Services	11,333		658	11,991	-40		-40	11,951	618	
Directorate Sub Total -ex- Schools DSG	**265,353**	**4,009**	**11,183**	**280,545**	**6,422**	**-1,472**	**4,950**	**285,495**	**20,142**	(a)
Capital Financing	29,362			29,362	1,587		1,587	30,949	1,587	
Interest Earned on Balances	-3,404			-3,404	110		110	-3,294	110	
DSG - Corporate Overheads	-989			-989	-30		-30	-1,019	-30	
Winter Maintenance	2,000			2,000	0		0	2,000	0	
Other	3,474			3,474	-232		-232	3,242	-232	
				0			0	0	0	
Corporate Miscellaneous - Sub Total	**30,443**	**0**	**0**	**30,443**	**1,435**	**0**	**1,435**	**31,878**	**1,435**	(b)
Overall Total-ex-Schools DSG	**295,796**	**4,009**	**11,183**	**310,988**	**7,857**	**-1,472**	**6,385**	**317,373**	**21,577**	(a+b)

Additional Spending capacity @ +4.9% Council Tax	13,897
2007/08 Base Budget + additional 2008/09 spend	**309,693**

Contribution to General Working Balance (GWB)	320	To maintain GWB @ 2% target level
Transformation/Efficiency process	-8000	Target figure - items to be identified during 2007/08
Year on Year Funding Requirement	**309,693**	
Available to spend 2008/09	-309,693	@ +4.9% Council Tax increase
Balance	**0**	

Key to Columns
b = 2007/08 Approved Base Budget from Col I of Sheet A1
e = b + c + d
h = f + g
i = e + h
j = i - b

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2008/09
RELATIVE TO ORIGINAL MTFS

Version at 02/02/07 JW

SHEET B2

2008-09 Revenue Budget Directorate	Realigned Original MTFS Additional Requirement	Share of Shortfall	Net Realigned Original MTFS Additional Requirement	Net Year on Year Requirement	Variation +/-	
(a)	(b) £000s	(c) £000s	(d) £000s	(e) £000s	(f) £000s	
Adult & Community Services	8,441		8,441	8,901	460	
Business & Environmental Services	5,418		5,418	4,928	-490	
Children & Young People's Service	3,704		3,704	5,226	1,522	
Chief Executive's Group	383		383	469	86	
Finance & Central Services	448		448	618	170	
Directorate Sub Total -ex- Schools	**18,394**	**0**	**18,394**	**20,142**	**1,748**	(a)
Capital Financing	1,672		1,672	1,587	-85	
Interest Earned on balances	90		90	110	20	
DSG - Corporate Overheads	-30		-30	-30	0	
LPSA Reward Grant Repayment	500		500	0	-500	Converted into recurrent funding in 2007/08
Other	74		74	-232	-306	
Corporate Miscellaneous - Sub Total	**2,306**	**0**	**2,306**	**1,435**	**-871**	(b)
Overall Total	**20,700**	**0**	**20,700**	**21,577**	**877**	(a+b)
	Contribution to General Working Balance (GWB)		**500**	**320**	**-180**	To maintain GWB @ 2% Target level
	Transformation/Efficiency Process		**-4000**	**-8000**	**-4,000**	Target figure - items to be identified during 2007/08
	Year on Year Funding Requirement		**17,200**	**13,897**	**-3,303**	
	LABGI - non recurring		**-1700**	**0**	**1,700**	Not required
	2008/09 Additional Spending Capacity		**-15,500**	**-13,897**	**1,603**	
	Balance		**0**	**0**	**0**	@ + 4.9% Council Tax net yield

Key to Columns

d = b - c
e = taken from col j of Sheet B1
f = e - d

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2009/10

Version at 02/02/07 JW

SHEET C1

2009-10 Revenue Budget

Directorate	2008/09 Base Budget	Grant Funding /Tax Changes	Inflation	Inflated Base Budget	Additional Resources	Service Efficiencies, Reductions etc	Net Directorate Bid	Net Directorate Budget Requirement	Net Year on Year Requirement	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Adult & Community Services	126,159	0	5,303	131,462	4,021		4,021	135,483	9,324	
Business & Environmental Services	60,982	4,472	2,638	68,092	110		110	68,202	7,220	
Children & Young People's Service	76,306	195	2,600	79,101	1,610	-280	1,330	80,431	4,125	
Chief Executive's Group	10,097		483	10,580			0	10,580	483	
Finance & Central Services	11,951		677	12,628			0	12,628	677	
Directorate Sub Total -ex- Schools	**285,495**	**4,667**	**11,701**	**301,863**	**5,741**	**-280**	**5,461**	**307,324**	**21,829**	(a)
Capital Financing	30,949			30,949	1,256		1,256	32,205	1,256	
Interest Earned on Balances	-3,294			-3,294	150		150	-3,144	150	
DSG - Corporate Overheads	-1,019			-1,019	-30		-30	-1,049	-30	
Winter Maintenance	2,000			2,000				2,000	0	
Other	3,242			3,242	79		79	3,321	79	
Corporate Miscellaneous - Sub Total	**31,878**	**0**	**0**	**31,878**	**1,455**	**0**	**1,455**	**33,333**	**1,455**	(b)
Contribution to General Working Balance	320			320				320	0	See below *
Transformation/Efficiency process	-8,000			-8,000				-8,000	0	Assumes has been resolved in 2008/09
Overall Total-ex-Schools	**309,693**	**4,667**	**11,701**	**326,061**	**7,196**	**-280**	**6,916**	**332,977**	**23,284**	(a+b)

Additional Spending capacity @ +4.9% Council Tax	15,064	
2008/09 Base Budget + additional 2009/10 spend	**324,757**	

Contribution to General Working Balance (GWB)	-20	To maintain GWB @ 2% Target level - see above *
Transformation/Efficiency process	-8,200	Target figure - items to be identified during 2008/09
Year on Year Funding Requirement	**324,757**	
Available to spend 2009/10	-324,757	@ +4.9% Council Tax increase
Balance	**0**	

Key to Columns
b = 2008/09 Approved Base Budget from Col i of sheet B1
e = b + c + d
h = f + g
i = e + h
j = i - b

APPENDIX D

CORPORATE RISK REGISTER 2006 – ANALYSIS OF IMPACT OF MTFS / BUDGET PROPOSALS

RISK		
1	Failure to deliver the Waste Strategy resulting in consequential financial implications thereof	The MTFS includes the funding required for delivering the Waste Strategy including the procurement of waste infrastructure to ultimately reach the County Council's LATS targets. The Budget specifically includes funding for investment in new waste infrastructure and recycling incentives with the District Councils whilst Government funding is predominantly used to support waste minimisation initiatives. The Waste Partnership will also seek to deliver the recycling targets as specified in the Local Area Agreement with effect from April 2007.
2	Potential disruption to partnership working caused by the reconfiguration of the 4 PCTs into 1 and the substantial financial deficit that will carry forward with the subsequent risk for cost shift to Adult Social Care	Whilst there has been some disruption during the period when appointments are being made to key posts in the new PCT, it is expected that as new staff come into post, and existing staff have their new roles confirmed, then the basis of continuing and effective partnership working can be put firmly in place for the future. The importance of moving quickly to revised arrangements reflecting the new PCT structure were covered in a meeting between the Corporate Director – Adult and Community Services with the new PCT Chief Executive at a meeting held on 18 January 2007. In respect of the possible impact of the financial deficits in Health on social care budgets, it has not been possible to quantify the impact of the factor that is considered to pose the highest risk (ie that changed behaviour by health will impact on the provision of service at the interface between health and social care). This will lead to raised expectations for input from both adult and children's social care. No provision has been made for this in the MTFS by either Adult & Community Services or the Children'& Young People's Service continued☞

RISK		
		In respect of contractual arrangements, steps will be taken to ensure that any reduction in service proposed is linked to specific exit plans that eradicate or at least minimise the impact on social care budgets. Initial discussions with the Independent Care Group on the prospects for inflation related or other rises in the price for care have involved input from PCT managers. It has been stressed that any decision on the part of the PCT to pay lower increases in their contribution than those agreed by the County Council will need to be reflected in the final approach to increasing contract prices in 2007/08.
3	Failure to plan or respond effectively to major emergencies inc terrorist incidents / alerts (compliance with CCA) resulting in unco-ordinated response, citizen harm, waste of resources and public criticism	The Emergency Planning Unit (EPU) works closely with local authority partners and the Emergency Services at local and regional levels to produce a co-ordinated response system and plans. Risk assessments are carried out to routinely identify the issues requiring resource input from EPU. The results of this work is widely circulated within the public sector bodies and is published on the Local Resilience Forum website. Adequate resources are currently available within EPU to ensure the cycle of assessment, planning, responding and recovery is maintained in accordance with CCA requirements.
4	Failure to continue to deliver a significant change and improvement agenda by 2009 (underpinned by appropriate technological improvements), leading to relatively low levels of efficiency savings and jeopardising future years' budget strategy, alongside a slower than anticipated pace of improvement	The budgets for all services reflect an ongoing need to achieve efficiency savings as well as deliver the change and improvement agenda. Development of the ICT (hardware and software) platforms that will assist this process, together with initiatives such as the Telephone Contact Centre, the Bright Office Strategy and various BPR reviews of back office functions, are now well in hand and will provide the necessary infrastructure for services to progress their plans.

RISK		
5	Failure to deliver an acceptable new pay and reward structure by April 2007 + lose current legal cases, results in industrial relations problems inc recruitment + retention problems, poor staff morale, costly equal pay claims	The financial consequences of not implementing job evaluation would be substantial viz ➔ the County Council would have to settle equal pay claims for potentially thousands of staff ➔ the County Council would be in breach of the employment contracts of some 14,000 staff on NJC terms and conditions from 1 April 2007 by not having a job evaluation scheme fully implemented as per the requirements of the 2004 national agreement Provision for the implementation of job evaluation from 1 April 2007 is referred to in **paragraph 10.16** of the main report.
6	Failure of the County Council to discharge its corporate landlord and employer roles (eg asbestos/legionella/health and safety) resulting in injury/death, prosecution, financial penalty/claims and statutory duty not met	With over 400 properties in operational use the County Council has a continuing exposure to a wide range of Health and Safety and associated risk issues. This is exacerbated by the extensive use made of contractors (large and small) for works on those buildings. The newly established Corporate Property Landlord Unit will continue to develop procedures, etc, in this area working closely with the Contracts Management Unit (in BES) and the newly appointed property consultant (Jacobs).
7	Failure to secure an approved LAA through an effective approach to partnership working resulting in financial, reputational and/or service delivery loss	The Local Area Agreement (LAA) will contain important outcomes for the County Council. These outcomes are in many cases delivered through partnership working. If the LAA was ineffective then the consequence would be failure to deliver key services/outcomes, and hit related targets. If these targets were stretch targets then this would have an immediate financial consequence in terms of lost performance reward grant. Any failure to deliver the LAA would also affect the County Council's reputation with partners in general and in particular Government Office and would have a likely knock on effect in terms of the County Council's CPA standing.

APPENDIX E

CALCULATION OF COUNCIL TAX PRECEPT 2007/08

1. Based on the Government's Final Grant Settlement figures announced on 18 January 2007 and a Council Tax increase of 4.9%, the Council Tax and Precept position is set out below:-

		£000s
	Budget Requirement	295,796
-	proceeds from Non Domestic Rates (NDR) and Revenue Support Grant (RSG) based on Final Settlement	
	Non Domestic Rates	- 68,665
	RSG	- 11,523
-	precept arrears from previous years notified by District Councils as being due to the County Council	- 1,409
=	Council Tax Precept to be collected on the County Council's behalf by the North Yorkshire District Councils acting as billing authorities	214,199

2. To produce a Council Tax per property, the amount required to be levied has to be divided by a figure representing the 'relevant tax base'. For the County Council, this figure is the aggregate of the 'relevant tax bases' of each of the seven District Councils.

3. Each District Council prepares an estimate of its 'relevant tax base' expressed as the yield from a Council Tax levy of £1 as applied to an equivalent number of Band D properties. This calculation takes into account the number of properties eligible for a single person discount, reductions for the disabled, anticipated property changes during the year and the extent to which a 100% recovery rate may not be achieved.

4. The following information has been received from the District Councils:-

Authority	*Council Tax Base (equivalent number of Band D properties)*
Craven	21,867.83
Hambleton	35,296.07
Harrogate	61,395.52
Richmondshire	18,710.00
Ryedale	20,594.62
Scarborough	40,845.80
Selby	28,306.00
Total	227,015.84

5. Using the above information the County Council's equivalent Council Tax precept for a Band D property would be as follows:

Council Tax Total Precept Relevant Tax Base	£214,199k 227,015.84
@ Band D =	£943.54

6. Using the appropriate 'weightings' for other property bands as determined by statute, the Council Tax precept for each property would be as follows:-

Band	2006/2007 £ p	2007/2008 £ p
A	599.65	629.03
B	699.59	733.86
C	799.53	838.70
D	899.47	943.54
E	1,099.35	1,153.22
F	1,299.23	1,362.89
G	1,499.12	1,572.57
H	1,798.94	1,887.08
		=+4.9%

(All figures are rounded to the nearest penny).

29 January 2007

APPENDIX F

BRIEFING NOTE RE CAPPING PROCEDURE

1. The reserve capping powers available to the Government were introduced in 1999 (under the Local Government Act 1999) and up until 2004/05 no local authority budget had been formally capped, although a number of authorities had been invited to explain their ‘excessive’ Council Tax increases each year.

2. In **2004/05** however the Government capped 14 local authority budgets (none of which were County Councils) following warnings that they would be looking closely at Council Tax increases for that year. Different criteria were used for different classes of authority; for County Councils it was a budget requirement increase of over 6.5% (NYCC 6.9%) together with a Council Tax increase of over 6.5% (NYCC 5.75%).

3. In **2005/06** 8 local authority budgets were ultimately capped, including Hambleton, with the standard criteria being a budget increase of over 6% (NYCC 6.1%) together with a Council Tax increase of over 5.5% (NYCC 4.94%). This was after the Government had given clear messages (via various announcements and a letter to all local authority Leaders) that they expected average Council Tax increases of less than 5%. They also said that the 2004/05 capping principles should not be considered a benchmark for 2005/06 thus making it clear that they were prepared to take tougher capping action than in 2004/05.

4. For **2006/07** the Government again announced (including a letter sent to all local authority Leaders) that they expected to see a Council Tax increase of less than 5% and they would take capping action if there were excessive increases. The standard criteria used was a budget increase of over 5% (NYCC 6.87%) together with a Council Tax increase of over 5% (NYCC 4.9%). Only two authorities broke the criteria (including City of York) but the capping was ultimately downgraded from “designation” to “nomination” which meant that budgets did not have to be reduced for 2006/07 thus avoiding re-billing, but is a strong warning for 2007/08 (see **paragraphs 7(v**) **and 7(vi)** below). Other authorities marginally breached the limits but no action was taken.

5. For **2007/08** the Government has again made it clear that they expect Council Tax increases to be less than 5% overall. When announcing the Provisional Settlement for 2007/08 on 28 November 2006, the Minister said -

> “We have provided a stable and predictable funding basis for local services. We expect Local Government to respond positively as far as Council Tax is concerned. Therefore we expect to see an average Council Tax increase in England in 2007/08 of less than 5%. We will not allow excessive Council Tax increases. We have used out reserve capping powers in previous years to deal with excessive increases and will not hesitate to do so again if that proves necessary.”

When announcing the Final Settlement on 18 January 2007, the Minister re-iterated his threat of Council Tax capping by warning that "no authority should be complacent about the Government's resolve in this matter".

6 The principles/criteria to be used in determining whether an authority's Council Tax increase is excessive (and therefore whether to cap or not) will only be announced after budgets and Council Tax levels have been set in February 2007. Therefore, although the reserve powers are flexible in terms of the criteria that might be used, **the County Council does have to be aware of the possible implications of breaching the criteria when it decides on its Council Tax increase.**

7 The principles and stages in the capping process are as follows:

(i) Each local authority must inform the Government of their Budget and Council tax levels within 7 days of setting (must be set by 1 March). Thus for 2007/08 the County Council must inform DCLG of the Budget it has set by 28 February 2007.

(ii) The DCLG will decide whether the Council Tax and Budget Requirement increases for an authority is excessive. This is only announced after budgets have been seen and must be done in relation to a set of principles. The set of principles must contain a comparison with the Budget Requirement of a previous year. DCLG may also determine categories of authorities and use a different set of principles for each category.

<u>Note</u> Although Council Tax increases are not referred to in the 1999 Act they have been used in the past in deciding which authorities to 'warn' and also used as a key criteria in determining whether a Budget increase is excessive.

(iii) In addition to the previous years comparison mentioned above the capping principles that may be adopted by the DCLG can incorporate other criteria as identified in the 1999 White Paper *Modern Local Government - In Touch with the People*.

➔ to look at the Council's budget increases over a number of years, allowing it to exempt Councils which had small increases in earlier years, or to limit the increases of Councils which had cumulatively increased by more than a prudent amount

➔ to allow Councils, whose increases were limited, to reduce their budgets over a number of years, rather than requiring them to make the full adjustment in one year

➔ where necessary, to require Councils to reduce their budget requirement to below that in previous years

➔ to set no limits on increases by Councils meeting certain criteria eg those whose Council Tax was only a small proportion of the total Council Tax bill faced by local tax payers, those with small budgets, those which provide only particular services

- ➔ to take into account factors such as the Council's performance in the delivery of best value, the support of the electorate for the Council's proposed budget and whether the Council has beacon status in deciding whether a Council's budget increase is excessive (presumably the CPA may be used on a similar basis).

(iv) Once the principles have been announced (probably in March/April 2007) if the DCLG determines an authority's Council Tax and/or Budget Requirement (BR) increase is excessive, it has two options - designation or nomination.

(v) **Designation** is for the year in question (ie 2007/08) and is the more serious option. It effectively involves the same procedure as used in capping authorities in the 1990's. Soon after the start of the financial year (ie May-June), the Government would notify an authority that it had been designated. A cap (ie maximum amount of BR) for the year would be notified to the authority, together with a target BR sum. The target amount is the maximum amount which the Government considers should be the BR for the authority without it being excessive. In most cases the maximum set will be the same as the target amount. However, if the Government consider that the authority should reduce its BR over several years to reach the target, a different maximum may be set for the immediate year.

The authority then has 21 days to accept the maximum amount or challenge it and put forward an alternative. If challenged, the Government will consider any information put forward by the authority and announce a maximum which may be greater, smaller or the same as that previously notified. The cap may also be removed and the authority nominated instead **(see paragraph (vi) below).**

After receiving a 'designation notice' an authority must recalculate its BR so that it does not exceed its 'maximum amount' within 21 days. The authority will then have to arrange, and meet the costs of, rebilling all Council Tax payers in its area.

(vi) **Nomination** is where the ODPM issues a warning that the authority will be, or may be capped the following year (ie 2008/09). The authority are informed of the principle(s) under they have been nominated and what the maximum BR would have been if the Government had decided to designate rather than nominate.

ODPM then has two further options

(a) **Designation after nomination** which in essence is pre signalled capping for the following year. As for the designation procedure the authority is informed of a maximum BR for the following year and a target BR (which may be the same as the maximum) and a year by which the target BR must be achieved. Although nomination would be in May/June, designation for the following year would not take place until the Provisional Settlement in November/December. The notified maximum BR can be challenged and must be approved by Parliament.

(b) **No designation after nomination** means that an authority would be informed in May/June that it had been nominated. This would involve being informed of a target (notional) BR for the year in question (eg 2007/08) which would be used in future years when making comparisons to decide whether its BR in those years is excessive. The authority would have 21 days to challenge the BR notified.

8. If the Council was capped and designated (see **paragraph 7 (v)** above), the costs of rebilling by each of the 7 District Councils would fall on the County Council. No precise figures are available but a cost in the region of £0.3m might be expected. There could also be potential cash flow implications for the County Council that would create a loss of interest from the investment of working balances.

9. To assist Members in their assessment of the possibility of capping in 2007/08, the following table compares the criteria used by the Government against the equivalent figures for the County Council since 2004/05.

Year	**Budget Requirement Increase %**		**Council Tax Increase %**	
	Criteria	**NYCC**	**Criteria**	**NYCC**
2004/05	+ 6.5	+ 6.95	+ 6.5	+ 5.75
2005/06	+ 6.0	+ 6.10	+ 5.5	+ 4.94
2006/07	+ 5.0	+ 6.87	+ 5.0	+ 4.90
2007/08	?	+ 5.60	+ 5.0	+ 4.90

10. It is evident from the above table that in each of the three preceding years the County Council has been in a situation where

- ➔ its Budget requirement increase has exceeded the criteria set by the Government.
- ➔ its Council Tax increase has been less than the criteria set by the Government.

Those Authorities that have been capped have usually exceeded both criteria in a given year.

Peter Yates
Finance and Central Services

30 January 2007

APPENDIX G

STATUTORY REQUIREMENTS OF THE LOCAL GOVERNMENT ACT 2003 IN RELATION TO BUDGET SETTING

1.1 Sections 25 to 28 of Part 2 of the Local Government Act 2003 define a series of duties and powers that give statutory support to important aspects of good financial practice in local government. For the most part they require certain processes to be followed but leave the outcome of those processes to the judgement of individual local authorities. The following paragraphs explain these provisions and provide an analysis *(in italics*) of the position in the County Council.

1.2 **Section 25** requires the Chief Financial Officer (CFO) to submit a formal report to the authority regarding the **robustness of the estimates** included in the Budget and the **adequacy of the reserves** for which the Budget provides.

1.3 Section 25 requires the report to be made to the authority when the decisions on the Council Tax Precept are formally being made. However, Members will appreciate that those decisions are taken at the conclusion of a detailed and prolonged process involving consideration of the draft Budget by various parts of the organisation including the Executive, Members and the Management Board. The CFO has to ensure that appropriate information and advice is given at all stages on what would be required to enable a positive opinion to be given in his formal report.

1.4 *The Executive thoroughly reviewed and revised the Budget process of the County Council for 2005/06. This process was further refined in the 2006/07 and 2007/08 Budget process by:*

(i) incorporating detailed work on comparative unit costs etc to ensure that the County Council is achieving value for money

(ii) establishing clear links between budget provision and the various performance indicators used in each service area

(iii) the development of the Quarterly Performance and Budget Monitoring Report submitted to Executive to include not only financial but also performance data, HR statistics and data relating to progress on the LPSA and AES plans

(iv) the Budget process of the County Council was scored as a 3 out of 4 in the 2005 and 2006 CPA Use of Resources assessment

1.5 In addition the County Council has always received full details of every aspect of the precept calculation at key stages in the Budget process – this will continue. The Corporate Director – Finance and Central Services will report formally to the County Council in February 2007 (as he did in February 2006 regarding the 2005/06 Budget), regarding the ***robustness of the estimates*** *and the* ***adequacy of balances****. Regarding robustness of the estimates this will be an opinion based on the detailed nature not only of the Budget preparation process but also the Budget monitoring work that goes on continuously throughout the year. The methodology* *for assessing the adequacy of balances is referred to in more detail in* ***Appendix H*** *whilst* ***Appendix I*** *explains how these Best Practice principles have been applied in the County Council and the proposals that emerge for inclusion in the Budget report.*

1.6 **Section 26** gives the **Secretary of State the power to set a minimum level of reserves for which an authority must provide in setting its Budget**. The minimum would apply to "controlled reserves", as defined in Regulations. The intention in defining controlled reserves would be to exclude reserves that are not under the authority's control when setting its call on Council Tax, eg schools balances.

1.7 It was made clear throughout the Parliamentary consideration of these provisions that Section 26 would only be used where there were grounds for serious concern about an individual authority. The Minister said in the Commons Standing Committee debate on 30 January 2003:

> "The provisions are a fallback against the circumstances in which an authority does not act prudently, disregards the advice of its CFO and is heading for serious financial difficulty. Only in such circumstances do we envisage any need for intervention."

There is no intention to make permanent or blanket provision for minimum reserves under these provisions. Indeed, the Government has made no attempt to so far to define minimum reserves.

1.8 **Section 27** defines in more detail the responsibility of the CFO in reporting about the inadequacy of reserves in an authority where a Section 26 minimum requirement has been imposed.

1.9 *Provided the County Council acts prudently and takes into account the advice of the Corporate Director – Finance and Central Services regarding the level of reserves it is unlikely that the County Council will find itself in a position of being subject to a Section 26 determination. The examination of balances/reserves during the Budget process and the monitoring thereof that takes place (and is reported quarterly to the Executive) provides the County Council with every opportunity to take remedial action should any problems emerge that are likely to undermine the Medium Term Financial Strategy*.

1.10 **Section 28** concerns **Budget monitoring arrangements**. Essentially an authority is now required to review during the course of a financial year the planned levels of reserves incorporated in the earlier annual tax/precept setting calculations. If as a result of such an in year review it appears that there is a deterioration in the financial position the authority must take whatever action it considers appropriate to deal with the situation.

1.11 *As indicated above the Executive receives details of the position on reserves as part of the Quarterly Performance and Budget Monitoring Report. Provision also exists within the Financial Procedure Rules for further reports to be submitted if and when necessary should financial circumstances deteriorate between the quarterly reporting dates such that immediate action in relation to reserves, etc, is required*.

Balances/Reserves

1.12 One of the clear pointers from Sections 25/28 is the need for a transparent and formal assessment of the adequacy of balances/reserves.

1.13 A full explanation of this requirement and a description of the work undertaken in the Budget process is provided in **Appendices H and I** respectively.

1.14 As far as the proposed MTFS/Revenue Budget 2007/08 is concerned, the full rationale behind the proposals summarised at **paragraph 10.9 et seq** of the main report is provided in **Appendix I.**

APPENDIX H

BALANCES / RESERVES – RISK ASSESSMENT METHODOLOGY

Introduction

1.1 This Paper considers the Statutory requirements and Best Practice Guidance relating to Reserves/Balances published by CIPFA in 2003 and explains the methodology used to assess the adequacy of the current reserves now proposed as part of the Medium Term Financial Strategy, and Revenue Budget 2007/08.

1.2 The following paragraphs explain these considerations and provide an analysis (*in italics*) of the position in the County Council.

2.0 Specific Statutory Requirements

2.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and **precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.**

2.2 There are also a range of safeguards in place that militate against local authorities over-committing themselves financially. These include:

- the requirement to set a balanced budget
- s114 powers of the Chief Finance Officer (CFO)
- the external auditor's responsibility to review and report on financial standing.

2.3 As evidenced by the Audit Commission's annual reports on external audits of local authorities in England and Wales the balanced budget requirement is sufficient discipline for the vast majority of local authorities. This requirement is reinforced by section 114 of the Local Government Finance Act 1988 which requires the CFO to report to all the authority's councillors if there is, or is likely to be, unlawful expenditure or an unbalanced budget. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. Indeed, the authority's full council must meet within 21 days to consider an s114 notice issued by their CFO.

2.4 Whilst it is primarily the responsibility of the local authority and its CFO to maintain a sound financial position, external auditors have a responsibility to review the arrangements in place to ensure that financial standing is soundly based. In the course of their duties external auditors review and report on the level of reserves taking into account their local knowledge of the authority's financial performance over a period of time. However, it is **not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.**

2.5 The introduction of the **new prudential approach to capital investment has reinforced these safeguards**. The Prudential Code requires the CFO to have full regard to affordability when presenting recommendations about a local authority's future Capital Plan. Such consideration will also include the level of long term revenue commitments. Indeed, in considering the affordability of its Capital Plan the authority will be required to consider all of the resources currently available to it, and estimated for the future, together with the totality of its capital expenditure and revenue forecasts for the forthcoming year and the following two years. The development of three year revenue forecasts by local authorities will inevitably attract greater attention to the levels and application of balances and reserves.

3.0 The Role of the Chief Finance Officer

3.1 Prior to the Local Government Act 2003, it was already the responsibility of the CFO to advise a local authority about the level of reserves it should hold and to ensure that there were clear protocols for the establishment and use thereof. Sections 25/28 (as described in **Appendix G**) now underline this responsibility and formalise the way in which **Members must consider reserves as part of the Budget process (and monitor their adequacy thereafter**).

3.2 Local authorities, on the advice of their CFOs, must make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves. There is therefore a broad range within which authorities might reasonably operate depending on their particular circumstances - hence the reference in **paragraph 2.4** above as to the lack of any specific advice/guidance about optimum or minimum levels of reserves.

4.0 Types of Reserves

4.1 When reviewing its Medium Term Financial Strategy and preparing the annual Budget, a local authority should consider the establishment and maintenance of reserves. These can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this usually forms part of a **general reserve**
- a contingency to cushion the impact of unexpected events or emergencies – this may form part of the general reserve or be held as a specific **contingency fund** within the annual Budget.
- a means of building up funds, often referred to as **earmarked reserves**, to meet known or predicted liabilities.

4.2 The most commonly established earmarked reserves are listed below:

Category of earmarked reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future financial years, it is prudent to build up specific reserves in advance
Insurance reserves	Self insurance is a mechanism used by many local authorities. In the absence of any statutory basis sums held to meet potential and contingent liabilities are reported as earmarked reserves
Reserves of trading and business units	Surpluses arising from in-house trading may be retained to cover potential losses in future years, and/or to finance specific service improvements, re-equipping etc.
Reserves retained for service use	Increasingly authorities have internal protocols that permit year-end underspendings at service level to be carried forward
School balances	These are the unspent balances of budgets delegated to individual schools

4.3 For each reserve held by a local authority there should be a clear protocol setting out:

- the reason for/purpose of the reserve
- how and when the reserve can be used
- procedures for the management and control of the reserve
- a process and timescale for review of the reserve to ensure its continuing relevance and adequacy.

4.4 *The County Council operates each of the types of reserve referred to in **paragraph 4.1** above – the protocols referred to in **paragraph 4.3** above are also in operation (see **Appendix I**).*

5.0 Principles to assess the adequacy of the General Reserve

5.1 In order to assess the adequacy of the unallocated/general reserve when setting the Budget, a CFO should take account of the strategic, operational and financial risks facing the authority. The financial risks should be assessed in the context of the authority's overall approach to risk management.

5.2 Setting the level of the general reserve is just one of several related decisions in the formulation of the Medium Term Financial Strategy, and the Revenue Budget for a particular year. Account should be taken of the key financial assumptions underpinning the Budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:

Budget assumptions	**Financial standing and management**
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, loan debt outstanding, debtor/creditor levels, net cash flows, contingent liabilities)
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management including the robustness of the medium term plans
The treatment of demand led pressures on service budgets	The authority's capacity to manage in-year budget pressures
The treatment of planned efficiency savings/productivity gains	The strength of the financial information and reporting arrangements as well as the viability of the Plan(s) designed to achieve the savings, etc
The financial risks inherent in any significant new partnerships, major outsourcing arrangements or major capital developments	The authority's virement and end of year procedures in relation to budget under/overspends at authority and service level
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the authority's insurance arrangements to cover major unforeseen risks

5.3 These factors can only be assessed properly at local level. A considerable degree of professional judgement is required. The CFO may choose to provide advice on the level of balances in absolute terms (ie £x) and/or as a percentage of total (or net) budget so long as that advice is tailored to the circumstances of the authority for that particular year.

5.4 The advice should be set in the context of the authority's Medium Term Financial Strategy and should not focus exclusively on short-term considerations. Balancing the annual Budget by drawing on general reserves may be viewed as a legitimate short-term option. However, where reserves are to be deployed to finance recurrent expenditure this should be made explicit. Advice should therefore be given on the adequacy of reserves over the lifetime of the Medium Term Financial Strategy.

6.0 CPA Framework

6.1 An added impetus to the process of formally assessing and monitoring the level of reserves is provided by the Use of Resources (UoR) component of the CPA process.

6.2 Within the UoR assessment framework there is specific reference to the level of reserves held, their purpose and their materiality relative to such issues as overall levels of annual expenditure, provision of earmarked reserves, etc.

6.3 The CFO should, therefore, clearly have regard to the CPA assessment criteria in relation to reserves when formulating his recommendation to the authority. In reality, if the CFO follows a methodology such as that outlined in this Paper it is more than likely the CPA criteria will be satisfied.

6.4 The subject of reserves is part of the Financial Standing component of the CPA UoR assessment - the County Council scored 3 out of 4 for this component in the recent 2006 UoR assessment.

7.0 Monitoring/Reporting Framework

7.1 The CFO has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

7.2 Under Sections 25/28 of the Local Government Act 2003 the level and utilisation of reserves will have to be determined formally by the Council, informed by the advice and judgement of the CFO. To enable the Council to reach its decision, the CFO should report the factors that influenced his/her judgement (in accordance with **paragraph 5** above) and ensure that the advice given is recorded formally. Where the CFO's advice is not accepted this should be recorded formally in the minutes of the Council meeting.

7.3 CIPFA therefore recommends that:

- the Budget report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the addition to/withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure

  *These matters are addressed in **Appendix I** of this report.*

- this should be accompanied by a statement from the CFO on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's Medium Term Financial Strategy

  *This opinion is provided in **paragraph 10.20** of the main report.*

- a statement reporting on the annual review of earmarked reserves (including schools' reserves) should also be made at the same time to the Council. The review itself should be undertaken as part of the Budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/ withdrawals and the estimated closing balances.

  *This analysis is provided in the Table attached to **Appendix I**.*

APPENDIX I

REVIEW OF COUNTY COUNCIL BALANCES / RESERVES

1.0 **Introduction**

1.1 As part of the Budget process all balances and reserves have been reviewed as to their adequacy, appropriateness and management arrangements.

1.2 A schedule of the Reserves/Balances held at 31 March 2006 together with forecast movements over the three years 2006/07, 2007/08 and 2008/09 is attached as **Table 1** to this **Appendix.**

1.3 All the Reserves/Balances listed in **Table 1** are reviewed and/or monitored on a regular basis by the Service Accountant and/or the Corporate Director – Finance and Central Services. The level of the General Working Balance is specifically reported to the Executive as part of the Quarterly Performance and Budget Monitoring report.

2.0 **Outcome of review process**

2.1 Based on **Table** 1 the total value of Balances/Reserves held at 31 March 2006 was £48.314m. This figure is sub-divided into types of Balances/Reserves in **Table 1** and these types are referred to in **paragraph 2.2** below.

2.2 The conclusions reached by the Corporate Director – Finance and Central Services, as a result of this review are as follows:

(i) that element of balances represented by the **underspendings at the year end by Service Directorates** (£5.428m) are actually a facet of prudent financial management across a financial year end rather than being a reserve or balance that can be allocated to another purpose. The County Council has agreed that these be carried forward into the current financial year (ie 2006/07)

(ii) **Earmarked Reserves are set aside for major items** (£7.701m) as detailed below -

Yorwaste Reserve	£0.664m	Following the 2004/05 Budget the County Council has already agreed to commit this balance to support the Revenue Budget in 2006/07. No balances will remain after 2006/07
Insurance Fund	£6.814m	This is needed to offset the cost of known and potential claims – the level of the Fund balance is significantly less than the potential maximum liability of claims so any withdrawal of cash from the Fund would increase the potential risk of a shortfall at some point in the MTFS period
Asbestos	£0.223m	Required to support the LEA budget in meeting asbestos costs in Education properties

(iii) the balances of **Trading Units and those Business Units that "trade" with schools (**£1.241m) are linked to the Business Plans of those Units. These balances are therefore akin to the year end underspendings by Service Directorates (ie (i) above).

(iv) **School balances and other LMS reserves** (£23.603m) belong to schools and although they appear in the County Council Balance Sheet, they cannot be regarded, for practical Budget purposes, as an NYCC asset.

(v) there are eight reserves related to **specific initiatives** (£5.927m) which need to be retained. The balances in each of these are scheduled to reduce significantly over the next 2/3 years.

(vi) the **General Working Balance** (£4.414m) - (see below).

General Working Balance (GWB)

2.3 The current MTFS policy is to achieve a level of GWB equivalent to 2% of the net Revenue Budget.

2.4 This policy was established as part of the 2006/07 Revenue Budget, and was accompanied by a set of "good practice rules".

2.5 These "rules" are as follows:

(i) that any underspending on the Corporate Miscellaneous budget at the year end should be allocated to the General Working Balance

(ii) that should there be any call on working balances during a year such that the Recovery Plan targets (ie as defined in each Budget cycle) will not be achieved at the respective year ends then

(a) that shortfall be addressed in the next Budget cycle and/or

(b) that revenue or capital expenditure reductions be effected in either the current or following financial year, in order to offset the shortfall.

(iii) that in order to implement (ii) the Executive should review the position of the General Working Balance on a regular basis as part of the Quarterly Performance and Budget Monitoring report process

2.6 The targets for the current MTFS period, approved in the 2006/07 Budget cycle, and the updated targets are as follows –

Year End Date	**MTFS 2006/07**		**MTFS 2007/08**	
	£000	**% of Net Revenue Budget**	**£000**	**% of Net Revenue Budget**
by 31 March 2006	3800 *	N/A	4414 º	N/A
31 March 2007	4500	1.6%	5880 *	2.1%
31 March 2008	5000	1.7%	5880	2.0%
31 March 2009	5500	1.8%	6200	2.0%
31 March 2010	6000	1.9%	6500	2.0%
31 March 2011	6500	2.0%	6800	2.0%

[Note : * projected º actual]

2.7 The situation at 31 March 2006 was that the County Council was ahead of its target and based on the information to be provided in the Quarter 3 Monitoring report to the Executive on 20 February 2006, the County Council will exceed the £4.5m target for this year end.

2.8 There is still a fundamental question - is a figure of c£6m still considered to be an appropriate target level for the GWB?

2.9 Historically the major items that the GWB has been required to offset are the costs of:

➔ demand led overspendings on the Care Services budgets

➔ repairing flood damage (net of Bellwin Grant)

➔ the winter maintenance budget provision being exceeded in a bad winter

➔ one off planning enquiries or legal cases

and this list can now be prudently extended by

➔ pressure on waste disposal costs

➔ uninsured losses

2.10 **For practical purposes it is therefore proposed that the target figure for the GWB be retained @ 2% of the net Revenue Budget and that the MTFS should take into account any contributions necessary year on year to maintain the 2% at subsequent year ends.**

3.0 Equal Pay / Job Evaluation

3.1 Members will be aware that the County Council may be liable for claims under the Equal Pay legislation and costs arising from the Job Evaluation process. From a financial point of view these claims/costs fall into three categories:

(i) for Equal Pay, a `retrospective' element backdated in terms of grading and to a point in time

(ii) under Job Evaluation the possible need for pay protection for staff whose posts are effectively 'downgraded' as a result of the job evaluation process

(iii) for both a 'future' element representing the additional cost, on an ongoing basis, of the regradings etc.

3.2 For **Category (i)** there is the possibility of capitalising and then using borrowing to cover the costs arising. Alternatively, the County Council could use other reserves / balances if they were available.

3.4 For **Category (ii)** the County Council agreed, as part of the 2005/06 Budget cycle, that the LPSA Performance Reward grant, in principle, should be earmarked as the source of funding.

3.5 In relation to **Category (iii)** these costs will have to be funded from ongoing Revenue budgets. On the basis that the impact of the Job Evaluation process will not be even across all Directorates there will need to be some redistribution of the budget provision for salary costs to reflect the outcome of the job evaluation process.

3.6 After a review of the above the proposal now is that a combination of LABGI receipts in 2006/07 and 2007/08 and the LPSA PRG be transferred into a provision to offset the costs of both category (i) and (ii) as defined above. The redistributive principle referred to in Category (iii) remains unchanged.

NORTH YORKSHIRE COUNTY COUNCIL - RESERVES & BALANCES

Details	Directorate	2005/06 Actual Balance 31 March 2005	2005/06 Actual Actual Movement 2005/06	2005/06 Actual Actual Balance 31 March 2006	2006/07 Forecast Planned Movement 2006/07	2006/07 Forecast Estimated Balance 31 March 2007	2007/08 Forecast Planned Movement 2007/08	2007/08 Forecast Estimated Balance 31 March 2008	2008/09 Forecast Planned Movement 2008/09	2008/09 Forecast Estimated Balance 31 March 2009	Comments
WORKING BALANCES		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Retained for Service Use											
Children & Young Peoples	CYPS	realigned to fit new Directorate Structures		2,393	-1,023	1,370	-1,370	0	0	0	£5.428m net underspend in 2005/06 carried forward to 2006/07 and consisted mainly of savings to assist in 2006/07 and subsequent years budgets, planned savings to support developmental initiatives in 2006/07 and spending planned for 2005/06 being deferred until 2006/07 for a variety of reasons. Planned movement for 2006/07 is based on the Q3 Performance and Budget Monitoring report.
Adult & Community	ACS			0	472	472	-472	0	0	0	
Business & Environment	BES			77	-77	0	0	0	0	0	
Chief Executive	CE			406	-422	-16	16	0	0	0	
Finance & Central Services	F&CS			1,134	-1,012	122	-122	0	0	0	
Corporate Miscellaneous	Corp			1,418	-1,418	0	0	0	0	0	
Sub Total		**7,644**	**-2,216**	**5,428**	**-3,480**	**1,948**	**-1,948**	**0**	**0**	**0**	
General Working Balances		5,091	-677	4,414	1,466	5,880	0	5,880	320	6,200	MTFS recovery target is to restore to 2% of net revenue spending.
Total Working Balances		12,735	-2,893	9,842	-2,014	7,828	-1,948	5,880	320	6,200	
EARMARKED RESERVES											
Sums Set Aside for Major Schemes											
Asbestos	CYPS	331	-108	223	-108	115	-115	0	0	0	To replace kitchen equipment which contains Asbestos
Yorwaste Reserve	Corp	3,113	-2,449	664	-664	0	0	0	0	0	To be used to fund net waste costs in Environmental Services in 2006/07
Insurance Reserve	F&CS	5,624	1,190	6,814	0	6,814	0	6,814	0	6,814	Required for potential liability and motor claims. £79k 'loaned' short term re SDT cash flow.
Sub Total		**9,068**	**-1,367**	**7,701**	**-772**	**6,929**	**-115**	**6,814**	**0**	**6,814**	
Reserves of Trading and Business Units											
FMS	CYPS	63	71	134	-76	58	-33	25	0	25	Trading surplus of FMS team providing financial services to schools.
Contents Insurance	CYPS	277	-93	184	153	337	0	337	0	337	Excess of contents premiums from schools. Surplus/deficit accounted for in following year.
IT Trading	CYPS	-23	57	34	30	64	0	64	0	64	Balance of IT trading with schools. Surplus/deficit taken into account in charges for following year.
Health & Safety Training	CYPS	9	7	16	4	20	-5	15	0	15	Accumulated surplus of providing a Health & Safety service to Schools.
CAMAS	CYPS	108	-55	53	53	106	0	106	0	106	Traded Advisory/CPD service to schools
Outdoor Education	CYPS	268	126	394	-97	297	-144	153	-179	-26	Accumulated position (surplus / deficit) of the trading operation of the Outdoor Education Service.
Professional Clerking	CYPS	10	6	16	-1	15	0	15	0	15	Accumulated surplus of providing Professional Clerking services to Schools.
Staff Absence Insurance	CYPS	494	6	500	0	500	0	500	0	500	Surplus from sickness insurance scheme. Balance reflected in following years premium.
School Balances	CYPS	21,827	1,776	23,603	-5,000	18,603	-2,000	16,603	-2,000	14,603	Aggregate total of individual School revenue balances and other LMS Reserves.
BDM School Premises Reserve	CYPS	152	-242	-90	-110	-200	100	-100	100	0	Self-funded reserve for Schools premises repairs from delegated budgets.Surplus/deficit carried forward.
Sub Total		**23,185**	**1,659**	**24,844**	**-5,044**	**19,800**	**-2,082**	**17,718**	**-2,079**	**15,639**	
Retained for Specific Initiatives											
Community Educ.Districts	CYPS	692	-493	199	-199	0	0	0	0	0	Delegated budgetary scheme ended in 2006/07
Standards Fund Summer Term	CYPS	3,003	244	3,247	-2,673	574	-14	560	0	560	LEA matched funding on Standards Fund unspent at the financial year end to be spent by 31 August.
Teachers Severance	CYPS	1,768	-36	1,732	-120	1,612	-120	1,492	-120	1,372	To meet annual severance payments following Teachers losing access to early pensions in 1996.
Equal Pay (Catering)	CYPS	229	-192	37	-37	0	0	0	0	0	Case resolved - balance to be applied to Catering in 2006/07
Catering	CYPS	0	60	60	0	60	-60	0	0	0	Plan to purchase Management Information System in 2007/08
Job Evaluation	Corp	276	-96	180	-180	0	0	0	0	0	Fund to cover costs of Job Evaluation, Pay & Reward etc.
Waste Disposal Trading Scheme	BES	0	322	322	266	588	-588	0	0	0	Carry forward of unused landfill allowances which will offset future waste disposal liabilities
Connexions	CYPS	0	150	150	0	150	0	150	-150	0	To fund any costs relating to changes in Government Contracts for Connexions York & North Yorkshire
Sub Total		**5,968**	**-41**	**5,927**	**-2,943**	**2,984**	**-782**	**2,202**	**-270**	**1,932**	
Total Earmarked Reserves		**38,221**	**251**	**38,472**	**-8,759**	**29,713**	**-2,979**	**26,734**	**-2,349**	**24,385**	
TOTAL RESERVES		**50,956**	**-2,642**	**48,314**	**-10,773**	**37,541**	**-4,927**	**32,614**	**-2,029**	**30,585**	

APPENDIX I – TABLE 1

MTFS & REVENUE BUDGET 2007/08
PROJECTION of GENERAL WORKING BALANCE

	Working Balance	% age of net revenue budget	Recovery Target agreed as part of 2006/07 MTFS	
	£000s	%	£000s	%
Balances at 31 March 2006				
Actual Balances 31 March 2006	9842			
- Directorate underspends c/fwd from 2005/06	-5428			
= free balances at 31 March 2006	**4414**		**3800**	
2006/07				
Winter maintenance	-500			
Treasury management	2531			
Replace contribution from LPSA Reward Grant	-1000			
Other Corporate Miscellaneous	-8			
BES overspend	-107			
Additional Yorwaste Dividend	870			
Job Evaluation Team	-120			
Corporate Procurement adjustment	-200			
=forecast position 31/03/07 @ Q3	**5880**	**2.1**	**4500**	**1.6**
2007/08 (MTFS Year 1)				
Additional contribution from Revenue	0			
= forecast at 31 March 2008	**5880**	**2.0**	**5000**	**1.7**
2008/09 (MTFS Year 2)				
Additional contribution from Revenue	320			
= forecast at 31 March 2009	**6200**	**2.0**	**5500**	**1.8**
2009/10 (MTFS Year 3)				
Additional contribution from Revenue	300			
= forecast at 31 March 2010	**6500**	**2.0**	**6000**	**1.9**
2010/11				
Additional contribution	300			
= forecast at 31 March 2011	**6800**	**2.0**	**6500**	**2.0**

01-Feb-07

6 February 2007

SUPPLEMENTARY PAPERS TO MEDIUM TERM FINANCIAL STRATEGY AND REVENUE BUDGET 2007/08

For each Directorate the following are provided

Paper A Contextual commentary by Corporate Director

Paper B Analysis of funding priorities 2007 / 08 – 2009 / 10

SUPPLEMENTARY PAPER I

ADULT AND COMMUNITY SERVICES

Paper A Contextual commentary by Corporate Director

Paper B Analysis of funding priorities 2007 / 08 – 2009 / 10

PAPER A

ADULT AND COMMUNITY SERVICES

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

2007/08

A number of changes to Government grants have been taken into account. These relate to changes in the distribution formula that apply in 2007/08, in particular to grants that provide core funding to adult social care services. In addition, the reduction in the preserved rights grant reflects in part Government assumptions about the reducing number of people in the group affected by this funding change to those in residential care in 2003. The cost saving from this reduction is reflected in the 2007/08 proposals.

As well as the level of normal inflation, there continues to be significant market forces pressures in adult social care placements, and this includes continuing demands by the independent sector for the County Council to reflect a “Fair Price for Care” in the contract prices. Discussions are underway with independent sector representatives and the formal budget consultation meeting was held at the end of January to discuss the 2007/08 budget.

In relation to the volume and demand section of the proposals, funding for additional placements is reflected to meet demographic growth, and will meet anticipated demand at the eligibility levels reflected in the current base Budget, and also allow for the cost of packages affected by changes to Supporting People funding to be picked up. Much of the discussion during the Budget preparation period has been about whether these eligibility levels have been set too high at critical. Taken together with the proposed investment in Service Improvement, the Budget will allow the Service to move from meeting critical needs only, to being able to meet those with substantial needs. Very careful control and monitoring will be required to balance demand at this eligibility level with the available Budget whilst maximising the performance levels monitored by CSCI for star rating purposes. Details of the performance levels expected to be achieved are set out in **Paper B.** Investment here is focussed, in particular, on helping more older people, and those with physical disability or a sensory impairment, to live at home and retain their independence.

The proposals reflect the continuing need to invest in ICT to maintain current network and equipment at an appropriate standard, and invest further in the extent of ICT use to support business processes.

In respect of internal costs and efficiencies, the savings reflected in the MTFS for 2007/08 for single status protection remains, as does the management cost saving target for County Care. It should be stressed that the first of these items relates to protection payments dating back to the first single status package introduced in 2002, and not to the current proposals linked to Job Evaluation and the proposed new Pay and Reward package.

The proposals also reflect the Directorate’s contribution to meeting the £4m Efficiency saving target reflected in the 2007/08 MTFS proposals.

A range of initiatives are included, with significant savings being sought from reviewing and modernising the way in which services are provided for adults and older people. This will look at both the nature of the support package and its cost when meeting identified care needs, and also the approaches taken towards care management and ongoing service reviews

The overall budget package carries risks. These are highlighted in **Paper B** at appropriate places and also in the analysis of issues in the Corporate Risk Register (see **Appendix D** of main report.).

2008/09 and 2009/10

The proposals for the final two years of the MTFS period are necessarily indicative at this stage.

They reflect the continuing impact of inflation and market forces, and also the demographic demand pressures arising from continuing increases in the number of older people in the population, and the increasing numbers of adults with disability that will require help.

No further allowance is made for improving further the overall proportions of the population the Service will be able to assist, which would link to improving some key aspects of performance assessment, particularly once again in respect of those people the Service is able to help to live at home.

Throughout the MTFS period there is an expectation that the Directorate will continue to seek ways of modernising its service approaches and seeking better value for money. This will be necessary to meet the corporate Change and Improvement agenda, and to release funds from more traditional service approaches to focus on prevention and self directed care that will be required in the medium to longer term in line with the Government's intentions in the recently published White Paper Our *Health, our care, our say: a new direction for community services*.

The potential impact of any efficiency savings that will arise from these approaches has not been detailed at this stage in the proposals and figures set out in **Paper B.**

Derek Law
Corporate Director – Adult and Community Services

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation				
Overall inflation in 2007/08 is assessed at 4.2**%**, although adjusting for the impact of the Government not inflating specific grants, this is equivalent to 3.5%.	**(a)**	**4768**	**5072**	**5303**
Grants and Funding Changes				
Preserved Rights Grant		-149	0	0
This grant compensates authorities because of a change in welfare benefit rules, leading to additional costs to social care budgets. Part of the national grant total will be subject to a phased transfer from a specific grant to be dealt with by the Local Government Finance (LGF) Settlement. In addition the overall funding reduces because the number of people receiving services who benefited from preserved rights will decrease over time as people die. The figure here reflects the loss of grant offset by the estimated reduction in these service costs. In 2007/08 this gives a net benefit. In later years it is assumed that the loss of grant will match the cost reduction				
Access and Systems Capacity Grant		-249	0	0
Changes to the grant formula and the amounts to be distributed will lead to an increase in the cash amount of this grant received compared with 2006/07. The Governments intentions for later years are not known.				
Other Grant Changes		-9	0	0
As well as the major changes noted above, there are a range of other grants that will be subject to change because national amounts or distribution formula changes apply				
The grant changes reflect a number of Government decisions, including the reduction of previous targeted funding now reflected in the LGF Settlement. A number of significant formula changes were made in 2006/07, and some changes in 2007/08 current year reflect the removal or phasing out of damping mechanisms that are in the main favourable to the County Council. Significant sums are made available by way of grants, although increasingly these are related to the same formula as that used in the Relative Needs Formula (RNF) calculation. In years 2 and 3, however no information is available on the Governments intentions on these grants. There is a particular risk in respect of the Preserved Rights Grant since this uses a formula that compared with RNF is favourable to the County Council. Neither is there any indication on the overall level of reduction in funding that will be applied in later years. On this basis, the matching assumption for spend against this grant carries a significant risk				
Total Grant and Funding Changes	**(b)**	**-407**	**0**	**0**
Service Developments				
Market Forces		915	964	1000
The rates paid for residential, nursing and domiciliary care have been subject to price drift above inflation due to market pressures for a number of years. It is anticipated that this will continue and further investment will be required, and the amounts shown here are seen as a minimum.				

	Year on Year		
	2007/08 £K	2008/09 £K	2009/10 £K
Volume and Demand			
Older people helped to live at home	473	529	547

An allowance for demographic growth only. For 2007/08 this is based on the assumption that the current Budget is consistent with delivering packages of care to 74 per '000 older people over the age of 65. The use of eligibility criteria set at critical can be contained within this Budget, but provides an unacceptable level of service. The proposals, including the amount for service improvement shown below, will enable an eligibility criteria to be set at "substantial", although careful monitoring will be required to contain spend within Budget at this eligibility level.

In financial terms the total investment, taken together with the service improvement monies is consistent with achieving an increase equivalent to 2.7 packages per '000 pop over 65, at an average net cost of £45 per week and should lead to a minimum performance level of 76.7 per '000. This is a stated Area for Improvement by CSCI in their Annual Performance Report, and this performance still represents 2 band rating ie "ask questions about performance" in the CSCI performance assessment framework. Steps are being taken now and will continue into the future for performance management purposes to review the way that certain services are included within the count to ensure recorded performance reflects the investment in services, and to review packages more generally, including modernising practices, both with the aim of increasing this performance indicator. The first target is to reach 80 per '000 to reach 3 band performance (ie acceptable performance but room for improvement)

Adults care packages	1388	1437	1488

Provision for transition from children's services, together with the trended demand for adults with a disability requiring care.

Impact of Supporting People Service Reviews	405	484	599

The Supporting People programme supports a range of services for adults with a learning disability. These schemes were in place under the former Housing Benefit rules, but new eligibility criteria in line with Supporting People principles indicates that the costs borne by Supporting People funding are not appropriate, and must be reduced as part of the service review process. The amounts reflect decisions taken by the Supporting People Commissioning Body on the phasing arrangements that should apply to the withdrawal or restriction in funding levels, and the likely impact of this on the need for Adult and Community Services to pick up those costs as part of the social care package.

Implementation of Extra Care schemes	92	53	113

The net cost of implementing schemes for which funding packages are in place includes the cost of Invest to Save borrowing for the County Council contribution to capital funding costs, offset by the savings in care costs compared with the costs of running the Elderly persons Home replaced by the Extra Care scheme. At this stage, because of funding availability in the Supporting People Grant Programme, and the likely significant reduction in grant levels over the period of the plan, it has not been possible to meet the supporting people costs from that grant programme, and these costs are included here. The Supporting People Commissioning Body is, however, about to consider proposals to invest in new services, and this would benefit newer extra care schemes – see related item in the Savings list below.

Other Issues

ICT Infrastructure	146	0	0

Provision for ICT infrastructure, including the need for cyclical replacement of equipment forming part of the Standard Desk Top, and the network of machines available to the public in libraries.

	Year on Year		
	2007/08 £K	2008/09 £K	2009/10 £K
Direct Payment Team Manager	40	0	0

To reflect the increase in the take-up of Direct payments, and the need to further improve and develop the use of this approach and introduce Individualised budgets

Service Improvement

Helping more older people live at home	720	0	0

This proposal needs to be considered alongside the provision for these services in the Volume and Demand section of this Paper, and the comments made earlier are therefore relevant here. This investment will allow service to be provided at an eligibility set at substantial needs and will allow more focus on prevention and self directed care.

The amounts included will only permit a start to be made on raising performance. Because of the overall MTFS position in 2008/09 and 2009/10, it has only been possible to reflect investment in 2007/08. Throughout the MTFS period there is an expectation that the Directorate will continue to seek ways of releasing funds from more traditional service approaches in order to focus more on prevention and self directed care. Whilst CSCI is moving towards an approach based more on service outcomes, it is likely that overall service levels for people helped to live at home will continue to be a critical factor in the overall star rating for Adults Social Care. As noted above this service area is a stated Area for Improvement by CSCI

Helping more people with physical disability live at home	205	212	220

This will allow a sustained improvement in the services provided to this client group, consistent with the action plans set following the publication of the CSCI inspection on this service area in April 2006, which concluded that the County Council was only serving some people well, and with uncertain prospects for improvement. Performance in this service area is currently 2 band ie “ask questions about performance” and is a stated Area for Improvement by CSCI.

Providing more direct services to carers	50	52	54

This has been identified as an Area for Improvement, by CSCI. The related performance indicator is 2 band ie “ask questions about performance”

Additional funding for ICT	150	0	0

The modernisation agenda, linked to new service approaches and the change and improvement agenda will require additional investment in for new systems and additional technology to support new ways of working.

Total Service Developments (c)	**4584**	**3731**	**4021**

	Year on Year		
	2007/08 £K	2008/09 £K	2009/10 £K
Savings			
Single Status – tapering of protection	-113	-18	0
This reflects the reducing cost of the phased protection package put in place when changes were made in 2002 to the terms and conditions of service for frontline staff in County Care, in particular with regard to weekend and unsocial hours enhancements. The final element of this protection package will be removed in June 2007.			
Management cost savings in County Care	-169	0	0
Target for cashable savings, linked to reducing middle management posts and related costs.			
Savings expected from older people's services by smarter delivery of service	-500	0	0
This target is linked to both the way in which service need is assessed, and also how packages of care are put in place to meet need. It includes the target for changes for the skill mix project in the first year, and gives added emphasis to reviewing packages of care on an ongoing basis, with an impetus to manage down costly packages as independence and wellbeing improve.			
Savings expected from learning disability services by increasing control and targeting services	-640	0	0
A similar approach will be adopted as for older peoples services. Particular emphasis will be placed on targeting use of community services within a person centred approach to meeting needs.			
Saving on equipment if stores filled in 2006/07 (one year only saving)	-250	250	0
Additional planned spend in 2006/07 on a full range of equipment provided into people's homes, which has been made possible by managing budget spend through operating a service at the critical eligibility criteria, will mean that there will be a stock of items available to use during 2007/08. This is a one year only item, aimed at meeting the savings target set for this year, and recognising that some other items have only a part year effect in 2007/08.			
Supporting People contribution to SP eligible costs on Extra Care schemes in place now or opening during 2007/08	-96	-25	0
The Supporting People Commissioning Body has agreed that costs met currently through social care budgets will in future be met from Supporting People Grant			
Review of posts in Library Service	-118	-6	0
A range of specific initiatives have been identified to review service areas and reduce staffing and related costs			
Review service configuration provided through mobile libraries.	-30	0	0
Routes and opening times are being reviewed to introduce further cost efficiencies into the mobile library service			

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Registration – Budget review	-65	0	0
The current Budget position, including the level of income raised, and the revised management arrangements that will be introduced as part of the wider Directorate Review, will allow this budget adjustment to be made			
Contact centre – anticipated savings compared with current approach using the Customer Relations Unit.	-103	-103	0
The review of the Customer Relations Unit has identified cost savings compared with the service approach that will be implemented as part of the new corporate telephone Contact Centre from Autumn 2007			
Review training budgets	-163	0	0
A review of training resources and budgets, including the impact of increasing the use of E- learning products rather than more traditional approaches			
Other small changes	-27	0	0
Total Savings **(d)**	**-2274**	**98**	**0**
TOTAL YEAR ON YEAR INCREASE **(a + b + c + d)**	**6671**	**8901**	**9324**

SUPPLEMENTARY PAPER II

BUSINESS AND ENVIRONMENTAL SERVICES

Paper A	Contextual commentary by Corporate Director
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

BUSINESS AND ENVIRONMENTAL SERVICES

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

The Directorate faces many challenges over the next three years and will need to manage what are often competing priorities. The majority of services within BES are of high profile to the public and at the frontline. The significant challenges and priorities over the forthcoming three year period are as follows.

Waste Management

The MTFS identifies the increase of £3 per tonne per annum for landfill tax. However, the County Council is embarking on a programme of investment in waste infrastructure in order to meet the stringent requirements of the EU Landfill Directive. Failure to comply with this Directive will result in significant financial penalties, potentially at £150 per tonne. As a result, the County Council is working with the District Councils and the City of York in order to minimise waste, encourage recycling initiatives and invest in new technologies to divert waste from landfill; the costs of which are included in the MTFS. It should be noted that the longer term costs could be even higher if the Council does not pursue such actions.

Currently the Government provides grant funding of £690k for waste minimisation work. It is anticipated that this funding will cease in 2008/09, at which point the County Council will have to reprioritise in order to ensure the most effective development of waste management resources.

Highways Network

The County Council has 7,750 kilometres of surfaced roads, 1,350 kilometres of unsurfaced roads, 4,200 kilometres of footways and 47,000 street lighting columns. As a result, there is a constant need to ensure that the highways network is maintained to the best possible condition given available resources. The Directorate seeks to ensure that the network condition is maintained and that key targets are achieved, in line with - the Local Transport Plan. The achievement of these targets are essential in order to ensure that further funding is then provided by the Government to support the Highway network. It is pleasing to note that the Local Transport Plan received an 'Excellent' rating in 2006, generating an additional 12.5% of Government funding (total of £27.7m in 2007/08).

It is anticipated that certain trunk roads currently maintained by the Highways Agency, will be transferred to the County Council in 2008/09 and onwards. Whilst the Council will receive some formula funding, there is likely to be a net loss which, if not replaced, will impact upon the basic maintenance budget. Any reduction in the condition of the network will impact upon key performance indicators such as road and footway conditions.

The size and nature of the County's roads has meant that the existing winter maintenance budget is often inadequate to meet demand. In 2005/06, the County Council as a whole incurred £6,381k on winter maintenance, resulting in a total overspend of £733k. As a result, additional funding of £800k is included in the MFTS for 2007/08 (£300k to BES and £500k to Corporate Miscellaneous) to maintain the current policy standards determined by the County Council.

Integrated Passenger Transport

The County Council faces significant challenges in providing and retaining effective and adequate public transport services in a rural County with a limited number of contractors and the subsequent upwards pressure on costs. Nevertheless, the challenge is to increase bus patronage and to promote the community sector in delivering valuable transport services and improved accessibility within the county. These targets are central to both the Local Transport Plan and the Local Area Agreement that will come into effect in 2007/08.

External Funding

BES, and particularly Economic Development, play a significant role in securing external funding for the economic regeneration of the County. This is set to become more challenging given changes to Government and European funding. The Directorate will seek to generate additional income sources, including mineral, waste and archaeology charges.

Statutory Responsibilities

The Directorate has many statutory responsibilities including Highways, Planning and Trading Standards. Additional duties have been implemented for 2007/08 for the Trading Standards Service relating to animal feed and food standards legislation. In addition, the County Council has ambitious targets to reduce the number of killed and seriously injured on the roads and is working with partners as part of the Local Area Agreement in order to achieve these targets.

Gordon Gresty
Corporate Director – Business and Environmental Services

PAPER B

BUSINESS & ENVIRONMENTAL SERVICES

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year		
		2007/08 £K	**2008/09 £K**	**2009/10 £K**
Inflation				
Overall inflation in 2007/08 is assessed at 5%; a key element being 6% for the Highway Maintenance Contract (based on the Baxter Index) .	**(a)**	**2,591**	**2,484**	**2,638**
Costs and Developments				
Landfill Tax Landfill Tax will increase by a further £3 per tonne p.a. over the period.		526	523	522
Waste Procurement Project The County Council is seeking to invest in additional infrastructure to increase the rates of recycling and to divert waste from landfill. The costs are significant, as are the costs of failing to divert from landfill due to the potential fines imposed by the EU and the subsequent need to invest in LATS allowances.		685	1,061	3,415
Household Waste Recycling Centres It is anticipated that the new requirements for HWRCs and the increase in the number of sites will result in increased costs when this service is exposed to competition. The HWRCs will play an important role in the Waste Strategy in order to maximise recycling opportunities.		100	200	0
Waste Performance and Efficiency Grant (DEFRA) This grant is being used to promote recycling and waste minimisation. It is expected that this grant will finish in 2008/09 – see Savings below.		0	690	0
Highway Maintenance The County Council currently receives a grant for detrunked roads from the Highways Agency. It is expected that this grant will be absorbed into the Local Government Finance (LGF) Settlement in future years and the County Council will then be required to maintain the roads at its own expense. The current funding of roads is higher in the grant than will be funded through the Settlement and there is therefore an expected cost pressure.		0	400	475
Winter Maintenance The existing budget has proven to be inadequate in order to meet the costs of keeping existing Priority 1 and 2 routes clear in adverse weather conditions. Whilst it is not possible to precisely predict the costs of future winters, it is anticipated that a further £300k is likely to cover the Directorate share of any overspend.		300	0	0
Trading Standards – EU Animal Feed Directive The EU is to implement new regulations in January 2008 relating to animal feed. The County Council will then have statutory obligations to comply with this legislation.		126	150	0

		2007/08 £K	2008/09 £K	2009/10 £K
		Year on Year		
Trading Standards – Food Hygiene The Food Standards Agency (FSA) is implementing new regulations on food hygiene standards on agricultural premises. The FSA has determined that Trading Standards will deliver this function for which grant will be paid before being absorbed into the LGFSettlement in 2009/10 – see Savings below		0	60	60
Trading Standards – Animal Licensing DEFRA currently meet the majority of costs of the Animal Movements Licensing Team. It is anticipated that this income will cease in 2008/09 – see Savings below.		0	290	0
Passenger Transport Market pressures in the passenger transport sector are expected to increase service costs over and above inflation due to the large rural nature of the County and a limited number of bus contractors.		110	110	110
Total Costs and Developments	**(b)**	**1,847**	**3,484**	**4,582**
Savings				
To help balance the MTFS the Directorate has identified a number of savings; These are highlighted below:				
Savings from Consultancy 2006 review Additional savings following the full year restructuring of the client function. On-going management of the contract will need to ensure that effective arrangements are in place.		-25	0	0
Yorwaste Dividend Negotiations between the company and shareholder have resulted in plans for additional dividend to be paid. The value of these dividends will, however, depend upon the financial and operational success of the company.		-500	0	0
Increased income generation Additional income to be generated for archaeology work and / or minerals and waste site inspections.		-19	0	0
Trading Standards – Food Hygiene It is anticipated that grant will be available in 2008/09 to fund the additional responsibilities but will cease in 2009/10 when it is to be absorbed into the LGFSettlement.		0	-60	0
DEFRA Funding - Animal Licensing It is anticipated that the Council will cease to provide this service unless the government incorporates funding into the LGF Settlement.		0	-290	0
Waste Performance & Efficiency Grant It is anticipated that the Council will cease to provide these initiatives unless the government incorporates funding into the LGF Settlement.		0	-690	0
Total Savings	**(c)**	**-544**	**-1,040**	**0**
TOTAL YEAR ON YEAR INCREASE	**(a + b + c)**	**3,894**	**4,928**	**7,220**

SUPPLEMENTARY PAPER III

CHILDREN AND YOUNG PEOPLE'S SERVICE

SCHOOLS

Paper A	Contextual commentary by Corporate Director
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

PAPER A

CHILDREN & YOUNG PEOPLE'S SERVICE

SCHOOLS BLOCK / DEDICATED SCHOOLS GRANT (DSG)

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

INTRODUCTION

The funding of the Schools Block part of the Children & Young People's Service is funded by a separate specific grant – the Dedicated Schools Grant (DSG). The Schools Block includes not only delegated school budgets but non-delegated services, including early education, non-delegated special needs, behaviour support and admissions. This is known as "central expenditure". The remaining LEA Services (known as the LEA Block in relation to the education element), which now also include Children Social Care, continue to form part of the County Council's overall budgeting arrangement and are considered separately.

The strategy adopted for funding the Schools Block is identical to that adopted for the remainder of the Medium Term Financial Strategy. It reflects Council Plan priorities which in themselves take account of the priorities for the Children & Young People's Service. The overall priorities for the Schools Block are the raising of overall academic standards to meet government targets, specific targeted improvements in areas such as the 14-19 Agenda and Personalised Learning, the taking forward of the Inclusion Agenda. Finally there is a need to ensure that developments within the Schools Block, particularly the non-delegated elements, are matching the priorities, particularly on prevention, in responding to the "Every Child Matters" agenda.

SCHOOL BUDGETS FOR 2007/08

School Budgets for 2007/08 were fixed in March 2006 as part of the new arrangements for fixing budgets for a 2 year period for 2006/07 and 2007/08. At the same time provisional 2007/08 budgets were determined for non-delegated school budgets which fall within the Schools Block. The total requirement has, of course, to be managed within the available Dedicated Schools Grant (DSG) which at the time was estimated to be £301,270K which represented an increase of £14,025K over the then expected DSG allocation for 2006/07 of £287,246K.

At that stage school budgets were largely fixed for 2007/08 other than adjustments to reflect changes in pupil numbers and the underlying data used to distribute a minority of other formula factors. However the data is not changed for the remaining factors and, in every case, the LMS factors and the unit funding values are unchanged. The amount allocated for DSG will also be adjusted to reflect changes in pupil numbers.

The operation of these two changes therefore has an impact on the remaining resources available from the Schools Block for use for non-delegated (central) purposes. Consequently these budgets for 2007/08 were provisional and can now be adjusted both to reflect any change in priority, changes in demand and to manage those budgets within the total adjusted resources available.

The school budgets, fixed in March 2006, for 2007/08, were part of the new arrangements for fixing budgets for a two year period i.e. 2006/07 and 2007/08. However whilst this was part of proposals to develop 3 year budgets these arrangements cannot continue because of the absence of an announcement for the next public spending settlement (CSR). No announcement will be made until mid-2007 regarding the public spending settlement for 2008/09 and beyond. It will then be possible to fix school budgets for the 3 year period 2008/09 – 2010/11. However at this stage budgets can only be fixed for 2007/08.

In the meantime schools will continue to be asked to prepare three year budgets 2007 – 2010 based upon the 2007/08 levels albeit adjusted for pupil numbers. This assumes that their budgets will not vary in real terms i.e. to assume that the increase applied to their budgets will cover inflation. It is expected that, at least for 2008/09, the Minimum Funding Guarantee (MFG) will, in any event, apply at around this level.

An exercise has already been carried out by the Children & Young People's Finance Team to assess likely pupil numbers for January 2007 and their consequential impact on school budgets. The indications are that the anticipated pupil numbers in January 2007 are lower than incorporated in the school budgets calculated in March 2006. The consequential saving, however, has to be considered in the context that these pupil numbers will also give rise to a reduction in DSG. This is because DSG is fixed not as an amount in cash terms but as an amount per pupil.

Schools in preparing their budgets for 2007/08 will have, from an already virtually fixed budget, to take account of changes in inflation as compared with the position a year ago. This will include taking account of the late announcement of a 0.8% increase in Teachers' Pension Contributions which took effect in January 2007. The key features of changes in delegated school funding between 2006/07 and 2007/08 are set out in **Paper B.**

The extra resources included items where the DfES actively encouraged local authorities to earmark DSG to promote priorities for the widening of the secondary curriculum to support the 13-16(19) agenda including the introduction of diplomas for vocational subjects and the development of approaches to Personalised Learning both at Key Stage 3 (secondary) and in primary education. In addition to these resources reflecting DfES priorities extra money available to schools covered inflation, the impact of formula changes, earmarked funds to support in schools pupils with high special educational needs together with extra delegated resources for low needs/high incidence SEN and Behaviour issues. Other priorities included ICT Lifecycle and School Meals.

NON-DELEGATED (CENTRAL) SCHOOLS BLOCK BUDGETS 2007/08

Priorities for the allocation of additional resources in 2007/08 include:-

- ➔ resources intended to promote confederation and other forms of joint working for all schools, particularly small primary and secondary schools;

- ➔ a reflection, in the more rigorous OFSTED framework, by setting aside more resources to assist those schools who are "causing concern";

- ➔ making good, from Schools Block/DSG resources, the loss in LPSA grant in order to maintain the existing level of resources for targeted support for individual schools – previously known as the Localities Strategy and now renamed support for "Schools in Challenging Circumstances";

- ➔ additional resources to take forward the revenue implications, in 2007/08, of the phased introduction of the recently approved SEN & Behaviour Review;

- ➔ with the agreement of the Schools Forum significant additional preventative provision for priority Children's Services development which, again after consultation with the Schools Forum. This involves extending provision for Family Support Workers, supporting the revenue implications of one of the additional Pupil Referral Units included within the Review of SEN & Behaviour, contributing to the funding of Home to School Link Workers and developing ways of learning for children with moderate learning difficulties;

- ➔ to respond to increasing demand for support for children not in school including the innovative development of collaborative arrangements. This involves groups of Headteachers determining, from a fixed sum, the way in which pupils with behaviour and other issues should be supported;

- ➔ to reflect increased numbers of 3 & 4 year olds in private and voluntary settings;

- ➔ to support the appointment of a school's Carbon Reduction Manager.

Further details are provided in **Paper B**.

The level of Dedicated Schools Grant, which as indicated earlier is fixed as an amount per pupil, has been reassessed for 2007/08. On current projections the DSG, in 2007/08, will be of the order of £300.5m. Whilst this is lower than the DSG allocation previously assumed it is still considered that the funding package can be "afforded" within the DSG available.

However, the level of DSG and therefore the level of unallocated resources will change when actual pupil numbers are known, arising from the pupil count in January 2007 and "the spend" against DSG in funding schools will also change. There are also outstanding decisions on the level of place allocations for special schools. Consequently the unallocated contingency of currently £740k seems reasonable especially given the scale of DSG (£300m) and uncertainties regarding the financial impact of job evaluation. It is suggested that final decisions on any alterations to the funding package to reflect these changes be taken by the Corporate Director after consultation with Executive Members for Children & Young People's Service and the Chair of the Schools Forum.

SCHOOLS BLOCK/DSG BUDGETS 2008/09 AND 2009/10

It is not possible to fix either Delegated School Budgets or Non-Delegated Schools Block Budgets beyond 2007/08 at this stage. This is because of the delay in the announcement of the Comprehensive Spending Review (CSR) which will not be available until later this year. Consequently, it is possible only to prepare provisional budgets for 2008/09 and 2009/10.

In addition to uncertainties regarding the national total funding available for the Schools Block (determined by the CSR) the DfES is reviewing the basis of distribution of resources between local authorities including items which will impact on the distribution of resources by local authorities between schools such as the operation of the Minimum Funding Guarantee. A consultative paper on new arrangements beyond 2007/08 is expected to be issued shortly.

An assessment of the likely Dedicated Schools Grant in these years, albeit very provisionally, has been undertaken. The underlying assumption, based upon information provided at DfES seminars, is that the Schools Block/DSG will continue to receive “above inflation” allocations but at levels below that experienced in 2006/07 and 2007/08. In those years all local authorities were guaranteed an increase of at least 5% per pupil with the actual increases, after taking into account extra resources made available for “DfES priorities”, of over 6% per pupil. The DfES have also made it clear that they are anxious to avoid any significant “turbulence” in school funding caused by a significant change in year on year funding which could arise on implementing revised methods of distribution. Therefore, floors and ceilings/funding guarantees are likely to be a feature of the new arrangements. Taking all these factors into account an assumption has been made that resources will increase by 4.5% per pupil.

Another significant feature to take into account in the assessment is the accelerating reduction in pupil numbers which is anticipated in North Yorkshire schools (and indeed nationally) over this period. The projections assume reductions of the order of 1,600 pupils in 2007/08 and a similar further reduction in 2008/09.

The combined impact of the assumptions regarding a 4.5% cash increase and the projected reduction of pupils is an increase of £7,200K (2.4%) in DSG in 2008/09 with an unchanged percentage increase in 2009/10 but involving a slightly larger cash increase of £7,350K.

In considering the impact of these increases it is necessary to recognise that the reduction in pupil numbers, referred to above, also impact significantly, but not to the same overall extent, in delegated school funding requirements. A provisional estimate of the consequential savings in school funding requirements linked to the reduction in pupil numbers has been made with reductions of £4,250K in 2008/09 and £4,300K in 2009/10.

A provisional package of budget developments for 2008/09 and 2009/10, together with supporting information is set out in the relevant columns, at the right hand side, of **Paper B.** The package takes account of the funding assumptions set out above and also makes assumptions regarding:-

- ➔ anticipated inflation and likely changes in demand, particularly for support of pupils with special educational needs and behaviour;

  and

- ➔ high priority developments in the Schools Block Service including the continuation of DfES priorities, the need to encourage resources allocated for ICT and special educational needs.

Further resources are allocated for the SEN and Behaviour Review to provide, at the end of the planned period, resources which are considered sufficient to implement the early stages of review and provide a quantum of resources which matches the projected maximum requirements when the review is fully implemented with places at their anticipated maximum capacity. In making estimates it is necessary also to take account of the need, in certain cases, to provide “new facilities” in advance of the replacement of “existing facilities”. It has to be recognised that this will give rise to some variations in total spending requirements which cannot be fully assessed at this stage. Further resources are also allocated for the development of behaviour collaboratives and, for support of further Children’s Services preventative developments, assistance with Schools Causing Concern and the support of collaborative arrangements between schools.

A further significant risk, in addition to the anticipated reduction in the rate of increase in School Block resources in these years is the large number of existing specific grants for which no information is available beyond 2007/08. This includes Standards Fund, School Standards Grant, Children’s Services Grant and the increasingly important General Sure Start Grant. Schools and resources for special educational needs are also influenced by decisions regarding the LSC funding of post-16 provision. Finally we are already aware that existing resources made available from the former Children’s Fund will not be available nor will a large time limited grant which is currently being used so support the employment of 30 Parent Support Advisers.

STANDARDS FUND & SCHOOL STANDARDS GRANT

In addition to DSG schools receive two other grants – Standards Fund and School Standards Grant. All of School Standards Grant must be paid to schools. A proportion of Standards Fund is available for closely defined school support services provided by the Authority.

The allocations made in 2006/07 and 2007/08 are summarised below:

	2006/07 £K	2007/08 £K	Variation £K
School Development Grant	18,524	18,835	+ 311
Targeted & Demand Led Grants	4,437	4,290 *	- 147
LEA Grants	3,013	3,383 *	+ 370
Capital – ICT in Schools	5,062	5,042	- 20
	31,036	31,550	+ 514

* Includes the assumption that outstanding awards will be at levels unchanged from 2006/07.

A summary of Standards Funds is provided in **Appendix 1**.

School Standards Grant

School Standards Grant now consists of two elements as summarised below:

	2006/07 £M	2007/08 £M	Increase £M
General Allocation	13.2	15.4	2.2
Personalised Learning	1.8	2.9	1.1
	15.0	17.3	3.3

The originally announced allocations for 2007/08 for the General Allocation represented an increase of £0.9m compared with 2006/07. **However in the recent budget report further increases were announced providing North Yorkshire schools with a further £1.3m. This is the only significant change in school funding allocations as compared with announcements 12 months ago.**

In March 2006 the Chancellor announced additional School Standards Grant funding for Personalised Learning for 2006/07 and 2007/08 to enable schools to make a faster head start on delivering personalisation. In 2007/08 North Yorkshire schools will receive an extra £2.9m – an increase of £1.1m of the first allocations made in 2006/07.

Overall Funding for Schools

The resources made available to schools, through the School Standards Grant (£17.3m) and the delegated part of Standards Fund – School Development Grant (£18.8m) remain relatively small as compared with the main delegated Schools Budget (ISB) which is anticipated to be of the order of £267.8m in 2007/08. In aggregate these funds total £304.9m. Schools with sixth forms receive separate allocations from the LSC which, in 2007/08, are anticipated to be of the order of £28.8m.

RECOMMENDATION

6.1 The Executive is asked to authorise the Corporate Director - Children & Young People's Service, in consultation with Executive Members, to determine the final Budget package for the use of DSG in 2007/08. Changes will be necessary, as outlined in the report, to take account of the actual count of pupils in January 2007. The final package will also be subject of consultations with the Schools Forum.

Cynthia Welbourn
Corporate Director – Children and Young People's Service

COM/EXEC/0207mtfs & revenuebudget07_08-SupplementaryPapers

Standards Fund 2007/08

Grant Num	Grant Name	Movement from 2005/06 to 2006/07	2006/07				Movement from 2006/07 to 2007/08	2007/08			
		Total	Grant Rate	Total Allocation	School Allocation	LEA Retained	Total	Grant Rate	Total Allocation	School Allocation	LEA Retained
		£k	%	£k	£k	£k	£k	%	£k	£k	£k
School Development Grant				**0.0**							
101	School Development Grant	196.9	100%	9,268.8	8,557.3	711.5	253.7	100%	9,522.5	8,811.0	711.5
101	Advanced Skills Teachers (ASTs)	18.1	100%	850.1	834.5	15.6	24.7	100%	874.8	859.2	15.6
101	Leading Edge	0.0	100%	60.0	60.0		-40.0	100%	20.0	20.0	
101	Specialist Schools: Recurrent	985.8	100%	4,894.7	4,894.7		58.2	100%	4,952.9	4,952.9	
101	Training Schools	1.0	100%	54.8	54.8		-32.7	100%	22.1	22.1	
101	Gifted and Talented	1.3	100%	60.9	55.9	5.0	1.7	100%	62.6	57.6	5.0
101	Primary Expansion (Excellence in Cities)	183.6	100%	183.6	183.6		5.4	100%	189.1	189.1	
101	ICT Infrastructure/Hands-on Support	41.6	100%	1,959.7	1,596.5	363.2	47.3	100%	2,007.0	1,643.8	363.2
101	Transitional Funding LIG		100%	406.4	406.4		-156.6	100%	249.8	249.8	
101	Deprevation		100%	120.0	120.0		130.0	100%	250.0	250.0	
101	Enterprise Learning	14.1	100%	664.6	664.6		19.7	100%	684.3	684.3	
Total School Development Grant		**1,442.5**		**18,523.650**	**17,428.3**	**1,095.3**	**311.6**		**18,835.2**	**17,739.9**	**1,095.3**
Targeted and Demand Led Grants											
103	Ethnic Minority Achievement (EMAG)	5.9	100%	63.8			4.2	100%	68.0		
105a	Targeted School Meals Grant	223.9	100%	549.8				100%	tba ***		
105b	School Meals Grant	-4.8	100%	478.4				100%	tba ***		
107	Targeted Support for Primary Strategy	576.5	100%	1,666.3			-134.3	100%	1,532.0		
108	Targeted Support for Secondary Strategy	43.3	100%	771.9			-16.9	100%	755.1		
104	Targeted Improvement Grant		100%	tba *				100%	tba *****		
106	Extended Schools	26.5	100%	906.9			0.0	100%	906.9		
Total Targeted and Demand Led Grants		**-569.6**		**4,437.2**	**0.0**	**0.0**	**-146.9**		**3,262.1**	**0.0**	**0.0**
LEA Grants											
112	Primary Strategy: Central Co-ordination	0.0	50%	672.0			-4.7	50%	667.2		
113	Secondary Strategy: Central Co-ordination	-13.7	50%	625.3			-79.8	50%	545.5		
114	Secondary Behaviour and Attendance: Central Co-ordination	0.0	100%	125.8			0.0	100%	125.8		
116a	Music Services	0.0	100%	733.0			-10.0	100%	723.0		
116b	Music at Key Stage 2	32.2	100%	32.2			215.0	100%	247.2		
117	Education Health Partnerships	26.4	100%	141.7			0.0	100%	141.7		
126	Choice Advisors		100%	31.3				100%	tba****		
301	School Intervention Grant		100%	259.1			0.0	100%	259.1		
302	Flexible 14 to 19 Partnerships Funding		100%	182.2			-6.4	100%	175.8		
119	School Travel Advisers	0.0	100%	112.0			0.0	100%	112.0		
115	School Improvement Partners	25.2	100%	98.0			256.7	100%	354.7		
Total LEA Grants		**-1,199.5**		**3,012.6**	**0.0**	**0.0**	**370.7**		**3,352.1**	**0.0**	**0.0**
ICT in Schools											
121	Broadband Connectivity	-606.4	58%	3,031.9			-3,031.9	58%	0.0		
121a	National Digital Infrastructure for Schools	1,035.9	100%	1,035.9			3,284.5	100%	4,320.4		
122	E-Learning Credits	-289.4	100%	994.6			-292.1	100%	702.5		
125	Computers for Pupils						19.5	100%	19.5		
Total ICT in Schools		**140.2**		**5,062.4**	**0.0**	**0.0**	**-20.0**		**5,042.4**	**0.0**	**0.0**
TOTAL		**-186.5**		**31,035.9**	**17,428.3**	**1,095.3**	**515.4**		**30,491.8**	**17,739.9**	**1,095.3**
Notes:	tba *** - To be announced by the DfES during Spring 2007										
	tba **** - To be announced by the DfES during Summer 2007										
	tba ***** - To be announced by the DfES as projects approved										
	Pupil numbers used by the DfES to calculate SDG										
	2005 = 87184										
	2006 = 86147.5										
	2007 = 85537 (NYCC estimate revised Dec 06)										

APPENDIX 1

PAPER B

CHILDREN & YOUNG PEOPLE'S SERVICE

SCHOOLS BLOCK

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation			
Overall inflation assessed at 3%. Key assumptions include Teacher's Pay (2.5%) and the increases in energy costs. Whilst these cannot change the resources made available to schools it will be necessary for schools to also take account of changes in the last year. These include updated projections on energy costs and the full year's effect of the 0.8% increase from January 2007 in the Employers Pension Contribution. Lower increases in later years, with no provision for further increases in either energy or teacher's pension contributions.	7,224	6,580	6,780
DfES priorities			
13 - 16 (19) Developments (50% delegated to schools)			
Broadening the Secondary Curriculum with extra resources to assist the achievement of this DfES priority which is particularly expensive in North Yorkshire. The additional resources provided in 2005/06 of £800K were partly delegated to schools (£400K) and the remainder targeted through Area Learning Partnerships (ALPs). The allocation to ALPs was matched by equivalent, but time limited, contribution from the LSC. Allocations for 2006/07 and 2007/08 match 'five priorities' allocations from DfES.	409	400	400
Consultations took place with Secondary Schools as to the extent these resources were delegated to schools (and if so by what method of distribution) and the extent to which the funds are added to the resources available to the Area Learning Partnerships. Agreed 50/50 split between delegated school budgets and retained as 'LMS Contingency' for Area Learning Partnerships.			
Crucial to making the required improvements in extending the secondary curriculum. Address significant risks for both school inspections and the JAR Inspection for the LEA bearing in mind the issue has been raised at OFSTED and the 14-19 Area Wide Inspection.			
Personalised Learning			
Greater personalisation of Learning at Key Stage 3 and in Primary Schools to support provision for 'catch up' classes and greater stretch for gifted and talented pupils, and to help pupils from disadvantaged backgrounds to access activities outside the school day.			
Key Stage 3	1,853	300	300
Primary	980	500	500
Crucial to improve academic standards and achieving national targets for further improvements.			
SEN High Needs Statements			
Impact of changing demand patterns especially earlier intervention which increases the period of support. Currently some 'retained statements' are included in delegated ISB and some in non-delegated budgets. It is proposed that all be incorporated in delegated school budgets in 2007/08.	400	300	300
Growth inevitably impacts on the other resources available for all schools. The preventative measures and additional 'menu' of provision in the SEN & Behaviour Review proposals should impact on the scale of increase in future years.			

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Special Education & Behaviour Needs in School			
Reallocation through formula funding for SEN low needs/high incidence factors of the saving arising from the phased, over 4 years, ending in 2007/08, withdrawal of transitional funding given on the introduction of delegation of high incidence/low needs support for children with special needs.	275	0	0
Additional provision for schools to target special educational needs & behaviour issues which, in consultation with schools, they regard as very important. Resources will assist in the achievement of inclusion agenda and supporting the aims of the Children's Agenda.	400	280	400
Resources to address a key priority, as judged by schools, to take forward not only the Inclusion but also the Standards Agenda.			
ICT Life Cycle & Connectivity			
The need to replace computers and software is an increasing demand on school budgets. Need also to assist in funding the high cost of connectivity rentals, especially for primary schools in remote rural areas, which means that Standards Fund is unlikely to meet ICT demands especially in future years.	400	300	300
ICT is a key driver to improvements both in education provision but also to promoting more efficiency in schools.			
	11,941	8,660	8,980
Savings			
Special Educational Needs & Behaviour Transitional Funding			
The saving on the phasing out, over 4 years, of additional resources provided to schools to facilitate the effective introduction of delegation i.e. high incidence/low needs special educational needs.	- 275	0	0
Impact avoided by the re-investment of this amount as detailed above.			
Pupil Numbers, Floor Area, Insurances & Other Formula Changes			
Impact of falling pupil numbers partly offset by additional provision to fund schools for maintaining heating and cleaning additional floor areas and increase in insurance premium based on escalating public liability claims offset by savings on other factors.	- 1,735	- 4,050	- 4,240
Total delegated schools	**9,931**	**4,610**	**4,740**
LMS contingencies			
13 – 16 (19) Developments (50% to Area Learning Partnerships)			
Proportion retained for use by Area Learning Partnerships. (see above)	408	400	400
Schools Causing Concern			
Additional provision to provide targeted support to schools causing concern. The additional provision is necessary because of a more rigorous OFSTED framework which in turn means that more schools are requiring more support more often.	100	100	0
Key preventative resource to avoid schools going into special measures.			

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Schools In Challenging Circumstances (former Locality Funding)			
This replaces the funding for vulnerable localities which is currently met by the LPSA Grant. Outcomes for children and young people in the targeted areas remain a concern overall. If resources are retained, they will be linked to specific improvement strategies in consultation with the Local Authority. They will include collaborative work between schools and further progress by integrated work with other support agencies. Detailed proposals for the allocation of the funds were endorsed at the January 2007 meeting of the Schools Forum.	200	0	0
Resources used to improve learning and other outcomes where they are needed most.			
Rural Education Quality Support			
Further develop appropriate confederation, and other methods of joint working, to help address the challenges of securing quality education in rural areas, particularly the most remote.	200	50	50
Essential pump priming/sustain rural education and enable small schools to meet the requirements of all their pupils.			
Total LMS contingencies	908	550	450
Other non-delegated school budgets			
Catering			
Additional provision and investment to develop and sustain healthy eating at affordable prices for primary school pupils. Resources will be directed not at subsidising the service but at measures which seek to promote take up - this in turn is the foundation of avoiding above inflation rises in school meal prices.	250	0	0
Crucial to viability of school meals. If school meals are not viable it will represent an additional call on school budgets. In any event catering will make an important contribution to the Being Healthy outcome for children..			
SEN & Behaviour Review			
Implementation on a phased basis will involve additional revenue resources in order to provide 21st century support for children in both special and mainstream schools and to minimise the use of external provision. Additional resources over the 3 year period linked to the phased introduction of the agreed proposals. This includes recognition that some “temporary” duplication of provision is necessary to be provided in advance of curtailing “existing” facilities.	250	300	340
Required to realign provision both in special schools and mainstream to meet current requirements and so take forward the Standards Inclusion & Children’s Agendas for children who need it most.			
Behaviour Developments			
Anticipated additional demand for behaviour services and English as an Additional Language.	100	100	100
Funding to increase capacity in provision for pupils with behaviour difficulties as the devolution of REOTAS is extended from the eastern area (January 2006) to the whole of the County, including parts of the County with limited current behaviour infrastructure. The timing of these changes to be phased ‘in line’ with the implementation of the SEN & Behaviour Review for the area concerned.	200	100	200
Seen as a priority if we are to improve learning and other outcomes for pupils with emotional, social and behavioural difficulties, as required by the Children’s Agenda.			

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Children's Services – Additional Preventative Provision			
The Children & Young Person's Plan has identified the priorities for improvement of provision. This includes both gaps in existing provision for the most vulnerable together with, as intended under the legislation, additional investment in a range of preventative services. Proposals for the allocations of these resources are being developed with the Schools Forum. Priorities approved so far are Home to School Link Workers (where not funded from other sources), funding the revenue costs of one of the planned additional Pupil Referral Units, Field Support Workers to work with all partners as part of the Integrated Service Delivery and development of 'learning pathways' for children with moderate learning difficulties.	750	250	400
This investment, together with parallel investment in strategic capacity which falls within the LEA Block, is essential to effectively implementing 'Every Child Matters' in the North Yorkshire Children's Strategic Partnership. This is crucial also to the achievement of the priorities in the Children & Young People's Plan.			
Children's Fund			
Contribution of funding Home to School Link Workers and participation workers currently funded by the time limited specific grant.	0	200	0
Preventative services which are making a significant contribution to the achievement of 'Every Child Matters' priorities.			
Capital Maintenance			
Additional allocation to cover the cost of the required Asbestos Surveys in schools. Other additional statutory requirements for Fire Risk Assessments (£150K for each of 3 years) to be met from the existing 'works' budget.	110	0	0
Essential work to meet statutory requirements and ensure the safety of pupils and other school users.			
Early Years			
Additional number of 3 & 4 year olds funded in maintained, voluntary & private settings.	150	50	50
Inflation			
Inflation on LMS Contingencies and other non-delegated Schools Block spending.	1,116	1,040	1,070
OTHER NON-DELEGATED SCHOOLS BLOCK TOTAL	2,926	2,040	2,160
TOTAL YEAR ON YEAR INCREASE	**13,765**	**7,200**	**7,350**
Anticipated Increase in DSG	14,505	7,200	7,350
Projected unallocated DSG	740	0	0

SUPPLEMENTARY PAPER IV

CHILDREN AND YOUNG PEOPLE'S SERVICE

LEA BLOCK

Paper A Contextual commentary by Corporate Director

Paper B Analysis of funding priorities 2007 / 08 – 2009 / 10

PAPER A

CHILDREN & YOUNG PEOPLE'S SERVICE

LEA BLOCK

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

The key priority for the MTFS period is to implement the requirements of the Children's Act well. This means developing high quality, locally integrated services which meet not only individual needs but give much greater priority to preventative measures. This is now informed by the priorities in the **Children & Young People's Plan** which themselves have been reviewed to take account of the outcome of the recent **Joint Area Review**.

The County Council's overall financial position means that the essential improvements to meet these requirements, and address shortcomings identified by the Inspectors, have to be funded from efficiency related savings. Indeed, after taking account of inflation, the net spend of the Service reduces by £750K in 2007/08.

The requirement of the Children's Act is to provide integrated services in partnership with a very wide range of services. This is led by the County Council as the **Children's Service Authority** has to establish and develop its role, reputation and systems in leading the **Children's Strategic Partnership.**

Priorities for 2007/08

The integration of local services involves changing the way in which front-line services are managed, and re-engineering many of the professional processes and practices they use. Local teams will need to be developed in which complex casework is improved through the role of Lead Professionals, supported by Common (joint) Assessments, better information sharing, and improved preventative services. The aim is to achieve greater impact, and better outcomes, for all young people, especially the most vulnerable.

A specific requirement in 2007/08 is to implement integrated service delivery in 22 **localities** covering the whole County. Locality working will delivery "on the ground" the priorities in the Children & Young People's Plan with monitoring and strategic support provided by a small team of **Integrated Service Managers**. Performance management will be strengthened more generally by the creation of a **Performance and Outcomes Unit** as part of the Directorate restructure. The full year's effect of these developments is provided in the Budget package.

Information systems have to be reorganised and developed not only to achieve the requirements of the new Service, including the development of electronic Common Assessment Framework and electronic Social Care records, but also the County Council's Transformation Agenda. In bringing all children related systems together the Service has also to take account of a fundamental national requirement to introduce locally the **Child Index** by 2008.

In addition to the inter-agency 'joining up' the Service has also brought together local delivery of previously separate national initiatives for **Extended Schools, Children's Centres** and an expanded and modernised **Youth Service**. This continues a phased programme of targeted additional resources for Youth Services and very substantial expansion to provide a network of 22 Children's Centres.

This integrated approach has also enabled the skilful, selective and creative use of specific grants which have been provided to assist in some of the Service's functions. For example substantial **Dedicated Schools Grant** is to be used, with the agreement of the Schools Forum, to address gaps or shortcomings in children's provision especially preventative provision. Planned savings on external placements of looked after children, over and above an already ambitious savings target, have been achieved in the current year but will be used, in 2007/08, to enable the continuation, for a further year, of a previously grant aided project for **treatment foster care**. The increase in **Children's Service Grant** is being used to support the development of integrated working. Finally, and most significantly, the overall comprehensive approach to locality based integrated provision for all Children & Young People's Services has enabled the **General Sure Start Grant** to support a significant proportion of the extra costs of those arrangements.

The **Quality & Improvement** Service is responding to changing and increasing expectations not only on school improvement in general but also supporting and challenging schools under a much "harsher" inspection regime as well as covering increased requirements on a range of new areas including equalities, further development of an integrated 14-19 agenda, including the phased introduction of vocational diplomas and improving the Directorate's own staff professional and training development.

The Joint Area Review identified priorities which required immediate improvement in children's **safeguarding arrangements** and services for **Disabled Children**. These priorities are reflected in extra spending for preventative support for families and some modest strengthening of supporting safeguarding arrangements. The development during the year of a **Parent Support Strategy** will also assist in the achievement of these objectives.

The main proposal on **Children Social Care** is to continue the successful policy of achieving a more cost effective mix of placements for Children Looked After. This follows previous arrangements to improve the recruitment and retention of in-house foster carers by, related investment in the allowances scheme and support packages and more recently enhanced by the introduction of Treatment Foster Care. Given the change in mix, with consequential savings achieved in the current year, the anticipated further savings provide a challenging but very worthwhile target.

The extra costs of **home to school transport** reflect market forces rather than any change in existing policies. Improvement in procurement arrangements have enabled savings to be made for re-procurement of contracts for an area of the County. However, spending pressures continue to arise in changing that network to reflect changing needs during the currency of those contracts. The Budget package reflects the full year's effect of **charges for post-16 transport** introduced in September 2006. The anticipated income is slightly below previous estimates. However there has been no identified impact on the level of student enrolments.

As indicated above the overall cost of these developments has been more or less set by committing to **efficiency related savings**. This includes the full year's effect of savings on overheads arising from the review of **Youth Service**. It is planned to further reduce the net cost of the **Outdoor Education Service** in 2007/08 and 2008/09. In addition to the savings on external placements a review of the **administrative arrangements in Children's Social Care** is to be undertaken with the aim of achieving significant savings. The Quality & Improvement Service is seeking to offset more of its cost by increasing **charges to schools**. Finally, all parts of the Service have reduced budgets in the expectation of more skilful vacancy management, improved procurement and other efficiencies will provide further savings. The assumption is that these savings will all continue in future years.

Priorities for 2008/09 and 2009/10

There were no significant changes in the overall priorities for these years as compared with 2007/08. However there are much greater uncertainties regarding funding.

At a national level there is a fundamental difficulty in making any assumptions because the outcome of the Comprehensive Spending Review is not due until later in 2007. This is particularly problematic for this Service given the current mix of funding sources including, even with Dedicated Schools Grant covering the whole of the Schools Block, many individual specific grants supporting activities both in the Schools Block and to a greater extent in the LEA Block and on Children's Social Care.

Whilst there is no "intelligence" regarding most funding sources some are known and all involve reductions. These include the ending of **Children's Fund**, the national reduction of grant funding to reflect the transfer of **student awards** to the DfES (NYCC has already made the equivalent savings) and no resources to continue **treatment foster care**.

On **home to school transport** significant reductions in the rate of increase of monthly contract charges are built into the spending plans. However, whilst provision is not made for any other 'policy pressures' such as extending provision to cover Early Years and Extended Schools, it is necessary to take account of new provisions in the recent Education Inspection Act which gives greater entitlement to free transport for children entitled to free school meals. The package includes no provision for any further change in the mix of placements for **Children's Social Care**. It is assumed that the maximum potential of these savings has been achieved in 2007/08. Provision is made for the full implementation of the **Parent Support Strategy** and together with further modest improvements in overall provision for **Youth Services**. The anticipated increase in expectations on **Quality & Improvement** is anticipated to continue with, in particular, the impact of extending the **School Improvement Partner** (SIPs) to all Primary Schools.

The resources for the further development of integrated service provision are prioritised to reflect the anticipated costs of fully implementing significant **new technology requirements**. These requirements are also an essential pre-requisite for further efficiency savings through transforming the way in which services, particularly 'back office' services are provided.

Cynthia Welbourn
Corporate Director – Children and Young People's Services

PAPER B

CHILDREN AND YOUNG PEOPLE'S SERVICE

LEA BLOCK

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation				
Overall inflation in 2007/08 is assessed at 3.3% with similar assumptions in later years.	**(a)**	2350	2500	2600
Grants & Funding Changes				
Anticipated impact of changes in Local government Finance Settlement (LGF) to reflect transfer of **Student Awards** (£75K in each year) to the DfES and contribution to the training of Educational Psychologists (£60K in 2008/09 and £20K in 2009/10). It is also anticipated that **General Sure Start Grant** will reduce significantly in 2008/09. This grant is currently funding significant elements of the new integrated service provision (£400K in 2008/09).		0	535	95
Social Care – Treatment Foster Care				
Provision at significantly reduced levels in future years for the continuation of treatment foster care which is currently funded by time limited grant and, in 2007/08 by planned carry forward of savings.		0	300	100
Treatment Foster Care, subject to the outcome of evaluation, is seen as an extremely important means of providing cost effective foster care for more challenging children who would otherwise be placed in independently provided or external placements.				
Total Frant funding changes	**(b)**	**0**	**835**	**195**
Volume & Demand				
Home to School Transport				
Extra cost to fund current policies. Most of the extra costs are already committed because of "market forces" particularly when having to change the network to reflect, month to month, changes in pupil numbers and their transport needs. The County Council is seeking to minimise the impact of these changes by further improvements in procurement. Provision of £200K in 2008/09 (and £100K in 2009/10) to reflect the implications of new legislation on transport entitlements for pupils requiring free school meals.		947	1100	700
Failure to meet the required policy & safety requirements for home to school transport when expectations on both safety and the range of provision continue to increase. No provision to respond to other policy pressures such as meeting increased transport needs arising from extended schools and early years.				
Social Care – Children's Placements				
Anticipated 3% increase in demand for children's placements.		0	260	270
In 2007/08 this growth will be offset by planned savings (see below) arising from further "improvements" in the mix of children's placements.				
Total volume and demand	**(c)**	**947**	**1360**	**970**

	Year on Year		
	2007/08 £K	2008/09 £K	2009/10 £K
Developments / Performance Improvements			
Strategic Services			
New legislation including the 2006 Education & Inspection Act continues to place greater obligations on the County Council especially in relation to admissions and School Organisation.	0	50	50
Additional provision in later years to enable the County Council to respond effectively to its revised statutory obligations.			
Pupil & Parents			
Increased cost of parental guide and meeting additional requirements for the administration of selection.	30	-	-
Changes necessary to meet revised statutory requirements.			
Parent Support Strategy			
The preparation of the Strategy is an important element of the Children & Young People's Plan. It will make a significant contribution to the achievement of outcomes for a wide range of services.	20	150	20
Will address many Children & Young People's Plan priorities and, in particular, assist with addressing issues on safeguarding and disabled children's services identified as a priority for improvement in the recent JAR Inspection.			
Youth			
To progress previous Council Plan commitments to invest in Youth Service as an integrated part of the Children & Young People's Agenda.	100	100	100
Youth Service investments are a vital component of achieving the required step change in preventative Children's Services.			
Advisory Service (Quality & Improvement)			
Investments to maintain School Improvement Services at current level despite the year on year loss of Standards Fund for supporting DfES strategies (£50K in each year), the failure of Standards Fund to cover inflation on Music Service (£25K in each year) and modest additional staffing to improve Directorate's performance management & training (£30K in 2008/09 and 2009/10). Resources also to address increasing obligations on supporting schools on their work on equalities (£30K in 2007/08). The most significant development is to respond to the introduction of School Improvement Partners (SIPs) which will be extended to Primary Schools from 2007/08 (£66K in 2008/09).	105	171	105
School Improvement Service is vital if current even higher attainment targets are to be achieved, together with promoting essential improvements in performance management in both schools and the Children & Young People's Service.			
Children's Social Care - Safeguarding			
Limited additional staffing (£30K in 2007/08, £30K in 2008/09 and £50K in 2009/20) together with extra resources to support children and families – the "purchasing" budget (£125K) in 2007/08. Appointment of one further Independent Reviewing Officer in 2008/09 (£45K).	155	75	50
Addressing priorities identified in the recent JAR Inspection.			

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Children's Social Care – Disabled Children			
Extra resources to provide direct support to disabled children and their families (£90K in 2007/08 and £50K in 2007/08 and 2008/09) together with additional provision for extensions and adaptations of homes to meet the needs of disabled children (£30K in 2008/09 and 2009/10).	90	80	80
Responding to increasing demand and addressing priorities identified in the recent JAR Inspection.			
Integrated Processes			
The developments of information sharing, local team management and the **Common Assessment Framework** (CAF) coupled with the introduction of the **Child Index** all require significant investment including technology including provision of technology and the associated training. In addition the service requires updating of all its computer systems to provide a **single integrated set of computer systems.**	64	350	150
Children's Strategic Authority – Management , Infrastructure & Governance			
The new service needs to operate effectively and efficiently at county area and locality level for service, corporate and partnership processes. In the current year new working arrangements and structures were fixed but on the basis that limited "full year effect" further investment is required to complete this wide ranging initiative (£150K in 2007/08). Training is also necessary to reconfigure support roles in specialist services as part of essential Workforce Remodelling which will enable the achievement of increased flexibility required for integrated case work achieved through information sharing using the Common Assessment Framework (£20K in 2007/08 and £60K in each 2008/09 and 2009/10). Additional support for Safeguarding Board (£25K in 2008/09 and 2009/10).	170	85	85
The management and governance of a Children's Strategic Authority has to be transformed in order to meet the substantial additional obligations placed upon a Children's Strategic Authority. To lead and manage the Children's Strategic Partnership demand will growth because of the need to work with over 40 partners and to provide sound governance with increasing expectations regarding the level of achievement through annual APA or JAR Inspections.			
Total developments / performance improvements (d)	**734**	**1061**	**640**
Savings			
Youth Overhead Saving			
Reduction in overhead to increase front-line delivery arising from the new arrangements for Youth & Adult Education.	- 50	0	0
Maximise resources available for front-line services.			
Transformation Agenda			
The review of the manner in which support services are provided by exploring the benefits of using new technology, e-Government and Telephone Contact Centre principles to streamline the efficiency of "back office" services. Work is already in progress regarding admissions, special needs assessment, determination of transport entitlement and free schools, and further work is anticipated on the potential for centralising administrative support in other services.	0	- 250	- 200

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Home to School Transport – Best Value			
The best value initiatives has used targeted monitoring to improve home to school transport safety and "performance". This has worked well and a review of the level of monitoring investment required to examine the potential for reductions in the current level of monitoring will be undertaken and to explore the potential for transformation related savings in the way the services are provided.	- 25	- 50	- 50
Post-16 Transport Charges			
The full year's effect of the introduction of post-16 transport charges from September 2006. In September 2007 charges will be made for Year 12 and 13 students. No increase in the level of charge is planned in September 2007. The anticipated income is slightly below previous estimates.	- 360	- 165	- 15
Introduction of charges made by virtually all local authorities. Research to-date has indicated no identified impact on the level of student enrolments.			
Outdoor Education Service			
Second and third year of agreed programme to reduce costs and/or increase income especially for non-term-time, non-NYCC school use of outdoor education facilities including greater use to provide preventative capacity to achieve Children & Young People's Service priorities.	- 50	- 50	0
Outdoor Education is a highly valued service and changes will need to be introduced sensitively to avoid damaging a service which was highly commended in the recent JAR Inspection.			
Children's Social Care – External Placements			
Continuation of a successful policy for achieving a more cost effective mix of placements for looked after children. This follows previous arrangements to improve recruitment and retention of in-house foster carers and other related investments including the introduction of treatment foster care. Given the change in mix and consequential changes received in the current year, the anticipated further service provides a very challenging target.	- 850	0	0
Locally based foster care, adoption and family support provides better outcomes for children and also achieves financial savings as compared with external placements in Children's Homes or the use of independent foster care providers.			
Funding Adjustments			
Funding temporary classrooms entirely from Capital Budgets (£150K) Ending of the scheme for Discretionary Awards (£170K) Charging PRU Transport against Schools Block (£100K) Reduced demand for pension enhancements (£51K in 2007/08 and £15K in 2008/09 and £15K in 2009/10) The use of Children's Services Grant to fund developments (£200K)	- 671	- 15	- 15

		2007/08 £K	2008/09 £K	2009/10 £K
		Year on Year		

Directorate Transformation Related Reductions

In advance of the achievement of anticipated savings from major transformation related review of services the service has identified a range of smaller initiatives including:

	2007/08 £K	2008/09 £K	2009/10 £K
Greater Vacancy Management (£155K) Additional Income from Schools for Advisory Services (£100K) Review of Social Care Administration Arrangements (£100K) Improvements in the use of Information Technology (£75K)	- 430	0	0
Significant efficiency savings are necessary for essential performance improvements outlined above are to be achieved within available resources.			
Total Savings (e)	**- 2436**	**- 530**	**- 280**

		2007/08 £K	2008/09 £K	2009/10 £K
TOTAL YEAR ON YEAR INCREASE	**(a + b + c + d + e)**	**1595**	**5226**	**4125**

SUPPLEMENTARY PAPER V

CHIEF EXECUTIVE'S GROUP

Paper A	Contextual commentary by Corporate Director
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

PAPER A

CHIEF EXECUTIVE'S GROUP

CONTEXTUAL COMMENTARY BY CHIEF EXECUTIVE

The Chief Executive's Group (CEG) has continued to deliver and support high quality performance, with further improvements evident across the County Council during the course of the year.

The introduction and application of the NYCC Performance Management Framework, alongside the combined input of central support services, has contributed to the County Council's performance increasing from a ranking of 12th in 2004/05 (in the PricewaterhouseCoopers assessment of County Councils) to a ranking of 3rd in 2005/06.

Furthermore the data from the Audit Commission indicates that our central support costs are low in comparison to statistical neighbour authorities, and the judgements put forward in both the Corporate Assessment and the Use of Resources assessments commented very positively about the value of money afforded by these services.

Within the Chief Executive's Group, major initiatives such as Job Evaluation, and Pay and Reward, the development of the inaugural Local Area Agreement, development of responses to the Local Government White Paper, and the overheads associated with supporting the Corporate Assessment process and Joint Area Review process have all been effectively conducted within tight resources for 2006/07, and in addition to the core business of the respective service units. It not envisaged that pressures of this nature will diminish in 2007/08.

Consequently the Budget proposals by CEG offer no immediate scope for generating efficiency savings which could be achieved without a resultant reduction in professional capacity. However, CEG remains alert to the opportunities to find different ways of working, with a view to delivering major transformational changes, hence the inclusion in the Budget proposals for 2007/08 of some significant efficiency savings emanating from a review of key personnel processes across the County Council. The scope for generating to deliver further efficiencies of this nature in future years will continue to be a high priority for the Group.

The commitment remains to seek further improvements within existing resources. The one area identified area for improvement with a clear evidence trail for additional investment is the Youth Offending Team.

John Marsden
Chief Executive

CHIEF EXECUTIVE'S GROUP

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation				
The 2007/08 inflation figure reflects pay and price inflation across the Group. It includes provision for the increases in Member Allowances and the cost of their entitlement to access the Local Government Pension Scheme.	**(a)**	**508**	**469**	**483**
Developments				
Youth Offending Team Additional investment programme has been constructed to respond directly to the improvement issues identified in the YOT Inspection report in Autumn 2006. This figure presumes that the County Council will meet all of the additional investment, although negotiations are ongoing with partner organisations.		255	0	0
Members IT Implementation of enhancements to the provision of Members IT developed by the Members IT Working Group (MUGIT)		20	0	0
Total Developments	**(b)**	**275**	**0**	**0**
Savings				
Personnel Services Efficiency savings due to reviewing business processes, in particular making greater use of direct input to Resourcelink. This will lead to savings in staffing budgets.		-265	0	0
Total Savings		**-265**	**0**	**0**
TOTAL YEAR ON YEAR INCREASE	**(a + b + c)**	**518**	**469**	**483**

SUPPLEMENTARY PAPER VI

FINANCE AND CENTRAL SERVICES

Paper A	Contextual commentary by Corporate Director
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

FINANCE AND CENTRAL SERVICES

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

Although the MTFS reflects an apparent standstill position for the Directorate (ie funds have only been allocated to offset inflation, etc), the Directorate is leading and/or involved in a wide range of corporate activities (eg Transformation, Bright Office, ICT, Procurement, Corporate Governance, Health and Safety) as well as providing a range of day to day financial and other support services.

With any developments having to be self-funded over the period of the MTFS, the aim will be to

➔ maintain the standard/quality of the day to day services – this is vital if the Use of Resources score in the overall CPA assessment is to be maintained (currently it is 3 out of 4)

➔ reallocate resources/priorities within the Directorate to lead/support the various corporate activities . The most critical of these is the Transformation agenda where the role of ICT in delivering the appropriate technology infrastructure and CPLU in driving the Bright Office Strategy will be crucial to the achievement of the changes in business process, working methods, etc, that will be required.

John Moore
Corporate Director – Finance and Central Services

PAPER B

FINANCE AND CENTRAL SERVICES

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation				
The 2007/08 inflation figure reflects pay and price inflation across the service.	**(a)**	**639**	**658**	**677**
Developments				
Corporate Property Landlord Unit Additional support costs (recurring and non-recurring) associated with transfer of CPLU to Finance and Central Services Directorate		80	-40	0
Corporate Procurement Additional costs associated with the identification, delivery and monitoring of corporate efficiency savings on procurement contracts. Replaces year end recharge to Directorates		200	0	0
Corporate Personal Safety Officer Additional post to manage the voice connect lone working system and provide co-ordination and consistency in the corporate approach to managing personal safety		40	0	0
Total Developments	**(b)**	**320**	**-40**	**0**
Savings				
Increased Income Arising from re-assessment of income streams in order to maximise charges to customers		-26	0	0
Office Supplies Reduced costs due to efficiency savings on corporate office supplies contract		-10	0	0
Print Unit Savings Efficiency savings arising from a greater proportion of work being carried out by the internal Print Unit		-15	0	0
VFM Review Thorough review of all internal business processes, staffing levels, vacancy factors, etc		-289	0	0
Total Savings	**(c)**	**-340**	**0**	**0**
TOTAL YEAR ON YEAR INCREASE	**(a + b + c)**	**619**	**618**	**677**

SUPPLEMENTARY PAPER VII

CORPORATE MISCELLANEOUS

Paper A	Not applicable
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

Corporate Miscellaneous Budgets

Budget	Latest Base Budget	2007/2008 Increase Current MTFS	2007/2008 Updated Increase Required	2007/2008 Updated Budget Required	2008/2009 Increase Current MTFS	2008/2009 Updated Increase Required	2008/2009 Updated Budget Required	2009/2010 Increase Required	2009/2010 Budget Required	Comment
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Winter Maintenance	1500.0	0.0	500.0	2000.0	0.0	0.0	2000.0	0.0	2000.0	Overspent by about £0.6m in recent years
Provision	438.2	-121.0	-38.2	400.0	0.0	0.0	400.0	0.0	400.0	Reduce base provision to £400k
Capital Charges	29161.6	2923.3	200.5	29362.1	1672.5	1587.1	30949.2	1255.8	32205.0	Debt Charges from Capital Plan
Interest Earned	-2488.0	60.0	-916.0	-3404.0	90.0	110.0	-3294.0	150.0	-3144.0	From surplus cash balances
Continuing Pension Liability	74.6	-7.5	-23.2	51.4	-6.8	-10.4	41.0	-9.0	32.0	Inherited Pensions from 1974 LGR
DLO Pension Fund Contributions	302.0	2.0	2.0	304.0	2.0	16.0	320.0	16.0	336.0	DLO Externalisation Pension Fund Past service deficit contribution
Audit Fees	295.2	19.4	5.2	300.4	20.3	11.9	312.3	90.9	403.2	External Audit Fees
Bank Charges	51.7	27.6	33.9	85.6	0.0	0.0	85.6	0.0	85.6	New Bank contract from 1st April 2006
Discontinued Services	-6.2	0.5	0.1	-6.1	0.4	0.3	-5.8	0.4	-5.4	In relation to former NYCC Colleges debt charges
Probation Loan Charges	26.0	-1.5	-1.9	24.1	-1.2	-1.1	23.0	-1.2	21.8	Residual Capital Financing net of grant
Magistrates Courts Loan Charges	81.5	-4.7	-5.5	76.0	-3.8	-3.8	72.2	-3.8	68.4	Residual Capital Financing net of grant
Yorwaste Dividend	0.0	0.0	-153.0	-153.0	0.0	-293.0	-446.0	-62.0	-508.0	Additional Yorwaste dividend net of topslicing to BES base budget
YPO Surplus	-450.0	0.0	275.0	-175.0	0.0	-25.0	-200.0	-25.0	-225.0	Annual trading surplus distributed to members
Transformation Fund	600.0	0.0	0.0	600.0	0.0	0.0	600.0	0.0	600.0	Earmarked for Transformation Process
Structural Maintenance	0.0	0.0	200.0	200.0	0.0	0.0	200.0	0.0	200.0	One off corrections of Base Budget following transfer of BDM "Client"
Sale of County Farms Costs	0.0	0.0	100.0	100.0	0.0	0.0	100.0	0.0	100.0	role to Finance and Central Services
Financing Income	0.0	0.0	-200.0	-200.0	0.0	0.0	-200.0	0.0	-200.0	Internal financing/trading income and market rentals
Area Committees	320.0	0.0	10.0	330.0	0.0	10.0	340.0	10.0	350.0	7 Area Committee Budgets. Inflation allowance allowed.
Yorwaste Funding	-1530.0	1530.0	1530.0	0.0	0.0	0.0	0.0	0.0	0.0	Reserve exhausted in 2006/07
Council Tax onSecond Homes	1227.5	53.0	53.0	1280.5	53.0	53.0	1333.5	53.0	1386.5	Earmarked for various initiatives
RSG Amending Report Loss	163.8	-163.8	-163.8	0.0	0.0	0.0	0.0	0.0	0.0	£164k required for 04/05 and 05/06 amending reports
LPSA Reward Grant	-1000.0	0.0	1000.0	0.0	0.0	0.0	0.0	0.0	0.0	Base budget contribution repaid in 2007/08
DSG Contrib. to Corporate Overheads	-960.4	-29.0	-28.8	-989.2	-30.0	-29.6	-1018.8	-30.6	-1049.4	Arises from the introduction of the new Dedicated Schools Grant
Flood Defence Levy	91.8	4.2	4.2	96.0	5.0	5.0	101.0	5.0	106.0	Will be advised of 2007/08 levy in January 2007
Sea Fisheries Commitee Levy	148.4	6.6	11.6	160.0	5.0	5.0	165.0	5.0	170.0	Actual levy agreed for 2007/08 in October 2006
Total	**28047.7**	**4299.1**	**2395.1**	**30442.8**	**1806.4**	**1435.4**	**31878.2**	**1454.5**	**33332.7**	
		-1904.0			**-371.00**					

Notes
(1) Original 2007/08 MTFS of £4285.2k includes £13.9cr on Corporate Property Budgets now transferred to Finance & Central Services.

PAPER B