SERVICE REVIEW 2007 TEMPLATE AND FINANCIAL PLANNING GUIDANCE FOR SERVICE MANAGERS

EXECUTIVE MEMBER: Cllr Elaine Woodburn, Leader; Chair of Resource Planning Working Group
LEAD OFFICER: Liam Murphy, Chief Executive
REPORT AUTHOR: Liam Murphy, Chief Executive

Summary and Recommendation: The purpose of this report is to advise the working group of the template currently being used by Council Service Teams to generate the service reviews for 2007, and the associated guidance that has been produced. The Group is asked to note and comment on the report.

1.0 BACKGROUND

1.1 As part of the new Resource Planning process for the Council, service teams are required to produce service reviews in order to account for the use of recurring revenue budgets for 2008-09 within the constraints of the medium terms financial plan.

1.2 To assist service managers in the production of their service review, financial guidance has been produced to help with the 'bottom-up' budget build. A copy of this is attached as annex A.

2.0 TEMPLATE

2.1 The service reviews are being produced in time for the decision on Corporate Priorities expected to be taken by Executive in November.

2.2 There are five sections to the template: Corporate Plan Delivery; Resources; Budget; Income; and Savings.

3.0 CORPORATE PLAN DELIVERY

3.1 The purpose of this section is to identify the relevant corporate objectives that a service team will have a role in delivering for next year 2008 – 09. Note, this is not just what a team will lead on but all objectives that a team will play a specific part in. Much of this work has already been done within a matrix planning exercise that cross-referenced each service team with every objective in the 5 Year Corporate Plan.

4.0 NO. OF STAFF AND THEIR ROLES

4.1 Unlike previous years where the budget process was driven by bidding for cash, this year the process also takes into account the staff resources that are available to deliver objectives. Note that this audit of staff does not only refer to staff in each team, but also to staff in other teams that are relied on in order for a team to do its work. (e.g. licensing or accountable body work, but not providing financial statements or management information). This allows each team to appreciate how resources are used across the Council to deliver their objectives.

5.0 ANNUAL BUDGET

5.1 The Council currently faces a number of financial challenges. The most succinct way of expressing this is that we are trying to keep the base budget (that's the everyday budget contained in the budget book) at 96.5% of our total revenue for next year (it is already at this level for this year) and then bring it down over the following two years to 95%. In simple terms this means that we have only got the same level of cash to spend next year as we have for this year. As a consequence in this section service teams need to explain how they will deliver their objectives for next year with no increase in cash. Note that this refers to non-staff costs only. Staff costs will be met through the usual negotiated annual pay settlement. Should teams require any non-cash support to manage your budget then they need to state it here. For example, revised level of cash control, changes to virement powers, etc. Teams will need to be clear how any proposals for changes to the financial regulations would help you to manage your budget. [Note that this guidance has now been over-taken with the Council decision to review virement powers.]

6.0 INCOME LEVELS

6.1 One way of managing costs is to be able to bring in income. The principle here would be to look to keep income generated for re-investing in the original team. The two mains reasons for this are: (a) that cross-subsidisation of council services is bad practice and (b) as the shared services agenda (under Enhanced 2-Tier Working for Cumbrian Authorities) starts to mature should services be given up for sharing then there should be no unnecessary surprises as both service and revenue go out of the door. Consequently, if a team has an income stream they will need to identify it and possibly explore if it can be maximized in some way. Otherwise, the basic requirement is for teams to see if their income can cover any shortfall issues created by the budget issue above. If a service team doesn't have an income stream then an option is to explore how they might raise income. Note that any proposals for new income streams or for rises in fees or charges will be subject to Member approval

7.0 SAVINGS POTENTIAL

7.1 Inevitably their will be a need to make sustainable savings. This section should clearly spell out how teams propose to do this. If the required savings can be made through income then it would needs to be re-stated here. If a team needs to 'invest to save' then they can make proposals here. There should be some money available for investing in (a) staff training and development, (b) ICT, and/or (c) process change, providing it leads to sustainable savings. Most importantly, teams will need to spell out the implications of any savings in this section.

List of Appendices

A Financial Guidance for Managers

List of Background Documents: None

List Of Consultees: Leader
Corporate Team
Managers Group

CHECKLIST FOR DEALING WITH KEY ISSUES	
Impact on Crime and Disorder	None.
Impact on Sustainability	None.
Impact on Rural Proofing	None.
Health and Safety Implications	None.
Impact on Equality and Diversity Issues	None.
Children and Young Persons Implications	None.
Human Rights Implications	None.
Monitoring Officer Review	None.
s.151 Officer Review	None.

R PSG 171007
Item 6 Append A

Creating a better Copeland

Copeland

FINANCIAL PLANNING GUIDANCE FOR SERVICE MANAGERS

Leading the transformation of West Cumbria to a prosperous future

CONTENTS

1 **Introduction and Background**

1.1 The purpose of this guidance is to provide managers with a quick reference for preparing their financial plans within the context of the Council's new resource planning framework. The guidance must be read in conjunction with the Budget and Policy Framework Rules and Financial Regulations as set out in Part 4 the Council's Constitution.

1.2 The purpose of financial planning is to ensure that spending decisions taken now are financially viable over the medium to longer term taking a whole life costing approach to capital investment decisions including the revenue implications of managing and maintaining building projects by way of an example. As it is illegal to budget for a deficit position the balanced budget position must be sustained well into the future. Managers must ensure that spending decisions are fully quantified and capable of being financed over the life of projects, as benefits are realised, without placing undue constraints on future generations of tax payers.

1.3 The Chief Executive is committed to integrating service planning with financial planning as the resource planning strategy is crucial to the successful delivery of Council's Corporate Plan objectives because it ensures that sufficient resources are directed towards corporate priorities. Copeland's corporate priorities for the next 5 years are to be considered under the following broad headings:

- influencing national and regional change
- strong strategic partnerships
- regenerating Copeland
- improving skills and education: retaining skills
- sufficient and diverse job opportunities
- safer Copeland
- quality living environment
- quality housing
- flexible transport infrastructure
- creating opportunities for community involvement
- equality of opportunity
- leisure and Culture
- improving health
- improving customer service.

1.4 The Medium Term Financial Strategy (MTFS) aims to optimise the allocation of resources by balancing spending on services, community leadership and the management/professional capacity to improve services, efficiency and governance. The Strategy outlines how the Council intends to align its financial resources to national and local priorities within the total resources available to it over the next three years. This high level framework is driven by Corporate Team and forms the top down approach to financial planning.

1.5 The Medium Term Financial Forecast (MTFF) takes account of Council's latest overall financial position and three year projections in the light of the most up to date information in relation to efficiency saving targets, inflation indices, local demographics and the financial impact of new and emerging policy both locally and nationally. It can be seen from the figures summarised in the MTFF that in order for the authority to implement its business transformation agenda whilst maintaining front line services it will have to make savings totalling £1.3m over the next three years. The resource constraints facing Council over the short to medium term timeframe are outlined in the table below:

Estimated Budget Requirement	2007/08	2008/09	2009/10	2010/11	Cumul-ative
Base Budget	**10,158**	**10,158**	**10,713**	**10,824**	**10,158**
Pay increases (3%)		260	270	280	810
Fees/charges 3% increase		-75	-78	-82	-235
Inflation – RPI		25	27	30	82
Superannuation		150	100	50	300
Head Nuclear		75			75
Fleet Contract		70			70
Single Status Reserve		150	150	150	450
Savings - Efficiency (3.5% of base) - other (1%, 0.4% & 0.5%)		 -355 -120	 -375 -41	 -379 -50	 -1,109 -211
Improvement Programme		375	58	114	547
Total Net Expenditure		**10,713**	**10,824**	**10,937**	**10,937**
Funded by Taxation:					
Revenue Support Grant		7,029	7,029	7,029	7,029
Council Tax – 3% increase (2% equates to 74k)		3,684	3,795	3,908	3908
Total Funding from taxation		**10,713**	**10,824**	**10,937**	**10,937**

1.6 Financial planning requires a top down and bottom up approach to resource allocation and therefore at a more detailed level the Medium Term Financial Plan (MTFP) focuses on an ongoing review of spend by services and informs how senior management will re-direct resources towards Council's priorities in the short to medium term timeframe.

2. The National Context

2.1 Each year the Comprehensive Spending Review (CSR) determines central government priorities and spending plans for the next three financial years. HM Treasury indicates that for the period commencing 2008/2009:

- efficiency savings of at least three per cent per year are required across central and local government, with a focus on net cashable savings and therefore when certain fixed costs are taken into account the efficiency savings expected from Council services are 3.5%

- public sector current expenditure is forecast to grow by 2.0% in real terms in 2008/2009 and by 1.9% for the following two years
- it is unlikely that significant additional funding will be made available to authorities to address the challenging targets (and potential penalties) in relation to waste management, climate change, sustainability and concessionary travel
- pay and workforce plans aimed at maintaining the pace of workforce modernisation across the public sector are contained within the Government's inflation target of 2% although general inflation is running at twice this level
- annual Council Tax increases should not exceed 5% (see par. 3.2 below).

3. The Local Context

3.1 Local factors that influence available finance include:

- council Tax levels
- council Tax collection rates
- movements in Council Tax Base
- cash-flow management and investment decisions
- spending decisions
- Council's reserve strategy in relation to unforeseen business risk.

3.2 Copeland has the 3rd lowest district Council Tax in Cumbria and Council plans to maintain increases within 2% to 3%. The council tax base is low and so for every 1% increase in tax Copeland gets in the region of £(37- 40)k only

3.3 Like other council's cost pressures facing the Council include:

- rising employer's contributions to pensions
- single status/equal pay
- above inflation price increases, particularly in relation to contracts.

Additional cost pressures facing Copeland relate to it being a rural area with over 50 miles of coastline and the need to maintain sea defences, combat cliff degradation and ensure that area beaches continue to reach a high environmental standard.

3.4 Copeland has many opportunities also:

- being in a key position to influence the West Cumbria master plan for Britain's energy coast
- being in a prime location of historical interest and natural beauty to attract visitors.

4. **The Resource Planning Framework**

4.1 In April 2007 Council approved its Resources Planning Strategy and the new resources planning framework will explore in detail how the MTFS can be implemented. The framework is designed to link service planning with financial planning and is underpinned by service reviews.

4.2 When conducting service reviews the top 14 diagnostic question to be answered by service managers are as follows:

- What is the purpose of the service?
- Why do we deliver the service (i.e. mandatory/discretionary political priority)?
- What are the expected outcomes from the service?
- Do we have a choice about the level of service to be provided relative to supply and demand (overall capacity) and opportunities for sharing services?
- Do we have choice about the standard of service (bronze, silver or gold)?
- How much does it cost and what is the comparative level of spend compared with benchmark authorities?
- How good is the service (as measured against our benchmark profile, PIs/ inspection results CPA/CAA) - is it becoming more or less efficient and are trends showing the service is stable, declining or improving (in relation to (a) cost and (b) performance)?
- How might things change - are there opportunities to reduce costs and or increase productivity (i.e. make the service more efficient) or to vary the level and or quality of service?
- What would be the impact on partnerships and the wider community be as a result of a reduction or withdrawal of service (business growth incentive or transport schemes) or from implementing proposed options (considered above) to reduce costs?
- Will there be any impact (direct/indirect) on key PIs (own or others) associated with proposed changes?
- Is there any impact from the proposed changes in terms of knock on effects in other areas (e.g. if community warden service is reduced does this increase make demands on other sections such as nuisance team or housing officers)?
- Do you have ideas for savings in other areas across the Council or directorates?
- Are there changes to the way another service is delivered which could help you achieve savings in your area?

4.3 Value For Money (VFM) underpins the resource planning framework when procuring public services i.e. the drive for economy, efficiency and effectiveness (the three Es):

- Economy is about getting the best price for a defined level of service.

- Efficiency is about raising productivity and considers the ratios of inputs to outputs.
- Effectiveness is about achieving planned outcomes in an economic and efficient manner.

The three Es are integral to the concepts of VFM and BV:

- VFM endorses "putting people first" through stakeholder consultation and participation, whereas
- BV introduces the concept of the learning organisation striving for continuous improvement (to be best) in a dynamic business environment.

4.4 This drive for efficiency means that for any given area of activity managers are expected to increase productivity and reduce costs. The measuring of efficiency gains is defined comprehensively in the DCLG guidance, however, an abridged version of the official guidance is provided at Annex 1 for quick reference but readers are referred to the full Guidance for an in-depth understanding.

4.5 In the short to medium term the direction of travel, in terms of performance (as diagnosed at 4.2 above), can be expressed simply in terms of squeeze, hold, nudge or drive where:

- SQUEEZE is a reduction in the level or the performance of a service given its priority and affordability
- HOLD is where the current level & performance of a service is broadly where the Council wants it to be given its priority and affordability
- NUDGE is where the current level & performance of a service is very close to where the Council wants it to be given its priority. As a result, a small, focused improvement may get the service to where it needs to be. This may or may not require additional funding
- DRIVE is where the current level & performance of a service is far below where the Council wants it to be given its priority. This will require a significant and sustained focus on improvement. Depending on current costs/value this may have to be achieved with or without additional funding for money.

4.6 The financial strategy savings targets are built up as follows:

- this year's base budget
- LESS: 3.5% efficiency savings target
- PLUS: Inflation (income and expenditure)
- +/- a percentage reflecting the medium/longer term priority to the Council
- +/- a percentage reflecting the short/medium term priority of the Council (SQUEEZE, HOLD, NUDGE or DRIVE)
- +/- a percentage to reflect current value for money in terms of cost and performance.

The Savings Targets are summarised at Annex 2

4.7 Heads of Service in conjunction with Corporate Directors and Portfolio Holders will be expected to put forward savings proposals within these planning guidelines. Corporate Directors in consultation with the relevant portfolio holder will be able to refine the targets between their services to reflect deliverability and priorities within their services. A reality check will take place in October when the results of the Government's Comprehensive Spending Review are known in broad terms. A further reality check will take place in December when the Council's three year financial settlement is known.

5. Budget Build

5.1 The first stage of budget build is a review of the current budget to see whether it is sustainable and therefore a new forward looking budget monitoring template has been designed. The provisional out-turn figure for the year is derived by taking a backward look to see what has been spent to date (i.e. including accrued expenditure for invoices not yet processed) on goods and services received and adding the forward look which quantifies what is planned till year end (i.e. Actual + Planned = Provisional Outturn). The forward look gives managers a window of opportunity to take action if need be to address a potential budget gap position and identify potential budget pressures that will impact on 2008/09.

5.2 The management accountants will roll forward the latest approved budgets to inform the financial planning process for the coming three years. Managers will be provided with the following information:

- the original budget as approved by members
- the latest approved budget taking account of any agreed changes for the year
- the base budget which adjusts the latest budget to take out in year one offs and add in the full year affect of ongoing expenditure decisions approved part way through the year.

The 2007/08 base budget will be flexed to take account of savings' targets and inflation and hence form the revised baseline ceiling for 2008/09 on which managers will be expected to build their budgets. As no extra money will be made available managers will have to build their budgets, based on business need (as determined through their approved service plans) as opposed to historical patterns of spend, within their baseline allocation otherwise they will have to make additional savings or generate additional income.

5.3 Any required service change will have to be categorised according to its projected resource impact and the degree to which it is within the control of the Council. The categories will be as follows:

- unavoidable increases
- increases identified for some other reason
- budget reductions
- efficiency savings
- no resource impact

(the categories are defined more fully in Annex 3).

A pro forma outline business case proposal form will be provided as an addendum to this document. The form is to be used to submit savings/growth proposals with cash backed efficiency gains being differentiated from service reductions. If the outline business case is approved then a detailed business case and implementation plan needs to be drawn up against which performance will be monitored.

5.4 As budget build is an iterative process managers are to be provided with a financial modelling tool, for calculating their three year financial (budget) plans and undertaking sensitivity analysis of key risks, as an addendum to this guidance. Budget build is a top down/bottom up process and involves negotiation at several levels before final agreement is taken at Corporate Team as to what recommendation is to be taken to Executive:

- Section managers have got leeway to re-align budgets across their cost centres but within the boundaries of financial policies, regulations, procedural rules and the scheme of delegation as agreed with their Head of Service.
- Heads of Service have got leeway to re-align budgets across services within their area of jurisdiction but within the boundaries of financial policies, regulations, procedural rules and the scheme of delegation as agreed with their Director.
- Directors have got leeway to re-align budgets across service Heads within their area of jurisdiction but within the boundaries of financial policies, regulations, procedural rules and the scheme of delegation as agreed with the CEO.

5.5 When calculating the budget, underlying assumptions about activity trends, demand forecasts and business risks must be clearly set out, continuously reviewed and updated in line with agreed management action aimed at bridging any potential budget gap. A sensitivity analysis needs to be carried out against the assumptions to ensure that they remain robust and that sufficient contingency reserves are maintained. Corporate Team will need to:

- quantify the monetary risk of not achieving the efficiency savings
- set aside sufficient reserves to cover budgeted contingency plans for those events that are most likely to occur in any given scenario.

6 The Reserves Strategy (General Fund)

6.1 The reserves strategy is based on local circumstances including the overall budget size, robustness of budgets, major initiatives being undertaken, budget assumptions, other earmarked reserves, provisions and the Council's track record in budget management and its business risk. Risk based evidence is derived from Directors' Reviews of their budgets and carrying out sensitivity (what if) analysis against variables used in their financial estimates when making budget assumptions. Once financial risks are quantified they will be taken into account when building the reserves strategy and hence should not be built into the service budgets.

6.2 Based on Council's present business risk strategy the optimal level of unallocated general reserves to be held over the period 2007/08 to 2010/11 is calculated to be in the region of £(2 to 2.5)m. The level of unallocated General Fund reserves at 31 March 2007 was £2.4m with a further £110k to be transferred in from the balance on the HRA making £2.5m in total. If held at this level it will provide additional resilience when implementing the resource strategy.

6.3 In addition to the general reserves there are a number of allocated/earmarked reserves totalling £6.9m and these must be reviewed in the context of the resource planning strategy. In order to maintain the stability and resilience afforded by the Reserves Strategy it is important that:

- managers not include any contribution to be made to or from unallocated General Fund Reserves in their financial plans as it is not prudent to finance ongoing spending from reserves
- no further calls should be made on reserves, other than those for risks that have been identified, except where risks could not have been reasonably foreseen and cannot be dealt with within the budget through management or policy actions
- any excess reserves should be targeted towards one off invest to save and/or improvement initiatives and where there is a draw down on reserves, which causes the approved Reserves Strategy to be off target, the shortfall must be paid back within the three years planning framework which will put further pressure on revenue budgets.

Efficiency Recognition

The basic principles, as to what counts as an efficiency gain, **apply to both capital and revenue expenditure**.

- **Cashable gains** are achieved through reduced inputs ("money, people, assets" or prices "procurement, labour costs") for the same (or more) outputs and hence money is released to be used elsewhere or to hold down Council Tax.
- **Non cashable gains** are achieved through increased productivity (i.e. greater outputs or improved quality for either the same inputs or a proportionately smaller increase in resources) as reflected in lower unit costs; the measure is the rate by which unit costs are falling and as absolute costs are not necessarily reduced productivity gains are deemed to be non cash backed.

Councils may report efficiencies from associate organisations whose levies or precepts contribute to their baseline expenditure. Efficiencies relating to the use of the voluntary sector or other partners should be calculated in line with good business practice taking account of risk, full cost recovery and funding stability.

Valuing an outcome may be a pointer to efficiency but calculating an efficiency gain must be done in a specific way. In order to demonstrate that efficiency gains have been achieved inputs, outputs and outcomes must be measured and compared with previous performance and a cross quality check must be carried to provide assurance to the Government and Council that the quality of service is maintained.

Measurement Principles

- The GDP/GVA inflator is the default rate unless otherwise stipulated.
- Efficiency gains may be achieved from capital spending.
- Efficiencies must be measured net of costs (invest/spend to save).
- Fees and charges can generate efficiencies in certain circumstance but these are limited.
- Efficiency gains may be generated through partnerships.
- It is important to calculate part year gains and include the full year effect on future years.
- Quality crosschecks must demonstrate that the quality of service has been maintained.

The following useful points should be taken into consideration when measuring efficiency:

- A suite of **quality cross check indicators** for each sector has been identified by the measurement taskforce at Annex 1 to the DCLG guidance and councils are recommended to choose their indicator from this list.

- When making **inter year comparisons** costs must be flexed to take account of inflation to ensure that like is being compared with like.
- **One off efficiency gains** must be differentiated from ones that continue over time i.e. year on year (ongoing efficiency gains must genuinely continue over time).
- **Increased income** from fees and charges can be counted as an efficiency gain when the demand is externally led e.g. development control applications which are as a result of greater demand for residential development count as an efficiency providing there are economies of scale in processing the additional applications; another example is discounts designed to attract more customers (e.g. leisure centres) which lead to a net increase in income; similarly, spend to save to stimulate demand, through improved security (CCTV) for example, which leads to a net increase in income can count as an efficiency gain.
- **Net interest gains from earlier receipt of income** arising from more efficient collection processes or a reduction in the level of bad debt as a result of a change in policy are classified as an efficiency saving.
- Efficiency gains from **capital spend** are measured under four elements:
    1. Pre-contract costs (revenue or capital) should be allocated pro rata to the total pre-contract costs incurred and allocated pro rata to services in the manner in which the total capital expenditure incurred for the scheme accrues to individual services (unless otherwise justified).
    2. Efficiencies gained from the initial cost of capital assets should be allocated pro rata across financial year(s) to the capital expenditure incurred on the asset(s) and pro rata to services each year in the manner in which the capital expenditure incurred on the asset(s) in that year accrues to individual services (unless otherwise justified).
    3. Gains achieved through integrated capital and revenue budgeting can be measured by taking the total net cost of the service(s) (i.e. gross cost less income) for the year as defined within the CIPFA Best Value Accounting Code Of Practice and comparing this with what it would have been (best estimate) without the efficiency measures. Movements, such as a change in the valuation of the asset, that would have occurred independently of the exercise should not be included as an efficiency gain.
    4. The asset use optimisation principles are as in 3 above.

- **Revenue from the sale of services to another organisation** would qualify as an efficiency as long as the quality of service provided to the public was maintained or improved; in assessing the value of the sale any proportion relating to an increase in income to the purchaser as a result of increased prices to the public could not be counted as an efficiency gain.

  Gains derived from the following actions **do not count as efficiency:**

- **Service cuts** (these are defined as a reduction of outputs or the quality of those outputs that result in poorer services for users).

- **A drop in standard** (e.g. from a "gold plated" to a "no frills" service).
- **Asset sales and cuts or slippage in a planned capital programme** that impact adversely on services.
- **Reclassification** of activities which involve no change in inputs or outputs (i.e. are simply re-labelled).
- **Transfer of costs and subsidies intra the public sector** (only count if public services as a whole benefits).
- **Arbitrary cuts in payments to the Voluntary & Community Sector** (VCS) which lead to either cuts in services or their quality or require the VCS to use charitable donations to maintain the existing levels of service.
- Improvements in a council's financial position that arise from the **activity of Treasury management.**
- Switching to earlier income collection dates or from arrears to advance collection; this action denotes **a transfer of interest payments from the public to the local authority.**

Measuring and reporting efficiency

- Efficiency is about raising productivity and enhancing VFM; it is not about service cuts. Efficiency gains must be measured and reported in such so as not to mask actual cuts in service levels.
- Efficiency gains can be cashable and non cashable.
- **Improved productivity** can be demonstrated through lower unit costs
- **Cash backed efficiency** savings can be demonstrated through reduced budgets to achieve the same or greater level of service.
- Efficiency plans will need to be closely monitored to ensure that they are robust as the process will be assessed in the Use of Resources Judgement as part of the Comprehensive Performance Assessment.

The CPA Use of resources key line of enquiry seeks evidence that:

- Costs compare well with others allowing for external factors and including level of overheads and how they are accounted for.
- Costs are commensurate with service delivery, performance and outcomes achieved.
- Costs reflect policy decisions.
- The council monitors and reviews value for money including consideration given to VFM in the budget process, achievements of efficiency as planned in budgets, best value reviews and cost indicators.
- The council has improved value for money and achieved efficiency gains (over the last three years) whilst maintaining the quality of services and responding to local needs.

- Procurement and other spending decisions take account of full long term costs.
- Financial regulations and contract standing orders reflect the framework for achieving VFM, e.g. competitive tendering.

Cashable efficiencies can be achieved by:

- Departmental streamlining.
- Rationalisation of accommodation, land and property.
- Competitive tendering and contract negotiations.
- Procurement economies such as regional purchasing consortia.
- On line recruitment policies and rationalisation of use of recruitment agencies for temporary staff and consultants.
- Process migration and service transformation.
- Shared services and joint working between authorities.

Examples of non cashable efficiencies include:

- Improving sickness and absence levels.
- Use of mobile technology.
- Flexible working arrangements.
- Working with third parties (CAB).
- Longer access times to local services.
- Automation of requisitioning and invoicing processes.

Annex 2

2007/08 CONTROLLABLE COSTS BY DEPARTMENT

Department	CURRENT COSTS				Target Savings To be Found
	Employees £	Income £	Others £	Total £	Total £
CHIEF EXECUTIVE	318,126	0	88,933	407,059	21,167
FINANCE & BUSINESS DEVELOPMENT	991,972	-1,462,587	1,938,181	1,467,566	76,460
LEGAL & DEMOCRATIC SERVICES	838,313	-321,346	219,601	736,568	39,775
POLICY & PERFORMANCE	437,776	-5,125	196,514	629,165	33,975
REGENERATION	1,431,807	-706,359	483,899	1,209,347	65,305
CUSTOMER SERVICES	1,316,433	-167,000	300,339	1,449,772	78,288
LEISURE & ENVIRONMENTAL SERVICES	2,679,597	-1,798,796	2,498,889	3,379,690	182,502
NUCLEAR	91,346	-64,507	20,000	46,839	2,529
TOTAL CONTROLLABLE RECURRING COSTS	**8,105,370**	**-4,525,720**	**5,746,356**	**9,326,006**	**500,000**

Category

This denotes the type of proposal that is being put forward in terms of budgetary impact and the level of discretion attached to implementation. Interdependent options are:

Unavoidable Increase	A proposal requiring an increase in budget, over which the Council has little or no control. This should include contractual commitments, demographic increases, new government burdens etc, but should not include for example a proposal generating from within the Council and included in the Leader's Statement as such an item should be included as a growth item.
Growth Items	Any proposal resulting in a budgetary increase over which the Council has a degree of choice whether to implement or not.
Budget Reductions:	
- disinvestments	Any proposal that will result in a reduction in the level service area.
- efficiency	Any proposal that results in the same level of service for less money or increased productivity for less money.
No impact	An item neutral in resource terms. Interdependent items that net off to nil should be analysed gross.

Classification / Reference

The classification of proposals is undertaken as sub-sets of the categories above. Each proposal will have a reference taken from the group summary sheet that will indicate the classification to which it relates.

The classifications and corresponding references are outlined in the following pages.

Unavoidable Increases:

Demographic and volume changes	An increase resulting from changes in the borough's demographics that will lead to cost implications for the Council's services for example a new housing estate will require additional refuse collection bins and rounds.
Full year effects of items agreed for 2007/08	Any ongoing growth included in the 2007/08 budget for part year only. Impact of Cabinet decisions made during the year.
Unavoidable price increases	Inflation will be allocated to relevant codes in line with general inflation and managers should use this column to outline items that are projected to increase in excess of general inflation.
Budget pressures identified in 2007/08 monitoring	Overspends that have been identified in monitoring and are due to ongoing issues. Ongoing pressures may be deemed unavoidable where to withhold the increase would lead to a reduction in the agreed service level.
Reductions in specific grants and contributions	The impact of grants ceasing or being reduced compared to 2007/08.
Legislative changes (including transfer of responsibilities)	New/changed responsibilities and transfers of responsibilities arising from Government policy. Should only include non-discretionary items.
Revenue consequences of capital programme	Capital projects are likely to impact upon revenue through additional running costs or through the delivery of efficiency savings. In addition, items funded through borrowing will attract financing and depreciation costs. Any capital projects included in the capital programme later in the process will need to have their revenue costs reflected in this section.

Growth Proposals:

Future service developments arising from current policies	The impact of current policies not already included in budget plans.
Risk management issues	Pressures arising out of risk analysis undertaken. Actions mitigating risks identified in risk registers.
Service Growth / Enhancement	Any other growth item leading to an improvement in service either internally or to the public.
Spend to Save	Items where upfront revenue expenditure is expected to deliver budget savings in future years.

Budget Reductions:

Additional Income (beyond inflation)	Inflation will be applied to income budgets as a matter of course during the budget process. This section should outline increases in income expected above inflation only. This may be due to additional volume or price increases beyond inflation.
Efficiencies	Savings that do not reduce the level of service provided: e.g. price reductions or price increases below inflation, process improvements, market testing, etc.
Service Reductions	Savings that result in a lower level of service being provided.
Increases in specific grants and contributions	All new grants that are not ring-fenced, and any increases in third party contributions. If the group wishes to use the grant to enhance services a corresponding growth item should be included separately above and explicitly linked.
Other windfall reductions	Any other budget reduction not falling in to the classifications above.