

## **FINANCIAL PLANNING GUIDANCE FOR SERVICE MANAGERS**

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### **Summary:**

This report proposes that Members consider the draft Financial Planning Guidance to be provided to Managers.

### **Recommendation:**

That Members confirm the Financial Planning Guidance to be provided to Managers for preparation of the 2009/10 budget.

## **1 INTRODUCTION**

- 1.1 The purpose of this report is to consider the draft Financial Planning Guidance to be provided to Managers for preparation of the 2009/10 budget. This is based on the Medium Term Financial Strategy as considered by the Resource Planning Working Group (RPWG), at its meeting on 14 August 2008.

## **2 OPTIONS**

- 2.1 The RWPG consider if any amendments are required to the guidance.

## **3 FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)**

- 3.1 None directly arising from this report.

## **4 PROJECT AND RISK MANAGEMENT**

- 4.1 The budget process will be timetabled and risks identified.

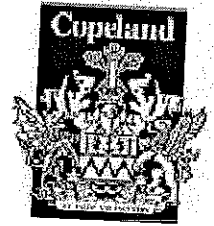
## **5 IMPACT ON CORPORATE PLAN**

- 5.1 The budget and monitoring process is fully integrated into the planning process of the Council embracing all the corporate objectives.

**List of Appendices:** Annex 1 Draft Financial Planning Guidance for Service Managers, including Appendix A

Appendix B Example of Budget Build format

**List of Background Documents:** None



Creating a better Copeland

# FINANCIAL PLANNING GUIDANCE FOR SERVICE MANAGERS

Leading the transformation of  
West Cumbria to a prosperous  
future

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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 £1.1m over the next three years, plus a further £0.5m in 2011/12 if the Area Based Grant of £1m is not renewed. The resource constraints facing Council over the short to medium term timeframe are outlined in the table below:

Estimated Budget Requirement	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
<b>Base Budget</b>	<b>10,606</b>	<b>12,309</b>	<b>12,360</b>	<b>12,313</b>
3% Savings target	-305	-318	-369	-369
Fees/charges price increase [average 3%]	-151	-156	-160	-165
Pressures / Growth	1,772	118	64	-524
Inflation including increments	387	407	418	435
<b>Total Net Expenditure</b>	<b>12,309</b>	<b>12,360</b>	<b>12,313</b>	
<b>Expenditure funded from reserves</b>	<b>1,665</b>	<b>1,695</b>	<b>1,695</b>	<b>0</b>
<b>Total Operating Budget</b>	<b>13,974</b>	<b>14,055</b>	<b>14,008</b>	<b>11,690</b>
<b>Funded by Taxation:</b>				
Revenue Support Grant [Assuming lose £1m ABG and 3% inflationary increase on RSG in 2011/12]	8,564	8,445	8,222	7,439
Council Tax – 3.9% increase assumed for 08/09 onwards, plus increase in the Council Tax base	3,738	3,915	4,091	4,251
Collection Fund Surplus	7			
<b>Total Funding from taxation</b>	<b>12,309</b>	<b>12,360</b>	<b>12,313</b>	<b>11,690</b>

- 1.6 The above budget projections assume that contributions to the operating budget from reserves will not be available with effect from 2011/12 if the Council maintains its current strategy of retaining £1.4m risk-based reserves and its current ear-marked reserves. A detailed review of reserves is being undertaken to establish if any of these can be released to general fund balances for future use.
- 1.7 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 (MTEP) 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:

- 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 1.9% in real terms in 2009/2010
- Local Government expenditure is expected to grow by 1% in real terms and is mainly aimed at education, adult social care and housing and hence it is unlikely that significant additional funding will be made available to districts
- There will be additional PFI funding for sustainable waste management arrangements and environmental transformation projects although the amount is not significant
- pay and workforce plans aimed at maintaining the pace of workforce modernisation across the public sector are to be contained within the Government's inflation target of 2% although general inflation is running at twice this level
- annual Council Tax increases should be below 5% (see par. 3.2 below) however councils (excluding districts and London Boroughs) will have power to raise (modest) supplementary business rates but there will no longer be funding from LABGI grant.

**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 The medium-term strategy assumes a 3.9% increase in Council Tax over the period of the strategy. The council tax base is low and so for every 1% increase in tax Copeland gets in the region of only £40k.

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 (not necessarily the cheapest) 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 which may result in a reduction in resources
- 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 and hence a

small focused improvement may get the service to where it needs to be which 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 and hence 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 main aim of service reviews is to see how we can do things differently and more efficiently within a financial constraint of no overall additional funding for the Council. Service reviews give Council the opportunity to re-align resources in accordance with corporate priorities. Cutting out inefficiencies should not lead to service cuts as efficiency savings are ploughed back into services. The financial strategy savings targets have been built up as follows:

- this year's base budget
- LESS: 3% cash savings target
- PLUS: Inflation and other pressures / growth
- LESS price and/or volume increases on fees / charges

Guidance on the definition of efficiencies is given at Appendix A.

4.7 Following a review of their services, 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 holders will be able to refine the targets between their services to reflect deliverability and priorities within their services. Proposals will be presented by the Heads of Service and considered by the Resource Planning Working Group. Confirmation of savings required will take place in December, when the Council's final settlement figures are announced.

## 5. **Budget Build**

5.1 The first stage of budget build is a detailed review of 2008/09 actual performance against budget, as part of the management accounting process for quarter 2 (to 30 September 2008), in order to project the full year position. This can then be used as a basis for management to see whether the current budget is sustainable for the short and medium term. 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 2009/10.

5.2 The second stage of budget build is to establish any growth / savings / efficiencies for 2009/10. The management accountants will roll forward the latest approved budgets together with the 2008/09 management projected out-turn, which will inform the financial planning process for the coming three years. Managers will be expected to build the budget, directly on to the financial system – training and support will be given by Accountancy Services. This will

follow the same format as for the 2008/09 budget. [Example of proposed format is shown at Appendix B].

- 5.3 The 2008/09 base budget will be adjusted to take account of savings' targets and inflation to produce the 2009/10 baseline ceiling, on which managers will be expected to build their budgets. As no extra money will be made available, managers will have to re-align their budgets, based on business need to deliver corporate priorities (as determined through their approved service plans) - as opposed to historical patterns of spend. If budget holders believe that they cannot manage within their baseline allocation, they will have to find additional savings or generate additional income.
- 5.4 The service review will need to justify the business case for any savings/growth proposals, with cash-backed efficiency gains being differentiated from service reductions.
- 5.5 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 Resource Planning Working Group:
- Section Managers may 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 may 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 may 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 Chief Executive.
  - If the proposal is likely to affect the services of another Head of Service or cross over Member portfolios, then it will only be implemented with the agreement of the Chief Executive. The exception to this is as follows;  
  
Ex CCT contracts (Parks and Open Spaces, Waste Management, Leisure and Culture) and Enforcement – The Head of Leisure & Environmental Services is allowed to incur operational revenue expenditure against a specific activity as long as it is financed by income generated by that activity, as demonstrated by a business case, and agreed with the Head of Finance & Management Information Systems.

**All virements must be notified to the Accountancy section, in order that adjustments to monitoring reports may be made and Members duly informed, as part of the process for reporting financial performance.**

- 5.6 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. The Strategic Risk Register will need to include:

- the monetary risk of not achieving the efficiency savings
- the maintaining of sufficient reserves to cover budgeted contingency plans for those events that are most likely to occur in any given scenario. [Risk-based Reserve Strategy]

## **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 risk-based general reserve to be held over the medium term is £1.4m.
- 6.3 In addition to the general reserve, there are a number of allocated/earmarked reserves and these are currently being 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 setting up a contingency fund in the first instance and then 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.



Definition of Categories for Analysing Efficiency GainsCategory

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.
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Risk management issues	Pressures arising out of risk analysis undertaken. Actions mitigating risks identified in risk registers.
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Service Growth / Enhancement	Any other growth item leading to an improvement in service either internally or to the public.
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Spend to Save	Items where upfront revenue expenditure is expected to deliver budget savings in future years.
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**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 <u>above inflation only</u> . This may be due to additional volume or price increases beyond inflation.
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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.
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Service Reductions	Savings that result in a lower level of service being provided.
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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.
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Other windfall reductions	Any other budget reduction not falling in to the classifications above.
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