

**TO: EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE
5 DECEMBER 2006**

SUBJECT: BUDGET 07/08 CONSULTATION

FROM: STRATEGIC DIRECTOR (COMMUNITY RESOURCES)

1. PURPOSE OF REPORT

This reports sets out the Councils overall financial position, analyses the Councils expenditure on services in relative terms to other Councils and asks for comments by the Committee on the consultation on the 2007/08 budget.

2. BACKGROUND

- 2.1 The General Fund Estimates report on the Executive Agenda sets out the details of the changes in budget if the basic operations of the Council are rolled forward.
- 2.2 Each Head of Service has a service plan, which covers a three year period. In the summer the service plans from the previous year were rolled forward. As most of the issues arising from the new Corporate Plan were taken account of in the last three years this was very much an updating exercise. CMT have reviewed the service plans and put forward budget proposals for the Portfolio holders to consider.
- 2.3 This report to Scrutiny and Policy Committees is part of the consultation process. The different approach to citizens' consultation which we tried last year is to be continued this year. Instead of a facilitated evening a questionnaire is being circulated to members of the panel. This has the potential for gaining more views. The final report will be ready in early January before members make their final decisions.
- 2.4 The provisional Local Government Finance Settlement was announced last year to cover a period of two years. Although the Government need to formally consult on a settlement this year it is not anticipated that it will vary in any significant way from last years announcement.
- 2.5 The General Fund Estimates Report includes Estimated Revenue Expenditure in 2007/08. Members' attention is drawn to Appendix C of that report which sets out all the variations that have been incorporated. Some of those that members may be particularly interested in are:-
- £20,000 was originally included for the atlantic rim bowls event. This will not now take place and the funding will be spent on the race walk
 - £90,000 to cover the costs of elections in 2007/08
 - expenditure on PIE (promoting inclusion and enterprise project) comes to an end in line with the original funding to 2007
- 2.6 The Councils Band D Council Tax is very low putting the Council well into the lowest quartile of spenders. Appendix A gives an analysis of the Councils spending and some performance information compared to all other District Councils. It shows that overall the Council is a very low spender being well into the lowest quartile for £ per head of expenditure. This masks four areas of very high relative expenditure, CCTV; concessionary fares and non-statutory transport schemes; culture and heritage; and parks and open spaces. The Council generally has below average expenditure in other areas with extremely low levels of relative expenditure per head for Council tax collection and benefit administration, but on the whole with high levels of performance. In the context of this

analysis CMT have not pushed service areas for identification of further potential areas of saving as it is not felt to be a worthwhile exercise. However work continues on projects to minimise central costs, such as the central administration review project and the review of accommodation. The analysis does highlight the limited choices members have if they want to embark on new expenditure, as this can generally only be undertaken by finding savings given the expectation of Council Tax capping for levels of tax increase in excess of 5%.

- 2.7 The Council's financial projections for 2006/07 to 2009/10 continue to allow for potential increases in the councils major contracts of about £1.25 million in line with the Executive Committees decision in September. However it is extremely difficult to predict the additional costs as our latest advice from consultants was some £10,000's in excess of the provision, but we would anticipate additional recycling income, in itself a volatile income source. There will be clarification of some of these costs during 2007/08 when the major contracts are exposed to the market. In the light of the high level of uncertainty in 2008/09 as a result of the major contracts CMT recommend a cautious approach to the 2007/08 budget. There have been no other major changes to the financial projections.
- 2.8 Prospects for additional capital resources show that the Council might be able to achieve additional general fund capital expenditure to that in the current capital programme of approximately £2.5million over the period 2007/08 to 2010/11. However at 1 April 2007 only £1.5 million is likely to be confirmed with the remaining £1million coming from anticipated future capital receipts from disposals. In addition to this there is expected to be approximately £2million available over the period for affordable housing which at this stage is uncommitted. The Council does have the ability to treat all the capital resources as one pot not discriminating between general fund and affordable housing if it so wished.
- 2.9 No prudential borrowing has been included within the Capital Programme and resources shown. Should the Council enter into prudential borrowing, there will be debt charges to be financed. Each £1m borrowing will add broadly £90,000 per annum to the council's revenue expenditure.
- 2.10 The decision making process is set out at Appendix B.
- 2.11 CMT have considered the overall revenue position and consider that approximately £160,000 might be available for additional ongoing revenue expenditure if the Council were to set its Council Tax increase at about 4.95%. This is after taking account of the base budget position, future fees and charges and allowance for salaries increase of 2.75% (as advised by personnel on the basis of latest negotiations) .This would still not make any significant impact on the Councils relative spending position as shown in Appendix A. Against this sum CMT is recommending a number of items necessary to maintain existing infrastructure and the level of service in addition to the sums included in the base budget. These are
- £4,600 for costs to ensure legal standards are met as set out in the report on the Executive papers
 - £55,000 for ongoing maintenance of IT equipment (some of which falls out of maintenance agreements)
 - £10,000 for the A46 cleansing which is now more expensive because of health and safety requirements
 - £10,000 for additional adopted highways cleansing,
 - £15,000 to maintain the sustainability of the Healthy Living Centre by siting a one-stop shop there and providing a resource for this

As a result of reviewing the Service Plans Portfolio holders have agreed to consult on the inclusion of the following ongoing revenue expenditure.

- up to two additional staff in the customer contact centre to deal with the higher than anticipated volume of calls at £41,100
- £15,000 to provide a guaranteed ongoing support to the shopmobility project
- £5,000 for the seasonal barrow people to keep the recently implemented special cleans which were introduced on a trial basis

2.12 The consultation consists of specific questions as well as a general question which covers the whole of the Councils budget. The specific questions are set out at Appendix C. There are a number of other questions in this in relation to one-off revenue items. CMT anticipate that there could be more than £150,000 on a one-off basis and are currently clarifying a number of matters before members are asked to make a final decision in the budget in February. On this basis CMT are recommending the following on a one-off basis

- £3,000 to address a small backlog in Council Tax
- £5,000 for new software to keep elections running smoothly
- £7,000 for a new home choice leaflet following the revision of the scheme
- £30,000 for a statutory requirement to produce a gypsy and traveller needs assessment

As a result of the Service Plans Portfolio holders have agreed to consult on the inclusion of a one-off revenue expenditure of £10,000 for the provision of allotments for which Whitnash is the priority. At this stage it is anticipated that there would be a level of contingency which has proved useful in recent years.

2.13 In relation to the available capital expenditure the following additional projects have been identified for the 2007/08 to 2010/11 programme

- £210,000 for the parks and gardens renaissance project in Warwick previously agreed by the Executive
- £200,000 for digitisation of CCTV as set out in the Executive Agenda for this cycle
- £150,000 to upgrade the Council's current version of Microsoft Office
- £10,000 for members broadband
- £30,000 for a number of small scale IT projects
- £180,000 for the annual replacement of essential IT equipment, of which £70,000 gives rise to an annual revenue saving of £14,000
- £160,000 Wimax contribution as agreed at the Executive in October 2006, which will lead to savings if the technology is proven and we proceed to stage 2

The above totals £940,000, and CMT are doing further work on the need for an equipment replacement programme. In addition the consultation asks for views on the extension of the rural initiatives scheme which has now completed its three year programme, as well as asking for views on possible support to the safer neighbourhood teams.

3. POLICY AND BUDGET FRAMEWORK

The Councils budget and financial plans should reflect the priorities in the Councils Corporate Strategy.

4. OUTCOME(S) REQUIRED

Members comment as they feel appropriate on the budget consultation for the 2007/08 budget.

Mary Hawkins
Strategic Director

BACKGROUND PAPERS

Nil

Areas in District Affected:

None specific.

Executive Portfolio Area and Holder:

Corporate & Strategic Leadership, Bob Crowther.

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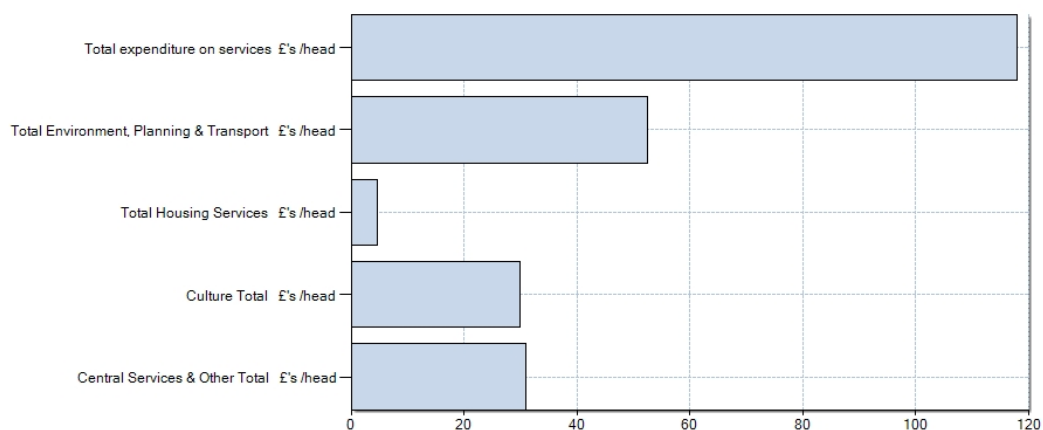
E-Mail mary.hawkins@warwickdc.gov.uk.

The Councils Budget in Context

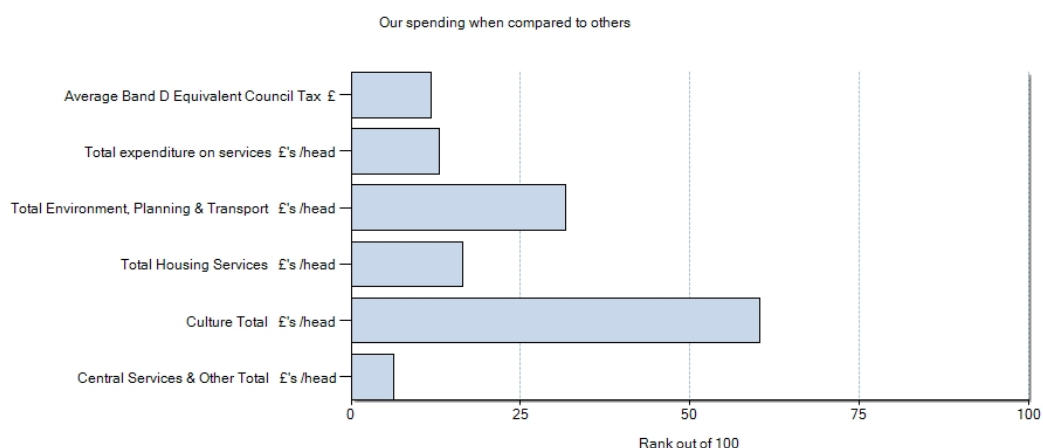
ANALYSIS OF THE COUNCILS SPENDING

This section analyses our current expenditure. The analysis uses 2005/06 planned expenditure and 2004/05 performance and satisfaction data and has used the latest information in the Audit Commissions comparative data tool. Many of the tables have as their horizontal access 'rank out of 100', which is placing all District Councils on a scale of 0 to 100. The lowest quartile is between 0 and 25 which means that the lowest 25% of Councils fall in this range, 50 is the median and 75 the start of the upper quartile.

The table below shows how the Councils net expenditure in absolute terms (after allowing for service income) is split between four main areas of expenditure. Environment, planning and transport account for almost half of expenditure, with cultural and central service and other accounting for about 20% each.



In comparison to other District Councils our average Band D Council Tax and Total expenditure on services per head is in the middle of the lowest quartile as shown in the table below. All expenditure at this summary level of analysis is below the median apart from culture. Thus in relative terms we are a high spender on culture.



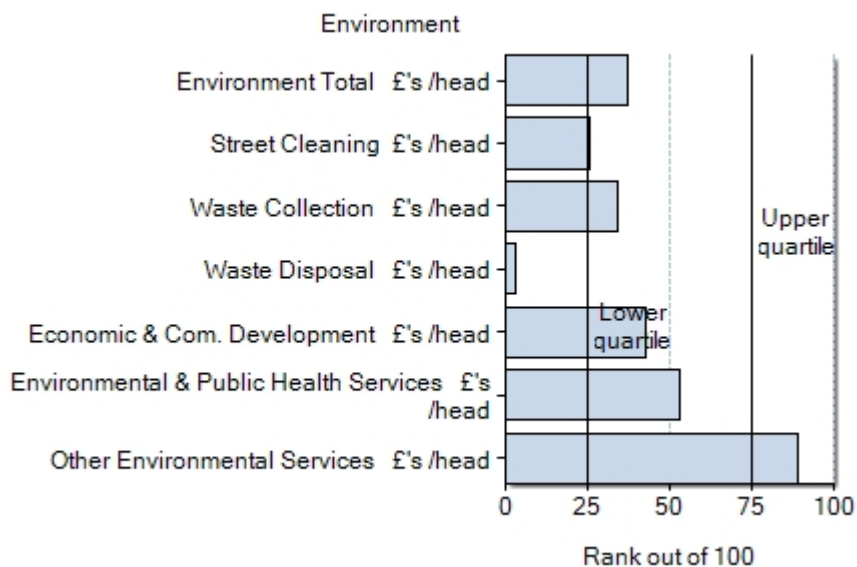
The major headings are examined in more detail below

Environment Planning and Transport

In summary the Council is in the highest quartile for expenditure in two areas, which reflect our relatively high expenditure on CCTV provision and concessionary fares and non-statutory special transport schemes. Apart from environmental and public health services which are spending just above the median, most services are spending in the lowest quartile.

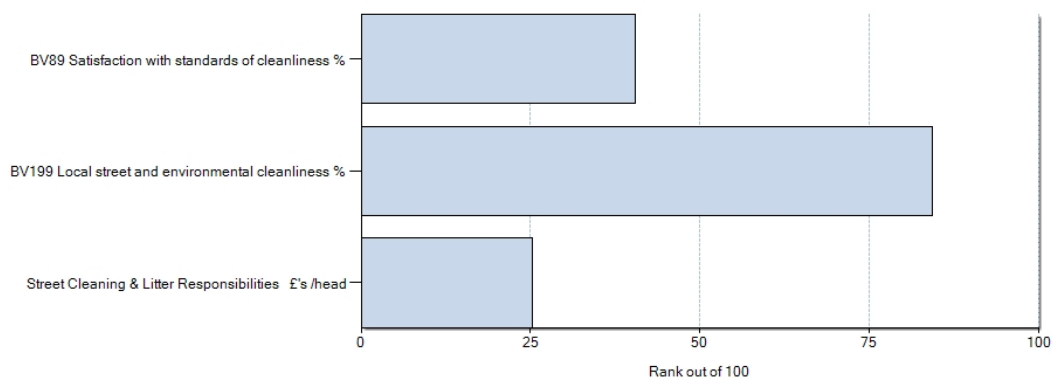
Environment

A more detailed analysis of our Environment Expenditure compared to other District Councils shows we are just above the median for our Environmental Health Services, and way into the upper quartile for our Other Environmental Services.

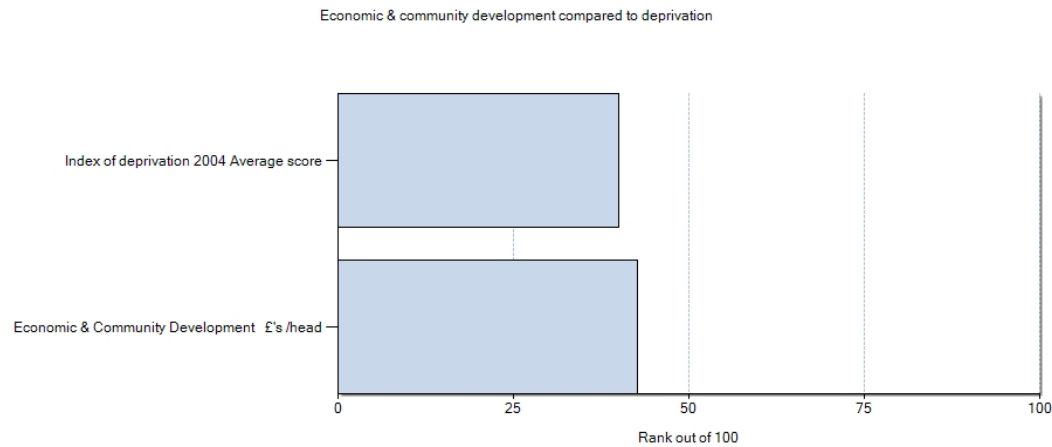


Waste collection is the dominant driver of expenditure. On street cleaning our latest comparative performance shows a good comparative level of cleanliness but a less than average level of satisfaction, but at level of expenditure at the lowest quartile, as in the table below. However if expenditure on our cleansing and waste collection services increases in line with financial strategy forecasts following the major contracts renewals we will no longer have significantly below average expenditure per head in these areas, and we know performance has improved since 2004.

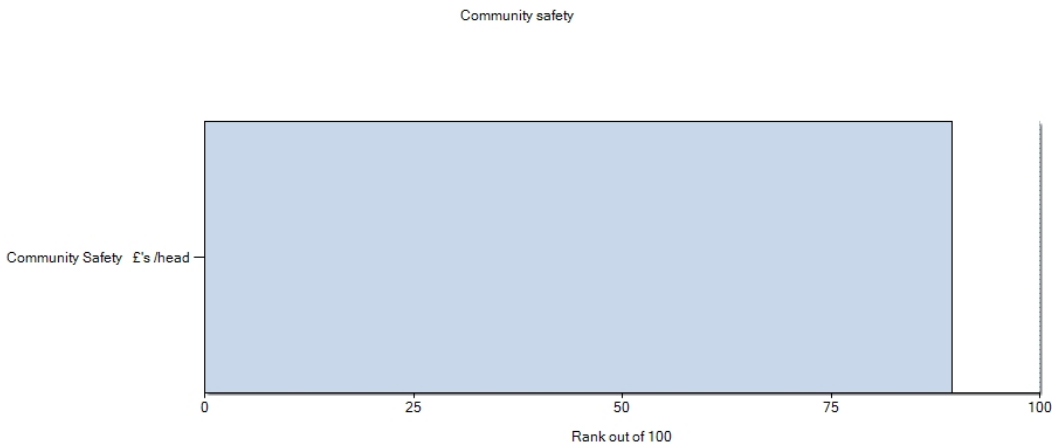
Cleansing performance and cost compared to satisfaction



The audit commission points out that there is a high degree of correlation between expenditure on economic and community development and the index of deprivation. It would appear that this Councils ranking for both these elements is similar and hence spending is not out of line. However relative to our overall spending per head, which is in the middle of the lowest quartile it is a higher area of spend.

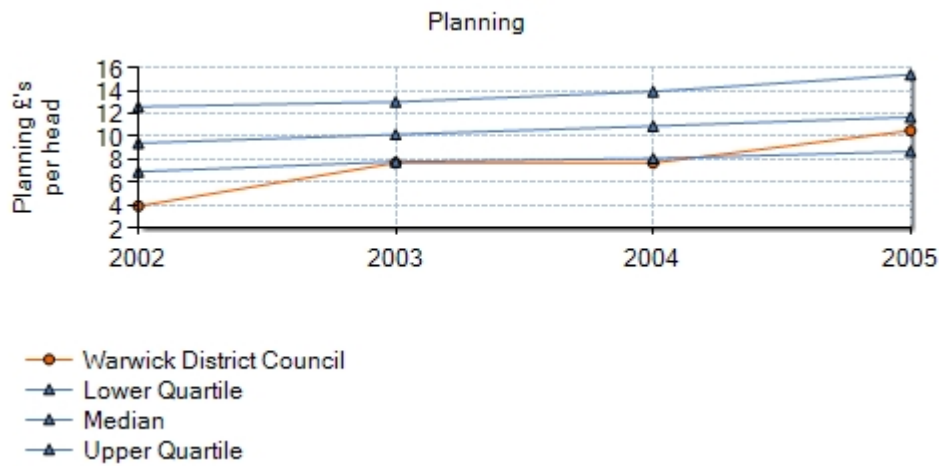


The main driver of the Councils other environmental costs being in the highest quartile is the cost of community safety of which CCTV is the largest element. The Council does have a top 21 target of reducing the percentage of residents who are very or fairly worried about being a victim of crime in the three categories of home burglary, violence and car crime. However Councillors should be aware that our expenditure in this area puts us in the top 25% of spenders.

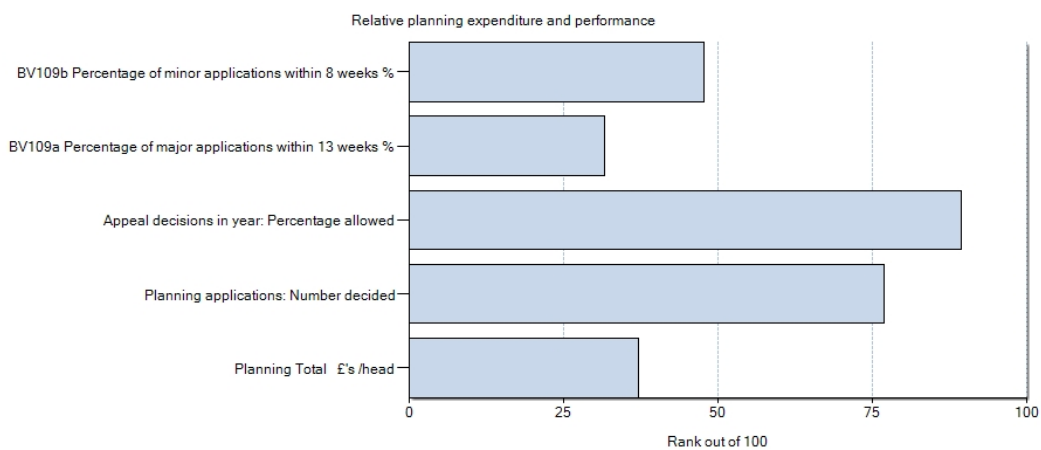


Planning

Expenditure on planning has increased in relative terms to other Councils from being well into the lowest quartile in 2002, to being just below the median in 2005 as shown by the table below.

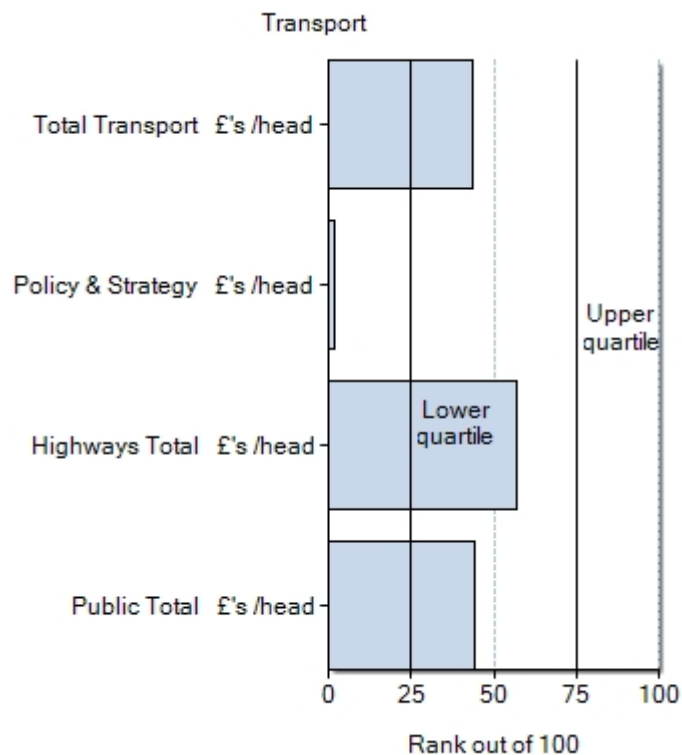


Current performance in this area shows below average expenditure per head compared to other councils with minor applications being determined at about average for all districts, but major applications being below average and approaching the lowest quartile. However in volume terms (in 2004) the Council decided an absolute number of planning applications in the highest quartile.

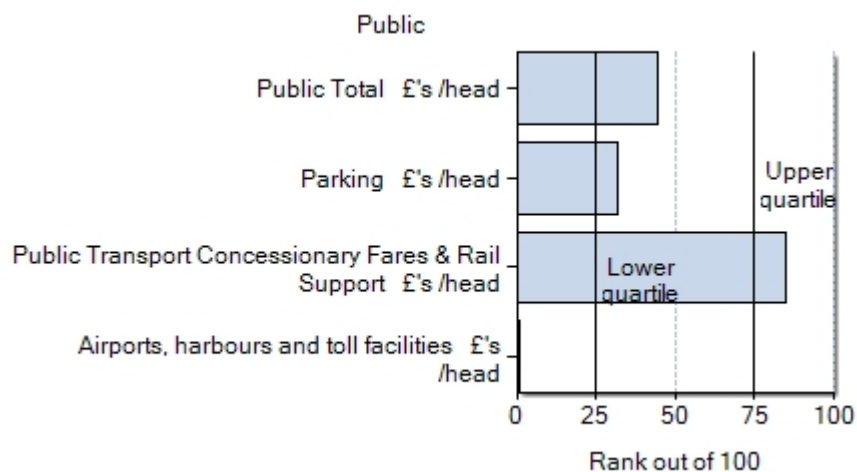


Transport

The Council does not spend any money on policy and strategy. Although it is spending just above the average on highways the expenditure in 2005/06 was only £148,000 on environmental, safety and routine maintenance and £38,000 on street lighting.

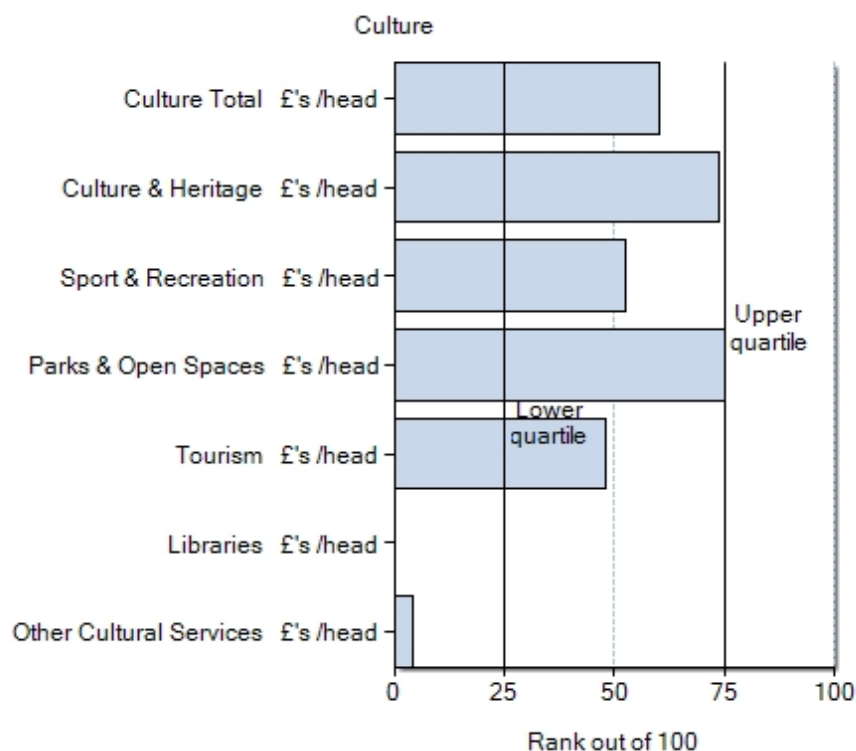


In respect of public transport the Council is in the top quartile, which primarily reflects our historic high expenditure on concessionary fares and additional non-statutory special transport schemes.

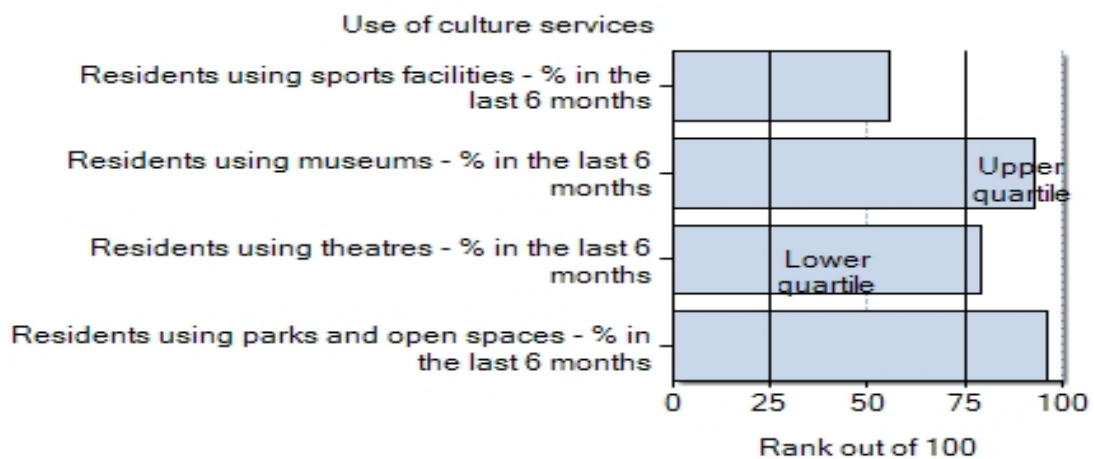
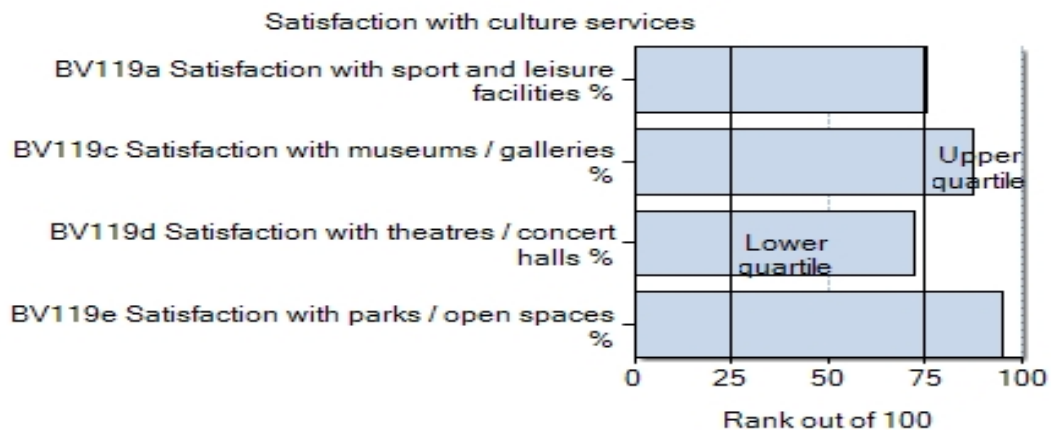


Culture

Culture is the only one of the four main spending areas where our net expenditure is over the median. The table below shows that culture and heritage are about at the upper quartile, and sports and recreation and tourism are at about the median. In 2006-07 we are planning to spend about £7.5 million on these services (after allowing for income). The relative higher expenditure on culture and heritage and parks and open spaces is explained by the historic nature of the area and assets managed by the Council, and the similar historic investment in green open spaces. It is acknowledged by all that the historic nature, and numerous green spaces give Warwick District a special ambience, but it does come at a price.



As the tables below show, these levels of expenditure do result in the highest quartile levels of satisfaction and apart from sports facilities (which is just above the median) upper quartile usage of cultural facilities.



Housing Strategy

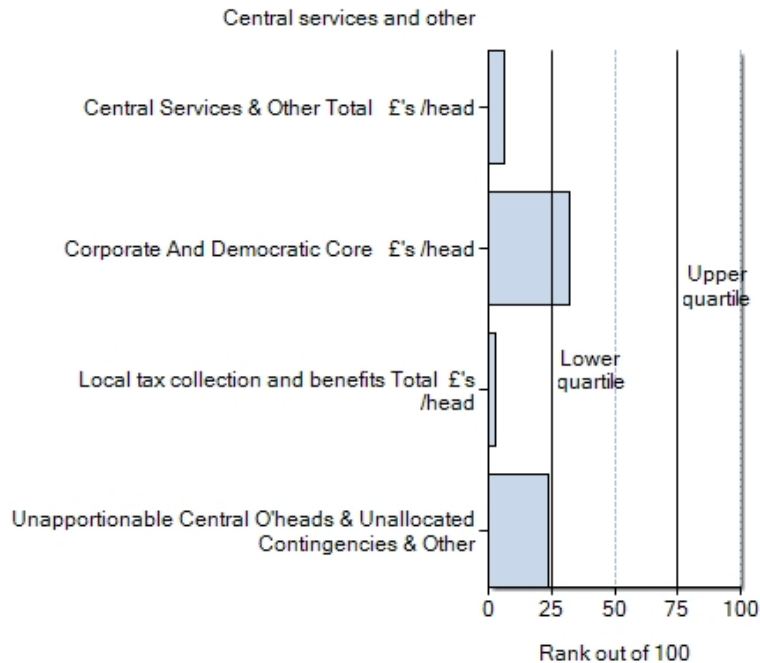
This is the non-landlord functions. Investigation ahs shown that the return on which this is based included council tax discretionary rebates so this is not such a relative high spender.



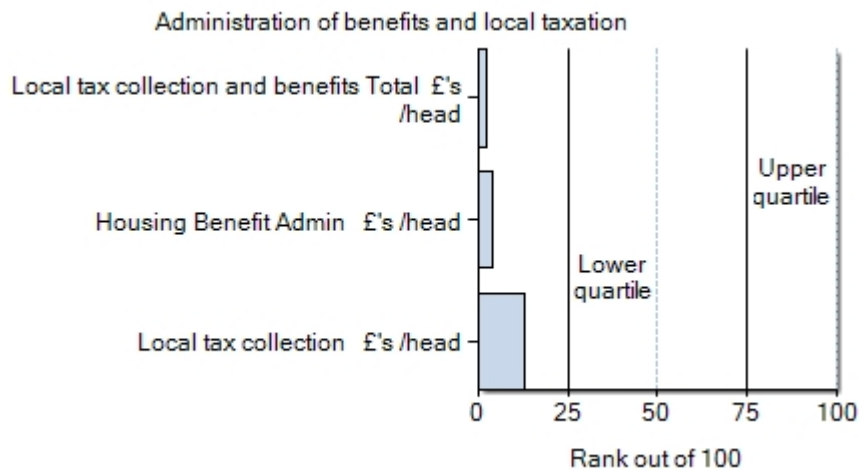
Central services and other

The table below shows we are one of the lowest spenders per head of population in the country in this area.

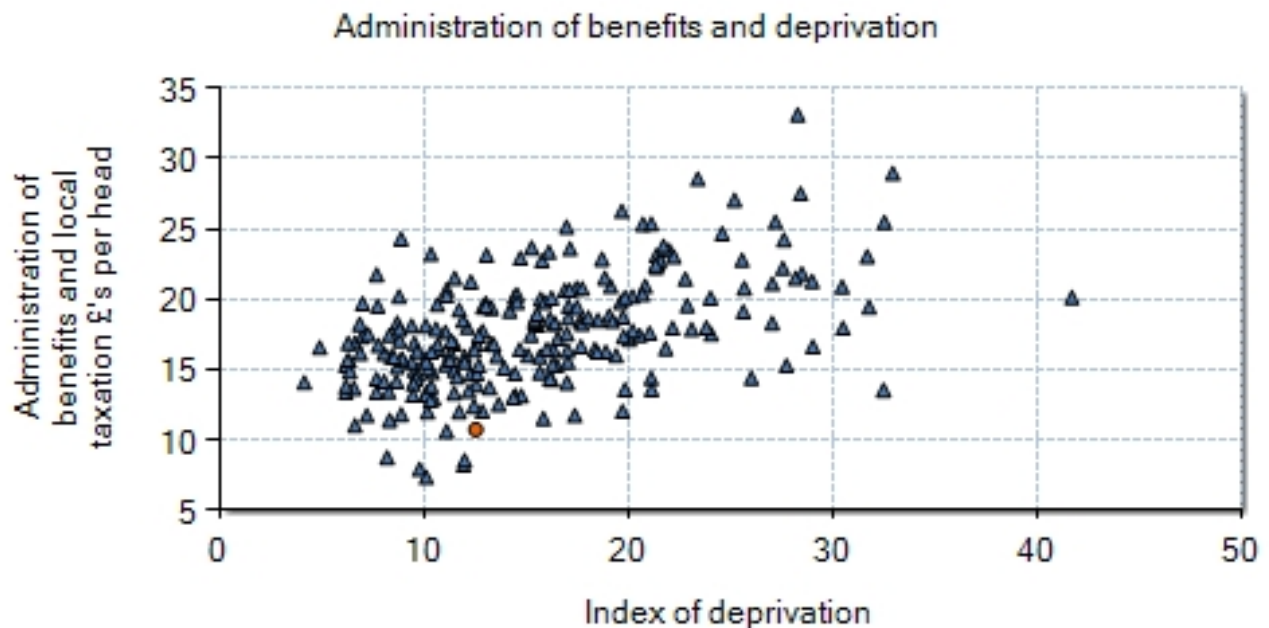
The Corporate and Democratic core is only just above the lowest quartile and represents the critical mass of the Council.



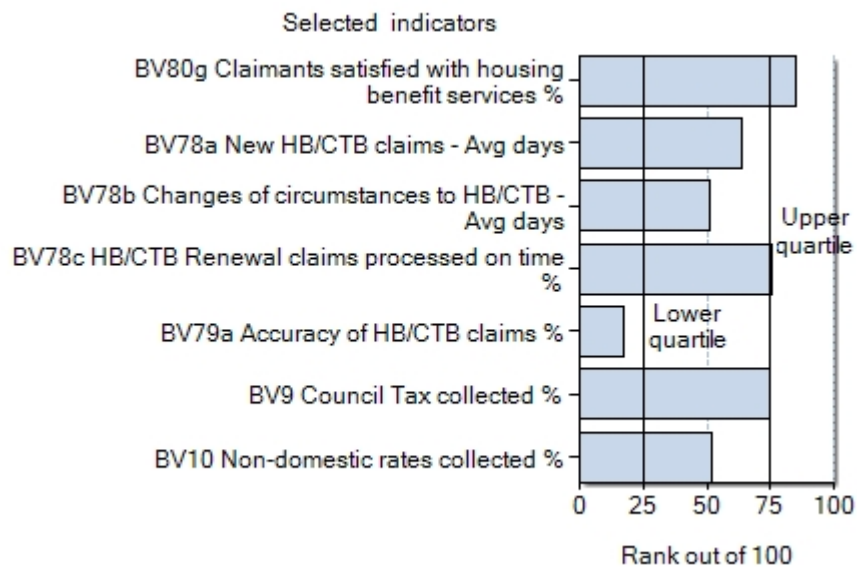
All figures in relation to tax and benefit administration are in the lowest quartile.



The dot on the next graph shows we are a low spender in relation to our deprivation in this area. A similar graph could be drawn for Council tax collection which would show we are not out of line with our collection rate compared to our level of deprivation.



However, other than in relation to accuracy of claims (which has been addressed since 2004) performance is high.



Summary

Overall the Council is a very low spender being well into the lowest quartile for £ per head of expenditure. This masks four areas of very high relative expenditure, CCTV; concessionary fares and non-statutory transport schemes; culture and heritage; and parks and open spaces. The Council generally has below average expenditure in other areas with extremely low levels of relative expenditure per head for Council tax and benefit administration, but on the whole with high levels of performance.

Decision making process

1. It is anticipated that the CMT will recommend to the Executive a balanced budget and associated capital programme taking on board the comments made during the consultation. The Executive will then recommend to Council the budget they agree.
2. Members of the Council are free to propose amendments to a recommendation on the budget in accordance with the normal rules for Council. Any group or individual members who wish assistance or information in order to develop proposals can contact the Chief Financial Officer or Head of Finance for assistance. This will include the involvement of the relevant service officer to advise on any service impact. For the record it is worth re-stating that all officers work to assist all members of the Council. Officers will treat any such budget work as confidential to those who have requested it.
3. In formulating a motion to amend a proposed budget there are two things that members need to bear in mind
 - Amendments must be fully financed – this means that a proposal to increase expenditure must be matched by a proposal on how to fund this expenditure (generally through increased taxes, or charges, or reduced expenditure elsewhere)
 - There is a particular form of resolution, set out in statute that the Council must resolve in order for the decision to be made in a proper manner – this means that in practice members are likely to need assistance from finance staff to phrase the technical aspects of any amendment in order for it to be an acceptable amendment.
4. It is a duty upon all members of the Council to set a budget, and this is a statutory requirement. What this means in practice is that collectively all members have this duty, not just the Executive. Members must agree a balanced revenue budget, and case law has shown abstention is not a defence against failure to comply with this duty.

APPENDIX C

As in previous years, the District Council intends to minimise any increase in Council Tax so as to continue to provide its services to at least the current level. Even to stand still, the Council Tax will need to increase, as the Council faces many pressures on the costs of its services, for example fuel increases, and the cost of pensions provision. The current average level of Council Tax for the Warwick District Council element is £125.87 per year, for a Band D property.

Below are a number of limited options on where the Council is considering spending more money on enhancing its services. The figures are for a Band D property and refer to the Warwick District Council element of your annual Council Tax only (excluding the County Council, the Police and any Town/Parish Council precept). Please indicate which options you feel the Council should invest in so as to improve its services.

	<i>Strongly agree</i>	<i>Agree</i>	<i>Neither agree nor disagree</i>	<i>Disagree</i>	<i>Strongly disagree</i>
Option A: In order to get closer to our target of answering your telephone calls within an average of 20 seconds (as opposed to 1 1/4 minutes now, with 12% of callers hanging up before they are answered) we should employ more staff and increase the Council Tax (80p)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option B: We should invest in the provision of more allotments as there is an increasing demand (19p to prepare one area)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option C: We should increase the Council Tax to continue our programme of support to local parish initiatives (such as parish hall improvements) (£1.94 per year to provide an annual fund of £100,000)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option D: We should increase the Council Tax to support to the new local neighbourhood community policing teams concentrating on small changes that should help to reduce crime (£1.55 per year to provide an annual fund of £10,000 for each of eight safer neighbourhoods which cover the District).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option E: We should increase our Council Tax to support the shopmobility scheme, that provides wheelchairs and mobility vehicles for shoppers with disabilities in Leamington town centre (29p to keep the scheme running)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option F: We should increase our Council Tax to keep the environment cleaner (10p to keep the recently implemented special cleans)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Option G: We should restructure our refuse collection services to maximise recycling, and minimise waste and additional council tax increases

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Option H: Other, please specify your own suggested option on the dotted line and tick the box opposite.

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