

TORBAY COUNCIL

Report No: **444/2005**

Title: Medium Term Financial Plan

To: Executive

on 11th October 2005

1. Purpose

1.1 To inform Members on the projected financial prospects for the period up to and including 2008-09 based upon the latest information available to the Council.

2. Relationship to Corporate Priorities

2.1 The financial plan is core to the delivery of all the Council's priorities.

3. Recommendation(s)

3.1 **That the latest financial projection for the Council for 2006-07 and later years be noted.**

3.2 **That Members indicate any additional areas of work they wish to be undertaken whilst the budgets for the years in question are prepared, and**

3.3 **Members ask Overview and Scrutiny Board to review the plan as part of the Budget process.**

4. Reason for Recommendation(s)

4.1 The Medium Term Financial Plan is a fundamental element in planning and setting the Council's budget for future years and must tie in with the Council' strategic plan.

5. Key Risks associated with the Recommendation(s)

5.1 Failure at this stage to ignore the warnings being included in this report would leave the Council facing significant financial issues which would have to be resolved in a very short space of time. It could also inevitably result in decisions being taken without taking full account of the Council's stated aims and objectives and without possibly appreciating all the risks and implications of any decisions taken.

Likelihood	6	6	12	18	24
	5	5	10	15	20
	4	4	8	X12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		Impact			

 Low risk	 Intermediate risk	 High risk
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The "x" in the above matrix denotes where the author has assessed the level of final risk to fall.

6. Summary

- 6.1 Attached as an Appendix to this report is the latest detailed Medium Term Financial Plan (M.T.F.P.). It follows on from those which have previously been circulated to Members and Officers and takes account of the latest information.
- 6.2 In summary the M.T.F.P. highlights a number of issues that are being considered which inevitably give rise to great uncertainty when projected down to the local, Torbay level. These include:-
- (a) The Government's final decisions on the way it deals with School funding issues, primarily in dealing with the £200m local funding currently provided by local authorities as it switches schools funding from local authorities to direct grant.
 - (b) The overall "pot" available for local government to meet all the new demands, such as concessionary fares, or whether the "one-off" funding of £1bn will continue into 2006-07.
 - (c) The consequences of the Government retracting originally approved pension regulations and how the additional costs will be dealt with.
 - (d) The increasing growth in Torbay's population, especially in the older age categories which inevitably lead to increasing pressures on the Social Care budgets.
 - (e) The impact of the new form of governance both in terms of policy changes from that assumed in the plan and the actual cost of the Mayoralty.
 - (f) Whether the Council will set one year's Council Tax and give indicative figures for the two following years or whether legislation will require the Council to set two or three years Council Tax levels.
- 6.3 The M.T.P.F. also makes a number of assumptions, any one of which could have a significant impact on the outcome of each budget year. These include:-
- (a) The population of Torbay continues in line with present trends, but if there is a change to the three year funding approach the Council will not see the benefit of for many years to come.
 - (b) Council Tax will rise by 4% per annum.
 - (c) The review of FSS formulae will be relatively neutral as to its impact on Torbay.
 - (d) Torbay's FSS will move generally in line with national movements in FSS.
 - (e) The implementation of the Concessionary Fares policy will cost the Council approximately £0.7m of new ratepayers money.
 - (f) Inflation will continue roughly in line with current levels of expectation.
 - (g) The Government will continue to fund both the £1bn "one-off" monies and the £200m Education funding, currently provided by local authorities to schools.
 - (h) Spending plans will follow both those agreed in Business Plans and which have subsequently been raised publicly.
- 6.4 Based upon these assumptions the M.T.F.P. identifies a shortfall in funding of £6.3m in 2006-07 rising to £10.9m in 2008-09. However if 3% savings were also sought each year, similar to those in 2005-06 then the gap falls to some £4.3m in all years. However given all the caveats and problems facing local government funding in the future, this

can only be an “order of” figure rather than a precise figure.

7. The Next Steps

- 7.1 Following receipt and consideration of this plan, the Executive, at its 15 November meeting under the newly elected Mayor, will set provisional spending targets. Executive Members and Officers will bring forward detailed proposals as to how these targets will be achieved at the December meeting, subject to any changes being proposed in the light of the provisional spending announcement if it has been made in time. These will then be subject to review by the Overview and Scrutiny Board, in consultation with outside partners, between then and early February.
- 7.2 Overview and Scrutiny will make recommendations to the Executive for its consideration in the light of the review and external consultation at the 6 February meeting. The Executive will then recommend to Council on 7 February any changes to the draft budget it wishes to propose after consideration of the Scrutiny Board’s comments and the final government funding position, if it is known and fully assessed by the time of the meeting.
- 7.3 The final Council Tax setting, which takes account not only of Torbay’s budget but also the Fire and Police precepts, is planned for 2 March which will then allow the required period for notice to be given in order to collect the new tax from 1 April. The latest date the Council can set a tax is 10 March.

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IMPLICATIONS, CONSULTATION AND OTHER INFORMATION

Part 1

These sections may have been completed by the Report author but must have been agreed by the named officers in the Legal, Finance, Human Resources, Estates and Property and Procurement.

Does the proposal have implications for the following issues? If "Yes" - give details. <i>delete as appropriate</i>		Name of responsible officer
Legal	Not at this stage	Bill Norman
Financial – Revenue	Covered in the body of the report	Richard Thorpe
Financial – Capital Plan	Covered in the body of the report	Richard Thorpe
Human resources	Not at this stage	Geoff Williams
Property	Not at this stage	Sam Partridge
Procurement and Efficiency	Not at this stage	Steve Parrock

Part 2

The author of the report must complete these sections.

Could this proposal realistically be achieved in a manner that would more effectively:		<i>delete as appropriate</i>
(i)	promote environmental sustainability?	No
(ii)	reduce crime and disorder?	No
(iii)	promote good community relations?	No
(iv)	promote equality of opportunity on grounds of race, gender, disability, age, sexual orientation, religion or belief?	No
(v)	reduce (or eliminate) unlawful discrimination (including indirect discrimination)?	No

If the answer to any of the above questions is "Yes" the author must have addressed the relevant issue/s in the main report and have included a full justification and, where appropriate, an impact assessment.

Part 3

The author of the report must complete this section.

	<i>delete as appropriate</i>	If "Yes", give details
Does the proposal have implications for any other Business Units?	Yes	The budget will impact on all business units of the Council

Part 4

Is this proposal in accordance with (i.e. not contrary to) the Council's budget or its Policy Framework?	<i>delete as appropriate</i>
	Yes

1.	If "No" - give details of the nature and extent of consultation with stakeholders and the relevant overview and scrutiny body.
	-
2.	If "Yes" - details and outcome of consultation, if appropriate.
	-

Part 5

Is the proposal a Key Decision?	delete as appropriate	If "Yes" - give Reference Number
	Yes	

Part 6

Wards

All

Appendices

Appendix 1

Medium Term Financial Plan

Documents available in Members' Room

Background Papers:

The following documents/files were used to compile this report:

Torbay Council

Medium Term Financial Plan

1. Introduction

1.1 The Council has now completed the first full cycle with the latest approach to Medium Term Financial Planning and whilst the budget eventually approved may not have achieved the wishes of Members, it was at least reassuring that the eventual settlement compared to budget plans was not dissimilar to that originally forecast. This meant that the Council was able to plan for the eventual package long before the settlement was announced and the full implications were taken into account when setting the final budget.

1.2 The plan now needs to move on a financial year and take account of the impact of the decisions taken in setting the 2005-06 budget. This plan will once again be used to inform the early part of the budget planning process for 2006-07 until firmer figures are issued by the Government. There are inevitably "health" warnings issued over the figures but these and the attendant risks are amplified in the respective sections.

1.3 The plan is a continually evolving document and a further version will be issued later when more information is available, and the Council has reviewed its priorities.

1.4 The report will cover a number of areas and each will be a separate section including

(a) Future income levels, including assumptions on Government Grant and Council Tax levels

(b) Other Council financial strategies

(c) Existing and committed expenditure including

- Known or already recognised changes

- Service plans

(d) Summary position

Section 2

Projected Income Levels

- 2.1 This section is intended to cover the projected income levels including both Government Grant and perspective Council Tax levels, over the three year forward look.

Government Grant – Formula Spending Share (FSS)

- 2.2 An initial comment is that it is always hard to project the level of Government Grant receivable as there are many separate variables that impact on the final level of grant received by the Council. In projecting any figure, estimates have to be made on:-
- (a) the national quantum of the revenue grant
 - (b) the impact of transfers of services and specific funding into and out of the Formula Spending Share (FSS) calculation
 - (c) the Council's own data changes, and
 - (d) the Council's changes relative to the national picture
- 2.3 This is by no means an exhaustive list but does include some of the major issues that need to be taken into account.
- 2.4 In terms of the likely quantum available for Local Government, the latest available information is that which was published in the Spending Review 2004 and which is not expected to be updated until 2006. Taking this information and adjusting for known changes suggests that, nationally, FSS's will increase by 6.4% from 2005-06 to 2006-07 and by a further 5% to 2007-08.

- 2.5 In terms of the projection to 2008-09, the trend of increase has been reduced slightly from the 2007-08 levels to reflect Government Ministers and officials statements about future levels of spending. It also reflects the views of national economic commentators regarding the prospective levels of the economy. Firmer figures will be known when the Spending Review 2006 is published and the 2008-09 national forecasts will be included in the forward look.
- 2.6 However the overall totals are established by separate increases for the component parts. Thus, for example, Education increases are expected to be 7.1% and 6% over the first two years whilst Adult Social Services are projected at 6.4% and 4.3% whilst Highways Maintenance will be a cash standstill over the 2 years.
- 2.7 In forecasting the projected increases for Torbay, the initial figures used were the 2005-06 figures uprated by the national service increase for the respective year. The exception to this approach relates to the capital FSS where figures have been used reflect the Council's approved capital programme which in turn reflects the indicative borrowing allocations notified by Government Departments. This is probably slightly less than the national average would suggest but a more realistic, if prudent, approach was taken in estimating this element.
- 2.8 Having considered the initial base, there are adjustments which have to be taken into account when looking at the figures for Torbay. The first change and probably the most significant for many years is the move to transfer the funding for schools out of FSS and into the form of a specific ring fenced grant for schools. Whilst the impact of removing the FSS is relatively simple (just over £58m in Torbay's case) the ramifications for the calculation of grant received is hugely significant nationally and makes it, at this stage, one of the hardest projections to make in recent years. This will be discussed in further detail later in this section.

- 2.9 The Government has also indicated that it intends to change the legislation regarding free or concessionary bus travel for the over 65. With effect from 1st April 2006 all eligible residents will receive free bus travel and the local authorities will have to meet the costs. At the time of writing the Government is still consulting on exactly how it intends to allocate the £350m it estimates necessary to fund the scheme through the F.S.S. formula. Accordingly an assumption has been made about the allocation that Torbay may receive, although it will be subject to change when the Government finalises its views.
- 2.10 As in previous years there will be a switch in funding from specific grants to general formula funding in the Social Services arena. To date we are aware that grants for Preserved Rights and Residential Allowances will be transferred wholly or in part into FSS and in the calculation for likely levels of FSS an estimate of the impact on Torbay has been made. Whilst this section is dealing with the FSS and expenditure is dealt with later, it is worth noting that Torbay normally loses in net expenditure terms when these grants are transferred to general funding.
- 2.11 When taking these proposed changes in FSS into account the level of FSS could be in the region of £93m for 2006-07 rising to £101m in 2008-09.

Council Tax Base

- 2.12 An important element of any income due to the Council from the formula funding will depend upon assumptions on the Council Tax base. Torbay is seeing a continuation of the rise in its tax base arising from the construction of new properties in Torbay. Torbay has witnessed an increase in its taxable base of about 1% per annum in respect of new properties. With the continued developments in Barton and Paignton areas, a similar assumption is being applied for all the years of this plan, but these will be amended in the Autumn when the latest estimates are submitted to Government.

- 2.13 In the last 2 years the Council has reduced the discount on second or “holiday” homes to the minimum 10% in line with most authorities in the South West or coastal areas. The additional money generated by the reduction in discount from 50% to 10% is retained by the Council and used to support all the services of the Council. It is assumed for the purposes and period of this plan that the Government will not change this legislation and thus the Council continues to benefit to the value of approximately £0.5m.
- 2.14 In 2005-06, the Council also took the opportunity to reduce the empty property discount from 50% to 10% for the first time. This resulted in a “one off” benefit to the Council of £0.3m but for the period of the plan, this funding forms part of the national grant calculations.
- 2.15 Within the grant calculation is the Government assumptions about Assumed Notional Council Tax which is the figure it uses in the grant calculations for determining what level of tax income will be raised locally. The figure used in 2005-06 was approximately £1,102, which is well below the national average of £1214, the Unitary average of £1196 and Torbay’s family group of £1210. In previous years the Government has tended to use an inflator close to the level of inflation and as such a figure of 2.5% has been applied to this indicator. It should be noted that this is not how much the Government expects Council Tax income to rise by, which is a separate Treasury figure and which takes into account not only Council Tax rises but also increases in the Council Tax base as well. This latter figure is often in the 6-7% region. This gives a “relative” position but with the transfer of Schools funding the figures will be significantly different.
- 2.16 It has been assumed that the Unitary share of notional council tax income will remain relatively constant as a percentage of the total (approximately 87.8%) despite the proposed transfer of schools funding.

- 2.17 Using the information above it is assumed that the level of financial support from the Government will be about £43m in 2006-07 rising through £44m in 2007-08 to just under £45m in 2008-09. Even more than in previous years though, this figure must be heavily caveated as the operation and impact of the schools funding is so unclear and uncertain that major health warnings must be applied to these estimated figures.
- 2.18 One of the concerns nationally regarding the transfer of schools funding is in respect of the £200m that Council's put into schools over and above the FSS figure and which is paid directly by the Council Tax payer. The Government, at the time of writing, has not determined how to deal with this issue as no extra money above FSS has been put into the national figures and it has promised that non-education authorities (i.e. district councils, Police and Fire Authorities) will not lose money as a result of this transfer. The schools have also been given certain promises about levels of increase in funding. The simple solution for the Government would be to reduce the level of grant by the equivalent of the extra cash put in and in Torbay's case this would be about £1.5m. This extra loss of grant has not been factored into the plans and it must be of concern and uncertainty until the Government determines its approach.
- 2.19 Previous reports have been made of the impact of full implementation of the 2001 census data on the FSS, especially in the Social Care areas. Any beneficial assumptions included in previous plans have now been deleted from this plan as the Government appears not to be planning wholesale changes to the census data in the short term (i.e. 2006-07) and by the time any changes have been made, the benefits will have been dissipated.
- 2.20 However similar assumptions will be applied to the expenditure side of the equation and so the net result will be a relative order of gap rather than a precise estimate.

Council Tax Income

- 2.21 For the purposes of this exercise 4% increases in Council Tax levels have been assumed for all years of the plan. This will thus result in assumed levels of Council Tax income of £52.1m in 2006-07 rising to £57.5m in 2008-09.
- 2.22 The above levels of income assume an annual in-year collection rate of 97.5% but as Members will be aware, the final collection rate is usually in excess of 99%. Most of the 1.5% difference is collected in the first 6 months of the following year and is taken into consideration as part of the Collection Fund Surplus. It is not unreasonable to consider that this will be maintained in future years. However, because of over cautious estimates made in the last financial year there will be more than normally available in 2006-07 (estimated £0.7m - £0.8m) but then it is forecast to drop down to approximately £0.5m in later years.
- 2.23 Taking all these factors into account then prospective total income could be in the region of £96.0m in 2006-07 rising to £102.6m in 2008-09.

Summary Income and other related issues

- 2.24 There are a number of issues which need to be borne in mind when considering the above figures. Reference has already been made about the transfer of schools funding out of FSS and into direct grant. Certain assumptions have been made on the impact this will have on the Council budget but the Government's plans are far from clear and announcements later in the year may have a major impact on the projections made in this report.
- 2.25 Related to this is the Government's review of some of the funding formulae within the FSS. A considerable number of exemplifications have been looked at and the sheer number of options available make it impossible to project what impact these could have on Torbay. Accordingly it is assumed that the net impact will be marginal as the Government is generally concerned to see that major and wholesale changes do not have a too damaging effect on local authorities. However we should not rule out the possibility that there may be some impact on Torbay.

- 2.26 Members will also be aware that over the last two years the Chancellor of the Exchequer has cumulatively put in “one-off” funding of approximately £1bn to keep Council Tax levels down at a time when the Government was preparing for large scale local and national elections. For the 2006-07 budget, the Government is facing no significant elections and with other pressures on the national funds it remains to be seen whether the Chancellor is able or willing to continue this funding. The LGA is pushing the Government for clarification on this point but to date the Government has given no indication that it intends to repeat the injection of additional funding. Whilst the precise impact of this £1bn can not be worked through specifically to the impact on Torbay, it is generally thought that, if all else remains the same, this sum is the equivalent of approximately 2-3% on the Council Tax or about £1m-£1¼m of spending for Torbay.
- 2.27 Concerns about the long term sustainability of Council Tax increases led the Government to initiate a Balance of Funding review. However when this was completed, the Government then asked Sir Michael Lyons to look into elements of funding. The outcome of this review was expected later this year but it has recently been announced that, following an internal review, the Government has asked Sir Michael Lyons to expand the remit of his review and report back by the end of 2006. Whilst it is unclear as to the outcome of this review, the ramifications are such that it is unlikely to impact upon this plan.
- 2.28 The Government has also announced that the proposed rating revaluation of all domestic properties due for implementation in 2007-08 has also been postponed pending the outcome of the Lyons review into the future of local government. The revaluation will not now take place in the life of this Parliament.
- 2.29 Both the Local Government Act 2003 and C.I.P.F.A. consider it is the prime responsibility of the Chief Finance Officer to recommend the level of reserves a council should hold. Torbay meets this requirement by receiving a report from the Director of Finance in the Autumn on the level of reserves and then, as part of the final budget report, a brief summary of the key risks and assumptions included in the build up to the preparation of the budget. Consideration is also given to the results of the on-going budget monitoring that is reported

regularly to Members and the impact of trends identified on the future budgets.

- 2.30 In terms of specific risks associated with the reserves and balances, an insurance actuary has recently indicated that the insurance reserve has an adequate balance to meet prospective claims and so for the moment no action is being proposed, although the Council will need to be mindful of the claims which Devon County Council is currently meeting in respect of pre 1998 events, but to which this Council will have to contribute.
- 2.31 In addition the O.D.P.M. and external auditors and inspectors have all commented on our low level of general balance and the need to build it up to a more realistic figure in the region of £3m. At one time it was suggested that Councils should hold balances in the region of 3% of net expenditure which would mean a figure of about £4.5m for Torbay. This compares with DFES "suggestion" of 8% for secondary schools and 5% for primary schools. There is a clear expectation by the O.D.P.M. that the Council will need to address this in the next year or two and the auditors may well take the Council's response into consideration when coming to a view on its Use of Resources score for CPA purposes.

Section 3

Other Financial Strategies

- 3.1 There are a number of other financial strategy documents that feed into this Medium Term Financial Plan, including the Capital Investment Plan and the Treasury Management Strategy. These are separately published documents and the latest version can be found on the Council's Intranet site.
- 3.2 The Capital Strategy is the policy document that brings together capital investment programmes across the Council's services and informs decisions on capital spending priorities within the Council's 4-year Capital Plan budget. As a starting point to developing an affordable Capital programme, the Council has approved the following overarching policies for allocating capital resources at the strategic level, linking investment to both national and local priorities:-
- **Borrowing Supported by the Government** - Borrowing is undertaken at least to the level of the amount supported by the Government through the Revenue Support Grant mechanism and spending is approved broadly in line with the Service allocations determined by the Government Departments through the Single Capital Pot i.e. in support of national priorities of Education, Transport, Housing & Social Services.
 - **Unsupported (Prudential) Borrowing** – A cautious approach is taken to the use of “unsupported borrowing”. Potential use is considered on a “case by case” basis in consultation with the Director of Finance. An analysis of the long-term revenue consequences and service benefits arising from each scheme is undertaken with a view to self-funding or the generation of sustainable revenue budget savings for the future.
 - **Use of Capital Receipts-**

Land disposals - receipts are pooled and used to fund projects from the Reserve List in line with the Capital Prioritisation procedure. Earmarking sites wholly for affordable housing is considered on a site-by-site basis bearing in mind the Local Plan.

Right to Buy Clawback – all of the receipts paid to the Council by Riviera Housing Trust under the Clawback Agreement are used to support new capital investment (rather than saving them to generate interest) – 50% are recycled into new affordable Housing and 50% used to support the remainder of the Capital Plan.

- **Second Home Council Tax** – additional income from this source is not currently used to support capital investment (in particular the provision of new affordable homes)
- **External Funding Opportunities** – The use of any additional Government Grants or Supported Borrowing which may be offered is authorised only where consistent with the Council's corporate priorities or statutory service objectives, the project is sustainable, and requirements for match-funding and future revenue consequences have been considered.
- **Contingency for Match Funding & Unexpected Costs** – A contingency of at least £0.5m is kept to plan for these issues.

The strategic policies for setting the Capital Budget are reviewed annually by Overview & Scrutiny Board during the Capital Budget review exercise.

3.3 **Economic Overview:**

In terms of the Treasury Management strategy the following assumptions were used:-

All assumptions on future base rate, investment rates and borrowing rates are based on information provided by the Council's Treasury Management advisors. This information is updated on, at a minimum a weekly basis.

Borrowing:

The Strategy outlines the Council's Supported Borrowing requirements for three financial years based on schemes reported in the Capital Plan Budget for 2005/06 to 2007/08

and the likely profile of the timing of expenditure on these schemes. The Strategy then provides indicative figures for the Council's total loan interest costs payable within a year based on known and projected loan rates.

It is assumed that no borrowing is required for Revenue expenditure.

It is assumed that any unsupported borrowing will be self financing to fund the increase in the interest payable budget.

The Strategy is linked to the Council's policy on reserves and balances with any balances and material movements reflected within the projections for investments and borrowing.

No debt restructuring has been assumed in the strategy, although this may happen if advantageous to the Council.

Investments:

The in-house team maintains only investments for temporary short term investments with reference to (daily) cash flow requirements and to maximise interest returns within the risk parameters set within the Strategy. In addition the Council uses a Fund Manager to invest £10m of the Council's investments. This money is not part of the Council's (daily) cash flow requirement.

It is assumed that the average balance of investments both in-house and with the fund manager is approximately £22m and the interest returns on investments will be as a minimum equal to or better than 7 day London Interbank BID rates (LIBID) rates, which is the benchmark rate of interest for cash deposits offered by major banking institutions.

Section 4

Service Specific Plans and Issues

- 4.1 The Council, as part of its 2005-06 budget planning process, began to fully integrate its Corporate Plan into the Business Plans which then took the objectives and translated these into tangible actions with financial consequences. These are still at a very early stage and some services have been able to undertake this somewhat easier than others.
- 4.2 These will be further developed during the 2006-07 round, although it does need to be recognised that with a new form of governance taking effect from late October, there may be a change of emphasis in spending plans during the 2006-07 budget round.
- 4.3 Similarly the “Have Your Say in the Bay” (HYSITB) research may also impact on proposed spending plans. The results from the summer round of consultation are still being analysed but the results will be fed into the budget round and reported as and when available.
- 4.4 This section will look, for each service, at the proposed spending proposals emerging from the business plans, emerging plans and legislation on better and more recent information. Finally some corporate issues will be considered.
- 4.5 Audit and Efficiency
- 4.5.1 The budget for 2005-06 shows expenditure of £0.269m and the current base budget shows steady committed growth reflecting the impact of increments on the pay budget. The current Business Plan refers to the need to invest in training to ensure retention and development of existing staff. It is estimated that this will cost up to £4,000 per annum. In addition the Assistant Director – Internal Audit has indicated a need to upgrade existing computer software and hardware in order to ensure continuing efficiency and effectiveness in the service. Once again a sum of about £4,000 is identified.

4.5.2 Overview and Scrutiny Board recently received a report on staffing levels and workloads within the Audit Division and as a consequence expressed concern over the existing staff levels. The Board asked the Executive to treat this matter with grave concern through the budget process and it is estimated to meet the concerns that additional resources to the value of approximately £0.075m is required to employ both full-time staff and to utilise a call down arrangement with an external provider using a contract that Cornwall and Plymouth are negotiating. The concern for the Council must be that if Audit fails to meet the programme required by our external auditors then they will undertake the work, at a significantly higher cost, than that shown above or the Council's risk exposure to fraud will increase.

4.6 Cultural Services

4.6.1 The current budget is £5.363m and current commitments projects expenditure of £5.468m in 2006-07 rising to £5.515m in 2008-09. This includes £0.040m in order to continue delivery of the Oasis project which is an LPSA target.

4.6.2 The Business Plan identifies a number of short term issues including:-

- (a) The Museums Best Value Improvement Plan remains unfunded, which recommended an increase in the level of grants to the two town museums. A figure of £11,000 has been proposed.
- (b) To maintain the current level of P.I.'s in the Library Service, the Council will need to plan to both open further libraries and to have an increase in book stock, with the revenue requirements being about £0.1m, and
- (c) Changing ENCAMS Blue Flag criteria is likely to mean that 90% of Torbay's beaches will lose their Blue Flag status. The solution would be the introduction of filtration systems on the fresh water streams before they discharge onto the beach but the cost of such a system is not yet known. This problem is not unique to Torbay, but will affect most, if not all, of the country.

- 4.6.3 A number of subsequent issues have arisen since the production of the Business Plan which need to be factored into future budget projection. Torre Abbey is currently being refurbished and renovated and is due to re-open in 2008. To meet lottery funding criteria an extra £0.130m is likely to be required in the final year of the plan and on-going.
- 4.6.4 Investigations are currently taking place at Shoalstone Pool following a Health and Safety report. Current revenue budgets are not expected to increase, however there may need to be a capital investment of £0.2m to meet current legislation requirements.
- 4.6.5 Palace Avenue will also be re-opened in the lift of this plan and additional funding will be required to meet the running costs of new theatre.
- 4.6.6 The current financial year has also raised a couple of issues that will need to be addressed in some way. Firstly income levels in 2005-06 are down on the budget assumption mainly in the beaches area and if this continues will need remedial action in the future. Secondly, with the Council moving to monthly pay for all staff there is a question whether the Council would be able to attract sufficient short season staff, in which case, alternative solutions may be necessary to sustain the service at the level required to maintain Blue Flag standards.

4.7 Direct Services and Waste

- 4.7.1 The current budget for these services is £6.968m but is expected to rise as a result of known commitments to £7.418m by 2008-09.
- 4.7.2 This service is facing significant financial pressures in future years, as witnessed by the growth figures shown above. In addition to the increasing population of Torbay which generates additional waste in its own right, individuals are disposing of more waste as well thus adding to the amount the Council has to be dispose of each year. In order to reduce the amount being sent to landfill nationally, the Government has imposed a tax on the amount of waste sent to landfill and is increasing this annually by approximately £3 per tonne per annum. Therefore the Council is facing additional costs of £0.150m p.a. unless it can significantly reduce the amount of waste going to the tip.

4.7.3 With the introduction of the Landfill Allowance Trading Scheme and other waste directives, Torbay, in line with all local authorities will be facing very significant additional costs in the medium to long term unless the Government is prepared to recognise these costs in future settlements (which seems unlikely at the moment) or the Council can significantly reduce the amount of waste it has to deal with.

4.7.4 There is currently a review being undertaken on the future delivery of these services, which is expected to be completed in 2006. The outcome of this review will understandably have a financial impact but at this stage, it is not known what it will be. A future update of the M.T.F.P. will take the results of this review into account.

4.8 Environmental Health and Consumer Protection

4.8.1 The current budget for these services is £0.858m and rises to £0.927m, mainly as a result of staff increments.

4.8.2 There are a number of service issues within this area which need to be taken account of when projecting forward. Members will be fully aware of the fact that the local authority is now responsible for the issuing of licences, having taken this responsibility over from the Magistrates' Courts. The initial "rush" of applications are being worked through and it is expected that the level of income should be adequate to meet current expenditure. At this stage though it is unclear as to the long term level of income and whether this will be adequate to meet necessary expenditure or whether "taking one year with the next" will have to be the required approach. A number of other legislative changes have also been identified but the financial impacts of these have not yet been assessed.

4.8.3 The Executive has recently received a report from Overview and Scrutiny regarding future provision of burial services within Torbay. Any consequences arising from the recommendations of this report will impact upon this plan but at this stage it is not possible to predict what the financial implications will be.

4.9 Financial Services

- 4.9.1 The Financial Services budget is currently £14.585m and is projected to rise to £16.048m by 2008-09. The significant committed growth is largely as a result of additional debt and interest payments arising from the approved capital programme (taken into account in the FSS calculations) of approximately £1m over the period as well as the usual additional staff costs that arise in a very staff intensive department.
- 4.9.2 The Business Plans identify some major issues once again facing the Council in terms of I.T. and the replacement of systems and hardware not able to sustain the increasing demands being placed upon them. The Government's "E"-programme also places pressure on the Council to meet both local and national expectations, although in some cases these new systems and methods of working result in financial savings. It is estimated that the "knock-on" revenue consequences of implementing the "E" will be in the region of £0.090m. If the Council wishes to continue with this programme then it will need to invest a further £0.1m per annum to meet public expectations and to implement systems that will ultimately result in "Gershon" savings.
- 4.9.3 Some networking issues have also been identified which will cost about £0.050m p.a. to resolve and the increasing demands in the development and policy areas as a result of the push towards "E" compliance results in an increased need for staff in these areas at an estimated cost of £0.060m.
- 4.9.4 A key component of the Use of Resources Block for CPA is the co-ordination and closure of the Council's statutory accounts which will impact on the Finance Department. With the statutory deadline being brought forward by a month in 2005 and 2006, the division is under pressure to meet the statutory deadline without any additional resources. In addition, the volume and complexity of advice required to support the Capital Programme is placing pressure on the corporate accountancy team. As in previous years, the division has identified 2 posts to support this work costing £0.070m. The division will also have to face the introduction of Whole Government Accounts and the further impact of the Annual Efficiency Statement.

- 4.9.5 The Council is currently undertaking a Customer Focus pilot project, based upon the Connections and Exchequer and Benefit Service, which is expected to be assessed in 2006. Whilst it would be premature to gauge the results it is likely that there will be a recommendation to implement changes to the current method of operation which may result in a short term net increase in staffing and accommodation costs in 2007 or later years. (See also paragraph 4.20.7).
- 4.9.6 The payments of Housing and Council Tax benefits are constantly changing with the Government's intention being to simplify the service as much as possible. The latest proposals involve a standard payment to landlords and this is being trialed in certain pilot areas at the moment with the intention of being rolled out nationally in 2007. What impact such a move will have on Torbay is uncertain at the present time.
- 4.9.7 Both Benefit systems are based upon caseload and Torbay has a very high caseload for the overall size of authority. Unfortunately this is only likely to decrease if there is a significant improvement in the economic base of the area which lifts the general wage out of the current low levels.
- 4.9.8 Within this service area are precept and levy payments in respect of the remaining costs of the Magistrates Services, Devon Sea Fisheries and the Environment Agency. These tend to be largely outside the control of the Council, although in terms of the overall Council budget these are not large sums. Also included is the annual payment to the Riviera Centre which is somewhat greater (over £0.5m p.a.) and may need to be reviewed in the near future.
- 4.10 Highways and Engineering Services
- 4.10 1 The current budget for this service is £3.550m and existing commitments will result in this rising to £3.674m by the year 2008-09. This principally arises because of increasing staffing costs.

4.10.2 The Business Plan for Highways identifies highway maintenance as an issue that the Council will need to address with the increased backlog of repairs, and the gradually deteriorating networks. The plan also makes reference to the implementation of DPE and the consequences for future transport schemes along with possible savings in the CCTV system as current contracts expire.

4.10.3 There is a major issue facing the Council within the Business Unit in respect of Concessionary Fares and nationally there is still a lot of work going on to clarify some of the issues. Whilst the quantum of money being made available by the Government is thought to be adequate, the allocation of funds proposed by the Government is throwing up some major winners and losers throughout the country.

4.10.4 Clearly all the figures are very provisional at the moment but in respect of Torbay, some figures being circulated would suggest that the Council may receive some £1.3m in additional funding but incur additional costs of approximately £2m, a net direct cost which falls solely on the residents of Torbay of £0.7m (approximately £1.5% increase in Council Tax) for a mandatory scheme.

4.11 Housing Services

4.11.1 The current budget for Housing Services is £1.563m but this is expected to rise to £1.574m in 2008-09, although it is expected to peak in 2006-07 after which certain short term costs begin to fall out.

4.11.2 The Business Plan recognises that the Supporting People Administration grant is tapered and if its falls by the same amount as 2005-06, net expenditure will be £0.116m in 2006-07. Similar reductions are reflected in the following years.

4.11.3 The current budget monitoring still identifies this as a budget under great pressure with large demographic pressures still arising. The Council will need to be very aware of this and may need to invest further sums in this area following the inspection of Housing Services expected in 2006 in the latter part of this plan.

4.11.4 The Supporting People budget, although small in net expenditure terms still has gross expenditure of almost £6m. However this budget is currently heavily over committed and government announcements that the level of grant will be cut by at least 5% per annum. The Council is implementing a number of contract reviews but these tend to take 12 months before the savings can accrue. In the meantime the Council is carrying a deficit of approximately £1m which it plans to cover against future grants but there may come a time when these costs have to be found from within the Council resources.

4.12 Human Resources

4.12.1 The current budget is £1.984m which is expected to rise to £2.045m in 2006-07 and then by £18,000 per annum to £2.069m in 2008-09 through staffing changes.

4.12.2 The Business Plan recognises that the Council is undertaking Job Evaluation in accordance with national requirements. To implement this process requires additional staffing and computer software, estimated at £0.040m p.a. (see also paragraph 4.20.11 for the corporate implications).

4.12.3 Since the Business Plan was developed, it has been indicated that the Council would wish to continue to employ the Equal Opportunities Manager with effect from September 2006. This post is currently funded by Government grants. The Council also wishes to increase its graduate trainee programme by employing a further trainee during 2006-07. Both these posts would increase costs by £0.055m in 2006-07 rising to £0.070m in later years.

4.13 Learning and Resources

4.13.1 Whilst the current years budget for this area is £63.142m, the equivalent budget is expected to fall approximately £4.142m with the funding of schools through a direct grant system, albeit administered by the Council. However this is still a very provisional figure and will not be confirmed for some time.

4.13.2 The development issues arising from the Children's Service is considered more in the Social Inclusion Section.

4.14 Legal , Support and Democratic Services

4.14.1 The current year's budget is £6.232m and with existing commitments was expected to rise to £6.780m by 2008-09, mainly because of projected increase insurance charges as well as staffing costs.

4.14.2 Whilst no major issues were included in the business plan, a further actuarial valuation of the Insurance Fund has been undertaken. The actuary has concluded that the level of reserve being held by the Council should meet all known and anticipated claims. This latter review does call into question whether the projected increases of £0.1m p.a. are necessary given the Council's improved claims record. At this stage it is proposed to reduce the increase from £0.1m p.a. to £0.030m, thus reducing our committed growth by £0.070m in 2006-07 rising to £0.210m by 2008-09. It should be noted the trend could easily be reversed or, in the light of recent events in America, the Insurance Companies increase premiums significantly above the rate of inflation, to meet the prospective costs arising from environmental change.

4.14.3 Current budget monitoring suggests that 2 areas of this budget are under pressure, with the Council having little ability to reverse the position. Projections from the Coroner's Office suggest that the current provision is inadequate and £0.030m has been moved from the contingency to the base to reflect the higher number of investigations taking place in Torbay's area of responsibility. Secondly revenue from land charge searches continues to fall because of the downturn in the housing market but also because of the increased use of personal searches. At this stage it is suggested that the income budget is overstated by approximately £0.040m and the base is adjusted to reflect this but will be subject to further clarification of trends.

4.14.4 Also within this budget are the Mayoralty and Members' budgets. The Council has not currently made any provision for the additional costs of running the Elected Mayor's office and at the time of writing a recommendations has been made by the Independent Review Panel in respect of Members and Mayoral Allowances that will result in additional costs of approximately £0.078m. In addition the current provision is some £15,000 light and these sums should be included. At the present time an estimate of additional support costs for the elected Mayor of £0.070m has been made and these will need to be firmed up at the appropriate time. It has also been suggested that an enhanced Scrutiny function will evolve following the new governance arrangements and this is likely to require additional resources.

4.15 Performance, Policy and Communications

4.15.1 The current year's budget is £2.674m and is expected to rise to £2.691m in 2006-07, but will then fall back to £2.470m in 2008-09 when the implementation of the "PARIS" system for the wider social care area has been completed. However, there will be additional on-going costs arising from the implementation, licenses and links to DIPS/Workflow are estimated to be at least £0.116m, and this will need to be factored into future years.

4.15.2 The Business Plan identified 7 budget issues that needed addressing which total some £0.148m of which approximately half relates to meeting staff costs which are currently met out of the E-Government funding programme.

4.15.3 Included in this area of spending is the clients function for the provision of Social Care by the Adult Care Trust on behalf of the Council. Included in the current budget and the base across the years is a provision of £0.150m for the one-off costs of the Trust. Whilst the initial set up costs are likely to exceed this sum, the on-going budget provision should not be needed in this area and could be utilised elsewhere. It would seem appropriate to move the provision to associated budgets where costs are rising because of the new Trust's creation.

4.16 Planning, Development and Policy

4.16.1 The current budget is £1.322m and is expected to rise to £1.417m by 2008-09.

4.16.2 No specific issues were raised in the Business Plan.

4.16.3 The major issue in this area of the Council's activities is the termination of Planning Delivery Grant (PDG). At present there is some £0.175m income in the base budget to meet additional expenditure which is assisting the Council meet its existing high performance targets. This grant is expected to end in 2007-08 and whilst the Government has indicated it intends to review fee levels, the Council should initially expect to lose this income.

4.17 Social Inclusion

4.17.1 The existing budget is £12.307m but is expected to rise to £12.409m over the period in question. Included in this growth target is the £0.050m growth the Council is committed to in assisting the Youth Service improve to meet OFSTED inspectors comments. At the present the committed growth only shows an extra £0.050m for 2006-07 but it is understood that this was an on-going growth commitment and this has been built in the forecast. Despite the additional monies allocated in 2005-06 Torbay is still the lowest spender on youth services in the country and needs more continuing and increasing investment in line with the plan in order to reach acceptable standards of provision.

4.17.2 No additional issues were identified at the time of writing the Business Plans as these were being dealt with as part of the responses to the various inspection reports.

4.17.3 Current budget monitoring suggests that there are areas of this budget that are under severe pressure with increasing client costs and numbers, which will need to be addressed in the short term. The base budget is currently projected to be approximately £0.6m overspent based upon current trends and whilst officers are working on options to reduce this projection it must be recognised that there may be an inherent under funding

in this base position. The Council would be ill advised to ignore this problem when planning for 2006-07 and future years and so a provisional sum of £0.5m has been included in the projection for 2006-07, tapering down in later years to reflect the impact of management actions.

4.17.4 In the longer term, the Council are proposing to implement a number of changes which is planned will reduce future costs. An initial pump priming sum of £0.250, has been invested in the current year and a further sum of £0.5m is being recommended to be invested in order to meet the Post Inspection Action Plan (PIAP) agreed with CSCI inspectors.

4.17.5 The initial £0.250m was funded from the Council's reserves and is due to be repaid over the next 4 years. When the full plan is in place it is forecast that the additional costs will be more than offset by equivalent savings in the "Looked After Children" budget. These will need to be factored into future plans to ensure the targets are met.

4.18 Social Services – Adult Services

4.18.1 This service, which currently costs £26.981m, is in the process of being merged with the P.C.T. to provide an Adult Care Trust. The expectation is that the new integrated service will provide a much better service for all clients and early results from the pilot scheme in Brixham suggests that this is the case.

4.18.2 There are still a number of issues around the costs still to be resolved, at the time of writing, but these are being dealt with.

4.18.3 A composite business plan has not yet been produced for the new organisation but the Trust have already indicated that they would wish to equip staff within the organisation with improved technology with revenue implications of approximately £0.1m that will allow efficient systems to be implemented thus resulting in efficiency savings.

4.18.4 A further report on this area will be produced when more detail is known.

4.18.5 However the Council is already aware that the Government intends to switch certain direct grant funding into the FSS funding formula and it is known that this approach works against the Council. The switch of grant funding is approximately £1.4m but until the figures are published the Council will not know the direct impact on these services which it has no option but to continue with. The main grants in question are Preserved Rights and Residential Allowances.

4.18.6 The financial monitoring of the 2005-06 budget has already indicated a projected overspend in that year. Whilst management action is being taken in an attempt to bring the position back into balance, some of the proposals are of a "one-off" nature and the underlying problem will still remain. To recognise that fact an additional £0.5m has been included in the projection for future years.

4.18.7 During the period of this plan a number of clients currently funded by the Children's Service budget who will pass over to be the responsibility of Adult Services simply because they reach the appropriate age. The estimated costs are £0.5m in 2006-07 and appropriate provision needs to be made. Consideration will need to be given as to whether compensating reductions should be made in the Children's Budget.

4.19 Torbay Development Agency

4.19.1 The current budget for this area is £1.314m and is projected to rise to £1.366m at the end of the plan period.

4.19.2 The current business strategy for the TDA is to implement significant regeneration opportunities wherever and whenever the opportunity arises. However this must be tempered with the Council's ability to deliver on such projects in terms of in-house resources, external technical support such as professional architects and the like and the availability of external funding. At the present time the Council has the resources to meet the existing capital projects in the programme but were there to be an increase in the number of projects to be undertaken then an increase in resources for additional in-house staff and external professional advisors would be required. Similarly the resources

being applied to the marketing, tourism, business development and community support aspects are also in balance with the current service levels provided. In each of these areas there is almost unlimited opportunity to increase service, but with significant impact on all categories of resource.

4.20 Corporate Issues

4.20.1 There are a number of corporate issues that need to be dealt with when considering overall expenditure levels. Local authorities are not exempt from inflationary pressures and due provision needs to be made in each year of the plan. Unless otherwise known, a general assumption on pay awards in the 2.5-3.0% area has been made, general price inflation in the 2-2.5% region but public utility and energy charges considerably higher. As in previous years, no assumption has been made about increases in income arising from increased charges as many of these are now set either by Government or outside bodies or are set in the light of other national or local influences and are dealt with as part of the overall budget discussions. The impact of these assumptions is additional finance requirements of £4.007m in 2006-07 rising to an additional £4.210m in 2008-09.

4.20.2 Another issue that covers all services of the Council relates to the issue of pension funding. The 2005-06 and later years forecasts were predicated on information supplied by the Actuary which in turn was based upon draft regulations being implemented at that time by the Government. The Government, under the threat of industrial action by the Unions, rescinded the regulations which consequentially means that all local authority pension budgets are understated by approximately £500m.

4.20.3 The Government is looking into the implications of this decision but, at the present time, has given no indication as to how the issue should be dealt with. I have discussed the matter with the County Council's Director of Resources, who manages the Pension Fund for Devon, and he has advised me that no action be taken at the present time pending an announcement from the Government. However, Members should be aware that there could be a significant increase in costs as a result of this change in legislation.

4.20.4 Torbay continues to witness a growth in an overall population above that of the national average. 2005-06 saw the estimated population of Torbay rise by approximately 1% over the previous 12 months compared to a national average of about 0.5%. However this increase is not across all age bands but tends to focus on the older age bands, which tends to bring increased service pressures especially in Adult Social Care. However, with the increase in house building, this also results in increased waste collection and disposal costs along with increased road and environmental maintenance costs.

4.20.5 At this stage of planning it is always hard to estimate the financial impact of this migration but a figure of £0.6m in 2006-07 is not unreasonable with further similar increases in each of the following years. It is unfortunate that Government funding does not follow until several years after the event.

4.20.6 The Council is occupying many old premises which have suffered through lack of resources to meet repair and maintenance demands. Currently the Council spends approximately £0.5m on repairs and maintenance but has a backlog of repairs bill of several million pounds and increasing. In order to arrest this decline and deterioration in its assets, the Council needs to increase its base spend on maintenance by £50,000 p.a. each year and this has been factored into the plans.

4.20.7 The Council has invested heavily in information technology solutions, especially in corporate systems but there is increasing pressure to invest further to reap further benefits of modern technology and to meet the demands of the Council's clients and customers. Reference was made earlier to the Customer Focus pilot study and the expectation that 2006-07 will see a review period with the implementation of any proposals in 2007-08. However, for this to happen the Council will need to invest in new systems in 2006-07 linking the Customer Relationship Model (CRM) with Document Image Processing (DIPs)/Workflow across all departments and this could be in the region of up to £0.2m.

4.20.8 A by-product of this investment in I.T. is that new systems place increasing demands upon existing equipment such that it becomes obsolete in a relatively short period of time. To ensure the Council is able to meet these demands, an enhanced corporate renewals fund is needed and an extra £125,000 p.a. is needed to meet the replacement programme the Council is having to undertake.

4.20.9 The Council is gradually looking at the use of prudential borrowing to fund its Capital Programme and so far only implemented schemes which are self financing. However this does mean that many capital schemes are still not being advanced as the Government does not provide supported borrowing. This is especially true in the environment and cultural areas of the Council's work where the Government expects the Council to fund such schemes from its own resources. In many cases these are either small or no potential cash payback from investing in these schemes, such as enhanced children's play areas, but the public still demand these. There could be provided through prudential borrowing if the Council was prepared to use a specific sum from Council Tax revenues to meet the annual on-going cost of borrowing for the scheme. A sum of £0.2m could release some £2m of capital spend to undertake some priority schemes.

4.20.10 In 2005-06, the Council created a number of contingencies to meet specific issues e.g. creation of the Care Trust, Mayoral Election but also created a contingency of £0.250m to meet unidentified issues in each year. It is recommended that a similar sum be provided in all the years to meet either one-off or on-going costs, as and when they will arise and are agreed.

4.20.11 The Council is committed to undertake Job Evaluations over the next 18 months for implementation in 2007-08. There will inevitably be a short term cost to this exercise, which will impact mainly in 2007-08 and possibly also in later years but this will depend upon the agreed implementation of the new scheme. At this stage it would be premature to estimate what the likely costs of the new scheme will be.

Section 5

Summary Position

- 5.1 As indicated earlier in the document, the M.T.F.P. attempts to indicate an “order of” assessment of the Council’s position rather than a precise figure. The reasons for this have been outlined but in summary they are
- (a) uncertainty over national grant levels
 - (b) changes in areas covered by FSS and the specific impact on Torbay and
 - (c) the relative impact of Torbay’s data changes compared to the national position.
- 5.2 Given all the caveats included in the plan though, the projected expenditure plans at the moment exceed the potential income by some £6.3m. However this has to be heavily qualified given the major uncertainty over the schools transfer, the Chancellor’s “£1bn” and the transfer of Social Services grants into FSS. In all these cases, the worse position was not built into the calculations and if they were then the gap could easily rise significantly. The gaps for the following years are £8.8m and £10.9m.
- 5.3 At this stage of the planning cycle, this is not dissimilar to the positions identified in previous years which the Council has always managed to address. However, the gap will still need to be closed and given that a 4% Council Tax rise was assumed, then an overall rise of 16.5% in 2006-07 would mean that the Council could meet all its expenditure plans identified without any service reduction followed by rises of 7.5% and 6.5% in the following years.
- 5.4 These estimates of increase will be very important as the Government are proposing that Councils should implement 3 year budgets with effect from 2006-07 and as a minimum the Council will have to give indicative levels of Council Tax increase. It should be noted that the Government are seriously considering an option which forces Councils to set the Council Tax for the next 3 years when it sets the budget for 2006-07. The major hindrance with this approach, from the Government’s perspective at the moment,

is that the Comprehensive Spending Review only covers 2 years and therefore there is the likelihood that, in the first instance, there will only be a requirement for 2 year tax setting.

- 5.5 The weakness of an approach that suggests a straight Council Tax increase of 16.5% in 2006-07 ignores several issues. Firstly it ignores the ability and willingness of the residents of Torbay to pay such an increase at a time when income levels are influenced by levels of pension increases and the minimum wage.
- 5.6 Secondly it ignores the issues of capping. In the past two years the Government have implemented caps on a number of authorities, including Torbay in 2004-05, but such caps have been applied using different criteria for different classes of authority. Thus, for example, only district councils were capped in 2005-06. However the level at which the Government will cap at is determined after Council Tax levels are set. On recent experience though the levels suggested in paragraph 5.3 would tend to attract the attention of Government and would almost certainly be subject to capping.
- 5.7 Thirdly the M.T.F.P. takes no account of efficiency savings. Whilst the Gershon agenda requires Councils to achieve efficiency savings of 2½% per annum, these can be either “cashable” or “non-cashable”. If the Council were to adopt a similar stance to that taken with the 2005-06 budget, namely identifying 3% efficiency savings, would generate some £2m of savings, after allowing for those areas where there are fixed payments or savings are not able to be planned, such as debt, precepts and levies. This would then reduce the gap to £4.3m in 2006-07, which when applied across the years of the plan would be the core problem.
- 5.8 Whilst the budget as outlined in the M.T.F.P. is based upon existing priorities, it does not take account of changing priorities, nor of relative priorities of new spending plans. In setting any budget such plans are necessary, especially where prospective expenditure exceeds prospective income. Similarly there will be new spending pressures arising since this plan has been drafted which will need to be taken into account when developing the final budget package for 2006-07 and the subsequent years.

5.9 Members will need to scrutinise those items which are currently appearing in the plan.

5.10 A summary expenditure position statement is attached as an Appendix to this plan.