

REPORT FOR: **CABINET**

Date of Meeting:	15 July 2010
Subject:	Integrated Planning 2011/12 to 2015/16
Key Decision:	No
Responsible Officer:	Myfanwy Barrett, Corporate Director of Finance Tom Whiting, Assistant Chief Executive
Portfolio Holder:	Councillor Bill Stephenson, Leader and Portfolio Holder for Finance and Business Transformation Councillor Graham Henson, Portfolio Holder for Performance, Customer Services and Corporate Services
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1 – Timetable Appendix 2 – Strategy for closing funding gaps Appendix 3 – Stakeholder Meetings

Section 1 – Summary and Recommendations

This report sets out the framework for the development of the new corporate plan and medium term financial strategy for 2011-12 to 2015-16.

RECOMMENDATIONS:

That Cabinet

- Notes the timetable (Appendix 1)
- Approves the strategy for closing future funding gaps (Appendix 2)
- Approves the approach to consultation

REASON (For Recommendations):

To promote effective medium to long term planning

Section 2 – Report

Introductory paragraph

1. This report sets out the broad framework for the development of the new corporate plan and medium term financial strategy (MTFS) for 2011-12 to 2015-16. This will be the first time that the Council produces a five year plan as opposed to a three year plan.

Options considered

2. The integrated planning process takes about 9 months in total and during this time a wide range of options will be considered.

Integrated Planning Framework

3. The Council operates an integrated planning framework. The framework is designed to ensure that the Corporate Plan, Directorate Service Improvements Plans and the medium term budget are developed in an integrated fashion. The use of key intelligence gathered through regular consultation with residents and our own information and data such as the Joint Strategic Needs Assessment, Mosaic/Experion and the Vitality Profiles will contribute to the development of Council plans for 2011-12 to 2015-16.

Timetable

4. The timetable for producing the new corporate plan and MTFs for 2011-12 to 2015-16 is attached at Appendix 1. Members are asked to note the timetable. More detailed guidance will be available to managers in July

Vision and Priorities

5. Cabinet approved the vision, corporate priorities and flagship actions for 2010-11 for the Council in February.
6. The agreed vision is to be recognised as one of the best London Councils by 2012. The Council's vision must be delivered with the commitment of our staff and partners specifically to:
 - Deliver cleaner and safer streets
 - Improve support for vulnerable people
 - Build stronger communities
7. The vision and priorities will be reviewed by the new administration in due course and will form a critical part of the development of the medium term plans.

The Year Ahead Statement

8. The Year Ahead Statement is a core element in the integrated planning framework. The Year Ahead Statement is a comprehensive document which sets out, the national and local policy framework, detailed performance and value for money data, attitudinal survey data and the financial position to enable members to identify a vision and corporate priorities. It provides the context for the development of the 2011-12 Corporate Plan and service plans. It also sets out the process for consultation in 2010 through the Residents' Panel in late September / early October...
9. The Year Ahead Statement will come to Cabinet in September.

Financial Context

10. When the current MTFs was approved in February the estimated funding gaps for 2011-12 and 2012-13 were £16m and £14m respectively. In the coming weeks these figures will be updated to reflect latest information and the MTFs will be rolled forward to include a further three years.
11. It should be stressed that funding gaps in future years move continually as the national, regional and local policy framework shifts and new information comes to light. For this budget round, the uncertainty is heightened by the new government and its plans to reduce the public sector deficit.
12. The key risks and opportunities affecting the funding gaps in future years are set out below:

- Some of the issues that arose during the closure of the 2009-10 accounts have an ongoing impact, in particular the overspend in Children's services
- Possible pressures on Adults Services in relation to NHS Harrow
- Inflation assumptions
- Technical assumptions relating to interest rates, collection performance, and capitalisation
- The outlook for the next pension fund valuation and the likely impact on employer contributions
- Adequacy of reserves and provisions
- The Comprehensive Spending Review that will set the level of General Grant, Area Based Grant and other grants from 2012-13 to be announced on Oct 22
- The ongoing impact of the recession
- The growth in demand for and cost/complexity of social care
- Changes in the Council's responsibilities, such as academy status for schools
- New developments at national level, for instance in relation to waste management and carbon trading
- The need for investment in technology and transformation, to drive out savings in the medium to long term
- Opportunities for efficiencies and savings

13. The position will be changing continually as new issues arise or existing issues are resolved.

The National Picture

14. The Conservative-Liberal Coalition government announced in year funding cuts in June which had a significant impact on local authorities. For Harrow the in year funding reduction is £4m and a strategy is being devised to deal with this problem.

15. On 22 June the government published its first budget. This gave indications of the likely scale of funding cuts in the medium term.

16. Government spending departments are expected to reduce expenditure by 25% in real terms on average over the next 4 years, except Health and international aid. It is anticipated that within this average there will be some protection for Education and defence, implying greater reductions elsewhere possibly up to 40%.

17. The public sector is being asked to accept a two year pay freeze with employees paid less than £21,000 receiving a £250 flat rate increase each year.

18. The government has said it will work in partnership with councils in England to deliver a council tax freeze for 2011-2012.

19. The next comprehensive spending review will take place in the autumn, and this, combined with the local government settlement, will provide firm figures for the coming 4 years.
20. The assumptions in the medium term plan to date are a 3% cash reduction in area based grant and formula grant. In February it was assumed that any cuts to specific grants would be matched by reductions in spending levels in the service areas concerned.
21. However, given the government's aggressive approach to reducing the public sector deficit, in year cuts to area based and specific grants, and the decision to take most specific grants out of ring-fencing, the medium term plan is being revisited and the funding gaps are likely to increase.

Strategy for closing the funding gaps

22. The proposed strategy for closing future funding gaps is attached at Appendix 2. The strategy includes a number of strands and the overarching aim is to align resources with priorities.
23. The Council is developing a three year transformation programme which entails a more fundamental look at what is being delivered and how, and the scope for partnership working. The aim of this programme is to make the necessary savings whilst improving services.
24. An update on the strategy for closing the funding gaps will be presented to Cabinet in October.

Consultation

25. Following approval of the Year Ahead Statement, there will be general consultation on the Council's proposed vision and priorities.
26. Specific consultation on service/policy issues will need to be carried out as appropriate. Any statutory consultation must be completed before any assumptions about the financial implications of the proposal are made in the budget.
27. The general consultation will include the Residents' Panel, the Harrow Strategic Partnership and its reference groups.
28. This approach ensures that any matters arising from the consultation and challenge panels can be taken into account before the draft corporate plan and budget are produced and published in December.
29. The Overview and Scrutiny Committee has established a standing review of the budget, designed to look at longer term issues, and a Finance and Performance Sub Committee which focuses on the in year position. Both of these will provide evidence to support a review of the draft corporate plan and budget by the Overview and Scrutiny Committee.

30. The stakeholder meetings that take place after the draft corporate plan and budget have been published in December will generally be for information sharing rather than consultation. The draft schedule of meetings is attached at appendix 3.

Financial Implications

31. This report is about the development of the new MTFS and therefore financial issues are integral to the report.

Performance Issues

32. The Year Ahead Statement will support the medium term planning process by setting out the draft priorities and the evidence supporting them (including key areas of performance). Detailed performance information, which will include the setting of draft targets for future years, will form part of the Directorate Service Delivery Plans, which will have their first consideration during the autumn service and budget planning meetings, where Portfolio Holders and senior officers discuss budget options and agree their draft plans for the next year. The output of these meetings will be developed into the Corporate Plan and the draft budget for December Cabinet.

Environmental Impact

33. There are no direct environmental implications associated with this proposal. The review of the vision and the Council's planning arrangements will allow consideration to be given on how the use of natural resources (energy and water) could be more sustainably used. In particular the need to address the carbon reduction agenda will need to be fully integrated into the revised documents

The implications of individual proposals will identify the impacts as relevant.

Risk Management Implications

34. As part of the budget process, a separate risk register will be developed to support the decision on the reserves policy.

Equalities implications

35. An equalities impact assessment will be carried out in relation to the transformation programme, and any budget proposals that fall outside the programme.

Corporate Priorities

36. Integrated planning is designed to show how the Council will deliver its priorities and how they will be resourced.

Section 3 - Statutory Officer Clearance

Name: Steve Tingle

on behalf of the
Chief Financial Officer

Date: 5 July 2010

Name: Hugh Peart

Monitoring Officer

Date: 5 July 2010

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap

on behalf of the
Divisional Director
Partnership,
Development and
Performance

Date: 5 July 2010

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker

on behalf of the
Divisional Director
(Environmental
Services)

Date: 5 July 2010

Section 6 - Contact Details and Background Papers

Contact: Steve Tingle, Finance Business Partner
Tel: 020 8420 9384

Background Papers: Emergency Budget 22 June 2010

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

*(for completion by Democratic
Services staff only)*

Timetable for Planning Process

Activity	Meeting	Date
Year Ahead Statement approved	Cabinet	September 2010
Consultation on priorities		September/October
Consultation on specific policy/service decisions (if required)		September/October
Review of draft plans	Challenge Panels	October 2010
Update on progress on MTFS	Cabinet	28 October 2010
Scrutiny of draft plans	Overview and Scrutiny	December
Draft Corporate Plan and MTFS approved	Cabinet	15 December 2010
Information meetings with Stakeholders	See appendix 3	January 2011
Final Corporate Plan and MTFS approved	Cabinet Council	10 February 2011 17 February 2011

Strategy for Closing the Funding Gaps

Strand	Objectives
Priorities and resources	<ul style="list-style-type: none"> • Ensure resources are aligned to the new corporate priorities • Decide what is not a priority • Evaluate the scope for investment in priority areas
VFM	<ul style="list-style-type: none"> • Consider whether the Council can reduce spending in areas where it does not provide good value for money at present • Consider whether the Council should conduct market testing in areas that have not been subject to any competitive or benchmarking process for some time • Challenge services which are provided on an internal trading basis
Transformation Programme	Make realistic assumptions about outcome of the transformation programme in the medium term in financial terms
Capital Programme	Review the capital programme to ensure that where relevant projects are delivering efficiency savings. Consider the impact of capital investment on the funding gap going forward.
Directorate Plans	Each Directorate to develop medium term plans for service transformation/improvement and identify scope for efficiencies.
Technical Review	<p>The technical review will cover the following issues:</p> <ul style="list-style-type: none"> • Risk, reserves and provisions • Capitalisation strategy • Collection fund target • Grant changes • Levies • Capital financing costs • Investment income • Concessionary fares

Stakeholder Meetings

There will be a series of meetings with key stakeholders to share information in December, January and February. The stakeholders, together with the meetings suggested to pick up their comments, are listed below:

Stakeholder	Meeting	Date
Voluntary Sector	Community Cohesion Reference Group Voluntary and Community Sector Forum	December 2010 8 th December 2010 10.00 a.m. CR 1&2
Tenants and Leaseholders	Tenants and Leaseholders Consultative Forum	January 2011,
Statutory partners	HSP Board	January 2011,
Older People	Disability Forum	January 2011,
Local Businesses	Harrow Business Consultative Forum	January 2011
Unions	Employees Consultative Forum	January 2011
Older People	Older People's Reference Group	January 2011
Schools	Education Consultative Forum	January 2011
Statutory partners	HSP Summit	January 2011
Overview and Scrutiny	Special meeting of O&S, drawing on standing scrutiny review of the budget and Finance and Performance sub-committee work	January 2011,
Public	Open Cabinet	February 2011