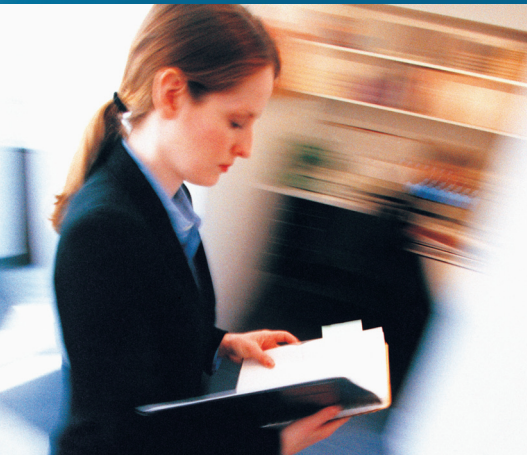
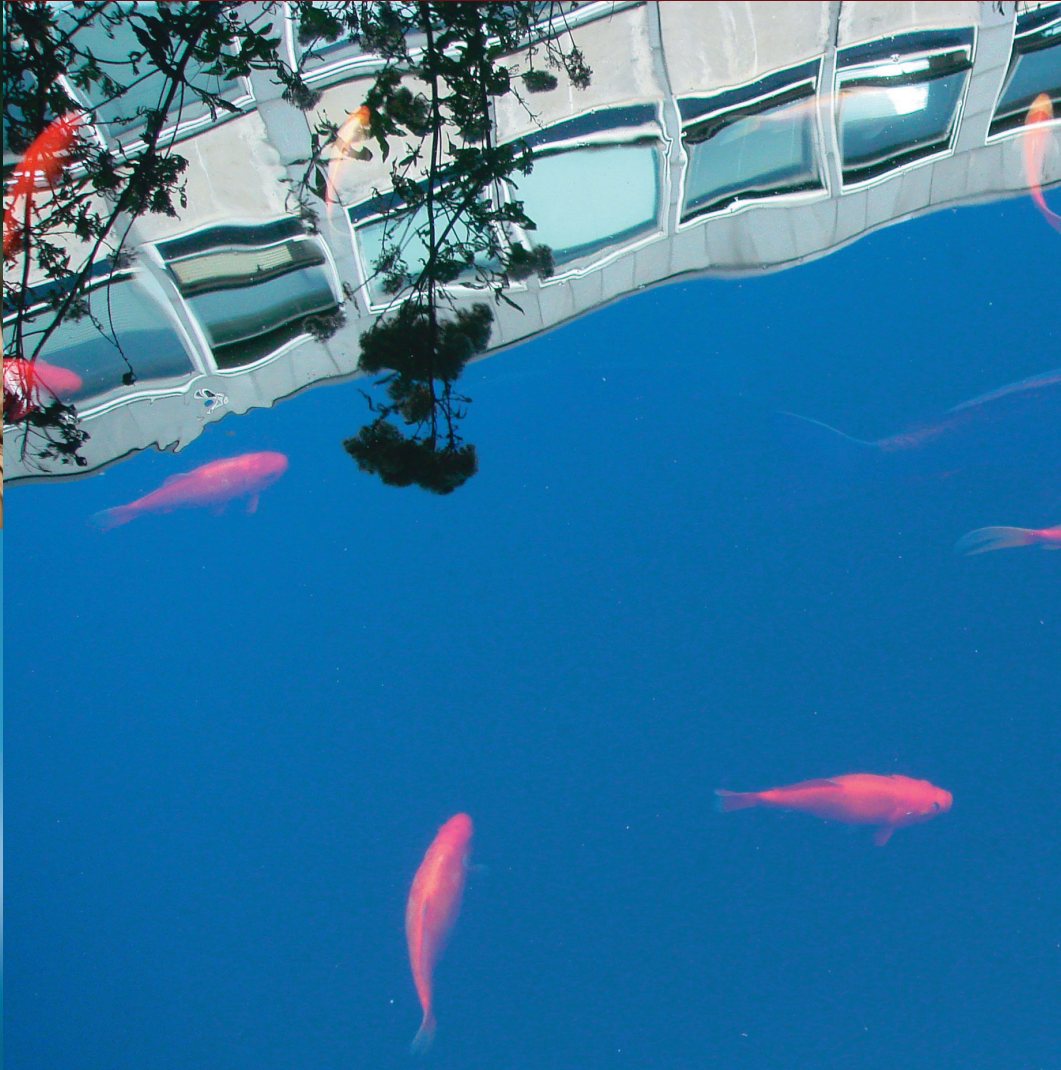




# SOMERSET COUNTY COUNCIL MEDIUM TERM FINANCIAL PLAN 2010/11 to 2012/13

R.J. Kershaw CPFA  
Corporate Director - Resources  
County Hall, Taunton, Somerset TA1 4DY



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# **Somerset County Council**

## **Medium Term Financial Plan 2010/11 to 2012/13**

**R.J. Kershaw CPFA**  
Corporate Director – Resources  
Somerset County Council,  
County Hall,  
TAUNTON,  
Somerset  
TA1 4DY



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## **1 Introduction from your Council Leader Ken Maddock**

Like any other business in Somerset, we've had to make some tough decisions this year because of the financial restrictions we currently find ourselves under. Public services throughout the country are under huge pressure to cut costs. All the major political parties recognise that cuts have to be made to balance budgets. This will have a big impact on the services that Somerset County Council can afford to deliver.



We recognise that times are probably tough for your finances too. So we have stood by our commitment to freeze your council tax for Somerset County Council in 2010. And we will also still be filling in 1,000 more potholes to hold to our promise of improving Somerset's roads.

With these two promises guaranteed, we naturally need to make savings in some of the hundreds of other areas where Somerset County Council provides services.

We also know that Somerset residents expect a good standard of service from us and we plan to maintain that as best we can.

We feel that the most cost-effective way to deliver services to people who need it most is by listening to them. To that end, we have plans to give residents, communities and businesses more information about how we spend the Council's money. We will strive to find new ways to redesign our services around what people need and this will include working even more closely with other public sector providers.

To keep track of developments over the coming months, please keep an eye on our website [www.somerset.gov.uk](http://www.somerset.gov.uk) and read our newspaper, Your Somerset, which is delivered to all households in Somerset.

A handwritten signature in black ink that reads "Ken Maddock".

**Ken Maddock**  
**Leader**  
**Somerset County Council**

## 2 Foreword from the Head of Finance and Property

This Medium Term Financial Plan contains details of the County Council's Revenue and Capital budgets for 2010/11, as approved by the County Council on 17th February 2010.

The opening pages of this document provide background information on the process undertaken to formulate and set the budget, including the local and national context as well as information on the resources available to the authority and how the Government assesses us. Specific elements of the budget can be found in more detail within the appendices.

The budget cycle for 2010/11 started two years ago with the first projections of the budget requirements. However, financial planning is not an exact science and strategies and assumptions are continually reviewed in the light of changing circumstances. The balanced budget position takes into account the much tougher financial climate for the UK economy, the public sector, the Council itself, its employees, taxpayers and local residents. The Audit Commission has commended this process as an example of notable practice.

This has been a difficult budget due to a variety of factors, including dramatically changing inflation rates, significant demographic pressures in areas such as Adult Social Care and Waste and changing priorities resulting from a new Administration following the local elections. This is balanced with the need to maintain and improve the services we provide.

Now more than ever future service demands will outstrip the resources available. We will therefore need to continue to improve our efficiency and will need to continue the process of reprioritising our spending. This will lead to reductions in lower priority areas being used to support increases elsewhere as we develop a robust budget that will protect our services in the current economic climate and the likely financial constraints during future years.

The following chapters set out the progress we have made towards achieving this.



Kevin Nacey CPFA  
Head of Finance and Property

### **3 Statement on the Robustness of the Budget Estimates and the Adequacy of the County Council's Reserves**

Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer to make a report to the authority when it is considering its Budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act, reserves include general balances). The Act requires the Council to have regard to the report in making its decisions.

The preparation of the budget for 2010/11 has been based on a detailed assessment of the risks associated with each budget and the goals and objectives included in the County Council's Business Plan. A number of budgets can be classified as high risk because they are subject to external demands, which are difficult to manage. Other budgets are affected by above average inflation, strong market forces or other factors whose influence is not easy to predict. Details of these budgets, the level of risk they present and the action taken to mitigate the risk is available on request from the Financial Planning Section – contact Paul Deal on 01823 35 6970.

Inevitably, there are financial pressures on the Council. For example, inflation will increase costs even if the level of service provision remains the same. However, the Council faces additional costs due to demographic growth and burdens imposed by the Government, such as increases in Landfill Tax. Wherever possible, additional costs have been kept to a minimum.

It has been necessary to make some budget reductions to meet the targets set by the Cabinet. All major budget reductions have been reviewed to ensure that the savings are achievable and as far as possible, service provision is not affected.

Details of the additional investment pressures and budget reductions have been provided to Scrutiny Committee and are contained in Appendix [4](#) and [5](#) of this document.

The availability of general balances to meet any unforeseen liabilities and provide flexibility during a period of change is a key element of prudent financial management. General balances for 2010/11 are forecast at £11 million. This level is deemed as adequate, based on an assessment of the financial risks facing the authority. In addition to general balances, the County Council also holds earmarked reserves for specific purposes. The level of earmarked reserves forecast as at 31 March 2010 is £17.5 million. This is judged to be appropriate in the context of the Medium Term Financial Strategy.

Full details of this assessment are available on request from the Financial Planning Section – contact Paul Deal on 01823 35 6970.



Roger Kershaw CPFA  
Corporate Director – Resources  
(Section 151 Officer)



# Medium Term Financial Plan And Financial Strategy

2010/11 – 2012/13

## 4 General Introduction

This document provides the financial planning framework for the delivery of services to the residents of Somerset. It sets the context for the resource planning process and its integration with other strategic and local planning documents. It details the review of resources available for the delivery of services and sets out the financial strategy that will provide the framework for the planning of these services.

The demands and expectations of residents and the roles and responsibilities placed on the authority by Central Government are changing all the time. The resources available to the authority are also changing, but these changes are not generally driven by the changing needs of the residents; government economic and political policy largely dictates resource availability. In an environment where the desire to increase and improve services greatly exceeds the capacity of the resources available, the authority needs a clear view on where the limitations are and how it intends to manage services within resource constraints.

Medium Term Financial Planning is a 'rolling' process that operates alongside the County Council's rolling strategic and service planning frameworks. Service priorities and actions are identified looking forward over a three-year period, and forecasts of resources, funding requirements and the savings required to balance the budget are drawn up for each of the three years. As time passes, each of these elements (priorities, resources, funding pressures and savings) will be adjusted to reflect updated information and plans will be drawn up for subsequent years as the 'planning horizon' moves on.

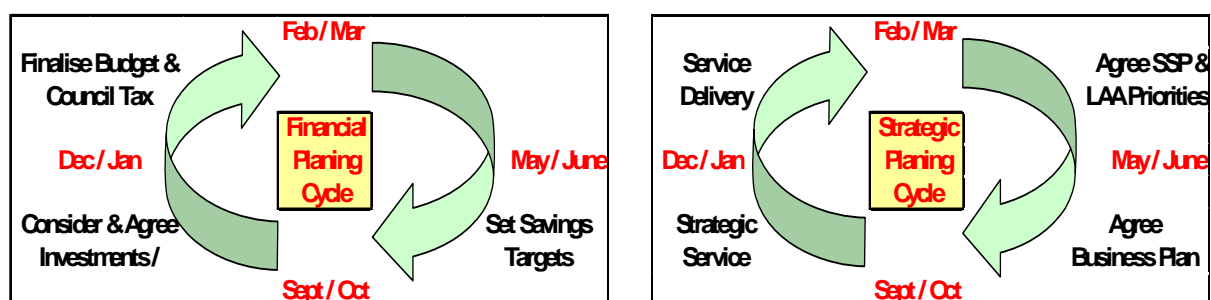
This document outlines the Medium Term Financial Plan (MTFP) for the period 2010/11 to 2012/13 and details the strategy that the Council intends to follow in progressing this financial plan forward into the 2011/12 to 2013/14 planning period and beyond.

[Appendix 1](#) presents a numerical summary of the three-year financial plan. Column 1 shows the balanced position for next year's budget. Columns 2 and 3 show the projected position for 2011/12 and 2012/13 to be in excess of the projected available resource by some £15.343m – giving indicative savings targets to be set for these years and these will form the basis of future MTFP work. Additional detail on the 2010/11 Budget is available in the County Council's [Budget Book](#)<sup>1</sup>.

## 5 The Medium Term Financial Planning Process

Planning for the allocation of resources over the medium term is a cyclical process, and the Medium Term Financial Plan is updated to take account of corporate priorities, resources, and cost pressures on an ongoing basis. Figure 1 below demonstrates the linked timescales of the strategic and financial planning cycles.

**Figure 1: Linked timescales of the Strategic and Financial Planning cycles**



The development of the 2010/11 budget began two years ago with the first projections of 2010/11 budget requirements. Figure 2 below shows the rolling process diagrammatically.

**Figure 2: The Rolling MTFP Process**

Year	MTFP				
	2008/09	2009/10	2010/11	2011/12	2012/13
2008/09	Year 1				
2009/10	Year 2	Year 1			
2010/11	Year 3	Year 2	Year 1		
2011/12		Year 3	Year 2	Year 1	
2012/13			Year 3	Year 2	Year 1
2013/14				Year 3	Year 2
2014/15					Year 3

Throughout the process, the Capital Investment Programme (CIP) is considered alongside the Revenue Budget to allow discussions that are more informed and highlight the full impact of decisions. Locally based service accountants produce estimates of the pressures facing the services, including inflation and demographic forecasts, along with any areas where possible savings could be made. In addition, Cabinet Members and Directorate Management Teams develop strategic priorities over the summer to ensure that budgetary decisions are in line with corporate priorities and take account of public opinion.

Further Cabinet Member and Senior Management Board events are held in the autumn to examine the specific savings options and investment bids put forward by Corporate Directors. The updated position is then presented to the Cabinet following the Provisional Local Government Finance Settlement, which details the resources allocated to the authority by the Government. The Scrutiny Committee also

considers the Medium Term Financial Plan in detail, culminating with a summary report to the Cabinet. Recommendations from the Committee on savings and investment options are then considered by the Cabinet, alongside the results of public consultation on Council Tax levels and investment priorities. [Appendix 2](#) provides details of the peer review process undertaken in setting the 2010/11 budget.

Each year the MTFP process is reviewed and enhanced in the light of experience; the latest budget round has continued to use the allocation of savings targets followed by detailed risk and impact assessments of specific budget setting options, and the prioritisation of options in line with corporate objectives.

The MTFP process is subject to independent annual review through the Use of Resources element of the Comprehensive Area Assessment (CAA). The new, tougher, 2009 inspection awarded the Council a Level 3 – Performing Well, and the Audit Commission specifically commented that the “MTFP is reviewed annually and adjustments made where priorities and requirements have changed. This provides a stable and responsive environment for service planning and delivery. Budget pressures and savings targets are revisited to confirm their continued relevance and achievability.”

The Council is however always striving to improve the process yet further.

## 6 Comprehensive Area Assessment (CAA)

### 6.1 Background

The Comprehensive Area Assessment (CAA) is the new framework for the independent assessment of local public services in England, replacing the Comprehensive Performance Assessment (CPA) with effect from April 2009. It has been developed jointly by the main public sector inspectorates<sup>1</sup> and represents a fundamental change in the approach to inspection, reflecting recent developments in the delivery of local public services within an area through a more joined-up approach by local public bodies.

The CAA provides an independent assessment of how well local people are being served by their local public services, aimed at helping them make informed choices and influence decisions. It focuses on how well these services are achieving improvement and progressing towards long-term goals through working together. At its heart is a new area assessment in which the inspectorates will provide their joint view on the short, medium and long-term prospects for better results for local people. This will be linked to assessments of the performance and value for money provided by the individual public bodies serving the area.

The CAA is made up of two assessments:

1. **An Area Assessment** – A self-assessment that looks at how well local public services are delivering better results for local people across the whole area, focusing on agreed priorities, for Somerset these are set out in the Somerset Sustainable Community Strategy<sup>2</sup>.

This will be reported as a narrative and will not receive a numerical score or other overall rating. Instead, it uses red and green 'flags' to highlight innovation (green) and problematic performance (red). Red flags would only be given where performance is problematic and there are no plans in place to address the issues or improve the situation. Flags are aligned to organisational performance and specific authorities. This ensures that the relevant organisation is accountable for its performance.

2. **Organisational Assessment** – this element is split into two parts:

- a. A Managing Performance assessment that looks at how well the organisation is delivering the outcomes and services that are important to local people. It looks at how well the organisation is working with other partners and how well it is improving;
- b. A Use of Resources (UoR) assessment that looks at how well the organisation is using its resources (such as money, staff, land and buildings), to meet the needs of local people in a way that provides value for money, with particular focus on three areas:
  - Managing finances: sound and strategic financial management;
  - Governing the business: strategic commissioning and good governance; and

- Managing resources: effective management of natural resources, assets, and people.

Similar to the CPA Direction of Travel inspection, an overall score will be given that gives an indication of performance on a 1 – 4 scale, with 1 Performing Poorly and 4 Performing Excellently.

## **6.2 2009 Assessment Results**

The 2009 CAA is widely recognised as being a harder test of council performance. As such, year-on-year 'Direction of Travel' comparison is not possible.

### **Area Assessments**

Among the 152 Area Assessments carried out nationally, a total of 74 green flags and 62 red flags were issued. Somerset County Council was awarded a green flag for Promoting Independence And Better Health For Older People. Other areas of good performance identified included Community Safety, Engaging with Children and Young People as well as Recycling and Managing Waste. Whilst no red flags were received, the inspectors highlighted as Economic Development and Flood Management as areas of concern.

The Somerset Strategic Partnership<sup>3</sup> will be leading on addressing the issues raised in the Area Assessment; this will include developing specific plans to address the highlighted concerns.

### **Organisation Assessment**

Nationally, just 14 authorities out of 352<sup>4</sup> (4%) received a maximum mark of four out of four in the 2009 Organisation Assessment, compared to 113 out of 387 (29%) in the 2008 CPA. Only 3 County Councils received a score of 4, compared to 16 last year. A further 11 authorities received the lowest mark possible this year - one out of four, none of which were County Council's. Last year, no authorities nationally were awarded the lowest mark available under the CPA - zero out of four.

The 2009 CAA results for 352 authorities can be summarised as:

- 14 (4%) scored four, meaning they perform excellently, – 113 (29%) in 2008;
- 185 (53%) scored three, meaning they perform well, – 158 (41%) in 2008;
- 133 (38%) scored two, meaning they perform adequately, – 101 (26%) in 2008;
- 11 (3%) scored one, meaning they perform poorly, – 15<sup>5</sup> (4%) in 2008;
- 9 (2%) did not have a score reported due to reorganisation.

SCC's latest assessment relates to the financial year 2008/098 and is based on the Key Lines Of Enquiry (KLOE) for 2009. The Council has achieved Level 3 – Performing Well, for each of the three Use of Resources themes. It also scored Level 3 for all except two of the Key Lines of Enquiry (KLOEs) supporting these themes, as shown in Figure 3 below. The Audit Commission commended the Council for achieving such a strong set of scores for the first year of the new methodology. In particular commenting:



“The Medium Term Financial Plan (MTFP) is reviewed annually and adjustments made where priorities and requirements have changed. This provides a stable and responsive environment for service planning and delivery. Budget pressures and savings targets are revisited to confirm their continued relevance and achievability.

The Council's costs and services compare well with other counties. The Council receives a lower than average funding and has a lower than average Council Tax, yet has provided services which are judged generally good or excellent.”

**Figure 3: Somerset County Council’s Use of Resources scores 2009**

Use of resources themes and key lines of enquiry	Scored Judgment
<b>Managing finances theme</b>	
KLOE 1.1 Planning for financial health	3
KLOE 1.2 Understanding costs and achieving efficiencies	3
KLOE 1.3 Financial reporting	3
<b>Score for theme</b>	<b>3</b>
<b>Governing the business theme</b>	
KLOE 2.1 Commissioning and procurement	3
KLOE 2.2 Use of information	3
KLOE 2.3 Good governance	3
KLOE 2.4 Risk management and internal control	2
<b>Score for theme</b>	<b>3</b>
<b>Managing resources theme</b>	
KLOE 3.1 Natural resources	3
KLOE 3.2 Strategic asset management	2
<b>Score for theme</b>	<b>3</b>

Somerset County Council will be reviewing the Organisational Assessment and will be working to address areas of concern as appropriate.

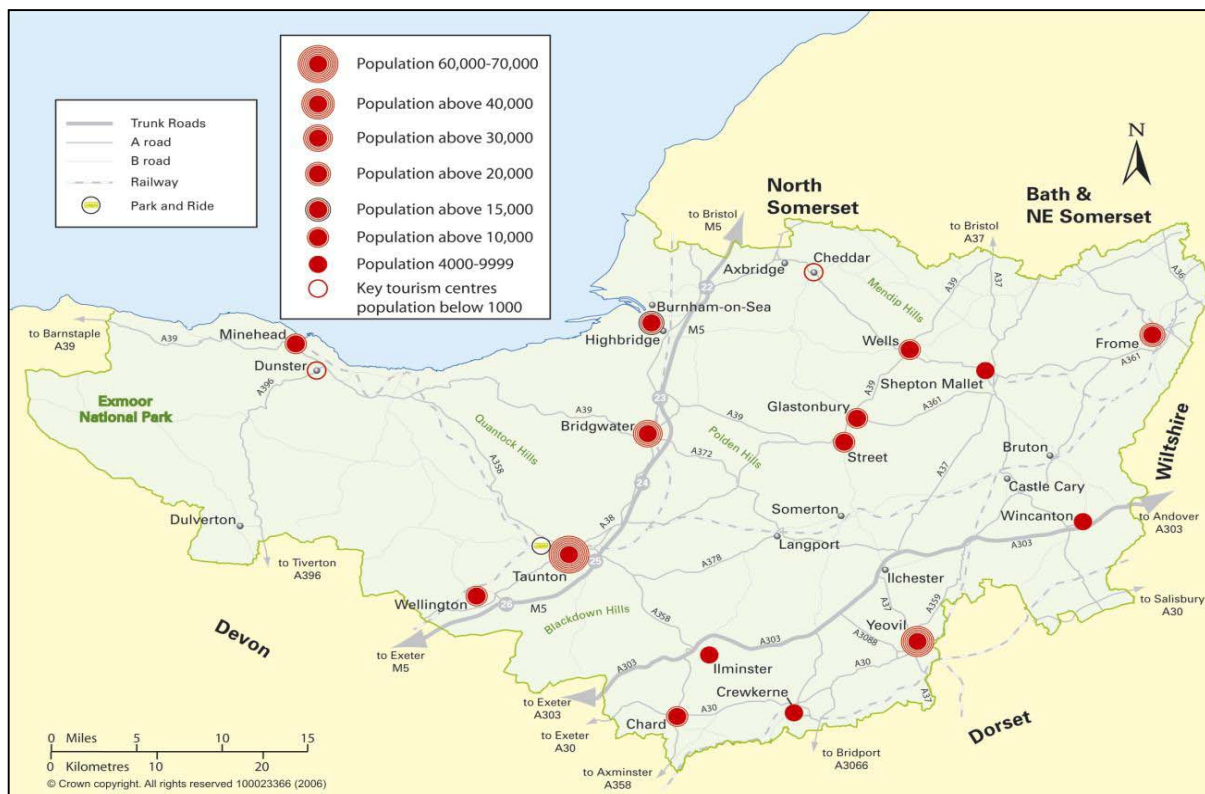
## 7 Context – Local

### 7.1 The Local Profile

#### 7.1.1 Population

The County of Somerset covers an area of 1,333<sup>6</sup> sq miles and is home to 525,800<sup>7</sup> people. Approximately a third of the population is concentrated in the towns of Taunton, Bridgwater, Yeovil and Frome, as shown in Figure 4 below. The rest of the County is rural and sparsely populated, with a density as low as only 49 people per sq km<sup>8</sup> in the District of West Somerset.

**Figure 4: Map of Population Density**



The dispersed nature of the population is reflected in the delivery of services with Somerset having nearly twice the national average of primary schools with less than 100 pupils. There is also a high reliance on rural transport.

When compared against the national average, Somerset's population is shown to be older, with over 25% more people above statutory retirement age<sup>9</sup>. In fact, West Somerset has the second highest proportion of pensioners in England (33.8%)<sup>10</sup>. These Somerset residents can expect to live longer than the national average, with life expectancy for men being 79 years and for women being 83 years. However, this also poses challenges to local services because older people tend to be less healthy, have more trouble accessing services and are more likely to suffer from fuel poverty.

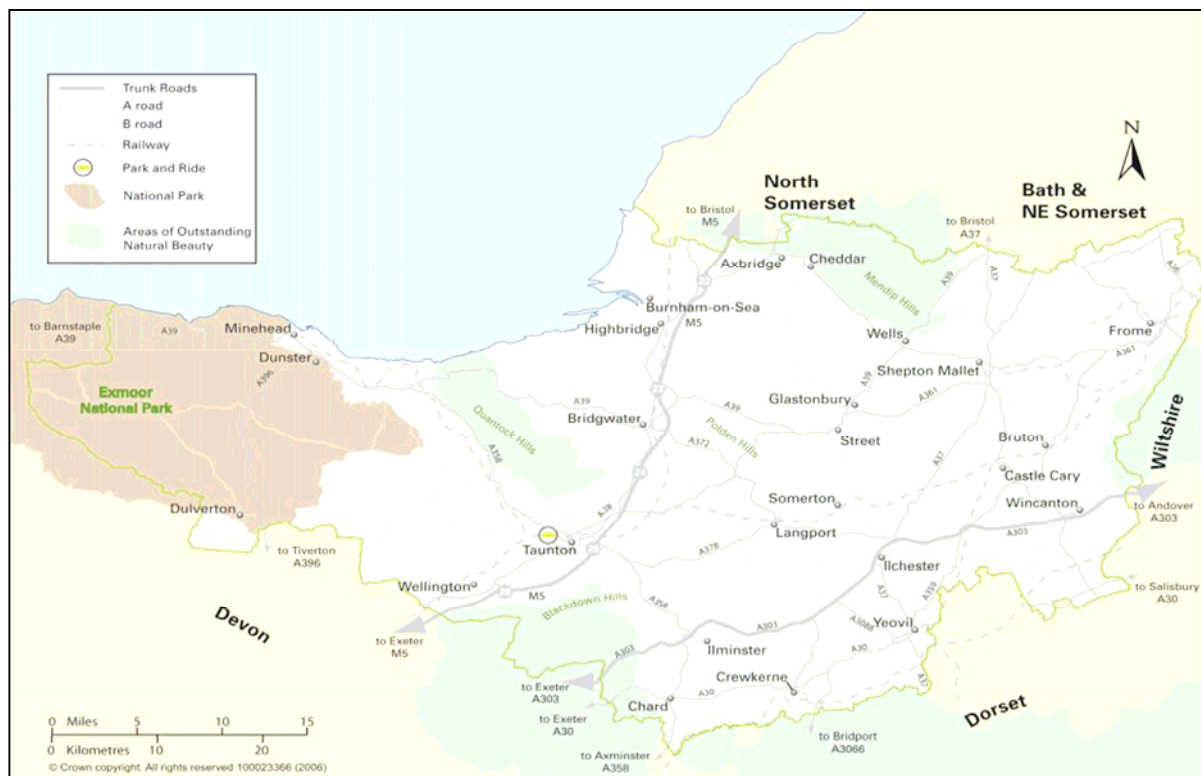
Population growth is higher than the national average, with a 6.4% increase, in the Somerset County Council area, since 1991, and a 17% increase since 1981<sup>11</sup>. It

increases significantly at holiday times, as the county is a holiday destination for many. This can be illustrated by the fact that visitors stay 9 million nights<sup>12</sup> and make 16.5 million day trips to Somerset over a twelve-month period.

### 7.1.2 Environment

Somerset has a unique and diverse environment and has rich natural assets that need to be nurtured. These include outstanding landscapes such as Exmoor National Park, 5 Areas of Outstanding Natural Beauty such as the Quantock, Mendip, and the Blackdown Hills (as shown in Figure 5 below), and large flat expanses of land including the Somerset Levels. There are internationally renowned heritage sites such as Wells Cathedral, Glastonbury Tor, Montacute House and Barrington Court.

**Figure 5: Exmoor National Park and Somerset's Areas of Outstanding Natural Beauty**



Somerset has the highest coastline in England and Wales with coastal hills rising to 433m (1421ft) at Culbone Hill within Exmoor National Park<sup>13</sup>. Reaching over 150m in places, the sides of Cheddar Gorge boast the highest inland cliffs in the Country<sup>14</sup>.

There are approximately 66,389 km of roads in Somerset, and 6,129 km of public rights of way including footpaths, bridleways and Byways.

The County Council works in partnership overseeing these areas to ensure they are maintained and developed for people to enjoy. Not surprisingly, the vast majority (84%)<sup>15</sup> of people living in Somerset are satisfied with the quality of the environment.

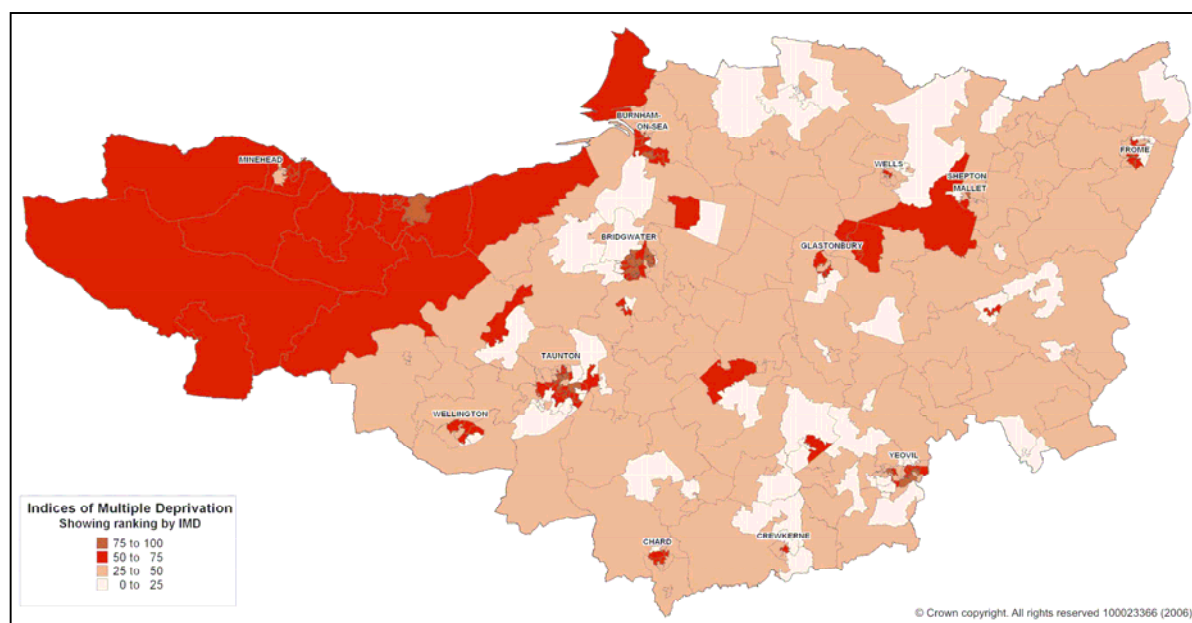
### 7.1.3 Economy

Somerset has both a growing business community with a number of businesses that are household names. However, it is characterised by small businesses, for example of the 22,000 businesses monitored by Somerset Trading Standards – 5,000 are farms.

Agriculture is a major business in the county. Farming of sheep and cattle, including for wool and the county's famous cheeses (most notably Cheddar), are traditional and contemporary, as is the more unusual cultivation of willow for basketry. Apple orchards were once plentiful, and to this day, Somerset is known for the production of strong cider.

The percentage of the population who are economically active is higher than the regional and national average, and the unemployment rate is lower than the regional and national average, with only 2.7% of people living in Somerset claim Job Seekers Allowance<sup>16</sup>. However, there are pockets of deprivation and poverty in both urban and rural areas with young people and the elderly tending to be the most affected, as shown in Figure 6 below.

**Figure 6: Somerset's Map Of Deprivation**



Despite the high level of employment, the average annual income in Somerset in 2008 was 17% less than the UK average for men and 15% below the UK average for women<sup>17</sup>.

### **Key Statistics for Somerset County Council:**

- The largest employer in Somerset. It employs approximately 18,000 staff in local offices, schools, residential units, and libraries, most of whom are engaged in delivering front line services to the public. Approximately 11,000 of these staff are employed in the schools' sector and approximately 650 are seconded to Southwest One.
- Managed approximately 300,000 tonnes of household waste tonnes of domestic waste in 2008/09, recycling 49.2% - one of the highest recycling rates in the UK<sup>18</sup>;
- Maintains over 9,000 Rights of Way totalling 3,808 miles (6,128 km), 4,108 miles (6,612km) of roads, and approximately 1,400 miles (2,250km) of pavements, 1,800 miles (3,000km) of kerbs, 2,000 bridges and 54,000 streetlights;
- Looks after the interests of 364 sq. Km (140 sq. m) within five Areas of Outstanding Natural Beauty;
- Provides 12 dual use leisure facilities delivered through Somerset Leisure Ltd (a charitable Trust) receiving over 1 million visits per year from Somerset residents;
- Maintains 34 libraries, one in every centre of population of 3,500 or more and 6 mobile libraries. There are over 3 million physical visits to libraries per year and nearly 2 million hits to our 'virtual' services, resulting in 3.3 millions items lent. The Archive site received 750,000 hits while 100,000 visits were made to Somerset Heritage Services;
- Educates approximately 72,300 pupils in 267 schools, has 9 Resource bases catering for severe and complex speech and language needs, 13 Pupil Referral Units and 33 Children's Centres supporting young people and their families;

### **7.2 The Local Planning Environment**

The Council works within a number of partnerships, many of which are considered to be at the leading edge, to deliver its aims and priorities. The Council wishes to continue to harness the benefits of working in this way.

At the strategic level, the Somerset Strategic Partnership (SSP), a partnership bringing together Somerset County Council and other key partners including the District Councils, the Police and Fire Services, Primary Care Trusts and voluntary organisations, has defined a 20-year vision for the community – outlined in “Somerset: a landscape for the future”<sup>19</sup> updated in February 2009. The three-year Local Area Agreement (LAA)<sup>20</sup> is the delivery mechanism for this overarching vision, and sets out the strategic priorities and associated outcomes for the period covering 2008 – 2011. The SSP is responsible for the delivery of the Local Area Agreement, which is currently resourced through aligned budgets.

Below the strategic level, the Business Plan sets out the County Council's priorities within this wider planning framework and identifies aims, priorities and tasks that the Council will seek to deliver over a three-year timeframe.



This MTFP document considers the financial context for the Business Plan and the methodology for prioritising and reviewing resources at a corporate level. Service plans will then identify the specific operational and management actions required to deliver the aims and priorities in the Business Plan, within the planned resources made available through the MTFP process.

### **7.3 Financial Planning with partners**

There are a number of operational and service specific partnerships in addition to the overarching partnership frameworks of the Somerset Strategic Partnership and the Local Area Agreement that have responsibility for service delivery and/or policy in specific areas. Somerset County Council is a lead partner (often the ‘Accountable Body’) for many of these partnerships, and the level of financial contributions to various pooled or aligned budget arrangements need to be planned alongside our own ‘internal’ budgets. Many partnership bodies are strategically highly significant, particularly those charged with the delivery of the LAA sub-themes. However, not all are *financially* significant (in terms of budgets pooled or aligned) – a number of partnership bodies have a strategic role in coordinating policy or joint working across agencies but may not have direct responsibility for significant spending.

### **7.4 Responsibilities for Financial Planning**

Overall, responsibility for delivering a balanced budget and a Medium Term Financial Plan to the County Council for approval lies with the Leader and Cabinet. However, the decision making and budget setting process required to deliver the MTFP is supported by a range of officers, each of whom are responsible for different elements. Much of the detailed work of financial planning is carried out by Heads of Service, who have responsibility for the:

- Identification of future pressures in service delivery within their areas;
- Management and delivery of efficiency savings;
- Use of ‘external’ sources of funding such as specific grants, fees and charges;
- Reductions in service use of resources and/or standards, where required.

Heads of Service are supported by Finance Group Managers, who are also members of the Finance Strategy Group (FSG) chaired by the Head of Finance and Property. This group is responsible for overall corporate resource forecasts and recommending a financial strategy to the Senior Management Board (SMB) for planning purposes. SMB have a role to review the strategy, the competing demands for resources and opportunities for efficiency gains and will support elected members in arriving at final decisions on resource allocation. Information for the process is managed and collated by the Financial Planning section (within the Corporate Accounting and Technical Services team of the Finance Service) on behalf of FSG.

Throughout the annual planning cycle, regular working meetings are held between FSG, SMB, and Members of the Cabinet. These support the more formal meetings of the Cabinet, Scrutiny Committee, and County Council. Please see the ‘Peer Review’ process documented in [Appendix 2](#).

## **7.5 Public Consultation**

The Local Government Act 2000 places a duty on councils to consult local people. In 2001, a White Paper entitled 'Strong Local Leadership – Quality Public Services' set out guidance for councils on their obligations to consult widely with taxpayers on budget setting. The paper states that the best local authorities have:

“Council Tax, charging and revenue plans [that] are based on proper consultation with local people about their willingness to pay for better services.....Council Tax decisions do not take local people by surprise. Members are actively involved at every stage. The Executive takes full responsibility for setting objectives and budgets including tough decisions on priorities....Overview and Scrutiny Committees challenge budgets and monitor spending, delivery and efficiency” (Paragraph 6.20)<sup>21</sup>.

In Somerset, consultation is undertaken on Council Tax levels and stakeholder priorities annually in line with these Government guidelines.

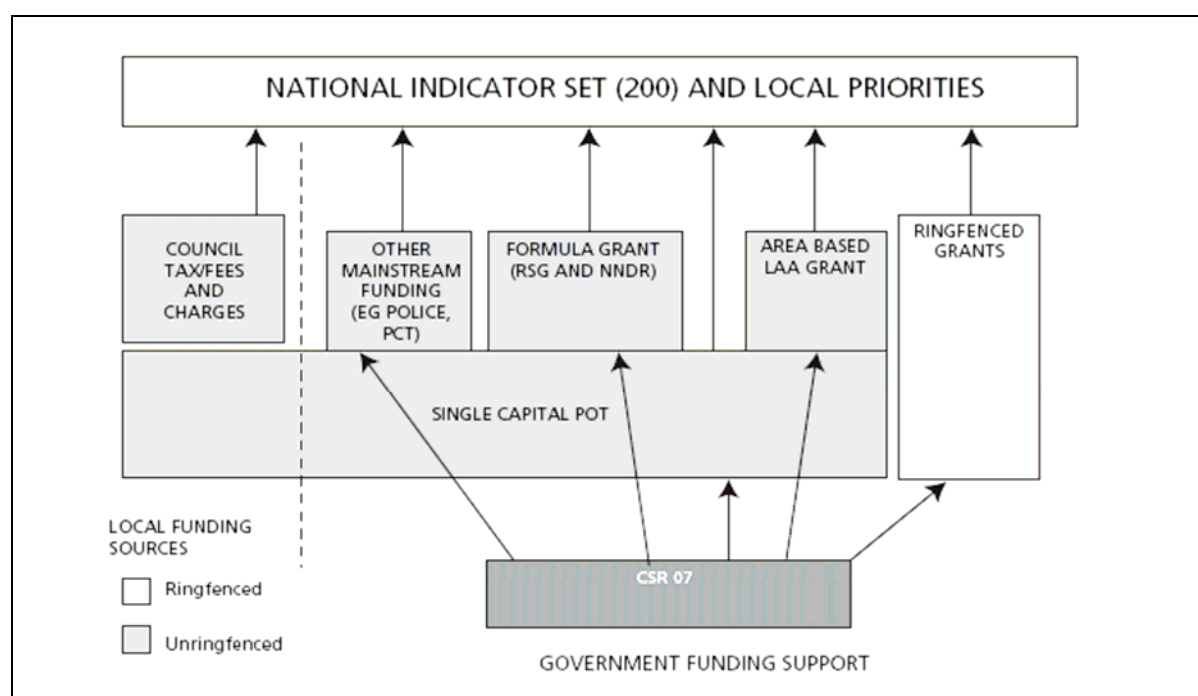
## **7.6 Local Initiatives and Financial Planning**

### **7.6.1 2008/09 – 2010/11 Local Area Agreement (LAA)**

The Somerset LAA was almost completely revised in 2008/09 to encompass the government's desire to have more emphasis on area based service delivery. This allows for stronger partnership working, alignment of local government performance management arrangements with that of partner agencies and replacement of authority-based inspection with an area-based assessment of risks to service delivery (The Comprehensive Area Assessment – CAA).

Local authorities and partners use a variety of funding sources to deliver the national indicators, e.g. Council Tax, Formula Grant, Area Based Grant (see Section 8.2 for explanation), Single Capital Pot<sup>22</sup>, and other ring-fenced grants<sup>23</sup>. This enables decisions to be made about spending priorities with partners locally without these being conditioned by centrally imposed targets. Figure 7 below illustrates how the various funding streams and how they feed into the national indicator set.

**Figure 7: Funding Streams and the National Indicator Set**



In addition to the relaxation of the funding methods, the performance-reporting framework has also reduced. The LAA is based on the objectives in the Sustainable Community Strategy, which translates these into targets to secure the improvements local people want to see. It consists of 35 targets plus 16 statutory education and early years' targets, which Somerset County Council and their partners have negotiated with Central Government, drawn from the new national indicator set. There is a single annual performance review to examine the findings of the CAA and respond to changing priorities in the area.

### 7.6.2 Southwest One

Somerset County Council (SCC), Taunton Deane Borough Council (TDBC) and Avon and Somerset Police (ASP) have signed a contract to create a new Joint Venture company with global business services provider, IBM, at a total value of approximately £500 million over ten years. The result is the establishment of a new world-class Taunton-based joint venture entitled 'Southwest One' run by staff seconded from the councils and IBM.

The venture is the first of its kind in the South West and builds on successful shared services initiatives in other parts of the country. The Joint Venture includes a framework agreement entitling over 30 other public sector organisations to acquire similar services through the partnership.

Southwest One will deliver support to SCC, TDBC, and ASP on a range of 'back office' services, including:

- Finance;
- Information and Communication Technology;
- Human Resources;
- Somerset Direct and Customer Services;
- Property Services;
- Facilities Management;
- Design, Print and Postal Services; and
- Procurement.

To SCC only, it will also provide Traded Services to schools, and to TDBC only, support on Revenues, Benefits, and Corporate Administration.

Southwest One is expected to provide a variety of potential solutions to the increasing pressures on local government finances. It will deliver improvements in the quality of local services to local communities whilst at the same time increasing efficiencies and reducing the cost of those services for the council taxpayer.

### **7.6.3 Total Place**

Total Place is a 'whole area, whole systems' approach to public services. Essentially, it is a cross sector change and efficiency programme starting from the bottom up, beginning with customers and involving multiple levels of local agencies and government departments in the transformational re-design of services.

There are 13 national pilots mapping how much public money i.e. total spend comes into each area, which organisations it flows through, on whom it is spent and for what purpose. This analysis has identified specific issues and challenges, which areas are now reviewing in detail.

The pilot work has prompted widespread interest and as a result, many local areas are taking the initiative to start their own Total Place initiative drawing on the experience and learning from the national pilots.

Somerset councils and other public sector partners recognise the need for a cross sector change and efficiency programme if they are collectively to meet the challenge of sustaining public services in the face of significant budget reductions – individual organisational change programmes will not of themselves be enough.

The Somerset Total Place programme is structured initially over 2 years, comprising a rolling programme of locally driven service reviews that will inform and challenge strategic direction and alignment of policy aims across partners, as well as delivering better services locally at less cost.

A customer led approach lies at the heart of the Somerset programme. It aims to deliver services that have been redesigned to work better from the perspective of the customer, at much less cost. This focus will be applied across three chosen themes:

- Transforming Health Related Community Services
- Transforming Customer Contact
- Transforming Support for Families with the Highest Needs

The Programme is governed by the Somerset Strategic Partnership (SSP) Joint Board, which comprises the elected and non-elected leaders of the County Council, NHS Somerset, Avon & Somerset Police Authority, Devon and Somerset Fire and Rescue Authority and a representative leader of District Councils



## 8 Context – National

The Comprehensive Spending Review (CSR) and the Local Government Finance Settlement Formula Review process determine the shape of the funding settlement nationally. This section details some of the significant issues relating to Local Government Finance.

### 8.1 Formula Grant [Revenue Support Grant (RSG) + National Non-Domestic Rates (NNDR)]

#### 8.1.1 The Four-Block Model

The current methodology for distributing Formula Grant, the Four-Block Model, was first introduced in 2006/07 following a wide-ranging review of the grant distribution system. This formula gave the Government the opportunity to move away from a system based around notional spending (what the Government believed each authority should spend), to a new system based on allocating cash.

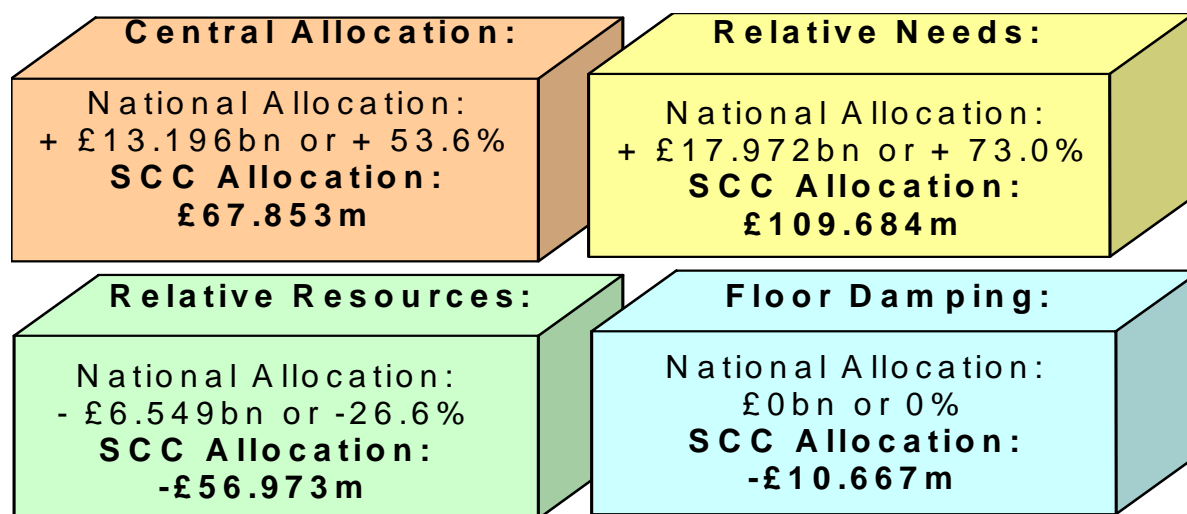
As the name suggests, the Four-Block Model comprises four elements:

- A **central allocation block** – which aims to fund a basic level of service provision. It is calculated by multiplying a fixed amount by the authority's population;
- A **relative needs block** - this block calculates each authority's required funding level per head of population, known as 'need', using specific local data in a series of complex formulae. Each authority's 'need' is then compared to that of other authorities; and those whose 'need' is above the basic level of funding required funded through the central allocation block above are given a 'top up';
- A **relative resources block** – which reduces each authority's calculated grant allocation to reflect their ability to raise resources locally through Council Tax. The higher the Taxbase, the higher the reduction;
- A **Damping block** – which ensures that each authority receives a minimum level of increase, known as the floor. Any authority whose raw grant calculation is below the floor is brought up to that minimum level through scaling the increase of those authorities whose grant calculation is above the floor. This block is self-financing - the amount required to bring floor authorities up is exactly the amount taken from those above the floor.

Figure 8 below illustrates the blocks and provides details of the financial value, both nationally and to Somerset County Council.

**Figure 8 – The Four-Block Model for 2010/11<sup>24</sup>**

Total National Allocation: £24.619bn, an increase of 2.6% from 2009/10.  
Somerset County Council's Share: £109.897m, an increase of 5.5% from 2009/10



The broad distribution methodology has not been altered greatly from the previous Formula Spending Share (FSS) system, as it mainly distributes according to need, considers the ability to raise income locally, and provides some protection from formulaic changes. Yet, this system has been made less transparent and is subject to a greater degree of ministerial judgment.

Despite this, the Four-Block model and the use of updated data within it have positively influenced Somerset's grant allocation. In addition, a more significant change in methodology occurred in 2008/09 with the removal of 'sub-block damping', a mechanism that effectively maintained a long-discredited distribution methodology for Social Care.

In addition to this much-welcomed partial rectification of historic underfunding, Somerset is also receiving increases in Revenue Support Grant in line with its projected increase in population, which remains above the national average. Although with high demographic growth, come additional demands on services, particularly on waste disposal and services for the elderly or individuals with learning disabilities.

However, significant levels of [floor damping](#)<sup>25</sup> are now built into the system resulting in a cash grant settlement bearing little relationship to the underlying need calculated by the formulae. This has a significant impact on the cash grant available to Somerset County Council, as our 'need' is considerably above the minimum increase (known as the floor). As a result, funding is taken away from Somerset to help bring funding up to the level of the floor for other authorities that are deemed to have a lower 'need'.

Serious concerns remain as to the sustainability of this system and Government's ability to do anything other than continue to damp the cash settlements that accrue to local authorities and in particular County Councils.

### **8.1.2 Multi-year Settlements**

In 2006/07, the Government also introduced multi-year settlements, which offer financial stability over the period of a CSR. 2010/11 is the final year of the multi-year settlement covering the three financial years (2008/09 to 2010/11). Although this stability has been very helpful, as it enables the Council to undertake Medium Term Financial Planning effectively, particularly considering the current global economic circumstances, the significant upheaval experienced between budget cycles remains, albeit every three years instead of annually as in the past.

This will be acutely evidenced in the next settlement where it is widely anticipated that Local Government funding will be cut significantly. With the announcement of the settlement expected in late autumn 2010, the timing will leave authorities very little scope to plan their 2011/12 budget should local estimates of the overall resource envelope prove inaccurate.

### **8.1.3 Damping**

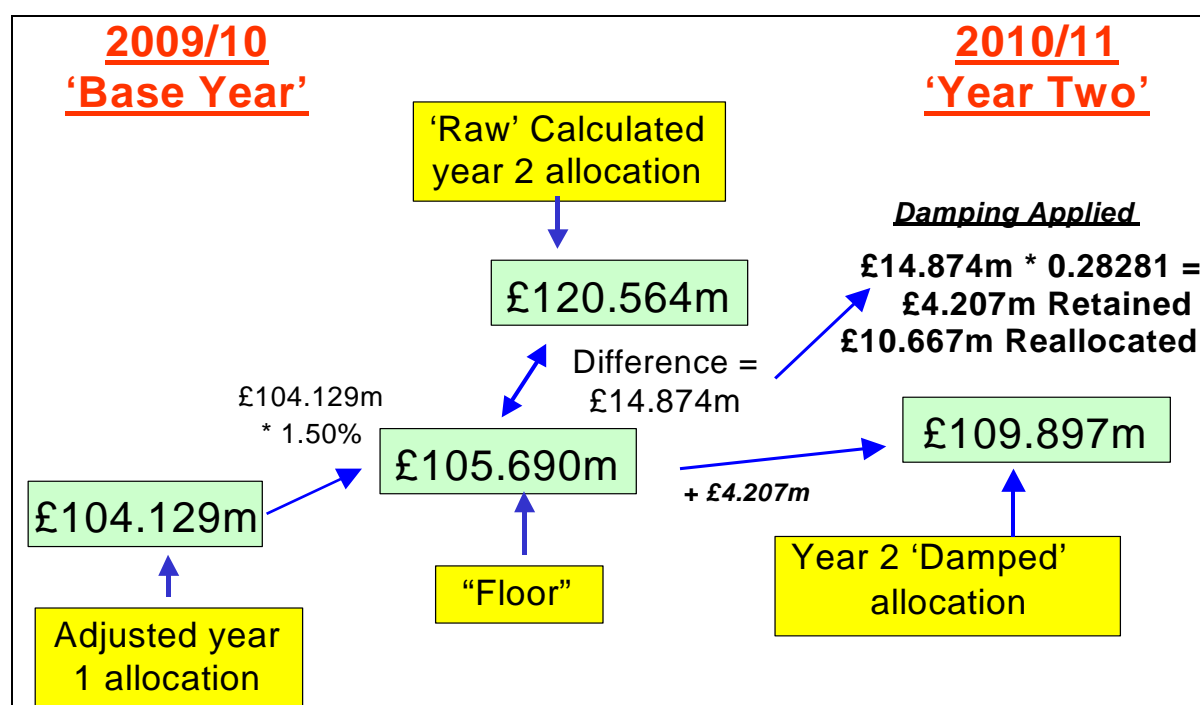
For Somerset County Council, the most significant issue is the level of overall damping. This process guarantees that all authorities will get a minimum increase in Formula Grant support from Central Government. In 2010/11 for authorities with responsibility for Education and Personal Social Services, such as County Councils, the 'floor level' has been set at 1.50% . This is achieved by scaling back the element of an authority's increase in Raw Grant that is above the floor (as calculated by the Government's funding formula). In 2010/11, the scaling factor is 28.281% - meaning that only 28% of any increase above the floor is retained, the remainder is reallocated to other authorities to ensure every authority receives an increase of at least 1.50%. The floor element therefore represents a 'cost' to the system.

Across the period of the 2007 CSR (2008/09 – 2010/11), Somerset County Council will forgo £33.7m (over £60 per resident) through damping. In fact, across all the local authorities<sup>26</sup> that provide services to the residents of Somerset, a total of nearly £74m will be lost through damping over this time period, equivalent to nearly £137<sup>27</sup> per resident. This means that Somerset will continue to receive less money than it needs to adequately fund services, according to Government's own assessment.

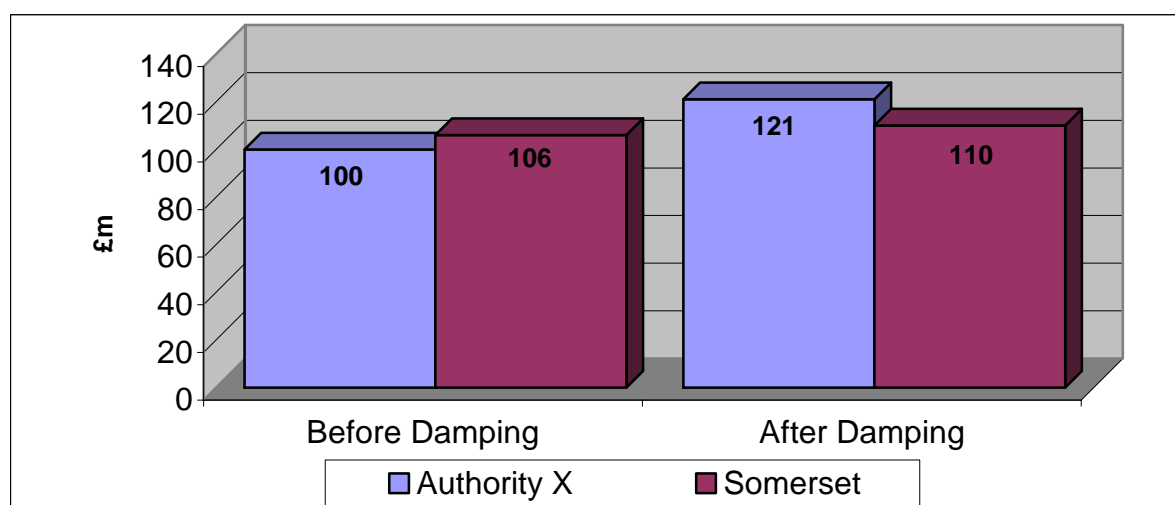
It is extremely disappointing that the government is persisting with the original high floor during these uncertain economic times. A minimum increase of 1.50% completely fails to re-distribute funding according to need – a maximum decrease (or 'negative floor') would be much more appropriate in the forthcoming period of fiscal constraints.

Figures 9 and 10 below demonstrate how damping is applied and illustrates the impact on Somerset and another similar sized Authority, Authority X, which benefits from the damping adjustment.

**Figure 9: How damping has been applied to Somerset's 2010/11 Formula Grant**



**Figure 10: Illustration showing how in 2010/11, one authority benefits while another (Somerset) loses**



## 8.2 Area Based Grant (ABG)

The Government's White Paper "Strong and Prosperous Communities" published in October 2006 announced that a number of specific grants would be merged into a single pot, known as the Area Based Grant (ABG). In line with multi-year settlements, the Government announced indicative allocations for ABG for the 2007 CSR years 2008/09 to 2010/11. A full list of the grants that transferred is included in [Appendix 3](#).

Services supported by these grants range from significant, statutory areas (e.g. 'Preserved Rights' residential care for vulnerable adults) to more discretionary, bid-based funding streams (e.g. the Aggregates Levy Sustainability Fund which supports grants for community projects).

By combining these grants, the Government aims to deliver greater flexibility for local authorities to meet local priorities and improve local areas by removing ring-fencing and other controls. There is no requirement for external inspection specifically for ABG funding, although the Government's National Indicator Set and performance framework provides a robust assessment regime to scrutinise progress against priorities. The individual authority's internal controls and procedures will also apply and ensure that it is spent appropriately and effectively. In addition, restrictions on the amount that can be carried forward into the next financial year have been removed.

In return, the Government expect that this funding will be aligned to local priorities and channelled through the Local Area Agreement (LAA). In fact, the Government strongly suggest that all available funding should be spent in this way, including mainstream Formula Grant funding. Please see Figure 9 for a diagrammatic interpretation of this.

The authority's Strategic Management Board (SMB) approved a policy in line with the Government's desire to view this funding as 'general' income. Therefore, directorates focus on the deliverability and performance of any particular service rather than how it is funded. This allows more flexibility in providing a service and aligns requests for additional funding, or the offer of savings options to other bids from services that were not previously funded directly from grants. Such bids are now viewed alongside the other service pressures seeking funding, allowing easier comparison, and the ability to focus more on local priorities. This has resulted in services reviewing their service requirements according to policy and need rather than to reflect the allocation of grant funding, thereby breaking the link between specific grants and spending plans. This flexibility will allow ABG funding to be used in different ways and should help to ease the pressure of competing for limited resources.

### **8.3 Dedicated Schools Grant (DSG)**

Along with the Four-Block Model, the Government also introduced the Dedicated Schools Grant (DSG) in 2006/07. This grant was created using funding removed from the Revenue Support Grant (RSG) framework. The level of DSG for 2008/09 to 2010/11 is also part of the CSR 2007, although it is determined through a separate formula. Somerset's provisional allocations for the CSR period 2008/09 to 2010/11 have been announced subject to final pupil forecasts. Figure 11 below shows the original announcement from DCSF and the latest actual or forecast amounts based on the Council's own estimate of pupil numbers.



**Figure 11: Dedicated Schools Grant Allocations**

Year	DCSF Announcement	Final or Indicative Allocation
2008/09	£264.124m	£262.927m – Final Allocation
2009/10	£271.497m	£268.946m – Final Allocation
2010/11	£281.569m	£278.521m – Indicative Allocation

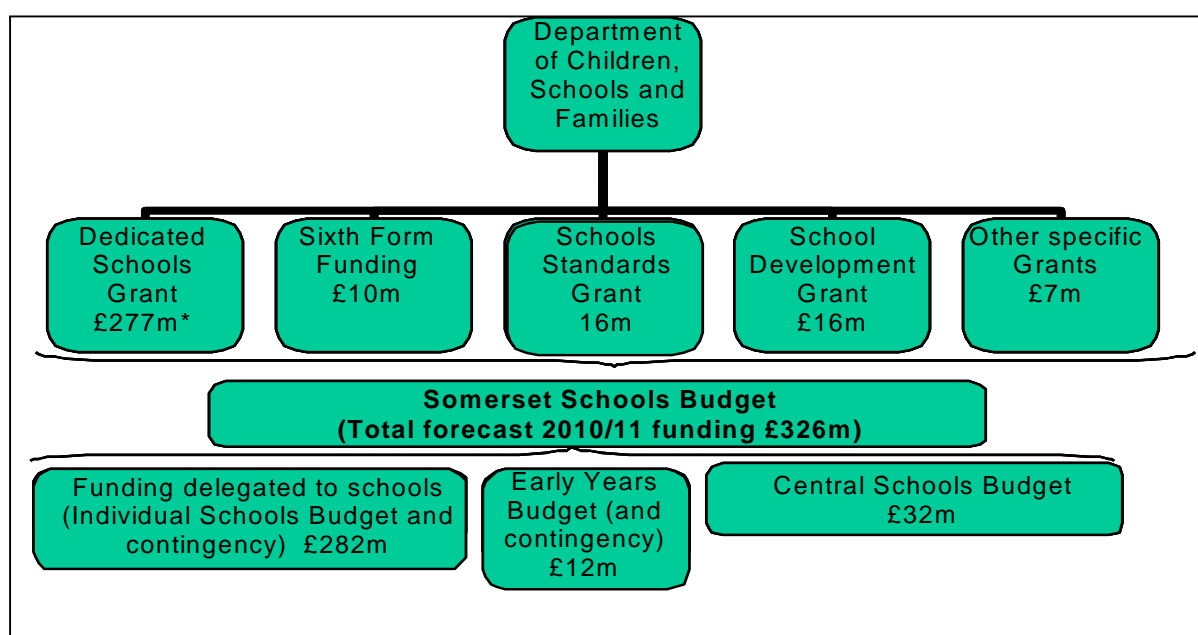
The year-on-year increases calculated by the Department for Children, Schools and Families [DCSF] are favourable compared with many other authorities and one of the reasons for this has been the Government targeting resources towards raising attainment within geographical pockets of deprivation. However, Somerset County Council remains one of the lowest funded authorities in the country at a per pupil level.

Local authorities must use all of their Dedicated Schools Grant (DSG) in their Schools Budget. The indicative level of grant per pupil has been announced at £4,052 per pupil for 2010/11 for Somerset, an increase of 4.2% over the £3,889 allocation in 2009/10. The actual amount of grant received however is dependent on pupil numbers, these are counted in mid-January but are not fully verified by the DCSF until May each year. Local authorities can add to their Schools Budget from local resources if they choose to, but there is no requirement for them to do so.

### 8.3.1 Central Expenditure Limit

For Somerset County Council, the 2010/11 forecast Schools Budget totals £326m. Of this, £282m is devolved or delegated to schools through an activity led funding formula that seeks to provide a fair and transparent method of allocating budgets to schools. The remainder is not devolved to schools but is used to support the Early Years and Central Schools budget as shown graphically in Figure 12 below:

**Figure 12: The Structure of the Somerset Schools budget**



\* Indicative grant using locally collected January 2010 pupil numbers

Figure 13 shows the key services delivered through these funds are:

**Figure 13: Services delivered through the Schools Budget**

<b>The Individual Schools Budget (ISB) Funds:</b>	<b>Early Years Budget Funds:</b>	<b>The Central Budget Funds:</b>
<ul style="list-style-type: none"> <li>Teachers and teaching assistants</li> <li>Librarians, technicians and other support staff</li> <li>Support services, supplies, curriculum materials and other resources</li> <li>Support for children with additional educational needs, including named pupils with exceptional levels of special educational needs</li> <li>Premises costs such as caretaking and cleaning, fuel, water, refuse collection, repairs and maintenance</li> <li>Leadership, management and administration costs</li> <li>Funding for specific additional costs/provision, such as nursery classes, curriculum protection for small schools, split site costs, etc</li> </ul>	<ul style="list-style-type: none"> <li>Free Entitlement for three and four year olds, in school nursery classes and the private, voluntary and independent sector</li> </ul>	<ul style="list-style-type: none"> <li>Specialist support for pupils with high levels of Special Educational Need (including out-county)</li> <li>Provision for pupils out of school</li> <li>Devolved funding for behaviour improvement in schools, and for the development of practical learning opportunities for pupils aged 14-16</li> <li>Central Early Years activity</li> <li>Some centrally managed school costs such as insurance, dismissal costs, maternity cover and licences</li> <li>Budgets combined with LA, grant or other agency funding to support the wider Every Child Matters agenda</li> </ul>

The amount of funding held as 'central expenditure' is the result of both the pattern of local authority spending and the extent to which a Schools Forum has approved funding to be held for other specific purposes. The central expenditure of a local authority is limited in size by restricting the increase in a local authority's centrally retained expenditure from one year to next to the same percentage as the increase in the Schools Budget.

#### **8.4 Council Tax Capping**

In addition to the level of formula and other grants, the government is also exerting considerable influence over the capacity of Councils to raise Council Tax through the capping regime. In the past, capping levels were set by a formula based on tax and budget increases; broadly, authorities that set a Council Tax at or below 5% avoided capping. However, the Government do not formally announce the capping criteria, instead issue warnings to local authorities to limit Council Tax increases:

"The Government expects the average council tax increase in England to be substantially below 5% in 2009-10 and we will not hesitate to use our capping

powers as necessary to protect council taxpayers from excessive increases, including requiring authorities to rebill if that proves necessary.”

**John Healey’s letter to Local Authority Leaders re Council Tax in 2009/10.**

“I am putting all authorities on notice that the Government will not hesitate to cap any excessive council tax increases set by individual authorities in 2010/11 and that it would be a mistake for any authority to presume they will not be capped if they stay within the capping principles which applied in 2009/10. We have made clear that we expect the average Band D council tax increase in England to fall to a 16 year low.”

**Parliamentary Under Secretary of State, Barbara Follett, in a written statement to the House of Commons on 20 January 2010 to present the Final 2010/11 Local Government Finance Report (England).**

## **8.5 Local Authority Business Growth Incentives Scheme - LABGI**

This revenue stream was introduced in 2005/06 and is intended to incentivise local authorities to encourage businesses into their areas. The Local Authority Business Growth Incentives (LABGI) scheme allows Local Authorities to retain a proportion of any increase in revenue, above a certain level. It is for local authorities to decide how this additional money is spent – whether to provide even better public services for local communities or to reduce Council Tax.

However, this funding stream is very vulnerable, difficult to predict and allocations are only received in the last quarter of the financial year, therefore it is extremely difficult to budget for. The 2007 CSR announced that the overall pot for LABGI in future years would be significantly less, totalling just £50m in both 2009/10 and 2010/11 compared to £934m distributed over 2005/06 to 2007/08. As a result of the uncertainty surrounding this funding, the County Council took the decision that it should not be used to support the base budget. It is therefore being used to support Economic Development on a one-off basis.

On 28 August 2008, Communities and Local Government published the consultation paper 'Reforming the Local Authority Business Growth Incentive Scheme'. It proposed the following reforms to the scheme for 2009/10 and 2010/11:

1. Authorities will be grouped by sub-region with LABGI grant measured and awarded along these boundaries before being divided between constituent authorities;
2. Splits within two-tier areas will be 2/3 to counties and 1/3 to districts;
3. Business growth will be measured using business yield rather than rateable values;
4. Relative growth will be measured over a "rolling" three years

The Department consulted further on sub-regional proposals in February 2009, in which all local authorities were asked to reach a consensus with nearby authorities about the sub-regional mapping they wished the Government to consider. As a result, the Government have decided to allocate Grant across 55 sub-regions (should they qualify – by increasing the NNDR contribution over the 3-year reward period), which will then be distributed to local authorities according to population size. In two-tier areas the reward will be split on a 50:50 basis between the upper

and lower tier authorities, instead of the previous 2/3 : 1/3 split proposed in the consultation.

In the longer term, the Government intends LABGI will be mainstreamed as a permanent part of the Local Government Finance System.

## 8.6 Supporting People Grant

Supporting People (SP) is a vital preventative multi-agency service, hosted by SCC enabling vulnerable individuals to remain in their own homes by providing them with additional support. It is funded through a grant from Government, called the Supporting People Programme Grant. However, since its introduction in 2003, the Supporting People specific grant nationally has been significantly reduced. This reduction has been compounded by the exclusion of any adjustment for inflation. In 2010/11, Somerset's share of this grant will reduce from £17.345m to £16.478m.

The 2004 Robson Rhodes review of the Supporting People programme found that the distribution of funding between similar authorities was uneven, and recommended the creation of a formula that allocated resources based on need rather than 'legacy' services. This led to the creation of, and consultation on, the Supporting People Distribution Formula (SPDF). As with the main Formula Grant, a damping mechanism is applied within the distribution formulae for this grant, Somerset County Council again suffers greatly, causing further hardship for many of the most vulnerable within the community. During the 2007 CSR period 2008/09 to 2010/11, SCC will lose funding to the value of £2.585m or 13.5%. Figure 14 below provides details of Somerset's reducing Supporting People Programme Grant.

**Figure 14: Supporting People Programme Grant Allocations – Nationally and for Somerset**

<b>Supporting People Programme Grant</b>					
<b>Year</b>	<b>National 'Pot'</b>	<b>Change</b>	<b>SCC Annual Allocation</b>	<b>Change</b>	<b>SCC Share of National Pot</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>%</b>
2003/04	1,814,096	-	21,431	-	1.18%
2004/05	1,804,997	-0.50%	21,061	-1.73%	1.17%
2005/06	1,714,907	-4.99%	19,806	-5.96%	1.15%
2006/07	1,685,070	-1.74%	19,379	-2.16%	1.15%
2007/08	1,693,340	0.49%	19,063	-1.63%	1.13%
2008/09	1,685,988	-0.43%	18,258	-4.22%	1.08%
2009/10	1,665,990	-1.19%	17,345	-5.00%	1.04%
2010/11	1,636,006	-1.80%	16,478	-5.00%	1.01%

With no allowance for inflation included in the figures, the Authority estimates an annual impact of £2m needing to be absorbed within the MTFP, equivalent to adding around 1% on Council Tax each year in real terms. This will bring the full reduction to approximately 23% since the grant was introduced,. Demographic pressures will further compound the problem.

A recent report by The Communities and Local Government Committee on the Supporting People Programme concluded that:

“The Government has made good overall progress against its commitments in the 2007 Supporting People Strategy but there should be an accelerated movement towards the needs-based allocation of funding under the SP Distribution Formula and more rapid progress towards certain objectives.”

This is likely to mean an increase in the impact of damping, which will have a detrimental impact on SCC’s funding. However, it is hoped that this impact could be mitigated to some extent through an adjustment in the distribution formulae to reflect better the issues of rurality and population growth.

The Government had planned to merge this grant into the Area Based Grant in April 2009, but delayed the transfer until April 2010. However, the Government did loosen the constraints on this funding, helping to provide the authority with additional spending flexibility..

However, in preparation for this transfer, SMB took the decision to incorporate the Supporting People Programme Grant into the base budget at 2008/09 levels, funding inflation but also factoring in savings targets for the Community Directorate and, to a lesser degree, the Children & Young People’s Directorate. Grant reductions become meaningless to the service and Supporting People is treated like any other budget. This is consistent with the treatment of the other grants that have transferred into Area Based Grant; however, the approach will have a material effect on all savings targets, as the reduction in the funding stream is shared across directorates.

It is not yet clear if Government will continue to require a multi-agency approach to commissioning, or whether – as it currently appears – SCC’s role expands from being the host agency and one of the partners to one where SCC becomes accountable in its own right.

## **8.7 Changes in Responsibility – funded through Formula Grant**

Extra statutory and non-statutory responsibilities are placed upon Local Authorities from time-to-time by Government legislation; correspondingly, re-organisations in local service delivery arrangements or transfers of services to other bodies can transfer responsibilities away from Councils to other bodies. Anticipating the impact of these changes in responsibility is an important aspect of medium term financial planning. In theory, costs arising from additional demands on Local Government are met by transfers into Revenue Support Grant by the relevant Government department, under the terms of the ‘New Burdens’ doctrine<sup>28</sup>. However, any such transfers may not work their way through accurately at a local level due to the vagaries of the funding formula and the impact of the damping applied to it.

For the 2010/11 period, the main change in responsibility identified as part of the MTFP process is as follows:

### Student Finance

The Local Authority Student Finance function is being transferred to the Student Loans Company over the three-year period 2008/09 to 2010/11. However, the management of the reduction in funding in line with the actual transfer of caseload will be a significant issue for the Schools and Achievement service over the life of this Medium Term Financial Plan. In 2010/11, the level of grant transferred from Somerset County Council is £0.063m, however, the level of service transferable in this year is estimated at £0.057m. Somerset County Council will have to 'make-up' the difference.

## **8.8 Increases in Responsibility – funded through Area Based Grant**

### Pitt Review - Flood and Water management<sup>29</sup>

Following the floods during the summer of 2007, the Government asked Sir Michael Pitt to carry out a review of the flood-related emergencies. The review recommended that the Government "ensure proper resourcing of flood resilience measures, with above inflation increases every spending review". The Government has responded by including a grant within ABG paid in recognition of the requirement on local authorities to undertake surface water management plans in those settlements identified as being at potentially highest risk of surface water flooding. For Somerset County Council, this provided £0.065m in 2009/10 and £0.035m in 2010/11. However, the authority estimates the full cost to be £0.187m per annum. Again, Somerset County Council will have to 'make-up' the difference.

### Education Health Partnerships

This increase of £0.037m in existing ABG funding is in recognition of supporting local authorities to develop and maximise participation in the Healthy Schools programme and the new enhancement model that was launched on 16 September 2009.

### Social Care Checks Funding

This reflects the additional costs involved in processing additional checks, for new and existing General Childcare Register registrations and passing relevant information to Ofsted. For Somerset County Council, this provided £0.001m in 2010/11.

### Care Matters

This increase of £0.007m in existing ABG funding is paid in recognition of the support provided by local authorities to mothers and expectant mothers in the care system, and those that have left care.

### Designated Teachers

The Children and Young Persons Act 2008 introduced a statutory requirement for the Governing bodies of all maintained schools to appoint a designated teacher for looked after children. In order for designated teachers to fulfil their responsibilities effectively, the DCSF is making available funding to local authorities so that designated teachers can attend training. For Somerset County Council, this provided £0.041m in 2009/10 and 2010/11.



### Preventing Violent Extremism

The Prevent Strategy: a guide for local partners<sup>30</sup> set out the Government's strategy to tackle the underlying factors that can cause people to be drawn into illegal activities associated with violent extremism. This £0.011m funding in 2009/10 and £0.012m in 2010/11 supports the provision of information on the threat from violent extremism associated with Al Qaida and other forms of extremism and prejudice or hate-driven behaviour, ensuring all local schools are aware of the issues and are supported in these matters.

### Local Authority Economic Assessment Duty

The Review of sub-national economic development and regeneration ('SNR') set out an enhanced role for local authorities in promoting economic development and regeneration. It requires upper tier authorities to carry out an assessment of the economic conditions of their local area that forms part of the analytical underpinning of Sustainable Community Strategies, Local Development Frameworks, Local and Multi-Area Agreement targets and the integrated Regional Strategy. The Government have granted SCC £0.065m in 2010/11 to resource this, although the full cost is expected to be £0.080m, with SCC 'making-up' the difference once more.

## **8.9 Other Changes in Demand for Resources arising from Government Policy**

Although technically there is no change in responsibility and no new funding is being made available, there are also a number of other areas in which government policy has an impact on the County Council costs.

### Landfill Tax

The largest of which is the Landfill Tax, where the Government has increased the charge by £8 per tonne, per year, over this CSR period. This will increase the charge to £48 per tonne in 2010/11. This is expected to cost the Council over £1.252m per year.

### Carbon Reduction Commitment (CRC)<sup>31</sup>

The CRC Energy Efficiency Scheme (CRC) is a new regulatory incentive to improve energy efficiency in large public and private sector organisations. It is a mandatory scheme that aims to improve energy efficiency and reduce the amount of carbon dioxide (CO<sub>2</sub>) emitted in the UK. This is vital to achieving the UK's overall targets of reducing greenhouse gas emissions by 2050 by at least 80% compared to the 1990 baseline.

Organisations that meet the qualification criteria, which are based on how much electricity they were supplied in 2008, will be obliged to participate in CRC. Participating organisations will have to monitor their emissions and purchase allowances, initially sold by Government, for each tonne of CO<sub>2</sub> they emit. The more CO<sub>2</sub> an organisation emits, the more allowances it has to purchase. Therefore, there is a direct incentive for an organisation to reduce its emissions; reduced costs in terms of both CO<sub>2</sub> allowances and energy bills. These savings should be well in excess of the costs of participating in the scheme. As an extra incentive to reduce emissions, all the revenue raised by the annual sale or auction of allowances is 'recycled' back to participants.

Allowances will initially be sold at a fixed price of £12 per tonne of CO<sub>2</sub>. Following the initial sale period, participant organisations can buy or sell allowances by trading with each other. This enables organisations that have reduced their energy supplies more than they expected to sell some allowances, while those that have higher emissions than anticipated can purchase extra allowances. There is no sale of allowances in the first year. Instead, the first sale takes place in April 2011, when organisations will purchase allowances to cover projected CRC emissions in the financial year 2011/12. For SCC, this is expected to be approximately £0.500m.

At the end of each annual reporting year, each organisation will report the level of CO<sub>2</sub> emissions. This information is then used to compare performance in terms of how well organisations have reduced their emissions. The comparative performance is then published as a league table, and used as one of the two factors to determine each organisation's revenue recycling payment.

In addition, the better an organisation performs in terms of reducing its emissions, the higher it will appear in the annually published league table, showing the comparative performance of all participants. This in turn provides a further benefit: all the revenue raised from selling allowances is 'recycled' back to participants, and the league table position affects how much of the revenue each organisation receives.

Each organisation's revenue recycling payment is calculated from two elements:

1. A set payment based on your organisation's proportion of the total CRC emissions in the first year of the scheme (2010/11). For example, if Organisation X has emissions of 100 tonnes of CO<sub>2</sub> in 2010/11 and the total emissions from all participants in 2010/11 is 10,000 tonnes of CO<sub>2</sub> then Organisation X's share is 1%. The basis for each future recycling payment to Organisation X will therefore be 1% of the total revenue raised each year.
2. This is then adjusted by a bonus or penalty payment based on your position in the league table. Essentially, the higher your position in the table, the better your bonus payment.

The bonus/penalty rates for the top and bottom placed participants in the league table have been set for the first five scheme years as follows:

- Year One +/-10%
- Year Two +/-20%
- Year Three +/-30%
- Year Four +/-40%
- Year Five +/-50%

A complicated formula is applied to the remaining authorities that in effect apply a sliding scale between the set bonus/penalty.

If an organisation has reported information to the administrator incorrectly, they will have to pay a penalty of £40 for each tonne of CO<sub>2</sub> incorrectly reported. This penalty will apply wherever there is a margin of error greater than 5%.

As a result of the increases in Landfill Tax and the Carbon Reduction Commitment, the Council is investing in new ways to improve its sustainability by increasing the recycling of waste and undertaking projects that will also assist in reducing the County Council carbon footprint.

#### Parent and Child Placements

Ongoing funding is required to meet the full cost of court directed assessment placements (currently funded through contingency provision), plus additional funding to implement further strategic action to curb expenditure on agency placements as a result of increased numbers. We estimate that this will cost over £0.500m per annum.

## 9 Resources Available

### 9.1 Sources of Revenue funding

**National Resources** are provided to local authorities through a variety of funding streams. This funding is available to spend as the authority see fit. The forecast increases compare very well with other authorities in what was a tight settlement nationally.

**Local Resources**, the key local resource is the Council Tax, which is set locally within the constraints of the capping regime. Its ability to provide resources is the consequence of the level of the tax set during the annual budget and the Taxbase (i.e. the number of properties on which the tax will be levied).

The following Table (Figure 15) provides the current forecast of the key general revenue resources for the period covering 2009/10 to 2011/12.

**Figure 15: Revenue Resources available to Somerset County Council**

	2009/10 Actual Resources £M	2010/11 Indicative / Estimated Resources £M	2011/12 Indicative / Estimated Resources £M
Revenue Support Grant <sup>32</sup>	19.539	13.935	13.656
National Non Domestic Rates	84.653	95.963	94.044
Area Based Grant	22.885	38.785	37.622
Supporting People Programme Grant <sup>33</sup>	17.345	0	0
<b>Total Grant from Government</b>	<b>144.442</b>	<b>148.683</b>	<b>145322</b>
<i>Forecast Council Tax Increase</i>	<i>2.74%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Council Tax Receipts</i>	<i>200.227</i>	<i>200.915</i>	<i>200.138</i>
<b>Total Forecast Revenue Resource</b>	<b>344.649</b>	<b>349.598</b>	<b>345.460</b>

#### 9.1.1 Specific (ring-fenced) Revenue Grants and Funds:

Below in Figure 16, is a list of the larger specific grants that SCC receives. These streams can fluctuate year-on-year in absolute amounts as a result of:

- Changes to the amount put into the funding streams nationally;
- Changes to the way that they are allocated; and
- Changes to the way the resources are delivered i.e. by transfer between specific and general funding regimes in revenue or between specific grant and supported credit in capital.

**Figure 16: 2010/11 Specific Grants awarded to Somerset County Council**

<b>Grant by Department</b>	<b>£m</b>
<b><u>Children &amp; Young People</u></b>	
o Dedicated Schools Grant	277.591
o Post 16 – LSC funding	57.288
o School Standards Grant	16.078
o School Development Grant	16.267
o Standards Fund – Other	14.078
o Sure Start, Early Years & Childcare	12.661
o Short Breaks	1.419
o Family Intervention Projects & Think Family	0.925
o Youth Justice Board	0.836
o Other Grants – all less than £0.5m	3.726
<b>Directorate Sub-Total</b>	<b>400.869</b>
<b><u>Community</u></b>	
o Social Care Reform	2.450
o Other LSC funding	9.152
o Other Grants – all less than £0.5m	1.884
<b>Directorate Sub-Total</b>	<b>13.486</b>
<b><u>Environment</u></b>	
o Other Grants – all less than £0.5m	1.275
<b>Directorate Sub-Total</b>	<b>1.275</b>
<b>OVERAL TOTAL</b>	<b>415.629</b>

### **9.1.2 Locally Determined Resources:**

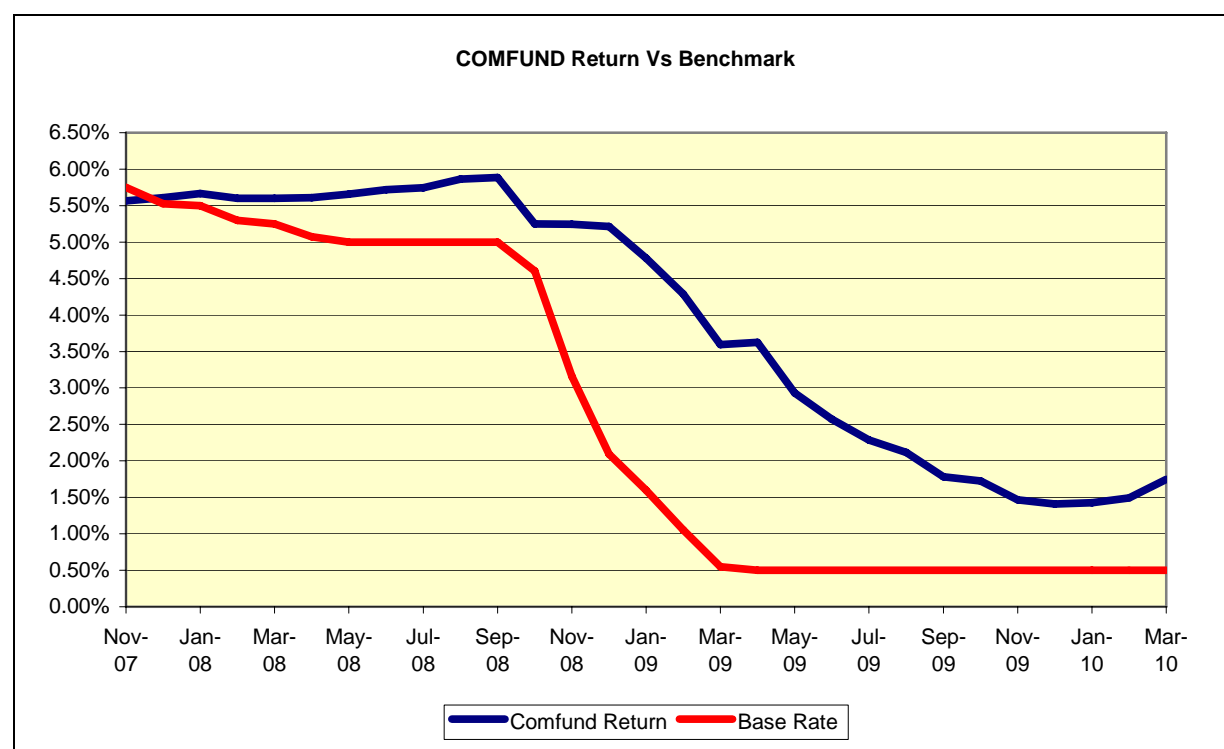
In addition to specific grants, the Authority has access to locally determined resources. In order to raise additional income, it can charge fees for a wide variety of services, ranging from discretionary services provided through libraries, to charging a fee for an adult education course.

The Council also holds a level of reserves and contingencies sufficient to cover a wide variety of potential outcomes to particular issues. The level of these is analysed to ensure that they are adequate, yet not excessive and therefore not a good use of resources. The Council's Chief Finance Officer is required to report on "the robustness of the estimates" and the "adequacy of reserves", under Section 25 (1) of the Local Government Act 2003. The report can be found [here](#)<sup>34</sup>. These balances can be used to contribute to the overall resources used to finance the revenue budget providing that the "adequacy of reserves" position is not jeopardised.

The Council also generates income from the investment of reserves and other balances in the short term. This investment income can contribute to the overall budget. These funds are invested in the Somerset County Council Co-Mingled Fund (ComFund) during the year, generating income for the Council. On average over the course of 2009/10, the level of return has been over 2%. This compared very

favourably to the Bank of England Base Rate, which was set at 0.5% throughout the same period. This is shown diagrammatically in Figure 17 below.

**Figure 17: SCC ComFund Performance 'v' Bank of England Base Rate**



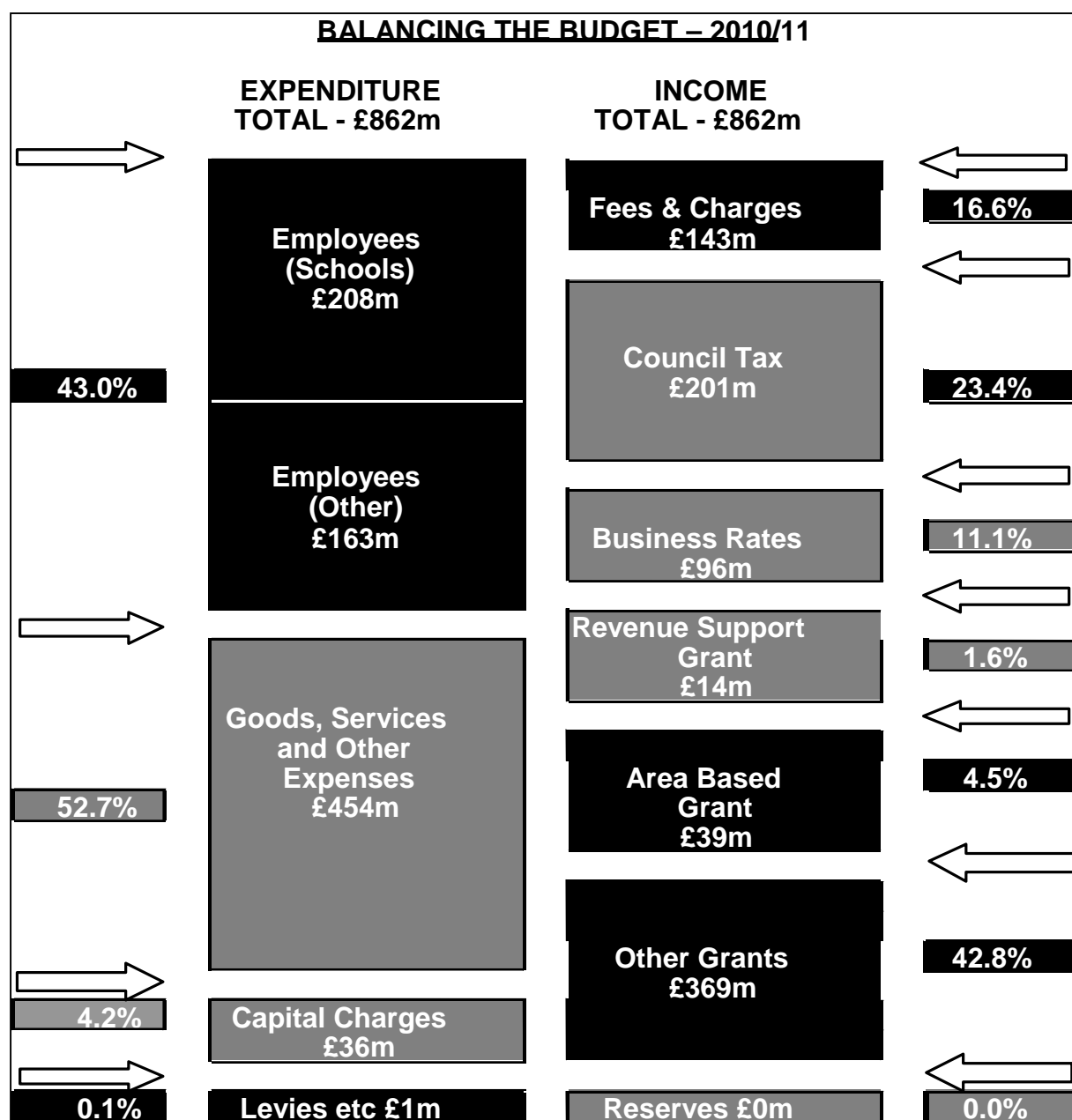
Inevitably, the recent economic downturn has meant that the overall returns have fallen and will fall further over the forthcoming period, although they are still expected to exceed the bank base rates. This is assisted by the fact that the investments made by the ComFund are usually made over a medium term period at fixed interest rates. This prevents the rates from falling as quickly as the Bank of England Base Rate. SCC therefore is more protected from the potential loss of income during the coming year provided that the economic situation does not significantly improve in the immediate future.

## 9.2 Overall Resources

The diagram below (figure 18) shows that the overall level of resources used by the County Council to deliver services is far greater than the Budget Requirement as calculated by the MTFP process. The Budget Requirement is a statutory calculation that calculates the net expenditure that needs to be financed from the Council Tax and Formula Grant after taking account of income from Fees and Charges, and other Grants.



**Figure 18: Somerset County Council's planned expenditure**



### 9.3 Capital

Capital investment provides the assets that the Council needs in order to deliver its objectives and services. The Council has assets valued in the 2008/09 accounts at £1.123 billion. Figure 19 summarises by type, the book value of the assets as recorded in the Statement of Accounts.

**Figure 19: the Value of Somerset County Council's Assets**

Asset Type	Gross Book Value £m
Land and Buildings	795.549
Vehicles and Equipment	20.583
Roads and Bridges	248.623
Country Parks and Open Spaces	1.125
Assets Under Construction	56.946
<b>TOTAL</b>	<b>1,122.826</b>

However, the replacement cost of these assets is estimated to be substantially higher than these figures, potentially up to £10bn. The estimated Gross Replacement Cost of the county roads alone based on national guidance is approximately £8bn and although there is no similar figure for all other assets, the cost would be significant.

There are two key aspects to capital investment:

- (i) The replacement or creation of new assets to meet the changing requirements for service delivery as a result of demographic change, national or local policy decisions; or
- (ii) The replacement, extension, maintenance or improvement of existing assets to secure current service delivery arrangements, the future integrity of the asset and meet more minor changes in service delivery methods that do not need a major renewal or replacement.

Capital Resources are extensively detailed in the Council's Capital Strategy<sup>35</sup>. This document is reviewed periodically; the latest iteration was published in the summer of 2008 and is due to be updated during the summer of 2010. As with revenue resources, there are those that are general and those that are ring-fenced to individual projects or service areas.

The introduction of the 'Four-Block Model' also significantly altered the funding methodology for capital. The Formula Grant calculations are driven by supported borrowing<sup>36</sup> allocations by the key Government departments; the most significant are made for the Local Transport Plan and Schools. The previous FSS formula funding system provided revenue resources to meet the additional revenue consequences of these allocations. This meant that the cost of financing capital expenditure approved through the Single Capital Pot<sup>37</sup> was fully funded by the capital financing spending share block – so called 'supported borrowing'. However, the damping mechanism in the 'Four-Block Model' means that the additional capital financing costs arising from new borrowing allocations are subject to damping and are therefore no longer fully funded.

### **9.3.1 General Capital Resources**

General resources are those that can be used to fund capital investment for any service area. These include resources provided through the revenue Formula Grant,

some of which are nominally provided for a specific service area but which because they are provided through the Single Capital Pot are not ring-fenced.

Examples of these general resource grants for 2010/11 include:

- Basic Need – Learning Disability Grant – £0.181m
- Special Needs Housing Grant – £0.285
- Waste Infrastructure Grant – £0.340m
- Local Transport Plan Integrated Transport Grant – £1.540m

The Council has generally maintained a policy that all these grants, although technically unrestricted in their use, should be allocated for the purposes for which they were awarded. The Waste Infrastructure Grant is a good example of this; the Somerset Waste Partnership (a partnership between the County and District Councils to procure and manage all aspects of waste management) determines its use. The grant is being used to improve recycling and other aspects of waste management according to local priorities.

At the local level, the County Council also has at its disposal:

- Potential capital receipts from the sale of assets that can normally be used to fund Capital projects at the Council's discretion;
- Specific funds set aside in previous years for capital purposes, including the Capital Fund and the Rural Regeneration Fund;
- Discretionary borrowing that is additional to the assumed government allocations described above. This is also known as Prudential Borrowing and is entirely funded from the Council Tax, provided that it can be afforded within the capping regime.

### **9.3.2 Specific (ring-fenced) Capital Resources**

There are a range of capital resources that are restricted in their use, either to a specific service area or project. These are predominantly grants and contributions from third parties or government departments. They may be calculated by formula or as a result of an application or bidding process. The majority of these are in the area of schools, including Devolved Formula Capital Grant, which is made direct to schools. Other grants payable to the County Council include:

- The Harnessing Technology Capital Grant – £2.467m;
- The Youth Capital Fund – £0.231m;
- Funding for replacement cameras within the Road Safety Partnership (SCC) – £0.267m

Contributions include those from partner organisations and third parties and will include Section 106 agreements<sup>38</sup> with developers.

### **9.3.3 Total Resources and Financed Programme**

The following table (Figure 20) summarises some of the key capital grants, both ringfenced and un-ringfenced awarded to the Council for 2010/11:

**Figure 20: 2010/11 Capital Grants awarded to Somerset County Council**

<b>Grant by Department</b>	<b>£m</b>
<b>Children &amp; Young People</b>	
○ Children's Centres – phase 3	1.130
○ Early Years Childcare	2.047
○ Harnessing Technology Grant	2.467
○ Extended Schools – SF Capital grant	0.419
○ DCSF Primary Capital Grant	6.598
○ Youth Capital Fund	0.231
<b>Direct Grant to Schools</b>	
○ Devolved Formula Capital Grant to Schools	9.340
<b>Environment</b>	
○ Local Transport Plan	1.540
○ Waste infrastructure Grant	0.340
○ Road Safety Grant	0.267
○ Highway and Bridge Structural Maintenance	0.100
<b>Community Directorate</b>	
○ Safer Communities	0.084
○ Aiming High	0.463
○ Special Needs Housing	0.285
○ Basic Need – Learning Disability Grant	0.181

The resources in Figure 21 are combined with the general resources described above and are used to finance the capital expenditure. Figures are adjusted to take account of the estimated timing of the expenditure, which may include outstanding expenditure from previous years along with forecast expenditure profiles for the current and future years programmes. A summary of the Capital Investment Programme and its various sources of capital financing is provided below in figure 21:

**Figure 21: Financing Somerset County Council's Capital Investment Programme**

	2010/11	2011/12	2012/13	2013/14 & future years	Total Starts
Forecast Expenditure	£m	£m	£m	£m	£m
Existing Schemes	51.481	18.39	1.787	0.038	
2010/11 New Starts	42.236	16.08	4.55	0.136	<b>63.002</b>
2011/12 New Starts		24.693	3.731	1.365	<b>29.789</b>
2012/13 New Starts			24.745	5.007	<b>29.752</b>
<b>TOTAL</b>	<b>93.717</b>	<b>59.163</b>	<b>34.813</b>	<b>6.546</b>	

Financed by:	£m	£m	£m
Borrowing	39.677	30.765	25.123
Capital Fund	0.034	0.025	0
Capital Receipts	7.293	1.053	3.3
Revenue & Earmarked Balances	0.875	0	0
Grants	17.165	16.242	3.287
Direct Schools Funding	23.099	7.427	1.401
Contributions	5.574	3.651	1.702
<b>TOTAL</b>	<b>93.717</b>	<b>59.163</b>	<b>34.813</b>

More details on the Capital Investment Programme can be found within Appendix F of the covering MTFP report, available by clicking [here](#)<sup>39</sup>. The revenue consequences of the capital programme i.e. the principal and interest charges arising from the projected borrowing, are incorporated into the revenue budget forecasts along with any other revenue costs or savings arising as a result of the proposed investments.

#### **9.4 Balances, Reserves and Risk Assessment**

The Council's financial environment is constantly changing, as are the demands on services and the needs of the county. The Council continuously updates its priorities in response to these issues. Reserves are required to ensure that the risks that the authority has to face do not destabilise the services provided during the year.

The Council holds two main reserves for budgetary risk management; the General Fund to manage risks in the Revenue Budget, and the Capital Fund to manage risks and provide flexibility within the Capital Investment Programme. Both reserves have been created from Revenue sources of finance, so could be used for any purpose if required.

Balances and reserves should be set at a level that takes account of the financial risks facing the authority; the greater the level of uncertainty and the higher financial impact of risks, the more likely balances will be needed. Maintaining reserves at a

healthy level in order to manage risks is an important aspect of Medium Term Financial Planning.

The appropriate level of General Reserve balance has been calculated by corporate risk management assessments, in order to estimate the size of any potential uninsurable losses and/or unforeseeable events. The risk assessment is based upon an analysis (using an “expected value” methodology) of the potential financial risks and liabilities which could arise but for which no specific budget provision will be made. The Council has determined minimum and maximum levels of £7m and £11m respectively in respect of the General Reserve.

The authority regularly reviews the reserves position and when reserves are considered to exceed minimum levels, the surplus is invested in ‘one-off’ projects to improve service delivery and value for money. An example of such planned use of reserves is the use of the Capital Fund to finance start up costs for the Building Schools for the Future programme.

The Statement on the Robustness Of The Estimates and the Adequacy of Reserves report can be found [here](#)<sup>40</sup>. Figure 22 below details the modelled balances for Somerset County Council over the next 3 years.

**Figure 22: Forecast balances for General Reserves and the Capital Fund 2010/11 to 2012/13:**

	<b>General Reserves £'000</b>	<b>Capital Fund £'000</b>	<b>Total £'000</b>
<b>Forecast Balance as at 31/03/2010:</b>	<b>11,052</b>	<b>3,295</b>	<b>14,347</b>
Contributions to Revenue Funding	(111)	(425)	(536)
Contributions to Capital Funding	0	(34)	(34)
Contribution / Income to Reserves	0	553	553
<b>Forecast Balance as at 31/03/2011:</b>	<b>10,941</b>	<b>3,389</b>	<b>14,330</b>
Contributions to Revenue Funding	(500)	0	(500)
Contributions to Capital Funding	0	(87)	(87)
Contribution / Income to Reserves	0	2,288	2,288
<b>Forecast Balance as at 31/03/2012:</b>	<b>10,441</b>	<b>5,590</b>	<b>16,031</b>
Contributions to Revenue Funding	(500)	0	(500)
Contributions to Capital Funding	0	0	0
Contribution / Income to Reserves	0	1,188	1,188
<b>Forecast Balance as at 31/03/2013:</b>	<b>9,941</b>	<b>6,778</b>	<b>16,719</b>
<b>Target range:</b>	<b>7.0m - 11.0m</b>	<b>&gt; 5.0m</b>	<b>&gt; 12.0m - 16.0m</b>



**Figure 23: Projected Reserve balances: 2010/11 to 2012/13:**

Type of Reserve	2008/09 £m <i>Actual Balance</i> 31/03/2009	2009/10 £m <i>Projected Balance</i> 31/03/2010	2010/11 £m <i>Projected Balance</i> 31/03/2011	2011/12 £m <i>Projected Balance</i> 31/03/2012	2012/13 £m <i>Projected Balance</i> 31/03/2013
General reserves	12.522	11.052	10.941	10.441	9.941
School balances	27.330	26.366	25.000	24.000	23.000
Earmarked Reserves	21.268	17.500	17.500	17.500	17.500
<b>Total</b>	<b>61.120</b>	<b>54.918</b>	<b>53.441</b>	<b>51.941</b>	<b>50.441</b>

## 10 Financial Strategy - Budget Pressures

A number of factors create demand for extra resources – new or enhanced services; general inflationary price increases, increasing numbers of people using services and new statutory duties (to name but a few). These factors need to be incorporated into the Medium Term Financial Plan on a rolling basis – demands are identified looking forward over a three-year period, and are revised each year as new information emerges. A full list of the ‘pressures’ identified and agreed by decision makers for 2010/11 are shown in [Appendix 4](#). It should be noted that the pressures include the consequences of new borrowing to meet the capital investment needs of the authority thereby bringing together Revenue and Capital planning.

### 10.1 Funding of inflation, pension increases and the Capital Investment Programme

One of the most significant factors creating a demand for extra resources is inflationary pressure – price rises caused by national macro-economic conditions, these are generally outside of the control of service managers.

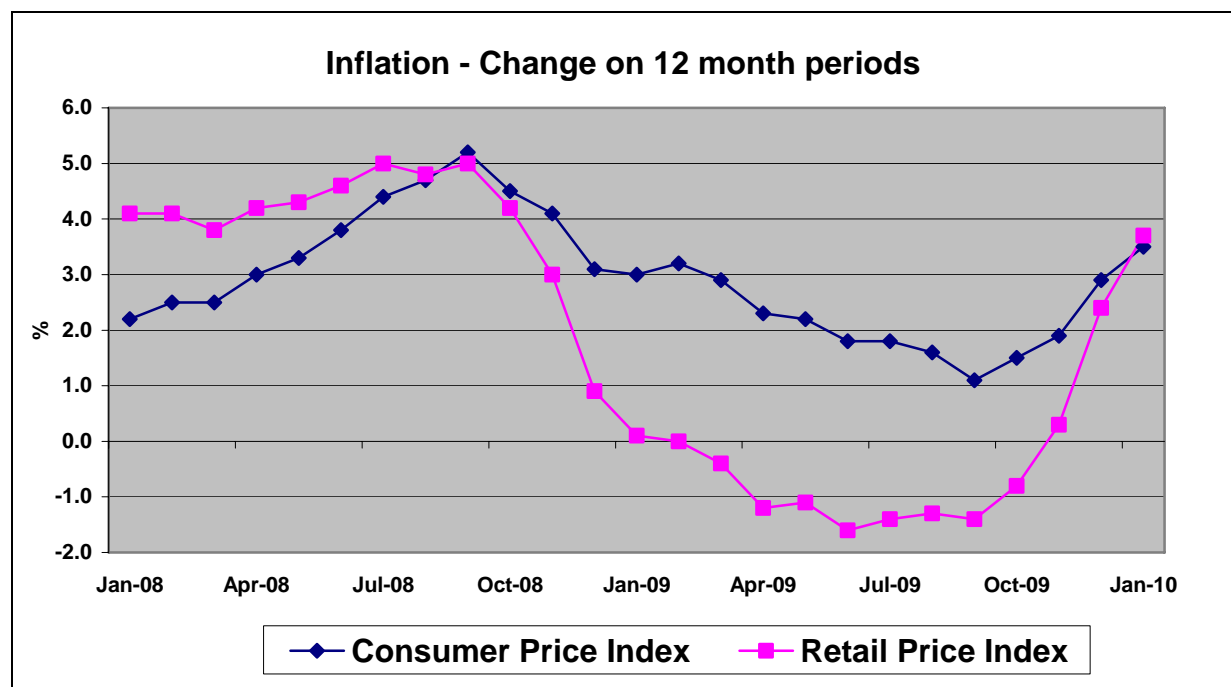
The Office for National Statistics publishes two main measures of consumer inflation, the Retail Prices Index (RPI) and the Consumer Prices Index (CPI). RPI is the UK’s most familiar domestic measure of inflation, while CPI is the main UK measure of inflation for macroeconomic purposes that form the basis for the Government’s inflation target. Both measure the average change from month to month in the prices of goods and services purchased by most households in the United Kingdom. However, there are several key differences between the RPI and the CPI:

- There are differences in the goods and services represented in the basket. For example:
  - The RPI includes Council Tax and mortgage interest payments which are excluded in the CPI;
  - The CPI includes some charges for financial services that are excluded from the RPI;
- The way prices are combined using people’s spending patterns are different:
  - The CPI represents a broader population than the RPI – the RPI excludes households with the top 4 per cent of income and excludes some pensioners;

- The CPI produces weights for items in the basket using a breakdown of household expenditure taken from the National Accounts. The RPI uses the Expenditure and Food Survey (EFS) to calculate weights;
- Different mathematical formulas are used for combining the prices collected for each item in the basket. The formula effect means that the average price for each item in the CPI is always lower than or equal to the average price for the same item within the RPI.

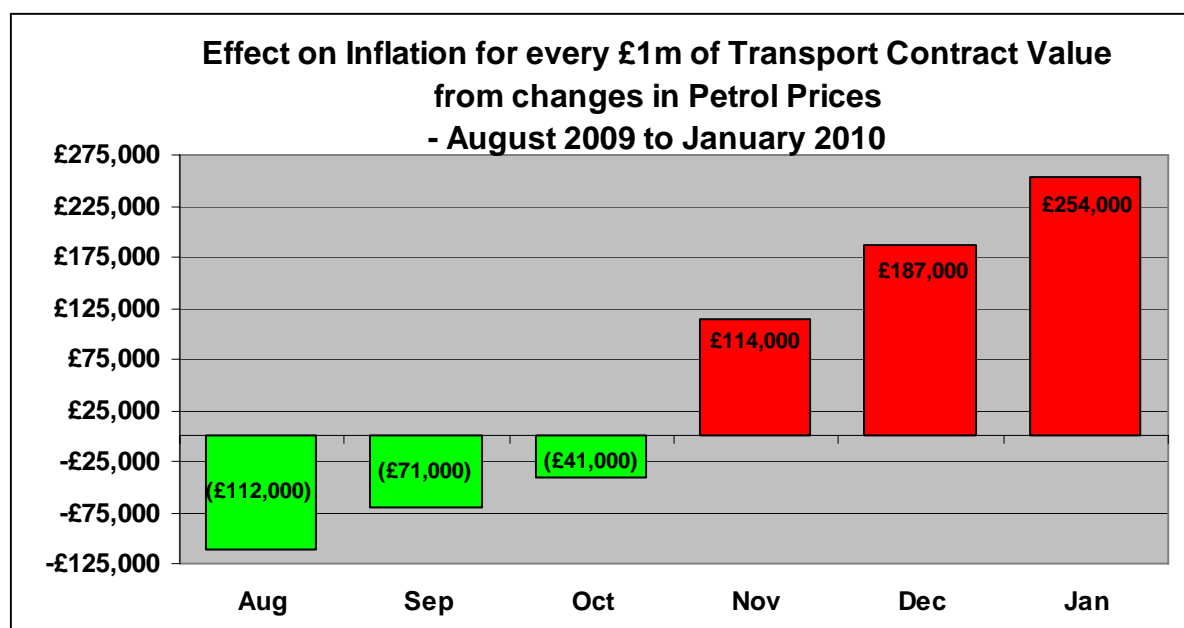
Recent years in particular have been exceptional in terms of inflation. For a large part of the year, inflation was historically low. For example, RPI was negative for a large part of 2009/10 following a sharp drop at the end of 2008 and the Consumer Price Index fell for the first time since 1955. However, towards the end of 2009, and crucially just before setting the 2009/10 budget, inflation levels began to rise steeply. This is shown graphically in Figure 24 below:

**Figure 24: The movement in Inflation since January 2008.**



The financial impact of this on the budget can be illustrated perfectly using the change in Petrol prices on the Transport budget. Figure 25 below shows the change from a decrease of 11% to an increase of over 25% in the 6 months before the budget was set. Had the rise in inflation levels happened sooner, this budget would have been extremely tight and would have required significant service reductions.

**Figure 25: Impact on changes in Petrol Prices for every £1m of Transport Contract Value**



There are a number of different areas of the budget where specific inflation uplifts are applied. These include: Pay, National Insurance, Pension Contributions, Utilities, Contracts with other organisations and General Price inflation.

### 10.1.1 Pay

Pay inflation takes account of the annual pay increases negotiated at a national level for local government employees, the majority of whom are on Administrative, Professional, Technical and Clerical (APT&C) terms and conditions. The level of the pay award is not usually known at the time of setting the budget, therefore we have to make our best assessment of what level it will be. At the outset of this MTFP process, we assumed an annual increase of 1.5% across all years of this MTFP. However, the global economic conditions and strong commitment from National Political leaders that, following the election, public sector pay will be frozen, have led us to remove this increase altogether. Research has shown that this is in-line with many other authorities across the country and reflects the current indications from the Local Government Employers<sup>41</sup> for Local Government Pay increases.

There are however, staff employed on terms and conditions that are likely to be awarded a pay rise. Staff who work as education advisers for Local Education Authorities are likely to be employed on terms and conditions determined by the Soulbury Committee. Their pay period also operates on a different timescale to the APT&C scheme, running on an Academic Year instead of a Financial Year. A uplift of 1% has been included to cover this cost.

### **10.1.2 National Insurance**

Once an employee reaches a certain level of salary, they will be liable to pay National Insurance. The employer also has a liability, the level of which is set nationally by the Government. The contribution rates for employers have not altered for 2010/11, but have been increased by 1% from 2011/12. The impact of this change have been estimated and included within the MTFP.

### **10.1.3 Pension Contributions**

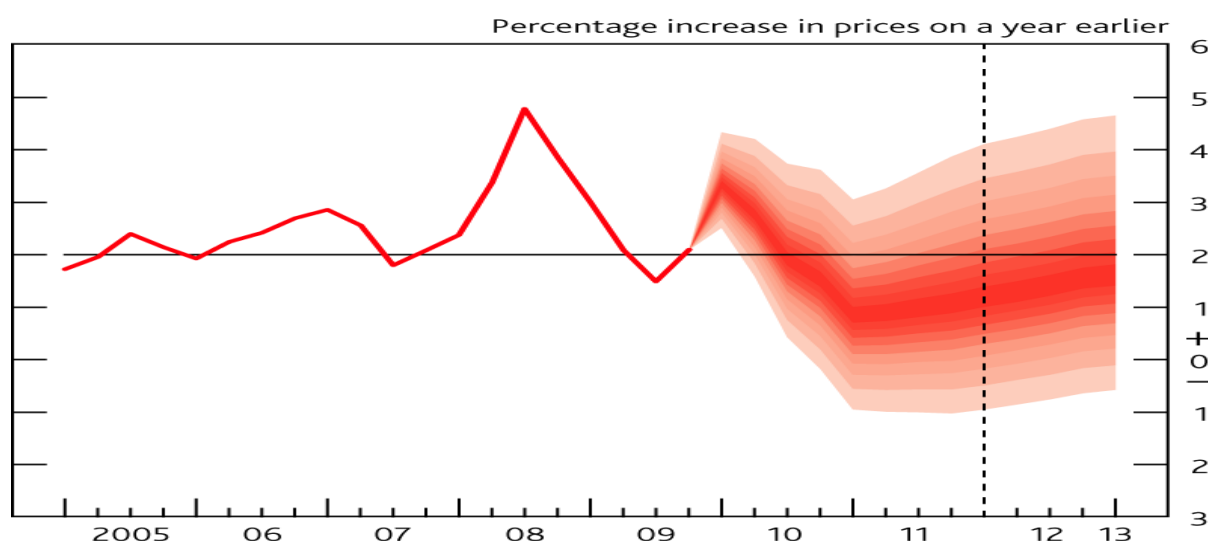
Employer's contributions to staff pension schemes can also create a demand for additional resources that is outside of the control of service managers. The March 2007 actuarial valuation of Somerset's pension fund assets and liabilities recommended that employer contributions be raised to 15.1% in 2010/11, and this budget pressure has been factored into the MTFP. For the subsequent years of this MTFP round, we have assumed an increase of 1% per annum (i.e. 16.1% in 2011/12 and 17.1% in 2012/13). The next actuarial valuation is due in the Autumn of 2010.

The new Local Government Pension Scheme introduced in April 2008 altered the level of the employee's contribution. Instead of paying a standard contribution rate of 6%, there are different contribution rates for different pay bands. These new rates have been designed to give more equality between the cost and benefits of scheme membership. The new Employee rates are between 5.5 and 7.5% of the individual's pensionable pay. These changes have been designed to be broadly cost neutral and therefore SCC has not included any specific amendments to budgets. The Employer's contribution remains at the fixed levels outline above.

### **10.1.4 General price inflation**

General price inflation is measured using the Consumer Price Index (CPI), and those areas of the budget that have significant general price costs are also uplifted to fund price inflation. Again, the rapid changes in CPI have made it difficult to predict the level of uplift we apply to our budgets. We estimate our price inflation uplift to be 1.5% - being our best assessment of what the average level of CPI will be for the year 2010/11. This is in-line with the Bank of England's projections taken from the Inflation Report published in February 2010, shown in Figure 26 below:

**Figure 26: CPI inflation projection based on market interest rate expectations and £200 billion asset purchases**



The area covered by the darkest red band in the centre of the fan chart represents a 10% probability. This band contains the Monetary Policy Committee's view of the single most likely outcome. Moving away from the central band, the area covered by each pair of successive identically shaded bands also represents a 10% probability. The coloured bands cover 90% of the likely outcome, so there is a 10% chance that CPI inflation will be outside the shaded range.

### 10.1.5 Contractual Inflation

In addition, specific elements of the base budget managed through contracts are reviewed and inflated using specific indices, for example energy budgets. For the majority of utility costs, we have central contracts covering the majority of our buildings. During 2009/10 SCC renewed its main Electricity and Gas contracts and therefore have a fixed price for 2010/11. The only element that needs to be factored into our budget calculations is usage, which is within our own control. We have therefore given a low nominal uplift to help mitigate any changes in usage.

Both Electricity and Gas prices rose significantly during the previous contract life and therefore we have included larger increases in 2011/12 when these contracts are next due for renewal. Currently we have included an uplift of 50% for both, which will be reviewed again as we go through the next MTFP round to reflect more recent changes in price.

Within the authority, there are a number of other significant long-term contracts with specific annual inflationary uplifts included. These use a variety of indices ranging from Baxter to Annual Survey of Hours and Earnings (ASHE). These are funded through 'contractual' inflationary uplifts. In monetary terms, these contractual obligations have the biggest impact on the budget year-on-year (see figure 18 below). This reflects above-CPI inflation in areas such as residential care for the elderly, highways maintenance, passenger transport, and waste management, where the Council sub-contracts to other agencies.

Finally, the level of resources required to meet debt charges on money borrowed to finance capital investment will change as investment decisions are taken or with the restructuring of external debt.

The table below (figure 27) shows the total extra resources required to meet these various demands over the period of this Medium Term Financial Plan:

**Figure 27: The annual additional costs to Somerset County Council**

	2010/11 £M	2011/12 £m	2012/13 £m
Soulbury Pay Inflation	0.207	0.206	0.214
National Insurance Contributions	0.000	0.309	0.000
Pensions – increase in employer contributions	0.406	0.813	0.813
Utility / Energy Inflation	0.031	0.428	0.045
Price Inflation	0.379	0.384	0.390
Contractual Inflation	7.005	7.554	8.825
Capital Financing charges	2.436	2.430	1.150
<b>TOTAL:</b>	<b>10.464</b>	<b>12.124</b>	<b>11.437</b>

## **10.2 Demographic pressures, new statutory duties and other service issues**

Increases in the number of people using a service are creating demands for additional resources, and these must be planned appropriately to ensure that the needs of vulnerable groups can continue to be catered for in line with corporate priorities. The significant areas of demographic pressure are in Adult Social Care (ASC), where numbers of all adult client groups are expected to grow over the medium term, and Waste volumes, which are increasing with the growth in households. The table below (figure 28) illustrates the level of these pressures in the relevant budget areas.

**Figure 28: Cost of Demographic pressures and New Burdens placed upon Somerset County Council**

Budget Area	2009/10 £000's	2010/11 £000's	2011/12 £000's	Total Pressures £000's
ASC – Older People	510	525	535	1,570
ASC – Mental Health	314	323	329	966
ASC – Physically Disabled	246	253	258	757
Adults with Learning Disabilities	3,470	3,557	3,649	10,676
Waste Volumes	141	121	0	262
<b>TOTAL</b>	<b>4,681</b>	<b>4,779</b>	<b>4,771</b>	<b>14,230</b>

Some of the pressures included above will actually be mitigated through efficiency savings, or through management action, such as the Year 3 Waste Volume pressure.



Many other factors will create a demand for additional resources at a service level, and extra funding has been factored into the MTFP for a whole range of these. A number of initiatives to improve performance or enhance some aspect of a service have been put forward to decision makers (see [Appendix 4](#) for details). Reductions in specific government funding streams and extra statutory duties have also created a demand for extra resources in some areas – for example cuts to the Supporting People Programme Grant and additional increases to Landfill Tax.

### **10.3 Monitoring the impact of resource allocation**

If decision makers allocate extra resources to meet a defined goal or outcome, then the investment should have an impact on the service concerned – whether it is a new or enhanced service, an improvement in performance, or managing an increased number of service users (in the case of demographic pressures). Over the 2010/11 – 2012/13 period, the impact of resources allocated to support pressures will be monitored specifically, as part of the Council's general budget monitoring reporting processes. This will enable decision makers to track the impact of their decisions, and acts as a significant driver to ensure that value for money is obtained through revenue investment decisions.

## **11 Financial Strategy - Savings and Savings Targets**

Savings are required in the Medium Term Financial Plan to balance the budget. Budget reductions may be achieved through a variety of means, including being more efficient, the use of 'external' funding (such as fees, charges or grant monies) or by reducing the level of a service provided (or even cutting it completely). Wherever possible, directorates are expected to deliver savings through improvements in Value for Money. A full list of the savings identified and agreed by decision makers in 2010/11 is provided in [Appendix 5](#).

### **11.1 Aligning Resources with Priorities and the use of Savings Targets**

At Somerset, savings targets are used to provide a framework to generate budget savings and drive value for money. The methodology for allocating savings to different service areas is an important part of the financial strategy because of the impact that targets have on resource allocation.

Each year members receive a summary of key components of around 100 different 'activities'. These summaries include information on cost, performance, and where available measures of Value for Money. The data also incorporates information about how the activity contributes to corporate priorities. This information enables members to provide guidance to SMB on where they see their priorities and where they would find savings (other than efficiency savings) to be most and least acceptable. Corporate Directors are then able to use this guidance to direct consideration of the savings requirements within their directorate. The targets are set for each year of the MTFP to encourage service managers to consider the longer term.

Directorates subsequently use these targets to work out detailed proposals for making budget savings. The resulting proposals are subject to considerable scrutiny and review at regular financial planning meetings with Members and Corporate Directors (outlined in [Appendix 2](#)). Information on the original member assessment of the relevant activity is used together with information on the activity's contribution to corporate priorities to ensure that the savings options taken have an appropriate effect on resource targets.

### **11.2 Efficiency savings**

Wherever possible, savings proposals seek to maintain the level of a service whilst using fewer resources, rather than to reduce the performance or level of a service. These are delivered as part of normal service delivery plans and budget processes, but also formally recorded and reported to Government. During 2004/05 to 2007/08, these 'efficiency savings' counted towards Somerset's Gershon<sup>42</sup> efficiency targets (recorded in the Annual Efficiency Statement).

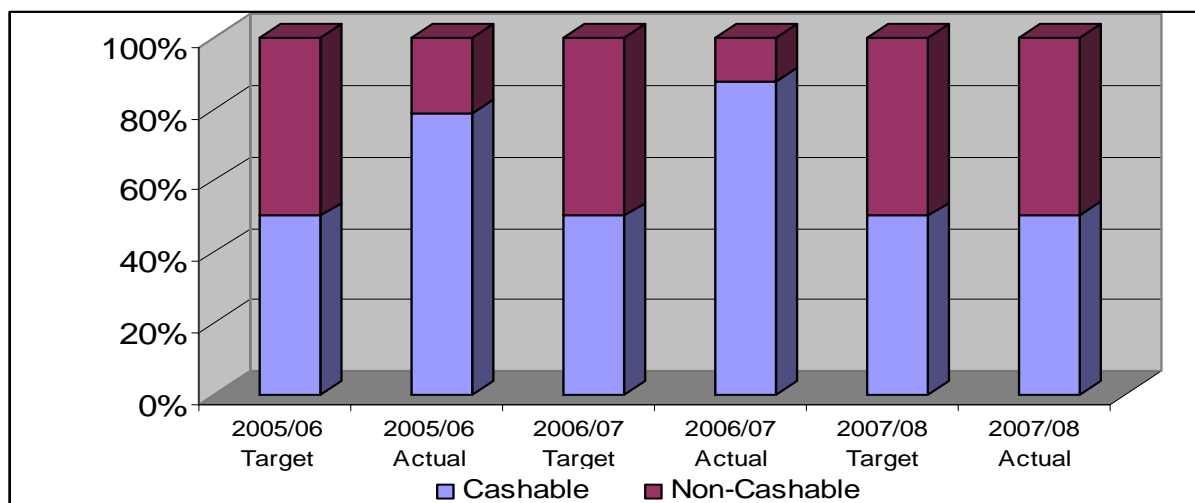
#### **11.2.1 CSR 2004**

By the end of 2007/08, Somerset County Council had found and delivered total efficiency gains of over £27 million since the introduction of the efficiency targets in 2004. This is well above the Government's total target for the County Council of

£22.559 million. Of these, over £19 million was cashable i.e. resulted in the release of resources that could be used for other purposes or to reduce the impact on the Council Tax.

Figure 29 illustrates the historical split of efficiency savings between cashable and non-cashable for Somerset County Council over the period 2005/06 to 2007/08.

**Figure 29: Efficiency savings for Somerset County Council – 2005/06 to 2007/08**



### 11.2.2 CSR 2007

The 2007 Comprehensive Spending Review has set the public sector a new challenge: to achieve 3% annual efficiencies, but this time all gains must be cash releasing. For councils in England, this amounts to a target of £4.9bn by the end of March 2011. While there are no mandatory targets for individual authorities, each council will be required to report its progress through National Indicator 179, part of the National Indicator Set, and where there is evidence of underperformance, this will be followed up by the local Government Office.

NI179 is defined as “the total net value of ongoing cash-releasing Value for Money (VfM) gains that have impacted since the start of the 2008/09 Financial Year.” The definitions for each term used in the indicator description are:

- Net: VfM gains should be reported net of any additional investment and ongoing costs incurred for their implementation (this excludes any staff costs incurred in implementing the gains if those costs would have been incurred by the council in any event);
- Ongoing: VfM gains must persist for at least two full financial years after the year they first accrue (the value of any gains reported through this indicator that are not sustained for this period of time must be deleted at the earliest opportunity);

- Cash-releasing: VfM gains that release resources which can be redeployed according to local priorities;
- Value for money gains: Arise where there is an improved relationship between inputs and outputs for the delivery of a service, but without any deterioration of the overall effectiveness of that service (a service can be any activity undertaken by the council);
- Impacted: The moment that the financial benefit of the action is felt (thus gains arising from actions taken before the start of the 2008/09 financial year or the remaining part year effects of gains that first impacted during 2007/08 may also be included where they meet this qualification).

Somerset County Council has a number of initiatives in place that will deliver savings towards this demanding target including the creation of Southwest One, the unique joint venture with Taunton Deane Borough Council, Avon and Somerset Constabulary, and IBM, to help deliver savings towards this demanding target.

During 2008/09, Councils submitted their first return to CLG for NI 179. Somerset County Council reported achieved savings within 2008/09 of £5.868m, an increase of 19% on our 2007/08 cashable savings. However, this represents only 1.72% of our 2007/08 Base Budget as calculated by CLG and further work will need to be done to generate the full 3%.

The bulk of these savings are identified as part of the MTFP process, through improvements in staff productivity, procurement practices, partnership working and through our ongoing programme of business process re-engineering work. Further cashable savings are forecast in specific funding regimes that fall outside of the MTFP, as well as significant additional non-cashable savings.

The Government has recently introduced regulations that require councils to include information about efficiency performance on the face of the Council Tax bill, and in the leaflets that accompany demand notices. The following information (Figure 30) has been included on the 2010/11 Council Tax bill:

**Figure 30: Efficiency information shown on the 2010/11 Council Tax bill**

	Actual Efficiency Savings Achieved during 2008/09	Forecast Efficiency Savings expected By March 2010	Saving per Band D Dwelling	National Average for similar authorities
Mendip District Council	£450,000	£1,108,000	£22	} £41
Sedgemoor District Council	£909,000	£1,709,000	£44	
South Somerset District Council	£1,132,000	£2,735,000	£46	
Taunton Deane Borough Council	£922,000	£884,000	£22	
West Somerset District Council	£324,000	£228,000	£16	
Somerset County Council	£5,868,000	£10,420,000	£54	£98
Devon & Somerset Fire & Rescue Authority	£1,587,000	£2,493,000	£4	£4
Avon & Somerset Police Authority	£4,604,000	£12,854,000	£23	£54

Within the 2010/11 budget, some £8.514 million of cashable efficiency savings were identified.

### **11.3 Value for Money**

Value for Money (VfM) continues to be at the heart of the Government's agenda for Local Authorities. Many County Councils have developed VfM measures in response to the Use of Resources element of the Comprehensive Performance Assessment (CPA) regime, which have now been superseded by the Comprehensive Area Assessment (CAA). Understanding how relative costs link with relative performance is now being viewed as a basic requirement; and organisations are increasingly expected to use this information to support their decision-making and to identify and secure efficiencies.

Somerset County Council first developed a VfM benchmarking methodology in 2005/06. Since then, the methodology has been refined to include a much wider range of benchmarked performance information, cost comparisons and service classifications, resulting in VfM being integrated much earlier within our financial planning and corporate performance management processes. A key output of the methodology is an overarching Value for Money graph.

The charts in [Appendix 6](#) show the latest VfM data available (2008/09) as used within the 2010/11 MTFP round (as described above). The first graph indicates SCC's overall VfM in comparison with other Counties, the second indicates the VfM achieved by each service within SCC, and the third graph shows the direction of travel for each County Council from 2007/08.

SCC feels that the key strengths of our methodology are as follows:

- A simple graphical presentation gives a powerful picture across the two dimensions of cost and performance, which has been very successful in engaging Members and senior managers in discussions on Value for Money and service prioritisation;
- The use of relative family group percentile positions (rather than absolute data) allows different services to be compared alongside each other;
- A 'bespoke' comparative performance dataset reduces reliance on unpopular 'process' based Best Value Performance Indicators (BVPIs), and gives an overarching view of service performance across a 'basket' of measures;
- The basic methodology can be varied to present an 'area' as well as an 'entity' perspective.

The VfM scatter graph ranks each service or activity in a "league table" of similar services at similar councils, and shows how SCC compares on performance and cost with other authorities.

The methodology has been recognised nationally as a model of good practice by the Audit Commission and the Society of County Treasurers has adopted it for its

member authorities. The Chartered Institute of Public Finance and Accountancy (CIPFA) is also looking to adopt the model. However, this is not to say that it is without problems. The comparative data used is historical, relating to 2007/08 and 2008/09, which means that circumstances may have changed since it was compiled and different councils will adopt different practices both in organising their services and in recording costs and performance. Furthermore, the change to the new National Indicator (NI) set from 2008/09 has made it difficult to compare with earlier years, although this will be less of an issue once a second year on NI data becomes available in 2010.

For these reasons, all the benchmarking data (on performance, cost and VfM) is used carefully and only as a starting point for further investigation rather than as a direct basis for decision-making. Behind each graph or chart there is a range of information on the relative position of other authorities, and on the breakdown of our costs and performance. This information is available on request from Steve Alison, Group Manager Corporate Finance (*for VfM*) and from Melanie Roberts in the Corporate Performance Team (*for Performance Indicators*) - email [sjalison@somerset.gov.uk](mailto:sjalison@somerset.gov.uk) (x5288) or [mroberts@somerset.gov.uk](mailto:mroberts@somerset.gov.uk) (x5234).

#### **11.4 Risk and the impact of reducing resources**

All savings proposals carry associated risks – whether it is an unacceptable impact on service delivery, a risk of not achieving the saving leading to a service overspend, or a combination of these. These risks are assessed alongside the expected impact of a savings proposal on service performance, and the risk and impact assessment are used to inform decisions on savings options. The actual impact of the savings that have been taken is reported back to decision makers alongside budget monitoring reports which assess the likely level of any overspend. These processes ensure that risks and performance are taken into account in savings decisions, and actively managed after decisions have been taken.

## **12 Key Partnerships And Partnership Budgets**

The Council works within a number of partnerships to deliver its aims and priorities; many of which are considered to be at the leading edge. Working in partnerships offers a wide variety of advantages for the residents of Somerset, including benefiting from economies of scale and maximising external funding opportunities as well as reducing bureaucracy and duplication. It also provides a central point of contact for the public, which increases accountability. We wish to continue to harness the benefits of working in this way.

Partnerships can take various forms, some of which are identified below:

- Subsidiary or associated companies and trusts;
- Joint boards;
- Public Private Partnerships, for example, PFI contracts;
- Joint committees;
- Advisory groups;
- Joint consultative committees;
- Partnerships with suppliers;
- Limited companies;
- Accountable body for a partnership;
- Giving grants to partner organisations;
- In-kind support to partner organisations; and
- Joint working.

The financial management of partnerships depends on the mechanism by which funding streams are brought together. At Somerset, we have a number of different partnerships that treat the funding differently, examples of which are:

### **12.1.1 Pooling Budgets**

The agencies contribute to a discrete fund by this mechanism. Within this fund or “pool,” contributions lose their original identity and are committed and accounted for against the joint aims of the partners. For accountability and legal reasons, a pooled budget is hosted by one of the partner agencies, in accordance with its standards of financial governance and the requirements of the agencies for monitoring and review. Examples of these types of partnerships are:

- Learning Disability Partnership Board;
- Somerset Waste Board; and
- Drugs and Alcohol Advisory Team (DAAT)

### **12.1.2 Aligning Budgets**

This involves the grouping together of separate budgets to improve the joint planning and deployment of resources by local partners. Decisions are taken collectively about the aligned budget but the individual accounts are still technically held within separate agency budgets to allow them to identify and account for their own contribution. This approach does not require new powers. Examples of these types



of partnerships are our work with the Police and the Learning and Skills Council (LSC):

### **12.1.3 Joint Commissioning**

The Joint Commissioning structure is made up of a number of groups, carrying out the detailed work and recommending changes and developments relevant to the needs of the population of Somerset. An example of this type of partnerships working is our involvement within the Financial Assessment and Benefits Board.

### **12.1.4 Devolving Budgets**

This is where the funding and responsibility is passed from one entity to another. The largest example of this is the Individual Schools Budgets.

### **12.1.5 Delegating Budgets**

This is where the original organisation authorises another entity to act as its representative. The Transformation Programme Partnership Group and the lead Scrutiny Members Partnership Review Group are instrumental in this area and have reviewed our most significant partnerships, those that present the most significant risk to the Council. To do this we identified those that are:

- Financially large in terms of impact and/or commitment;
- Strategically large in terms of impact;
- And/or statutory.

### 13 Financial Strategy – Principles For 2011/12 – 2013/14

We have included this brief summary of financial planning principles in order to ensure that this document is as up to date as possible. These principles and assumptions will guide financial planning as the MTFP process ‘rolls forward’ to a new three-year planning horizon:

- We will assume a Council Tax freeze in 2011/12 in line with the new Administrations manifesto promise, and for the period 2012/13 to 2013/14 a Council Tax increase well within the capping limit for the period. This has been assumed at 2.5%. However, if possible, the Administration would like to maintain the freeze until the next authority elections in 2013. In addition and in response to the current economic conditions, we have assumed no growth in the Taxbase for future years.
- The Formula Grant allocations covering the period 2011/12 – 2013/14 are not yet known. A prudent estimate of a 2% reduction has been included for these years. This will be refined as more information become available during the Autumn of 2010;
- Pay, Price, Contractual inflation and Grant Transfers will be subject to scrutiny – a proportionate response to the growing significance of these pressures in the budget setting process. The principle will be to treat contractual inflation as a ‘controllable’ pressure, in order to focus attention on good procurement practice and incentivise work on obtaining contract efficiencies. In order to develop a more targeted approach to efficiency savings, the Finance Strategy Group will recommend that non-contractual price inflation be fully funded in future years.
- A de-minimis limit for pressure bids of 0.1% of the base budget will be applied as a way of focusing decisions on strategic priorities. For 2010/11 this equates to:
  - £24,700 for the Resources Directorate
  - £59,900 for the Environment Directorate
  - £153,700 for the Community Directorate
  - £66,200 for the Children & Young People’s Directorate
- Services will be expected to find cashable efficiency savings of at least 3%, in line with the Governments CSR target.

## APPENDIX 1: Medium Term Financial Plan Summary, 2010/11 – 2012/13

	2010/11	2011/12	2012/13
	£m	£m	£m
<b>RESOURCES:</b>			
Government Formula Grant (RSG & NNDR)	(109.897)	(107.699)	(105.545)
Council Tax inc. Surplus	(200.915)	(200.138)	(200.138)
<b>Total Resources:</b>	<b>(310.812)</b>	<b>(307.837)</b>	<b>(305.683)</b>
<b>BUDGET REQUIREMENT:</b>			
Base Budget b/fwd	304.608	309.874	308.089
Inflation	8.027	10.262	10.310
<b>Standstill Budget Requirement:</b>	<b>312.635</b>	<b>320.136</b>	<b>318.399</b>
<b>Capital Financing</b>	2.436	2.430	1.510
Investment in Services			
- From this and previous budget cycles	15.116	10.336	7.825
<b>Total Pressures:</b>	<b>17.552</b>	<b>12.766</b>	<b>9.335</b>
All Savings and Efficiencies			
- From this and previous budget cycles	(18.764)	(15.253)	(15.920)
Indicative Savings Target (Future Years):	0.000	(9.512)	(5.831)
<b>Total Savings:</b>	<b>(18.764)</b>	<b>(24.765)</b>	<b>(21.751)</b>
<b>In-Year Contribution To / (From) Reserves and Capital Fund:</b>	<b>(0.611)</b>	<b>(0.300)</b>	<b>(0.300)</b>
<b>BUDGET REQUIREMENT:</b>	<b>310.812</b>	<b>307.837</b>	<b>305.683</b>
<b>Budget (Surplus) / Deficit</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

### Assumed Annual Changes (for planning purposes):

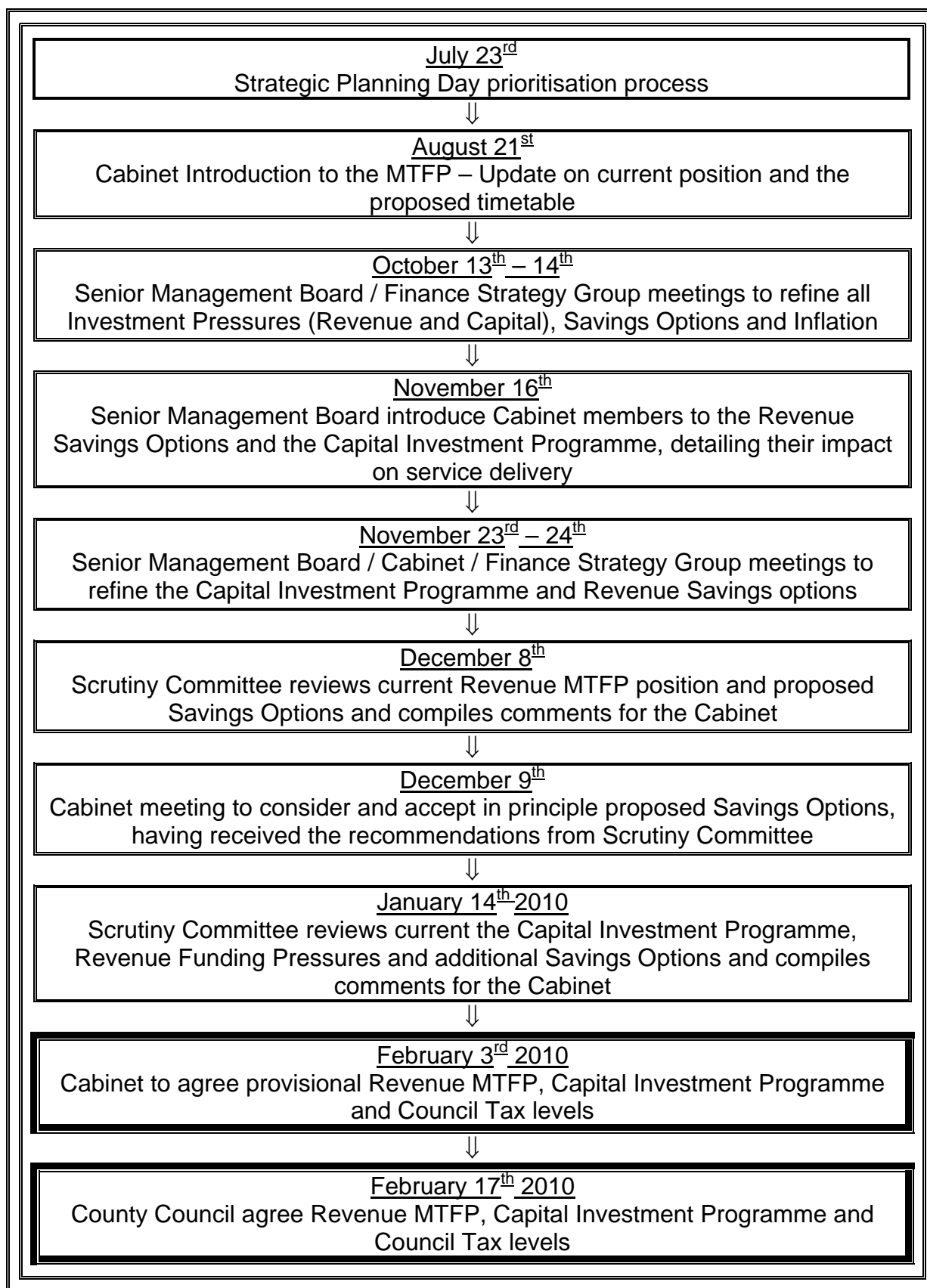
Council Tax:	0.00%	0.00%	0.00%
Government Formula Grant:	5.54%	-2.00%	-2.00%
Specific Grant Change:	-3.98%	-3.00%	-3.00%

*All negative figures (in brackets) represent income or budget savings – positive figures represent 'budget pressures' (additional funding) or the base budget position.*

Appendices 5 and 6 give further details of the 'pressures' included in the totals above. Appendices 7 and 8 give further details of the savings in the totals above.

Additional supporting detail is available from the Financial Planning section on request – contact Paul Deal on 01283 35 6970.

## APPENDIX 2: 2010/11 Medium Term Financial Plan Decision Making Process



## APPENDIX 3: Area Based Grant 2009/10 – 2011/12

DIRECTORATE	Issuing Govt Dept:	2008_09 Final Allocation	2009/10 Final Allocation	Difference		2010/11 Indicative Total	Difference	
Service				£	%		£	%
Merging Grant Name:								
<b>CHILDREN &amp; YOUNG PEOPLE</b>								
<b>Partnerships</b>								
Extended Schools - Start Up	DCSF	904,147	1,647,393	743,246	82.20%	677,478	(969,915)	-58.88%
Positive Activities for Young People	DCSF	106,581	183,101	76,520	71.80%	237,758	54,657	29.85%
Education Health Partnerships	DCSF	129,424	152,894	23,470	18.13%	116,244	(36,650)	-23.97%
Teenage Pregnancy	DCSF	157,000	157,000	0	0.00%	157,000	0	0.00%
Children's Fund	DCSF	947,592	947,592	0	0.00%	947,592	0	0.00%
Preventing Extremism	CLG	10,000	0	0	0.00%	0	0	0.00%
Connexions	DCSF	4,302,492	4,084,304	(218,188)	-5.07%	3,960,444	(123,860)	-3.03%
<b>Raising Achievement</b>								
Extended Rights for Free Travel	DCSF	164,566	259,813	95,247	57.88%	355,060	95,247	36.66%
Designated Teacher Funding	DCSF	0	40,611	0	0.00%	40,611	0	0.00%
Choice Advisers	DCSF	31,311	31,311	0	0.00%	31,311	0	0.00%
Secondary Behaviour and Attendance: Central Co-ordination	DCSF	125,800	125,800	0	0.00%	125,800	0	0.00%
General Duty on Sustainable Travel To School	DCSF	44,635	44,635	0	0.00%	44,635	0	0.00%
Secondary National Strategy: Central Co-ordination	DCSF	289,224	290,232	1,008	0.35%	290,681	449	0.15%
Flexible 14 to 19 Partnerships Funding	DCSF	143,799	143,876	77	0.05%	144,260	384	0.27%
Primary National Strategy: Central Co-ordination	DCSF	305,768	306,277	509	0.17%	306,317	40	0.01%
School Improvement Partners	DCSF	307,910	307,910	0	0.00%	307,910	0	0.00%
School Travel Advisers	DCSF	84,000	84,000	0	0.00%	84,000	0	0.00%
School Intervention	DCSF	189,100	189,100	0	0.00%	189,100	0	0.00%
<b>Children's Social Care</b>								
Child Trust Fund	DCSF	4,040	5,413	1,373	33.99%	6,161	748	13.82%
Child and Adolescent Mental Health Services	DH	644,213	678,854	34,641	5.38%	712,759	33,905	4.99%
Social Care Checks Funding		0	1,399	1,399	0.00%	0	(1,399)	-100.00%
Young People and Substance Misuse Grant	HO	86,804	86,804	0	0.00%	86,804	0	0.00%
Young People and Substance Misuse Grant	DCSF	73,229	73,229	0	0.00%	73,229	0	0.00%
Care Matters White Paper	DCSF	206,070	304,259	98,189	47.65%	349,053	44,794	14.72%
Children's Social Care Workforce (formerly HRDS and NTS)	DCSF	126,245	126,290	45	0.04%	126,269	(21)	-0.02%
Child Death Review Processes		49,982	51,392	1,410	2.82%	53,471	2,079	4.05%
<b>Strategic Management</b>								
School Development Grant (Local Authority element)	DCSF	666,322	666,322	0	0.00%	666,322	0	0.00%
<b>Directorate Sub-Total</b>		<b>10,100,254</b>	<b>10,989,811</b>	<b>889,557</b>	<b>8.80%</b>	<b>10,090,269</b>	<b>(899,542)</b>	<b>-8.89%</b>
<b>COMMUNITY SERVICES</b>								
<b>Adult Social Care</b>								
Adult Social Care Workforce (formerly HRDS and NTS)	DH	1,345,274	1,395,520	50,246	3.74%	1,447,252	51,732	3.71%
Carers	DH	2,169,708	2,340,053	170,345	7.85%	2,513,421	173,368	7.41%
Preserved Rights	DH	1,755,089	1,630,144	(124,945)	-7.12%	1,530,771	(99,373)	-6.10%
<b>Learning Disabilities</b>								
Learning and Disabilities	DH	378,809	379,271	462	0.12%	379,570	299	0.08%
Mental Capacity Act	DH	235,402	299,101	63,699	27.06%	289,344	(9,757)	-3.26%
<b>Mental Health</b>								
Mental Health	DH	1,208,192	1,273,026	64,834	5.37%	1,337,586	64,560	5.07%
<b>Community Regeneration</b>								
Local Economic Assessment Duty	CLG	0	0	0	0.00%	65,000	65,000	100.00%
<b>P'Ship &amp; Community Development</b>								
Stronger Safer Communities Fund	CLG	571,552	571,552	0	0.00%	571,552	0	0.00%
Supporting People Administration	CLG	462,534	426,018	(36,516)	-7.89%	365,158	(60,860)	-14.29%
Supporting People (2009/10 ONWARDS)	CLG	0	17,345,148	17,345,148	0.00%	16,477,891	(867,257)	-5.00%
Respect	HO	0	11,000	11,000	0.00%	12,000	1,000	8.33%
<b>Directorate Sub-Total</b>		<b>8,126,560</b>	<b>25,670,833</b>	<b>17,544,273</b>	<b>215.89%</b>	<b>24,989,546</b>	<b>(681,287)</b>	<b>-2.65%</b>
<b>ENVIRONMENT</b>								
<b>Highways and Transporting Somerset</b>								
Pitt Review Implementation		0	65,000	65,000	0.00%	35,000	(30,000)	-46.15%
<b>Transporting Somerset &amp; Fleet</b>								
Rural Bus Subsidy	DfT	1,797,973	1,845,288	47,315	2.63%	1,892,603	47,315	2.56%
<b>Physical Regeneration</b>								
School Travel Advisers	DCSF	20,000	20,000	0	0.00%	20,000	0	0.00%
Road Safety Grant	DfT	1,259,919	1,244,335	(15,584)	-1.24%	1,199,645	(44,690)	-3.59%
Aggregates Levy Sustainability Fund	DEFRA	330,000	330,000	0	0.00%	330,000	0	0.00%
<b>Directorate Sub-Total</b>		<b>3,407,892</b>	<b>3,504,623</b>	<b>96,731</b>	<b>2.84%</b>	<b>3,477,248</b>	<b>(27,375)</b>	<b>-0.78%</b>
<b>RESOURCES</b>								
<b>Access &amp; Communications</b>								
Local Involvement Networks		226,143	227,125	982	0.43%	228,171	1,046	0.46%
<b>Directorate Sub-Total</b>		<b>226,143</b>	<b>227,125</b>	<b>982</b>	<b>0.43%</b>	<b>228,171</b>	<b>1,046</b>	<b>0.46%</b>
<b>OVERALL TOTAL</b>		<b>21,860,849</b>	<b>40,392,392</b>	<b>18,531,543</b>	<b>84.63%</b>	<b>38,785,233</b>	<b>(1,607,159)</b>	<b>-3.98%</b>

## APPENDIX 4: Investment in Services

### 4.1 Grant Transfers and other technical adjustments:

Directorate Service	Project Title	Description	Net Cost 2010/11 £000
CYPD Interest on School Balances	Interest on School Balances	Interest on School Balances	(525.0)
Resources Facilities Group	Revision to Broughton House budget	Revision to Broughton House rental charges	(1.7)
Resources Finance and Assets	Loss of income	Loss of income due to sale of farms - revenue implications of capital transaction	32.0
Resources Miscellaneous Properties	Miscellaneous Properties	Adjust Miscellaneous Properties Budget	0.0
Resources Client Function	SouthWest One Unitary Charge	The Unitary Charge budget was drawn up under the assumption that South West One invoices could in part be financed through capital expenditure. Subsequent interpretation of accounting standards shows that this is not allowable, and we must fund a revenue gap.	422.0
Non-Service Contributions	Environment Agency Levy	The Environment Agency (EA) levy on the county council to fund its local flood defence programme. The levy is limited to 3x FSS at present. However, the Government is consulting on removing this limit, allowing the EA to levy a higher amount.	14.4
Non-Service Corporate Costs	Audit Commission Fees	The Audit Commission set out their basic charges each year. For 2010, these are £133k + 0.011% of SCC's gross spend (£825m for 2009/10). For the last 2 financial years, these fees have been significantly higher than this, and the budget has been overspent. This should correct the base budget and avoid future overspends.	100.0

## APPENDIX 4: Investment in Services– (continued)

### 4.1 Grant Transfers and other technical adjustments – (continued):

Directorate Service	Project Title	Description	Net Cost 2010/11 £000
Non-Service Capital Financing Charges	Lease Charges	Adjustment to Lease Charges	(35.0)
Non-Service Financing Transactions	Reduction in investment income	Reduced investment income due to reduction in interest rates for ComFund investments.	367.8
Non-Service Corporate Costs	Discontinued Services	Adjust Discontinued Services Budget	20.5
Non-Service Residual Magistrates Courts	Magistrates	Adjust Magistrates Budget	(2.4)
Non-Service Contingency	Movement in On- Going Earmarked Contingencies Between Years	Movement in On-Going Earmarked Contingencies Between Years	3,240.0
Non-Service Contingency	Movement in One- Off Earmarked Contingencies Between Years	Movement in One-Off Earmarked Contingencies Between Years	504.0
Non-Service Contingency	Movement in General Contingencies Between Years	Movement in General Contingencies Between Years	33.8
Non-Service ALL	Area Based Grant	Reduction in Area Based Grant (ABG)	1,607.2

**5,777.6**



## APPENDIX 4: Investment in Services – (continued)

### 4.2 On-Going Pressures - From this and previous budget cycles

Directorate Service	Project title	Description	2010/11 Net Cost £000	Lead Time	Impact on Outcomes:
Community Community Regeneration	Local Economic Assessment Duty	To ensure SCC has the capacity to develop a sound understanding of local economic conditions to inform strategies, actions, and influence outside investment in Somerset. The first assessment is required by the end of 2010. This is 80% funded from Area Based Grant.	80.0	Immediate	Ensuring we meet minimum statutory duties falling on the service and better influence national, regional and local investment. Better knowledge of our economy and future prospects. Ability to influence other processes.
Community Learning Disabilities	Deprivation of Liberty	Mental Capacity Act 2005 Deprivation of Liberty Safeguards CoP. Legal requirement to undertake assessments. Funding is for Best Interests assessments, SCC costs as supervising body, additional specialist advocacy capacity and staff training	24.0	Immediate	The Mental Capacity Act 2005 provided a statutory framework for acting and making decisions for individuals who lack the mental capacity to do so themselves. Deprivation of Liberty Safeguards focus on those who need to be accommodated under care and treatment regimes that may have the effect of depriving them of their liberty, but who lack the capacity to consent. Implementation of this new legal duty helps to safeguard vulnerable adults
Community Adult Social Care, & Learning Disabilities	Demography - Physical Disability, Mental Health, Older People and Learning Disabilities	The demographic pressure is a national trend. The reasons for this are increased numbers of children surviving into adulthood, increased dependency levels and increased expectations by carers that their children will move on from home.	4,540.2	Immediate	The investment will secure good quality, timely service provision to meet the needs of the increasing number of people in Somerset.

## APPENDIX 4: Investment in Services – (continued)

### 4.2 On-Going Pressures - From this and previous budget cycles – (continued)

Directorate Service	Project title	Description	2010/11 Net Cost £000	Lead Time	Impact on Outcomes:
CYPD Children's Social Care	Parent and Child Placements	Ongoing funding is required to meet the full cost of court directed Parent and Baby assessment placements (currently funded through contingency provision), plus funding to implement further strategy to curb expenditure on agency placements as a result of increased numbers. Pressure partly caused by the outcomes of the Baby Peter case.	539.0	None for replacement of contingency provision (£400k). Three months for remaining funding	Robust management action is being taken to reduce number of assessments wherever possible. Funding will enable increased access to assessments without needing to use expensive agency placements. This should help to contain costs without detrimental impact on outcomes for individual children.
CYPD Children's Social Care	Special Guardianship responsibilities	The Adoption & Children Act 2002 allows a specified range of people to apply for Special Guardianship. If granted, Special Guardianship remains until 18 (2 extra years), and applications and requests for financial assistance are increasing	103.0	None. Existing budget pressure, growing demand.	Special Guardianship provides long-term stability for the child and enables them to maintain contact with birth family. It allows family members already caring for children, who are not known to Children Social Care, to apply for Special Guardianship and request financial assistance.
CYPD Schools and Achievement	Extended Rights for Free Home to School Travel	Following legislative change, an increase in take up of statutory school transport provision for eligible children (low income families) is forecast, where a school place has been secured 2-6 miles from home (2-15 miles if denominational). This pressure is supported by an increase in Area Based Grant.	95.0	Immediate	The DCSF intention is to ensure that children from low-income families are able to take up places at good schools. It relates only to the cost of transport and does not change admissions arrangements. This is intended to support strategies to reduce the achievement gap between children from a deprived background and their peers, but the low numbers involved mean a direct link to a NI is not relevant.

## APPENDIX 4: Investment in Services – (continued)

### 4.2 On-Going Pressures - From this and previous budget cycles – (continued)

Directorate Service	Project title	Description	2010/11 Net Cost £000	Lead Time	Impact on Outcomes:
Environment Highways and Street Management	Flood and Water management	The Council has estimated the costs of setting local strategy, leadership and accountability for ensuring effective management of local flood risk from ordinary watercourses, surface run-off and groundwater. We would expect new burdens funding for flood and water management further to the outcomes of the Pitt report. However, if New Burdens funding is not forthcoming, this pressure may be withdrawn	187.0	Planning work has commenced. We will be able to commence from April 2011.	Co-ordinate Surface Water Management Plan production for Taunton. Promoting partnerships with local planning authorities to produce Strategic Flood Risk Assessments. Able to meet new statutory obligations.
Environment Waste Services	Landfill Tax increases	Central Government tax increases by £8 per tonne per year from £40 per tonne of waste landfilled in 2009/2010 up to £64 per tonne of waste landfilled in 2012/2013.	1,393.2	None	None - this is a tax we are obliged to pay.
Environment Waste Services	Food waste treatment costs	Processing costs for new food waste treatment facility to treat a) food waste currently treated out-of-county; b) new food waste from SDC where not currently collected; c) food waste currently treated at facility reaching end of useful life.	218.0	Immediate	Collection and treatment of additional food waste will improve performance on NI191, 192 & 193, reducing waste to landfill & increasing recycling. Initially worsens VfM, but as landfill costs increase will improve VfM. Also improves LATS position, with unknown VfM benefits. Food waste capacity is essential in facilitating delivery of District corporate objectives on waste. Permits service harmonisation with customer access & communication benefits.

## APPENDIX 4: Investment in Services – (continued)

### 4.2 On-Going Pressures - From this and previous budget cycles – (continued)

Directorate Service	Project title	Description	2010/11 Net Cost £000	Lead Time	Impact on Outcomes:
Resources Property Services	Asbestos Re-Survey Programme of all County Council Buildings	SCC has committed to improve the management of asbestos in its buildings including an increase in the frequency of asbestos surveys. This bid is for on-going funding of salaries of additional staff required to meet that survey programme.	83.0	No lead-in time: officers are in post	This revised asbestos resurvey programme is a key element of SCC's response to the HSE Improvement Notice in which the Council commits to meet the shortfall in surveying resources. The improved provision of information on asbestos within all of our properties will contribute significantly to safe working practices and the avoidance of asbestos incidents.

**On-Going Sub Total** **7,685.4**

Additional detail on Business Plan links, Sustainability, Community Safety, Equalities and Access to services and Risk Management implications for each of these pressures is available on request from the Financial Planning Section – contact Paul Deal on 01823 35 6970.

## APPENDIX 4: Investment in Services – (continued)

### 4.3 One-Off Pressures - From this and previous budget cycles

Directorate Service	Project title	Description	2010/11 Cost £000	Lead Time	Impact on Outcomes:
CYPD Schools and Achievement	BSF procurement of Bridgwater schools	BSF team costs plus advisers costs to complete the procurement of the Bridgwater schools does not include the cost of researching/preparing future BSF waves across the county.	965.0	None - This is a continuation of the BSF procurement activity started in 2007/08	The outcome is provision of improved lifelong learning opportunities and educational achievement in Bridgwater. An extensive range of performance standards are set as part of SCC's requirements. The funding package for construction and contract services has been secured.
CYPD Schools and Achievement	Taunton Academy procurement	This pressure covers the costs of procuring a new school to replace St Augustine's and Ladymead. This will be dependant on DCSF approving capital funding and the OBC being approved by DCSF and the partners. The scheme would be delivered by the LEP, subject to current contractual negotiations.	388.0	The requirement starts in April 2010	The outcome is provision of improved lifelong learning opportunities and educational achievement in Taunton. An extensive range of performance standards will be part of requirements from SCC and the B&W Diocese and set down in the OBC.
Environment Environmental Management & Regeneration	Land Charges base budget	Because of the continued economic downturn, particularly in the housing market, we are not receiving the level of search income to balance our budget. We cannot legally charge more and the staffing level has already been reduced the minimum.	240.0	2010/11	Realistic base budget for prevailing economic conditions. Suitable for review when the housing market in particular improves.

## APPENDIX 4: Investment in Services – (continued)

### 4.3 One-Off Pressures - From this and previous budget cycles – (continued)

Directorate Service	Project title	Description	2010/11 Cost £000	Lead Time	Impact on Outcomes:
Environment Environmental Management & Regeneration	Provision of a budget for Commons Registration Authority work	SCC has a statutory duty and is a Commons Registration Authority. The number of applications, many of which are controversial, is increasing.	60.0	2010/11	SCC currently has no budget to undertake this statutory work. SCC currently cannot charge for applications. Legal costs are potentially high, as is the potential for challenge.

**One-Off Sub Total** 1,653.0

**MTFP PRESSURES GRAND TOTAL** 9,338.4

Additional detail on Annual Plan links, Sustainability, Community Safety, Equalities and Access to services and Risk Management implications for each of these pressures is available on request from the Financial Planning Section – contact Paul Deal on 01823 35 6970.

## APPENDIX 5: Budget Savings

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles:

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
ALL ALL	Savings from Procurement Transformation	Sum of Individual Savings signed off by Procurement Steering Group (which may be subject to change)	(3,205.9)	Various - dependent on individual programmes	Many will have a minimal impact, as they are Efficiency Savings. However, the Saving on Care Contracts will have impact on all providers particularly in view of the economic downturn and the need to maintain quality service provision. Impact on providers also has direct relationship to inflationary factors.
Community Adult Social Care	Preserved Rights	Reduction in level of preserved rights funding needed in line with reducing levels of demand.	(200.0)	Apr-10	No impact on outcomes as demand is steadily reducing.
Community Adult Social Care	Spot purchase of Residential Beds	Reduction of 30 Residential Care Spot purchased beds for Older People	(442.0)	Apr-10	Very limited impact on outcomes for service users as residential care services are fairly well spread across the County. Main risk is if demand for residential care escalates beyond our forecasts, budget may overspend and require corrective action to ensure financial balance.
Community Adult Social Care	Achieving an appropriate balance between costs of care at home and residential care	Ensure careful consideration of each client's needs whilst also balancing costs of care at home with residential care costs.	(116.0)	Apr-10	Limited impact on outcomes for service users. Main risk is if appropriate balance is not achieved then risk of overspending in either home care or residential care budgets.



## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Community Adult Social Care	Transitions Into Adulthood	Utilise specialist advice for each Transitions case to maximise income streams, minimise care costs and maximise independence, choice & control.	(20.0)	Apr-10	Reduce Adult Care costs & improve Value for money. Maximise funding streams for children in Transition, creativity to support move to adulthood.
Community Adult Social Care	National Vocational Qualification assessments for adult social care staff	Change the way in which we access National Vocational Qualification assessments as part of our social care staff training.	(145.0)	Apr-10	Same outcome for less money.
Community Adult Social Care	Specialised Residential Care	Secure external funding in line with inflationary increases in order to match income to current cost levels	(71.0)	Apr-10	No impact on outcomes
Community Adult Social Care	Debts to Accrue	Additional income as a result of an increase of Self Funding service users in Residential Care	(100.0)	None	An increasing trend in the numbers of older people with their own property but whose income or other assets are low. We financially assist them until their property sells whereby we recoup our contribution. This should not have a negative impact on performance, as DoH advice is to exclude them from KPI's.
Community Adult Social Care	Reduction in Residential Care Beds	Reduce capacity in Residential Care home beds. This reduction in capacity can be managed providing activity does not increase drastically.	(143.0)	None	We expect this to support our performance in reducing new admissions to residential care and help people stay in their own homes for longer.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Community Adult Social Care	Reduce Prior Year Demography pressures	Reduce Prior Year Pressures re: Demography in years 1 & 2 Older People = £495k/£510k Younger Physically Disabled = £239k/£246k Mental Health = £305k/£314k	(420.0)	None	Balance of responsibility between NHS and LA for funding complex care is changing. Aim to manage increased demand with lower level of LA funding and by increasing waiting times.
Community Adult Social Care	Self Funders	End subsidy to Self Funders paying maximum weekly charge & no longer contract for long term care at home on behalf of all self funders.	(32.0)	Apr-10	Reduces costs of Care at Home and back office functions in arranging care/debt collection. Continue to provide self funders with assessment of needs, a time limited crisis response service and information and advice re long term services - supports Personalisation
Community Community Regeneration	Efficiencies in use of Arts budget	Find efficiency gains through changes in the commissioning of arts development/delivery. To be achieved through a strategic review of current practice, which is already under way, involving our key arts providers.	(12.0)	Apr-10	No impact on outcomes for the public. Focus SCC commissioning on organisations delivering strategic impact and contributing to development of growth areas identified in regional strategies. Encourage organisations to work more collaboratively to achieve efficiencies without loss of service to the public.
Community Community Regeneration	Increase efficiency of operational heritage service	Increase efficiency e.g. increasing income from traded activity and delivery of operational efficiencies	(54.0)	Apr-10	Limited impact on outcomes for the public.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Community Community Regeneration	Additional efficiencies and changes to activity in Economic Development	Achieve additional income/efficiencies from the Somerset Visitor Centre, efficiency gains from providers via contracts; increase income/cost recovery from economic development activity.	(38.0)	Apr-10	No impact on outcomes for the public.
Community Community Regeneration	Reduce lower priority European memberships and partnerships	Stop funding of two European memberships (Assembly of European Regions; and Conference of Peripheral and Maritime Regions) and funding for Vendee work. Reduce travel costs associated with lower priority European work.	(10.0)	Apr-10	Reduces involvement in two European partnerships that have little potential to provide external funding opportunities for SCC.
Community Community Regeneration	Management structure review across the service.	Review of current organisational structure within community regeneration services to identify savings.	(18.0)	None	Impact on outcomes will be determined as part of the review - is likely to result in merger of existing groups with potential loss of specialist expertise and reduced capacity.
Community Cross Directorate	Assessment & Care Management	Start re-shaping Assessment & Care Management across all adult client groups. Improve customer access and self-service options.	(38.4)	Apr-10	Aim is to improve outcomes for the public by better access to services, using more efficient delivery models.
Community Cross Directorate	Disability Employment Services	Greater efficiencies from (a) partnership between LD Work Prep services and PLUSS and (b) new long-term contract with PLUSS	(50.0)	Apr-10	No/very limited impact on outcomes for clients.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Community Cross Directorate	Day Services	Reprovision of "Lifestyle Support" across all Adult client groups, reducing reliance on Day Centres. Ensure delivery of appropriate respite day care.	(467.0)	Apr-10	Aim is to improve outcomes for the public but some existing service users and carers may be concerned about changes. This risk will be mitigated through careful service planning ensuring service user and carer involvement. The goal is to deliver more personalised short-term services and support to help people to help themselves. Improve choice for locations of respite day care. Fewer people will receive long-term, on-going services.
Community Cross Directorate	Service User Participation / Advocacy	Rationalise the current range of service user participation and advocacy services. Deliver efficiency gains to offer a more integrated service for all adults at a lower cost.	(111.0)	12 - 18 Months	Limited impact on outcomes for the public. Efficiency gains are possible across the range of current providers. Changes should lead to greater consistency. Better targeting of advocacy support will mitigate any potential reduction in service activity.
Community Cross Directorate	Alternative Commissioning Models	Work with PCT and other partners to change some of current commissioning to achieve better return on investment e.g. Crisis Response Care and Rehabilitation	(744.0)	Apr-10	No impact on outcomes for the public. Aim to buy more effectively. Risk of non-achievement of saving is high given the degree of change in commissioning required in a short space of time. Risk will be mitigated in part by leveraging in additional non-recurrent capacity from regional level to help implement service changes.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Community Learning Disabilities	Negotiate reductions in high cost care placements	Review high cost placements and seek to reduce spend by negotiating with providers. This may incorporate exploring options for alternative accommodation.	(50.0)	Six Months	Limited risk of impact on outcomes for clients as proposal explores alternative accommodation options. This will be mitigated by careful negotiation with providers. Risk of not achieving saving is substantial as planned contract savings make reduced costs of placements harder to achieve. Extra pressure on services reassessing needs.
Community Learning Disabilities	Somerset Total Communication (STC)	Discontinue annual purchase of STC development support. There is substantial STC expertise within LD service to continue day-to-day use of signs, symbols and other communication tools.	(25.0)	Apr-10	Limited impact on outcomes for clients but will mean ongoing specialist communications development and staff training is reduced.
Community Learning Disabilities	LD - Modern Apprenticeship Placements in the LD Service	As part of its recruitment strategy, LD services currently take on Modern Apprentices each year as additional staff that can later be offered employment within the service. It is proposed to cease offering these apprenticeships	(30.0)	Apr-10	No impact on outcomes
Community Learning Disabilities	LD In House Accommodation service	In line with expectations for contract efficiencies for purchased services, the direct accommodation service has also been given an efficiencies target	(170.0)	Apr-10	No impact on outcomes for clients. Some risk of non-achievement of saving as in-house service has limited control over corporate back-office costs.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Community Learning Disabilities	LD - Decommission Briar Court, Bridgwater	Briar Court is a service that has carried long-term voids due to the style of shared accommodation. The service is planned for closure, leading to savings in staffing and running expenses budgets	(100.0)	Apr-10	No impact on outcomes, more suitable alternative accommodation is being identified for the remaining residents.
Community Learning Disabilities	Reduce Prior Year Demography pressures	Reduce Prior Year Pressure re Demography by £200k in each year. Manage impact by review of highest cost cases and by use of new service at Parfields to reduce cost of care packages but maintain planned activity levels.	(200.0)	None	Potential impact on service provision to meet the needs of increasing number of adults in Somerset with a learning disability. Affects NI 136 - Adults with a LD component
Community Learning Disabilities	Somerset PCT contribution to demography pressures	Contribution agreed with Somerset PCT towards demography pressures in LD Pooled Budget	(400.0)	None	No impact on service provision and performance as substitution of funds
Community Partnerships and Community Development	Revise delivery of Community Development function.	Embed Community Development function into mainstream work of Directorate, removes need for a separate team.	(130.0)	Apr-10	Very limited impact on outcomes for the public. The dedicated function helped to develop staff practice and learning, this can now be a routine part of the Directorate's work.
Community Partnerships and Community Development	Community Safety Team	Reduction of capacity within SCC's Community Safety Team of £40,000, from £171,610 to £131,610. This involves deleting one Community Safety Officer post plus admin support.	(40.0)	Apr-10	Limited impact on direct outcomes for the public. Post has been removed via vacancy freeze.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Community Partnerships and Community Development	Review Rural Housing Enablers activity	Review effectiveness of return on investment through Rural Housing Enablers activity, working with the Community Council for Somerset	(35.0)	6 Months	Some potential impact on outcomes for the public. This will be mitigated by a larger scale review and refocus of work across strategic partners to tackle affordable housing, seeking to deliver a more effective return on investment.
Community Partnerships and Community Development	Somerset Association of Local Councils (SALC)	Withdraw funding support to Somerset Association of Local Councils (SALC)	(4.0)	6 Months	Reduce the quality of dialogue and collaboration between SCC and local (Parish and Town) councils.
Community Partnerships and Community Development	Discontinuation of Local Initiatives Budget (LIB) scheme	Discontinuation of Local Initiatives Budget scheme - funds remaining after transfer of £10k per councillor per annum into the expanded community budgets scheme.	(290.0)	Apr-10	Some reduction in financial support to community groups. Risk will be mitigated by maintaining one source of grants for community projects and clear signposting to funding sources.
Community Partnerships and Community Development	Community Safety - Building Safer Communities Funds	Reduce funds available for community safety partnership work by £230,000 from £571,000 to £341,000 for drug and alcohol, domestic abuse and crime reduction work.	(230.0)	Apr-10	Somerset experiences low rates of crime and is a safe place to live. Budget reduction may have some impact on outcomes for the public but this will be mitigated by increasing the community safety efforts within all of our day-to-day service delivery as part of our Section 17 compliance.



## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Community Partnerships and Community Development	Strategy, Management and Business Support	A reduction of equivalent of 8 posts in management capacity and business support across the Directorate.	(226.0)	Apr-10	Some impact on outcomes for the public as this will reduce capacity across services to deliver timely service changes. Impact will be mitigated in part by greater use of programme management arrangements to prioritise workloads.
Community Partnerships and Community Development	Nextstep Volunteer Bureau	Re-specify the level of service provision within the contract held by Nextstep Volunteer Bureau (NVB) and reduce the contract price accordingly.	(50.0)	6 Months	Some impact on outcomes for the public as changes to the contract will slow the rate at which new volunteering opportunities can be supported.
Community Partnerships and Community Development	PLUSS Contract	Savings from efficiency clause built into contract with PLUSS - An arms length not for profit enterprise providing employment for adults with disabilities. Note only available if appropriate premises agreed and funded through B/w Property Review	(20.0)	None	Agreed efficiency saving built into contract
Community Partnerships and Community Development	Supporting People	Reduce Supporting People 2010/11 budget in line with SMB decision 8 September 2008. Note this is reliant upon Supporting People being transferred into Area Based Grant in 2009/10.	(867.0)	None	Will reduce the council's ability to fund housing related support and to enable vulnerable people to live as independently as possible in their accommodation or to prevent the loss of independence

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Community Partnerships and Community Development	Review Commissioning Arrangements	Review current approach to commissioning and contracting for services for vulnerable adults with a view to achieving some efficiency savings	(60.0)	None	Should be achievable without negative impact
Community Partnerships and Community Development	Community Safety - Police Community Support Officers (PCSO) Contract	Reduce SCC funding to PCSO Contract from £429,285 pa to £304,285.	(125.0)	Apr-10	The new funding for two PCSOs secured for the next two years from Government Office for the South West will mitigate limited impact on outcomes for the public.
CYPD Children's Social Care	Efficiency savings across Children's Social Care services	Cashable efficiency savings will be sought across all areas of the service, including a reduction in management capacity.	(267.0)	Various - dependent on individual programmes	No impact anticipated through routine efficiency savings.
CYPD Children's Social Care	Reconfiguration and Recommissioning of Care Provision	Reconfiguration of residential provision, replacing with fostering placements, is proposed. In addition, a further saving in year 3 is planned due to effective preventative strategies and early intervention, supported through multi-agency and partnership work with children and their families.	(382.0)	Various - dependent on individual programmes	Placement planning will ensure that future placements will better meet the needs of individual children. The overall saving is dependent on the preventative service delivering a reduction in child care population and full implementation of phase 2 of fostering strategy in delivering alternative placements.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
CYPD Children's Social Care	Central Recruitment Team	Reconfiguration of the central team, recruiting foster carers.	(70.0)	3 Months	Responsibilities will be reallocated to other staff in order to minimise the impact on the recruitment of foster carers.
CYPD Children's Social Care	Positive Activities for Young People	The money is used to fund school holiday activities for vulnerable young people, targeting year 11, and including "U-project" summer activities.	(131.0)	2 Months	There is a risk that vulnerable young people will spend less time engaged in positive activities outside of school term time. Mitigation strategies will be developed, exploring creative use of other sources of funding.
CYPD Children's Social Care	Reduction in Support Budgets	Reduction in area team budgets.	(22.0)	3 Months	Effective early intervention and preventative work through local service teams is expected to reduce demand on this budget, reducing the impact of the reduction.
CYPD Educational and Individual Services	Recommissioning of social inclusion and SEN services	Recommissioning of area education and school support services, ensuring the full cost of the service is funded appropriately, particularly in respect of grant funding (this will require reprioritisation of the central Schools Budget).	(190.0)	2 Months - to include consultation with Schools Forum	Any potential impact on outcomes to be mitigated through joint commissioning of support services with schools.
CYPD Educational and Individual Services	Reconfiguration of individual and specialist educational services, including disability services	Review SCC funded activity and ensure that integrated core activities provide statutory services for pupils with Special Educational Needs and disabilities, through recommissioning of preventative & support work with schools and through grant.	(285.0)	2 Months - to include consultation with Schools Forum	Any potential impact on outcomes to be mitigated through joint commissioning of support services with schools and partners.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
CYPD Educational and Individual Services	Paediatric Therapies Commissioning	Efficiency savings through joint commissioning process with the Primary Care Trust (PCT) re: purchased paediatric therapy services (Speech & Language, Physiotherapy, and Occupational Therapies).	(100.0)	Apr-10	New joint commissioning arrangements already in place delivering efficiency saving.
CYPD Educational and Individual Services	Education and Individual Service Transport	Reductions in spend on transport to special schools, mainstream schools, and Pupil Referral Units for pupils with Special Educational Needs by using innovative approaches including the commissioning of Special Schools & PRUs to provide transport.	(198.0)	3 Months	More creative and responsive transport solutions will reduce costs and better meet the needs of young people.
CYPD Partnerships	Reduction in Children's Fund.	Reduction in preventative services for children & young people - often delivered through grant to community sector and via direct delivery in Local Service Teams.	(166.0)	Apr-10 (Contractual changes required in subsequent years)	Reduced preventative services may have an adverse impact on outcomes putting pressure on reactive services in the longer term. This will be closely monitored with action taken to mitigate the impact.
CYPD Partnerships	Local Service Team reductions	Reduce discretionary provision towards core, whilst considering capacity to commission. Rationalisation of local service provision over the medium term.	(70.0)	3 Months	Reduced scope and capacity to be mitigated through effective partnership arrangements at a local level, including work with schools.
CYPD Partnerships	Efficiency savings across Partnerships services	Reduce service to tightly funded core provision with strategic commissioning role, seeking efficiency savings across the service area.	(40.0)	Apr-10	No impact anticipated through routine efficiency savings.
CYPD Partnerships	Reduction in Connexions service.	Funds Careers Education / Information Advice & Guidance (CE / IAG) for all with additional support for most needy young people.	(100.0)	3 Months	Planned reduction in funding.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
CYPD Partnerships	Reduction in Extended Schools Funding.	Extended Schools funding has been planned across a three-year programme, accommodating a forecast decline in overall resources in 2010/11.	(252.0)	Apr-10	Efficiencies can be achieved without affecting services to children and young people.
CYPD Partnerships	Integrated Youth Services	Reduction in number of SCC youth workers and levels of grant to the voluntary / Community Sector. Reduction in budgets available to deliver Young Peoples' (YP) programmes and engage with local communities to jointly support provision for YP.	(50.0)	4 Months to allow community and staff consultation in Year 1.	Reduction in numbers of staff to support young people in a range of youth provision & follow up preventative & targeted work with more vulnerable young people. Reduce ability to work with local communities and partners due to lack of staff and supporting budget. Risk of increased youth disaffection / community safety issues.
CYPD Schools and Achievement	Reduction in cost and increase in income	Reduction in net costs by reduction of one policy officer post (retirement), of running costs and by charging an appropriate level of income for the admissions function to the central Schools Budget.	(65.0)	Apr-10	Reconfiguration of the Planning and Admissions function is part of the reshaping of the centre of the Directorate, providing an opportunity to update budgets and reduce net cost.
CYPD Schools and Achievement	Transport policy and procurement	Implement policy and procurement changes to reduce the net cost of Home To School Transport, including rationalisation of nearest catchment schools, increased denominational transport change, a review of transport arrangements for excluded and transferred pupils, route reviews and changes to contracting arrangements.	(220.0)	Various - dependent on individual programmes	Proposals support Local Schools for Local Children as far as possible, recognising statutory home to school transport responsibilities. Some impact for a small number of families. No impact on outcomes of procurement improvements.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
CYPD Schools and Achievement	Service review in the light of change in national School Improvement Strategy (SIP)	Radical review of approach to school support and intervention in light of 21st century schools White Paper. Additional support through traded activity, managed by IWDT. SIPs to be key driver for school improvement and advisers to deliver statutory function.	(288.0)	Various - dependent on individual programmes	Impact of changes will be mitigated by development of traded support for schools and national changes to requirements and expectations.
CYPD Schools and Achievement	Alternative commissioning of Traveller Education as part of the Virtual School	Alternative commissioning of the Traveller Education Service as part of the Virtual School, bringing together education support for a range of vulnerable children and young people. This will require the reprioritisation of the central Schools Budget.	(69.0)	2 Months - to include consultation with Schools Forum	Improved coherence of educational support services provided to vulnerable children under the leadership of the Virtual Headteacher.
CYPD Schools and Achievement	Group Manager Post	Reduction of Group Manager post within e-Learning and Information Management (0.7fte saving as part funded from grant) as part of the wider reorganisation of the central commissioning functions across the directorate.	(58.0)	3 Months	Reduction in the number of Group Managers has been achieved as part of the reshaping of the Directorate, providing a stronger focus on commissioning, supporting area and locality working.
CYPD Schools and Achievement	Contribution to Directorate overheads	Contribution to Directorate fixed cost overheads from traded income.	(5.0)	Apr-10	No impact on outcomes. Necessary to ensure traded activity is charged at full cost.
CYPD Strategic Services	Overhead contribution from grant and traded income	Applying a consistent % contribution for overheads to all grant and traded income across the directorate. Annual review of potential for contribution, taking into account future forecast volumes of grant and externally funded activity.	(213.0)	Apr-10	No impact on outcomes. Necessary to ensure traded activity is charged at full cost.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
CYPD Strategic Services	Rationalise Strategic Management and business and admin functions	Cashable efficiency savings will be sought through exploiting synergies with the Community Directorate. This would include the Directorate Management Teams and business support functions. In addition, rationalise business and administrative functions across the Directorate	(50.0)	6 Months	No direct impact on outcomes for children and young people anticipated.
Environment Environmental Management & Regeneration	Charging for pre-application advice in relation to planning applications	Pre-application advice is currently given free of charge; in line with other authorities, it is proposed that SCC now charges for this service.	(10.0)	During 2010/11 Financial Year	By providing pre-application advice the quality of applications will improve, which can then lead to better developments and improved performance against NI157 (% of minerals and waste applications determined within 13 weeks).
Environment Environmental Management & Regeneration	Ceasing non-statutory duty of providing permanent accommodation sites for travellers	SCC divests itself of the 4 sites - Otterford, Westonzoyland, Berkeley Frome and Stogursey - currently managed for accommodation for gypsies. This is a non-statutory duty for the County Council. Retain Middlezoy Transit site to ensure effective enforcement.	(16.0)	As soon as possible in 2010/11	Lease/management of sites by another body will result in net ongoing revenue saving, and liability reduction for SCC. Potential sale could also be explored, giving a one-off capital receipt as well as the revenue saving.
Environment Environmental Management & Regeneration	Restructure of planning application processing	Restructuring of planning application processing function - with revised roles to provide a saving.	(27.0)	None	Focus on core business of processing planning applications; some non-statutory services will not be delivered.



## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Environment Environmental Management & Regeneration	Providing access to Middlezoy Transit Site for other Councils in Somerset	To improve enforcement capabilities, offer access to other Council's in Somerset to SCC's transit site at Middlezoy. To require an appropriate contribution towards the site's management.	(20.0)	2010/11 Financial Year	The Middlezoy transit site is a very effective tool when taking enforcement action against unauthorised encampments. Providing access to it by district councils who contribute towards its management will provide an income to offset the site costs.
Environment Environmental Management & Regeneration	Reduce contributions to Areas of Outstanding Natural Beauty (AONB)	Reduction of contribution from SCC; include a charge where SCC hosts and manages AONBs (Quantock and Mendip Hills).	(30.0)	2010/11 Financial Year	Some reduced ability of the AONB's - Blackdown Hills, Mendip and Quantock Hills - to provide their service. Need to ensure ability to undertake statutory work.
Environment Environmental Management & Regeneration	Reduction in service delivery associated with renewable energy and climate change	Change focus from the development of renewable energy technology in Somerset to carbon management and reduction.	(68.0)	Staff Consultation required.	Reduction in the ability to bring forward projects to contribute towards NI 186. Potential risk to reputation due to expectation that SCC will take lead role.
Environment Environmental Management & Regeneration	Removal of part-time Modification Officer Post from structure	Removal of 20 hour per week post from the structure (currently vacant).	(14.0)	None	Reduction of service provided in rights of way - dealing with modifications to the definitive map. However, processes that are more efficient have increased output so the loss of the post is not significant.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Environment Environmental Management & Regeneration	Rights of Way Service Review	Return of Agency Agreements from MDC & SSDC & service review to provide saving.	(62.0)	2010/11	Slight reduction of service provided in some areas of rights of way. Focus remains on key statutory duties - maintenance of network and definitive map.
Environment Environmental Management & Regeneration	Increased income from external sources	Target income from external clients for food and agricultural analysis work will be increased. Scale back some work for SCC accordingly, e.g. on trading standards, property & health and safety.	(49.7)	One Month	Scientific Services will change its emphasis towards more fee-earning (external) work and reduce service provision to SCC.
Environment Environmental Management & Regeneration	Cessation of the Somerset Aggregates Levy Sustainability Fund	The Somerset Aggregates Levy Sustainability Fund distributes DEFRA funding (generated by the Aggregates Tax) to community based projects in areas affected by the quarrying of aggregates.	(108.0)	Apr-10	Cease to fund community-based projects in those areas affected by aggregates extraction.
Environment Environmental Management & Regeneration	Cessation of the Somerset Landscape Scheme	End this grant-awarding scheme. Where possible applicants will be re-directed to alternative funding and grants.	(28.0)	Apr-10	Some additional loss of joint funding for the scheme from partners. Reduced ability to implement landscape improvement schemes.
Environment Highways and Street Management	Contract Procurement Savings	Savings through the new Network Contract securing competitive tender rates	(1,500.0)	Apr-10	No adverse impact is expected in this area.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Environment Highways and Street Management	Reduction in Staff	Remove one senior engineering technician post.	(32.0)	Apr-10	Reduced capacity to comply with the requirements of National Code of Practice.
Environment Highways and Street Management	Reduce Sign/Line Maintenance	Line and sign maintenance reduction through new contract.	(18.0)	Apr-10	Reduced ability to meet our obligations under the Traffic Management Act regarding works associated with Traffic Regulation Order (TRO) review.
Environment Highways and Street Management	Traffic Control maintenance, energy, communication and rationalisation of equipment	Use of LED and low and extra low voltage controllers and equipment, change of communication systems, reduced frequency of Lamp change, and removal of obsolete equipment.	(4.2)	Apr-10	No adverse impact is expected in this area.
Environment Highways and Street Management	New Roads and Street Works Act Introduction of Fixed Penalty Notice charges and additional Coring Income	New duties under the Traffic Management Act permit Local authorities to introduce charges for noticing and use of NRSWA allows coring charges to be issued on failed reinstatements	(65.1)	Apr-10	Fixed Penalty Notices will improve performance from those disrupting the highway. Increased coring will improve and protect SCC's Highways Asset. However, any improvement in contractors' performance will reduce income in this area.
Environment Highways and Street Management	Staffing reduction	Staffing reduction across the Traffic Management Group through removal of vacant posts in structure and reducing working hours where possible.	(86.8)	Apr-10	Reduced level of service. Possible litigation. Reduced capacity to fulfil our duties under the Traffic Management Act.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Environment Highways and Street Management	Renegotiation or modification of existing term Traffic Signal maintenance contracts.	By modifying and shifting maintenance cover of certain items, we can create a saving in the current maintenance arrangements.	(15.0)	Apr-10	No adverse impact is expected in this area.
Environment Highways and Street Management	Traffic signal design consulting	Provision of a signal design consultancy service would create a revenue stream and thus offset some of the traffic control team staff costs.	(10.0)	Apr-10	While staff time would be required to provide this service, the reduced need to check others work would greatly offset this.
Environment Highways and Street Management	Reduction in training budget	Reduction in Traffic management group training.	(2.7)	Apr-10	Slightly reduced knowledge base in some specialist areas.
Environment Physical Regeneration	Charge for pre-application planning advice	Charge for pre-application planning advice in Highways Development Control	(15.0)	Apr-10	May lead to reduced quality applications if not taken up (especially with smaller developers) and with more work consequently generated at application and post application stages.
Environment Physical Regeneration	Raise S106 & S278 / S38 fees to 7.5%	Fees charged for supervising developer funded and implemented highway infrastructure currently stands at 7% for S106 & S278 Agreements and at 6% for S38 Agreements. Proposal to increase to 7.5%	(36.0)	Apr-10	Likely to lead to increased pressure from developers to improve turnaround times and approvals for technical submissions.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Environment Physical Regeneration	Reduce engineering resource	Reduction of engineering resource by equivalent of 2 FTEs by the non-filling of vacancies.	(46.8)	Apr-10	Reduction in turnaround times for planning application responses or technical approvals of development proposals. Inadequate site supervision. Reduced ability to design and deliver transport schemes.
Environment Physical Regeneration	Reduce Major Scheme Preparation and Consultancy	Approx 7% reduction in the budgets used to procure specialist and detailed engineering design consultancy for existing and future major transport schemes.	(30.0)	Apr-10	Potential slower and reduced ability to prepare and progress Major Projects. Could impact upon delivery ambitions of partner agencies e.g. Project Taunton, Yeovil Vision, Bridgwater Challenge and possible missing of DfT funding opportunities.
Environment Physical Regeneration	Reduce Road Safety Grant contribution	Continuing to support the Avon and Somerset Safety Camera Partnership (safe cam) operations, but reducing Road Safety Grant contribution and using alternative funding.	(100.0)	Apr-10	We can offset grant contribution by funding through the regional speed choice programme. This will not affect the level of service provided. Possible risk that future Speed Choice surplus may be reduced.
Environment Physical Regeneration	Reduce Road Safety Operational Revenue	Second phase of a reduction to SCC's revenue funding for road safety operational activity.	(35.0)	Apr-10	Slow down development of new road safety activities and rely more on Police and Fire and Rescue resources.
Environment Physical Regeneration	Reduce Regeneration Activity	Reduce funding technical work and activity of delivery teams associated with visioning / regeneration activity at Project Taunton, Bridgwater Challenge and Yeovil Vision	(94.0)	Apr-10	Reduced funding limits our ability to provide technical support to regeneration initiatives and to provide match funding to support bids from other sources.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Environment Physical Regeneration	Reduce Strategic Planning Staff	Rationalise staffing structure within Strategic Planning and remove a post from the structure.	(24.0)	Apr-10	Reduced capacity in some areas e.g. participating in strategic housing services; supporting the Strategic Planning Conference, performance management of the transport service; involvement in corporate strategies such as flood and water management, gypsy & traveller needs assessment, cycling routes & disposal of county land.
Environment Physical Regeneration	Reduce Regeneration Activity	Reduce funding technical work and activity of delivery teams associated with visioning / regeneration activity at Project Taunton, Bridgwater Challenge and Yeovil Vision	(94.0)	Apr-10	Reduced funding limits our ability to provide technical support to regeneration initiatives and to provide match funding to support bids from other sources.
Environment Trading Standards & Service Improvements	Civil Contingencies - smarter ways of working	New ways of working within Civil Contingencies will remove the need for administrative support	(16.5)	Staff Consultation required.	No adverse impact is expected in this area.
Environment Trading Standards & Service Improvements	Restructure DMT support and correspondence monitoring system	Reduce admin resource by one third due to SAP efficiencies bedding in and restructure to deliver more efficient correspondence monitoring.	(19.5)	None	No adverse impact is expected in this area.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Environment Trading Standards & Service Improvements	Review staff and member engagement	Reduce some direct internal staff communications e.g. publish all customer service standards and directorate plan only on website	(18.6)	Apr-10	No adverse impact is expected in this area.
Environment Trading Standards & Service Improvements	Reduction in Project Management, Equalities and Business Support Capacity	Reduction in staff capacity for future efficiency projects; equalities and for day-to-day running of the contract with Southwest One	(4.4)	None	Reduction in the Directorate's capacity to deliver future efficiency savings; lack of equalities resource for managers; less support for frontline services in working with South West One.
Environment Trading Standards & Service Improvements	Close Yeovil Office - remainder of previous saving	Full year effect of a previous decision to close Yeovil Office.	(1.3)	Apr-10	No adverse impact is expected in this area.
Environment Trading Standards & Service Improvements	Reduced enforcement officer capacity through restructuring - year 2 of 2	Deleting a further service delivery enforcement officer post (Currently vacant).	(28.0)	Staff Consultation required.	Reduce capacity to provide services e.g. business advice; investigation of consumer complaints; underage sales checking & other Community Safety initiatives. Possible reduced satisfaction from local traders, & less protection from unfair competition.



## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Environment Trading Standards & Service Improvements	Reshaping the management structure	Reduction in management capacity within the Trading Standards service. This is the second phase of this process.	(38.5)	Staff Consultation required.	Reduce capacity to take formal actions - e.g. prosecutions, reducing effectiveness against rogue traders such as tarmac gangs, roofers, and sellers of counterfeit goods. Loss of nationally recognised & qualified staff. Reduced corporate & regional input capacity.
Environment Transporting Somerset	Contract Consolidation	Examine Contract Procurement and package contracts better to ensure better value - Category Plan Saving	(245.0)	3 Months	No adverse impact is expected in this area.
Environment Transporting Somerset	Expand Provision to Health Service	Income generation. Make use of ability to acquire transport efficiently to sell service to additional health clients	(10.0)	3 Months	No adverse impact is expected in this area. The risk may be increased staffing costs to cover if the contract is withdrawn.
Environment Transporting Somerset	Review Accessible transport services	Review amount and coverage of Accessible transport services	(30.0)	3 Months	Some reduction in accessibility in rural areas. Possibility of missing of key LTP performance indicators.
Environment Transporting Somerset	Switch accessible transport to in-house provision	Switch expensive external provision to in-house provision	(40.0)	3 Months	No adverse impact is expected in this area. Downturn in use over a long period may result in residual costs.
Environment Transporting Somerset	Reduce subsidy to Tendered Services	Reduce financial assistance to bus services. Most public bus services are subsidised and some services will cease as a result.	(87.4)	Contract changes - 3 Months?	Reduction in accessibility in rural areas. Missing of key performance indicators. Little mitigation possible.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Environment Waste Services	Delete Head of Strategy post	To remove the Head of Strategy post from the Somerset Waste Partnership structure.	(23.9)	Apr-10	Reduced capacity to take on future efficiencies / projects. (Additional saving of £28.1k for District partners).
Environment Waste Services	HWRC opening hours, restrictions and charges	Phased programme of policy changes at HWRCs. Impose restrictions on rubble, and charges for excess rubble and tyres.	(329.0)	Change policies, negotiate contract changes and communicate to public.	Reduced quantities of targeted waste entering HWRCs.
Environment Waste Services	Waste Minimisation Strategy	Implement the Waste Minimisation Strategy and set a continued downward waste volume target for disposal.	(699.2)	Apr-10	No adverse impact is expected in this area.
Environment Waste Services	Reduce Head Office costs	To substantially reduce budget lines for travel, admin, IT, strategy & communications	(50.6)	Apr-10	Slight impact on our ability to deliver waste education to residents. (Additional saving of £60.4k for District partners).
Environment Waste Services	Reduce HWRC maintenance programme	To reduce the amount of repairs and maintenance that is routinely done on the HWRCs by 1/3	(45.0)	Apr-10	Potential deterioration of our HWRC sites, although would not affect health and safety works.
Environment Waste Services	Delete restored landfill survey and works budget	Remove the capacity to deal with minor works at restored landfill sites. No surveying of restored landfill sites. (N.B. Retaining site management and test sampling).	(100.0)	Apr-10	No routine surveys of the sites. No budget available for maintenance works at restored sites. Site management and sampling greatly mitigate any risk.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Resources Client Function	Pay award	The estimated 2007/08 pay award was incorporated into the affordability budget and thus formed part of the established Unitary Charge for Southwest One services. However, the actual pay award proved to be lower and the Client Services Team successfully renegotiated this reduction.	(70.0)	Apr-10	Outcome will have no adverse effect on the performance / output of services within Southwest One. This was an agreed action by both parties at the point of contract setting and thus merely a resetting of the base cost of defined services and outputs.
Resources Client Function	Non filling of vacancy	Not appointing to a vacant post within the Transformation Group.	(40.0)	Apr-10	Compromise on the checks and processes to deliver transformation projects, in particular procurement - which is an important element of future savings.
Resources Community Leadership & Improvement	Members Costs - SRA's	Savings resulting from a reduction in the number of member roles attracting SRA under the Member Allowances Scheme. Full-year impact of decisions taken in 2009/10.	(50.0)	Apr-10	None
Resources Community Leadership & Improvement	Reduce corporate support for quality assurance activities	Reduce staffing and associated budget for various corporate training and project support areas	(31.0)	3 Months	Inconsistent practices across organisation will result. No overview of major projects.
Resources Community Leadership & Improvement	Renegotiation of a Contract & absorption of client costs	Renegotiation of a Contract & absorption of client costs	(100.0)	6 Months	Possible reputation damage to SCC

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Resources Community Leadership & Improvement	Reduce committee servicing in line with requirements of the new council	Reduction of staff dedicated to committee support. Reduction in meeting costs as a result of reduced member activity	(40.0)	3 Months	Will reduce support levels for the scrutiny function and supporting partnerships. Sufficient staff remaining to support main Scrutiny, the Children's Trust Scrutiny Panel and one task and finish group at any one time.
Resources Community Leadership & Improvement	Reduce member support activity in line with requirements of the new administration	Reduce staffing to reflect lower levels of activity together with an unallocated proportion of additional member support funding provided by the pre-June Council.	(80.0)	3 Months	Reduce levels of member support for anything other than absolute core member activity. A minimum level of member induction, training and support will be maintained.
Resources Community Leadership & Improvement	Withdrawing of grant to LSPs / Reduction in support to SSP	Cease to provide annual match funding grant to 5 district LSPs (£125K); Cease to provide project fund to SSP (£70k); Reduce support to SSP (£25k)	(210.0)	Apr-10	Potential negative impact on relationships with local partners. Increased burden likely to fall on other strategic partners. Could reduce likelihood of attracting future reward grant to Somerset.
Resources Community Leadership & Improvement	Removal of Community Budgets scheme	Withdrawal of scheme allocating each Councillor an annual budget of £10,000 to use in their electoral division.	(580.0)	Apr-10	No direct impact on outcomes.
Resources Community Leadership & Improvement	Members Expenses Reduction	Options for savings subject to political decision - to be achieved through: Reduced levels of member activity; and / or Reduced allowance levels of payment	(72.3)	2 Months	Potential impact on Councillor effectiveness

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Resources Community Leadership & Improvement	Your Somerset	Explore potential for support from PRG funds to enable Your Somerset to evolve into a wider Public Sector Services publication. Explore other sources of advertising revenue	(18.0)	Apr-10	Reduce ability of council to speak directly to residents. Impact on profile of SCC. Reputation risk to council. Loss of income from public sector agencies such as NHS and Police. Reduction in ability to promote responsive services. Reduction in ability to promote investment in Somerset.
Resources Directorate Management	Reduction in supplies & services budget	Reduction in supplies & services budget	(20.0)	6 Months	Reduced support to management
Resources Finance Department	Not filling current vacancies	Removal of project accountant capacity and support to the Financial Planning function	(19.0)	6 Months for one vacancy and immediate for the other	Reduced support to the MTFP process and the core Corporate Accounting function
Resources Finance Department	Not filling current vacancies	Not filling a currently vacant post	(30.0)	Apr-10	Reduced support to the MTFP process and the core Corporate Accounting function
Resources Finance Department	Increase management recharge to Insurance Fund	Charging the Insurance Fund more for Finance Senior Management time to reflect better management input would generate income.	(10.0)	Immediate after agreement	None

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Resources Human Resources	Recharge to Trading Account	Charge Management fee to Somerset Skills & Learning to cover time of Head of Service and Other retained staff services	(30.0)	Apr-10	Somerset skills and Learning will be required to generate additional external income in order to pay this management fee without funding from County Council.
Resources Human Resources	Staff Survey	The Annual Staff Survey will not be carried out.	(25.0)	3 Months	Lose a channel to hear staff views and the ability to compare these with those of other organisations as part of benchmarking.
Resources Legal Services	Publications	This saving would cut the budget for Legal Services expenditure on publications. Work underway to manage with an online library	(15.0)	3 Months	It could diminish the capacity for staff to function effectively. On-line library will diminish but not mitigate this.
Resources Legal Services	One redundancy	One post to be made redundant	(23.0)	6 Months	Restructuring will be done to minimise the impact of this but support will be reduced
Resources Property Services (incl Wyvern)	Posts within Property	Reduction in staffing within the Corporate Property Group	(47.0)	3 Months	Potential for reduced income and substantial reduction in capacity
Resources Property Services (incl Wyvern)	Repairs & Maintenance cut	Reduction in the Repairs and Maintenance Budget.	(100.0)	Apr-10	There will be an increased risk of deterioration in some of SCC's buildings. There is also a greater risk of overspend on this budget as it is by nature in part reactive as urgent repairs become necessary.

## APPENDIX 5: Budget Savings – (continued)

### 5.1 All other Savings and Efficiencies – From this and previous budget cycles – (continued):

Directorate Service	Project title	Description	2010/11 Net Saving £000	Lead Time	Impact on Outcomes:
Resources Registrars	Protection lapsing for Registrars & Other Efficiencies	Salary protection for certain staff will lapse in February 2011, plus different ways of working should lead to further efficiencies	(26.5)	Apr-10	Could affect staff morale and cause problems with retention. Any large increase in turnover would be difficult to manage as these are skilled staff
Resources Human Resources	Removal of concessionary fees for Adult learning	At Executive Board in February 2007, members agreed a concession offered to individuals in receipt of benefits who attend Personal and Community Development Learning (PCDL) courses.	(12.6)	None	Reduced take up of provision amongst low-income families. In 2007/08, our target was 12,500 learners, of these 900 claimed the 50% reduction for being on benefits. Therefore, there is an immediate 7% risk on us achieving next year's target if the concession is removed

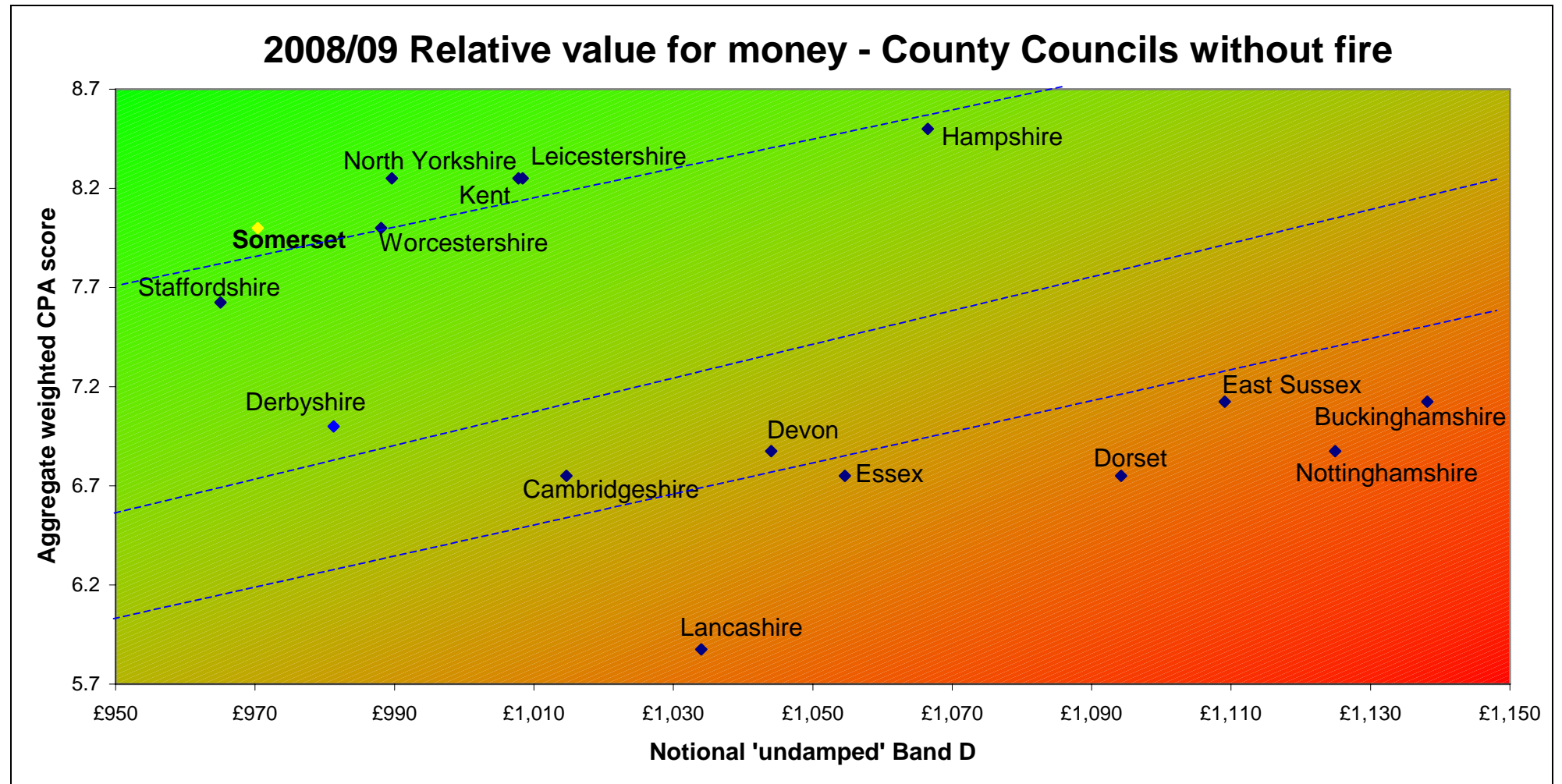
**TOTAL Savings Proposed** **(18,763.9)**

Additional detail on the Risk Management implications and sustainability issues for each of these savings options is available on request from the Financial Planning Section – contact Paul Deal on 01823 35 6970.



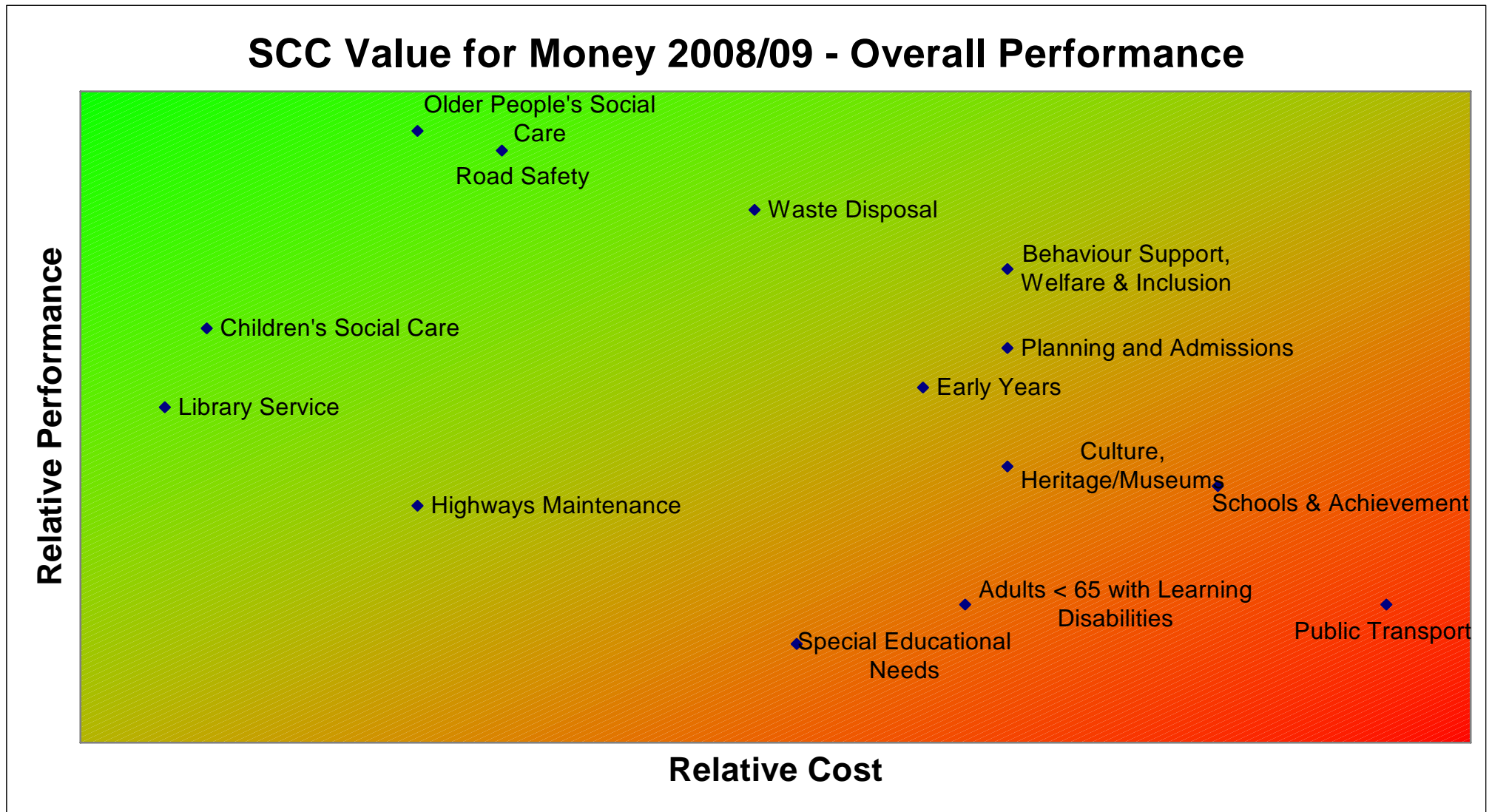
## APPENDIX 6: Somerset County Council 2008/09 Value for Money Scatter Graphs

### 6.1 SCC compared to other County Councils without responsibility for Fire.



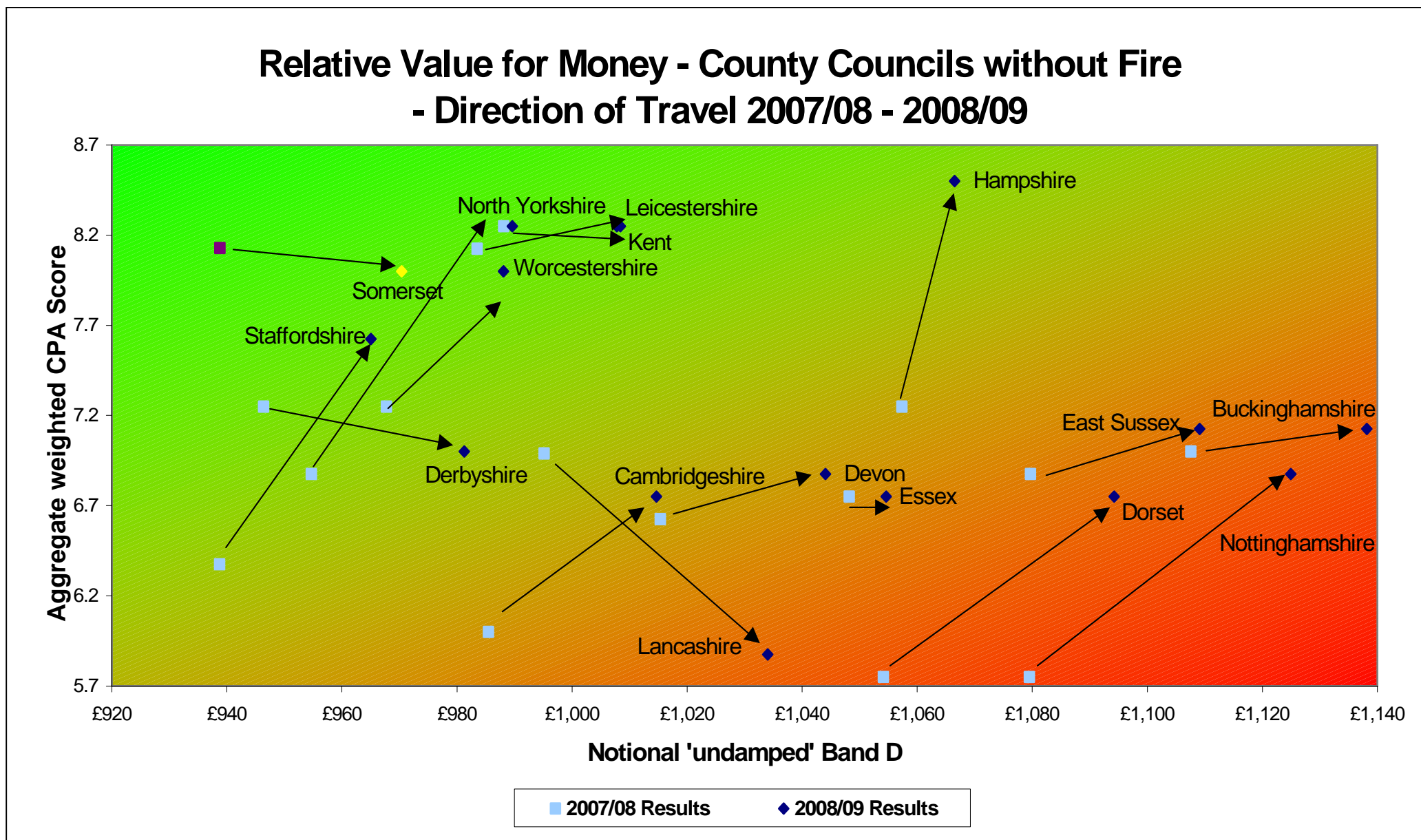
## APPENDIX 6: Somerset County Council 2008/09 Value for Money Scatter Graphs

### 6.2 SCC Services compared to family groups



## APPENDIX 6: Somerset County Council 2007/08 Value for Money Scatter Graphs

### 6.3 SCC compared to other County Councils without responsibility for Fire – Direction of Travel:





## 14 References:

- <sup>1</sup> 1 – [Audit Commission](#);  
2 – [Care Quality Commission](#);  
3 – [HM Inspectorate of Constabulary](#);  
4 – [HM Inspectorate of Prisons](#);  
5 – [HM Inspectorate of Probation](#); and  
6 – [Ofsted](#).
- <sup>2</sup> Available at: <http://www.somersetstrategicpartnership.org.uk/community/>
- <sup>3</sup> Available at: <http://www.somersetstrategicpartnership.org.uk/home/>
- <sup>4</sup> Includes: Shire Counties, Unitary Authorities, Shire Districts, Metropolitan Districts and London Boroughs, excluding the Isles of Scilly.
- <sup>5</sup> Scored 1 or Zero stars
- <sup>6</sup> Source: [Somerset \(2009\) Encyclopaedia Britannica](#).
- <sup>7</sup> Source: Office of National Statistics 2008 Mid-year Population Estimate – [South West Newsletter 21 - September 2009](#)
- <sup>8</sup> Source: [Wikipedia](#)
- <sup>9</sup> Source: Office of National Statistics 2008 Mid-year Population Estimate – [South West Newsletter 21 - September 2009](#)
- <sup>10</sup> Source: Office of National Statistics 2008 Mid-year Population Estimate – [South West Newsletter 21 - September 2009](#)
- <sup>11</sup> Source: [Wikipedia](#)
- <sup>12</sup> Source: [Wikipedia](#)
- <sup>13</sup> Source: [Exmoor National Park](#)
- <sup>14</sup> Source: [Enjoy England](#)
- <sup>15</sup> Source: [The Place Survey, 2008](#)
- <sup>16</sup> Source: [NOMIS – Official Labour Market Statistics](#)
- <sup>17</sup> Source: [2008 Annual Survey of Hours and Earnings \(ASHE\) by residence \(mean average\)](#)
- <sup>18</sup> Source: <http://www.somersetwaste.gov.uk/pages/Statistics.asp>
- <sup>19</sup> Document can be downloaded from:  
<http://www.somersetstrategicpartnership.org.uk/>
- <sup>20</sup> Document can be downloaded from:  
<http://www.somersetstrategicpartnership.org.uk/laa/>
- <sup>21</sup> Document can be downloaded from  
<http://www.communities.gov.uk/documents/localgovernment/pdf/143810.pdf>
- <sup>22</sup> The single pot means that the SCE can be used to fund any capital investment programme – it is not ring-fenced.
- <sup>23</sup> Ring-fenced grants are paid to local authorities with restrictions in which it must be spent. They are often distributed to fund particular services or initiatives that are considered of national priority.
- <sup>24</sup> Totals and proportions based on authorities in existence on 1<sup>st</sup> April 2008, as detailed within the 2010/11 Provisional Settlement issued in December 2007.
- <sup>25</sup> The Government's explanatory paper can be found at  
<http://www.local.odpm.gov.uk/finance/0809/fdamp1011s/paper.pdf>
- <sup>26</sup> Authorities include: SCC, Avon & Somerset Police, the 5 District Authorities, and Devon & Somerset Fire.
- <sup>27</sup> £74m / 538,975 (2010 Sub-National Population Projections)

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<sup>28</sup> A new burden is defined as any new policy or initiative which increases the cost of providing local authority services. Government as a whole are committed to ensuring new burdens falling on local authorities are fully funded.

<sup>29</sup> Source: [http://archive.cabinetoffice.gov.uk/pittreview/thepittreview/final\\_report.html](http://archive.cabinetoffice.gov.uk/pittreview/thepittreview/final_report.html)

<sup>30</sup> Source: <http://www.communities.gov.uk/publications/communities/preventstrategy>

<sup>31</sup> Source:

[http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/lc\\_uk/crc/user\\_guidance/user\\_guidance.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/crc/user_guidance/user_guidance.aspx)

<sup>32</sup> The split of formula grant between RSG and NNDR is notional for 2011/12

<sup>33</sup> From 2010/11, Supporting People Grant will merge into Area Based Grant. Indicative grant allocations for 2009/10 and 2010/11 are £17.345m and £16.478m respectively.

<sup>34</sup> Available at: [http://www1.somerset.gov.uk/council/board1/2010\\_February\\_17\\_Item\\_7.2\\_Medium\\_Term\\_Financial\\_Plan\\_210-11\\_to\\_2012-13\\_Reports\\_on\\_Robustness\\_of\\_the\\_Estimates\\_and\\_Adequacy\\_of\\_Reserves\\_and\\_Balances.pdf](http://www1.somerset.gov.uk/council/board1/2010_February_17_Item_7.2_Medium_Term_Financial_Plan_210-11_to_2012-13_Reports_on_Robustness_of_the_Estimates_and_Adequacy_of_Reserves_and_Balances.pdf)

<sup>35</sup> Available at: [http://www1.somerset.gov.uk/council/board10/2008\\_July\\_8\\_Item\\_9\\_Capital\\_Strategy\\_Appendix\\_A.pdf](http://www1.somerset.gov.uk/council/board10/2008_July_8_Item_9_Capital_Strategy_Appendix_A.pdf)

<sup>36</sup> The County Council receives Revenue Support Grant to finance borrowing up to a specified limit, hence the borrowing is supported.

<sup>37</sup> The single pot means that the SCE can be used to fund any capital investment programme – it is not ring-fenced.

<sup>38</sup> A Section 106 Agreement is a legal agreement between the Planning Authority and the applicant/developer and any others that may have an interest in the land. They enable a council to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

<sup>39</sup> Document can be download from:

<http://www1.somerset.gov.uk/council/board1/2010%20February%2017%20Item%207.1%20Medium%20Term%20Financial%20Plan%202010-11%20to%202012-13%20Appendix%20F.pdf>

<sup>40</sup> Document can be downloaded from:

[http://www1.somerset.gov.uk/council/board1/2010\\_February\\_17\\_Item\\_7.2\\_Medium\\_Term\\_Financial\\_Plan\\_210-11\\_to\\_2012-13\\_Reports\\_on\\_Robustness\\_of\\_the\\_Estimates\\_and\\_Adequacy\\_of\\_Reserves\\_and\\_Balances.pdf](http://www1.somerset.gov.uk/council/board1/2010_February_17_Item_7.2_Medium_Term_Financial_Plan_210-11_to_2012-13_Reports_on_Robustness_of_the_Estimates_and_Adequacy_of_Reserves_and_Balances.pdf)

<sup>41</sup> Members may wish to refer to this document for further details on the Local Government Pay negotiations

<http://www.lge.gov.uk/lge/aio/3893112>

<sup>42</sup> [http://www.hm-treasury.gov.uk/spending\\_sr04\\_efficiency.htm](http://www.hm-treasury.gov.uk/spending_sr04_efficiency.htm)