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Dear

WILTSHIRE RESOURCES 2003-04

This is an uncertain period for local government finance but in Wiltshire we welcome the formula review you have undertaken and we are hopeful of an outcome which will more accurately reflect our service needs. I am particularly pleased to see the prospect of area cost adjustment for Wiltshire. This is something I personally have campaigned for over many years and I have always believed our case for the additional resources was clear and convincing. I sincerely hope this will be recognised and not diluted by other changes elsewhere in the resource allocation system.

My purpose in writing to you now is to tell you how we have further developed our financial and performance plan which covers the three year period from 2003-04 – 2005-06. I hope you will be interested to hear the approach we have taken. We have analysed probable spending requirements, net of efficiency savings, over the three years at two distinct levels. Initially we have calculated the amount required to maintain delivery of services at current standards. This incorporates the cost of inflation and demography. On top of this we have then determined the higher level of resources that would be required to achieve the various service targets, many of which you have set, and that I know we would both like to achieve. The result of this process is as follows:

| | Budget to maintain services | Budget to meet service targets |
|---------|--|---|
| | £m | £m |
| 2002-03 | 317 | - |
| 2003-04 | 345 | 360 |

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An important feature of this process was the rigorous challenge that took place on these figures involving, at all stages, myself, Cabinet colleagues and relevant Chief Officers. I would not claim to have completed a detailed budget but we have produced a comprehensive and reasonable assessment of the resources we need at the two levels described. We have made no provision for the potential costs arising out of the bed blocking or new land fill tax initiatives.

To demonstrate this, I need briefly to refer to some of the detailed issues and will restrict these comments to 2003-04. The “maintained services” analysis addresses the following:

- The need to continue to achieve efficiency improvements in order to create the headroom to reinvest in service delivery. This has been done through a combination of contract negotiation, system changes and constant effort to drive down overheads.
- The costs of external levies from the Fire Authority and National Rivers Authority are anticipated to be in excess of inflation, with particular concern about the Fire levy in the light of the possible industrial action and subsequent pay award. I have not tried to anticipate the pay award outcome and at this stage have provided for a fire precept increase of 10%.
- The costs of financing the capital programme are accelerated by credit approvals arising from the Local Transport Plan.
- Market pressures for places in adult and disability services have forced fees up by £3.6 million above the rate of inflation. Even then there is doubt that Wiltshire will be able to find places as other authorities and self-funders take the limited places available.
- Demand for learning disability placements is growing as individuals leave educational establishments and require placement - estimated increased costs of £1.5 million.
- Costs of public and pupil transport rising at several times the rate of inflation costing an estimated extra £1.5 million per year.
- Increased waste volumes £0.4 million.
- An anticipated loss of £2.8 million of LTP funding.

You will see, I hope, that none of this represents growth or development. It is simply the cost of providing services next year at the same level of those we provided in the current year.

The second level of resources assessment reflects the cost of moving towards the service targets we aspire to. Issues here include:

- A need to develop options for achieving waste re-cycling targets which is estimated to cost a further £1.9 million in 2003-04.
- Ongoing loss of LTP funding that will reduce our ability to reduce the backlog of roads maintenance - £2.9 million.

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- Library and heritage standards, set by DCMS will increase our costs by £0.7 million.
- Unmet educational needs - £1.7 million - reflecting our underfunding of named pupil allowances given to schools.
- Low level of school funding - we would require £6.2 million extra to get to Hampshire's level of funding and in many ways, this single issue reflects our case for area cost adjustment.
- To increase standards in Social Services to meet PAF targets will require additional staff resources and transport costing at least £0.5 million per annum.
- Significant on-going investment in eGovernment which will transform our service delivery.

These targets have strong links to our performance management culture and indeed to the public service agreement we both recently signed. As the leader of this Council, I with my Cabinet colleagues, constantly monitor the relationship between spending and performance. When considering the relative priority of spending an additional half a million pounds, we are passionate about the impact this has on services, such as educational performance, hospital waiting lists, recycling targets and road safety. In our performance culture, it is no longer enough just to spend more, we want to know that in spending more we are able to deliver a better service. We estimate that for each additional £1 million of expenditure this will add 1% or £6 to our band D council tax.

I hope this brief summary puts into context for you some of our resource planning in Wiltshire. The second level of spending is based on the targets which you and your Government have set and we would both like to see achieved. The first level, however, is about maintaining basic services and this is a level below which I am not prepared to go. I hope you will be able to see this against the importance of the forthcoming grant announcement which we expect in late November.

Yours sincerely