

REPORT TO CABINET

REPORT OF: DIRECTOR OF FINANCE AND STRATEGIC RESOURCES

REPORT NO: FIN239

DATE: 8th August 2005

TITLE:	MEDIUM TERM FINANCIAL STRATEGY AND BUDGET PREPARATION 2006/07
FORWARD PLAN ITEM:	YES
DATE WHEN FIRST APPEARED IN FORWARD PLAN:	16 JUNE 2005
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	FUTURE POLICY FRAMEWORK PROPOSAL

COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:	FINANCE PORTFOLIO CORPORATE GOVERNANCE
CORPORATE PRIORITY:	
CRIME AND DISORDER IMPLICATIONS:	N/A
FREEDOM OF INFORMATION ACT IMPLICATIONS:	N/A
BACKGROUND PAPERS:	N/A

Recommendations

1. To recommend the adaptation of the financial strategy as outlined in the report.
2. To prepare a response to the ODPM consultation document on Formula Grant Distribution for 2006/2007.
3. To adopt the approach to budget development for 2006/2007 and value for money framework outlined in the report.
4. To implement an effective budget consultation strategy for 2006/2007.
5. To review the purpose and amounts of reserves held.
6. To develop detailed options appraisal analysis of the impact of stock transfer on the General Fund.
7. To develop options for Council Tax setting for future years.

Introduction

1. The purpose of this report is to consider the updated medium term financial strategy for the period 2006/07 to 2010/11 and to examine the main influences on the budget preparation for 2006/07 and consider any changes necessary during 2005/06.
2. It reviews
 - (i) the issues raised in the MTFS presented in October July 2004 and their subsequent impact on the 2005/06 budget.
 - (ii) the position on reserves and balances.
 - (iii) the financial strategies and their appropriateness.
 - (iv) the main budgetary issues for 2005/06 and 2006/07.

Background

3. In preparing the existing MTFS the following were the main issues facing the Council.
 - (a) constrained financial settlement from the government, with limited ability to increase Council Tax.
 - (b) impact of job evaluation.
 - (c) protecting against the impact of significant rises in employers pension contributions.
 - (d) the bringing in-house of waste management.
 - (e) analysis of areas of cost rising at faster rates than general inflation - pay award and insurance premiums.
 - (f) acceptance of limited capital programme.
 - (g) the resourcing of priorities, finding savings and delivering efficiencies.
4. Over the past year the Council has made progress in all the above areas. In particular the financial management of job evaluation, forward financing of the likely impact of expected rises in employers pension contributions, tight cost control of the waste management function, development of sophisticated risk management strategy to help reduce insurance premiums, and the development of the capital programme to reflect Council priorities. The above was all achieved within a 4.95% rise in Council Tax and did not attract capping from the government.

Financial Strategies

5. In developing the likely expenditure/income profile it is important to have regard to the current financial strategies as approved by the Council.
 - 5.1 **Strategy No. 1 - That the Council must be prudent in making estimates of external funding from the Government.**
 - 5.2 In 2003/04 the methodology changes to the formula for grant distribution benefited the Council. In 2004/05 further changes to the grant system caused further difficulties in assessing the grant settlement, in particular the switch in funding source for housing benefit administrative grant from the ODPM to DWP. On a like for like basis the general level of grant received was a 2.3% increase; below the rate of general inflation. For 2005/06 the formula was more consistent than the previous 2 years, although the capping criteria was harsher.

5.3 Assessment of future levels of government grant is always difficult. The main indicator comes from the Spending Review 2004, where the Treasury publishes its spending plans for the period 2004/05 to 2007/08. The Treasury expects to see the Environmental Protection and Cultural Services (EPCS) block increase by 8% over that period. The table below puts that in perspective. The APSS block is the lowest increase for planned expenditure other than highway maintenance. This gives a clear message about the importance (or otherwise) about the services District Councils provide. Given the complexities of the grant distribution system and relative impact of headline census data I believe an annual figure of a 1% increase on a like for like basis is a prudent basis for financial planning.

	2004-5 £m	2005-06 £m	2006-07 £m	2007-08 £m	Change 2007-08 2004/05 %
FSS:					
Education	26402	27963	29863	31663	19.9%
Children's Social Services	3737	4016	4316	4516	20.8%
Adults Social Services	8690	9553	9933	10373	19.4%
Police	4355	4553	4768	4993	14.6%
Fire	1848	1898	1961	2035	10.1%
Highways Maintenance	2004	2054	2054	2054	2.5%
EPCS	11152	11217	11606	12040	8.0%
Capital Financial Costs	2802	3269	3599	3924	40.0%
Total	60990	64522	68099	71597	17.4%

5.4 The attached report FIN241, Appendix 1, highlights the key elements of the Missing Millions Campaign, Formula Grant Distribution and Business Rate Incentive Scheme. Since the Treasury has postponed the spending review by one year, it is likely the quantum of grant money will be largely unaffected from 2005/06, and the levels of general grant restricted. This ultimately means the interest receipts in the General Fund will be required to underpin the base level of revenue expenditure.

5.5 In terms of the impact the government has on the level of Council Tax and increase thereof, is dealt with under Strategy No. 8.

5.6 Strategy No. 2 - The Council should continue to review all of its services in relation to its corporate objectives.

5.7 The work carried out over the past year has been of vital importance in ensuring resources will follow priorities. This is a key issue identified by the CPA assessment and forms a key component of the Change Management Plan. The issue for medium term financial planning is to be able to release resources that have been secured from elsewhere.

5.8 Strategy No. 3 - Ensure that following approval of the budget, those officers responsible for delivering the associated work programmes deliver the outputs within the approved allocation.

5.9 This is achieved through comprehensive budget monitoring and adherence to the Council's approved financial regulations. Historically the strong control of corporate budgets has allowed the Council to be flexible in its approach to budget monitoring and delivery of new services. To further strengthen the current process, the service planning process will be aligned more closely to the budget process, with increased information being available to service managers regarding their service costs.

The early part of 2005/06 has been characterised by requests for additional funding, either by supplementary estimate or by virement. This is a departure from previous years and means action for 2006/07 and beyond must resolve this issue. In preparing for 2006/07, the budget process has begun at an earlier date. Proformas have been sent to Service Managers to link in with the Medium Term Financial Strategy development. The value for money assessment to be conducted under the 'Use of Resources' Judgement requires Services to be benchmarked against other Authorities' relevant service performance. It is therefore important that Service Managers take a medium term view of their service, bid for the appropriate realistic level of funding and operate within an approved allocation.

5.10 Attached to the report at Appendix 2 is briefing note on the value for money approach outlined in the Audit Commissions' 'Use of Resources' documentation. The Council has always strived to deliver value for money services, and must show evidence of the achievement. This will be done through the self-assessment process. Value for money needs to be embodied into the Service Plan development and owned corporately - by staff and members.

5.11 Strategy No. 4 - The Council must continue to find new sources of funding for its activity.

6. Government funding continues to be 'top-sliced' for specific projects. If the specific schemes link with the Council's priorities then bids should be submitted. The secured use of S106 agreements help to develop community assets with less reliance upon the Council's own resources. The recent bid for recycling from DEFRA is a good example of additional external funding for an identified Council priority.

Further examples include the receipt of Planning Delivery grant, useful for funding one-off initiatives and the Public Service Agreement (PSA) (Round 2) bid with the County Council where the District Council may receive performance reward grant if it can demonstrate achieving 'stretch' targets in line with the PSA. It is hoped that Service Managers will have built the achievement of these targets into their service plans. The medium term financial issues arising from additional funding streams are

- (a) if commitments are made that extend past the period or amount of grant funding what is the exit strategy for the service
- (b) or Service Manager need to integrate various funding streams into their programme delivery (i) be clear about the use and timespan of that funding, and (ii) be clear about the outputs required as a result of receiving that funding.

6.1 Strategy No. 5 - Optimising the financial return on the Council's assets and ensuring capital receipts are at required levels.

It is important that the Council commits to reviewing its asset base and the returns upon them.

The Council's Asset Management Plan should be the core document identifying those assets either not being fully utilised or those that are surplus to requirements. The Property Performance Management Group has operational responsibilities for evaluating any issues arising from the AMP and feeding them back to the Corporate Management Team and the Cabinet.

6.2 Strategy No. 6 - To improve Treasury Management performance.

The addition of the prudential code on borrowing has given the Council more freedom in managing its debt in relation to the capital programme. The current flexible approach to debt redemption and borrowing should be maintained. In terms of investment performance regular reports will be presented to the Constitutional and Accounts Committee.

This will be an important element within the value for money assessment. The Council has been repaying debts for a number of years and is left with a low level of debt but at 'relatively' high interest rates. If this is repaid early the Council will pay a premium for doing so, hence the current policy of repaying on maturity.

Given a requirement to have an enhanced capital programme the Prudential Code will be used to ensure the decisions made with regard to borrowing reflect affordability, sustainability and value for money. This will involve consideration of the following issues

- (a) Balancing investment income against new borrowing, ie may be cheaper to bring back investments to fund new capital expenditures
- (b) Leasing versus Buying Outright
- (c) Ensuring that the balance of investment between General Fund and Housing Revenue Account is well defined and analysis of the impact of changes to debt and investment structure on both funds. This is particularly relevant to the proposals on stock option appraisal.

6.3 Strategy No. 7 - To annually review the scale of charges for Council services.

New levels of charge often result from normal inflationary increases, statutory review of charges, best value service reviews or from new services being delivered. During budget development, the balance between who pays for local services, the user or taxpayer, needs to be reviewed.

6.4 Strategy No. 8 - The policy on Council Tax increases is that any increase should aim to be equal to the change in the retail price index. Any increase above this should include any identification of particular service objectives that the additional tax revenue would be used to finance.

6.5 This is an important area to be considered. During the budget preparation for 2004/05 the wide public consultation on priorities was coupled with discussion on future years Council Tax increases. Feedback indicated that reasonable increases in Council Tax are acceptable providing service improvements are visible. The 2005/06 budget consultation gave a similar conclusion, value for money was a key issue for consultees.

6.6 It is proposed to carry out budget consultation for 2006/07 through (a) joint public meeting with Police and County Council, (b) LAA, (c) through a budget survey with options being given. The latter item can target upon the spend, save and efficiency agenda items previously discussed.

6.7 Strategy No. 9 - All potential capital schemes are appraised and fed into the capital strategy.

The Council approved the appraisal process in 2003/04 and a revised programme in 2004/05. This has been will be incorporated into the medium term strategy and an updated programme for 2005/06, and beyond. The process must be flexible to deal with emerging or urgent schemes.

6.8 Strategy No. 10 - To maximise the financial viability of the Housing Revenue Account (HRA) within government guidelines.

The production of the 30 year business plan for the Housing Revenue Account as part of the stock option appraisal process has enabled full financial assessment of the HRA.

The only consideration in this report is the impact on the General Fund of a successful/unsuccessful ballot.

Estimated Budget Requirements - 2005/06 to 2009/2010

7 Given the national position on Revenue Support Grant and likely allowable Council Tax increases the following table presents the likely budget requirement for SKDC over the next 6 years. It includes Special Expense Area expenditure, since this forms part of the Council's expenditure.

Profile of External Financing 2004/05 to 2009/10

	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Government Grant	7965	8368	8451	8535	8620	8706	8793
Council Tax - General Income	4115	4374	4592	4821	5062	5315	5580
Council Tax Income - SEA - collection fund	471	550	550	550	550	550	550
SKDC Budget Requirement	12551	13292	13593	13906	14232	14572	14923
Allowable Growth in Net Spend	-	-	301	313	326	339	351
Increase %			2.3	2.3	2.3	2.4	2.4

Assumptions

- (i) Government Grant increase - 1% per year
- (ii) Tax Base inc - 1% increase p.a. - no assessment of the impact of Council Tax Valuation.
- (iii) Council Tax - 4% increase p.a.

Impact on Financing of Services on Budget Requirement

8. Starting Position - 2004/05 Outturn

The final position for 2004/05 is now available. This shows:

- (a) an underspend at panel level of £573,000 against the revised position. This needs to be analysed to establish whether (i) commitments have been made but not spent, (ii) additional income received, (iii) poor budget management.
- (b) Interest receipts are over £1m for 2004/05. This is a direct result of limited capital programme, general underspending and a rise in interest rates over the year.
- (c) The General Fund Reserve has been increased to £3.3m, with a £1m specific reserve set up to cover the one-off costs of the Stock Option ballot.

The approval of service plans and budget development for 2006/07 need to ensure that the base budget approved for 2005/06 is being utilized properly and spending should be close to that budgeted. Otherwise there is a danger that increases in budget in priority areas will not take place because of 'hidden' budget capacity elsewhere.

It is proposed to review all of the specific reserves held and their appropriate levels as part of budget setting for 2006/07. I recommend a planned approach to their use, linking the fall in interest receipts likely to occur, with the revenue efficiency agenda. In particular, the use of the MRP reserve, Building Control Reserve and Insurance Reserve need to be reviewed for appropriateness.

- 8.1 What does this mean for Revenue costs
- 8.2 **These estimated budget requirements will need to deliver the resources for stepped improvements in the priority areas. The table at Appendix III provides an initial assessment of the impact of growth areas, efficiency savings and known liabilities, at this early part of the year 2005/06. The figures within the table are broad estimates that need to be worked into detailed estimates, when service plans have been received from Service Managers. An update on this table will be given at the meeting. This is very much work in progress identifying the likely spending scenarios over the coming years. A commentary on the key issues follows below.**
- 8.3 The model assumes that the identification of costs associated with the non-priority services will be realised. If the savings are not realised the budget requirements will remain higher than desired. Current analysis indicates that the savings identified for 2005/06 have been delivered and therefore reflected in the budget requirement. The targets for 2006/07 will much harder to achieve, and the commitment to achieving them needs reviewing. The position of Pest Control full cost recovery for 2005/06 will be difficult to achieve.
- 8.4 Gershon Efficiency Savings - the model only focuses upon the cashable savings - those that impact upon service delivery and real costs. I have assume that the Authority will re-invest cashable efficiency savings when they have proved they have been achieved. Thus the model shows efficiency savings accruing in one year re-invested in the next financial year.
- 8.5 The proposed re-organisation costs were £300,000 per annum. These would accrue from 1 April 2006. Nothing has been assumed for additional support for the three Strategic Directors.
- 8.6 It would be sensible to allow an increase in budget to deal with the Capacity issues facing the Council if it is not to slide back relative to other Council. This is necessary if the requirement of the Use of Resource Statement and CPA - The Harder Test are to be achieved.
- 8.7 The impact of stock transfer is crucial to the Medium Term Financial Strategy. If transfer went ahead in 2007/08, the projected capital receipt is £32m. Interest receipts of £1m per annum may accrue on the retained portion. The Council would need to watch the markets carefully because any downward movement in interest rates would have a big impact on the bottom line. It would be a good exercise to

analyse the purposes to which the receipt could be put, whilst retaining a minimum proportion to support the revenue account.

If stock transfer does not go ahead,

- (a) the cost of preparation for ballot etc would be a charge on the General Fund. Estimate £1,000,000 (one-off cost).
- (b) the separate identity/location of Housing Services means costs currently allocated from the Corporate Centre in terms of management and accommodation would fall back upon the General Fund. Estimate £250,000 ongoing.

8.8 I have assumed that a Leisure Trust will be set up and save the Council £150,000 per annum from 2007/08. Further analysis is required for this to be assessed.

8.9 The base-budget for 2005/06 included £500,000 for the new priorities. I have included the £250,000 per annum to reflect the re-cycling costs of green waste. One-off income of £150,000 falls out, and the delivery of 11,000 more bins will increase the revenue costs of the service. It is proposed the budget for 2006/07 should reflect the level of service being provided.

9.0 It is likely that some services will require additional funding to fulfil new statutory requirements, eg Travel Concessions. I have allowed a provisional sum of £100,000 per annum.

9.1 Supplementary estimates approved in 2005/06 funded from reserves, increase the budget requirement.

9.2 The Grounds Maintenance Contract is due for renewal in 2006/07. It is thought that the base-costs will rise by £400,000 under the new contract. Work is underway to ensure the increase is kept below this level by careful structuring of the contract.

9.3 Scale of Charges - some charges will need to be inflated above RPI in order to close the deficit between spend and tax income. This will be calculated when service plans are known.

9.2 The capital programme is now in place, decisions made will impact on the General Fund in two ways

- (a) Reduction in Capital Reserves - therefore less interest accruing in the General Fund
- (b) If borrowing is required interest payments will fall to the General Fund.

9.3 The model assumes that the identification of costs associated with the non-prioritisation of services will be realised. If the savings are not realised the budget requirement will remain higher than desired.

What does it tell us?

9.4 At the current time, the use of reserves whether requirement to find further savings are necessary. The following will be worked upon.

- (a) The starting budget requirement has consistently been greater than the actual expenditure incurred. This implies that an element of growth can be constrained within existing parameters.
- (b) The use of reserves will be expected for future years. They have been set aside for specific purposes and should be released in a planned way to help fund stepped changes in service improvement.
- (c) The funding gap could be closed by further increases in Council tax;
 - (i) by assuming full cost recovery in Special Expense areas
 - (ii) by a general rise greater than 3%. I would urge caution on simply financing expenditure by this method alone. Capping is a realistic government option and must be carefully considered by the Council.
- (d) Timing the investment in new areas with the release of cash savings.
- (e) Reviewing the impact of Stock Transfer on the General Fund.

Conclusion

- 9. At this stage in the development of the budget for 2006/07 and future years, I recommend a starting budget requirement of £13,593,000. If this cannot be achieved or other factors become relevant it will be reviewed and the impact on Council Tax assessed.

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REPORT TO CABINET

REPORT OF: DIRECTOR OF FINANCE AND STRATEGIC RESOURCES

REPORT NO: FIN241

DATE: 25 JULY 2005

TITLE:	MEDIUM TERM FINANCIAL STRATEGY
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COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:	
CORPORATE PRIORITY:	
BACKGROUND PAPERS:	A - Briefing Paper on - Missing Millions - Formula Grant - Business Rate Incentive Scheme B - Briefing Paper - Use of Resources - Value for Money C - Budget Consultation 2006/07 D - Medium Term Financial Strategy - Preparation 2006/07

Introduction

The purpose of this paper is to bring the Cabinet up to date on:

- (i) Missing Millions Campaign
- (ii) Local Government Settlement 2006/07
- (iii) Business Rate incentive Scheme.

A - Missing Millions

The Lincolnshire Group met last Tuesday and heard a presentation from Rita Hale on the analysis of Lincolnshire data used in the formula Spending Share (FSS) calculation used by the Government. The purpose of the research was to identify those areas the campaign should focus upon for 2006/07 and beyond.

The finding at District level

5 out of 7 Districts fare better than the average District Council. South Kesteven (£130.62) and North Kesteven (£130.17) have lower FSS per head than the average District (£134.62). the other 5 Districts range from £140.22 to £158.78; all well above average.

The main reasons for the variance are:

Sparsity and Deprivation indicators; Boston, Lincoln, East Lindsey and West Lindsey have deprivation elements, above the English average. South Kesteven has the lowest in Lincolnshire. Sparsity elements for East Lindsey, West Lindsey, South Holland and North Kesteven help their score. South Kesteven scores better on density, but overall the wealth of the area makes the main difference.

Linkages with the Region are important; 'East' Lincolnshire is lagging behind; in 2001 about 40% of the people in Lincolnshire lived in what are called 'lagging' rural areas, ie deprived of rural areas and that represented 67% of all people in the East Midlands who lived in 'lagging' rural areas in 2001.

Short-term

- (a) Consequences on funding of 100%. Central Government support for the schools' budget.
- (b) Impact of all FSS proposals.
- (c) Impact of Census data at detail level.
- (d) How do Ministers exercise 'judgement' - versus impact of new data.

Longer term

- (a) What is the cost of delivery services in rural areas, with deprivation.
- (b) Work with EMDA and other Regional Bodies (GOEM) for securing support to look at the issues of a growing older population.

South Kesteven - does not fit the model of Lincolnshire. But any additional funds for the County Council and Police Authority helps keep local services.

B - Formula Grant Distribution

Last Tuesday, the Formula Grant Distribution Consultation paper was issued. Running to 314 pages, including the exemplifications of the various options.

The key aspects for South Kesteven:

- (a) With the Treasury the spending review by one year the proposal is for a 2 year settlement for 2006/07 and 2007/08. since the Council Tax revaluation becomes effective from 2007/08, the 2007/08 settlement figure will be provisional.
 - (i) Need to lobby on spending pressures through LGA.
 - (ii) Identify impact of re-valuation.
- (b) Schools transfer
 - Consultation indicates this should be neutral for Districts.
- (i) Need to watch later to see whether quantum for schools increases.
- (c) Environment, Protective and Cultural Services (EPCS)
 - (i) District level EPCS and County level (EPCS) formulae are judgemental; given wide range of services difficult to apply statistical methods. Proposed to retain judgements but update for Census. No proposal to break block into single services.

4 options have been modelled:

- (1) Updated sparsity, density, net in-commuters and country of birth data from the 1991 Census to the 2001 Census.
- (2) Re-weight the density, pensioners on Income Support and Incapacity Benefit indicators with respect to moving from a half-fare statutory concessionary fares scheme to a free-fare scheme.
- (3) A customised transfer for critical ordinary watercourses by reducing local authorities FSS for own flood defence in proportion to the length of critical ordinary watercourses (COWs) while ensuring that every authority retains at least 25% of its FSS for own flood defence.
- (4) Updating the fixed cost element to £325,000 per authority from £3000,000 per authority.

The Impact of the above at SKDC on FSS

	£
Option 1	- 265,000
Option 2	+ 563,000
Option 3	- 14,000
Option 4	+ 10,000

(5) The specific consultation questions:

- (a) Do you think we should adjust the co-efficients for concessionary fares?

- (b) Do you think we should make any further changes to co-efficients; for example to take into account increasing expenditure on
- (c) Do you think we should update the fixed cost element.
- (d) Do you agree with the proposed method of transferring COWs to the Environment Agency?

Other changes

There are some proposals to amend the Capital financing formulae. This is mainly concerned with removing the interest receipts element from FSS. Since SKDC has significant balances, this change favours SKDC in all options exemplified.

Changes on the Grant Scale

Resource Equalisation - three options put forward. SKDC loses in two and gains in one.
Floors - three options proposed. SKDC gains in two and loses in one. We gain mainly in the model that 'damps' increases based on taxbase.

Important points

- (i) An increase in FSS does not lead to a £ for £ increase in grant.
- (ii) FSS does not indicate level of spending.
- (iii) Those above the floor pay for those at the floor through resource equalisation and scaling.

C - Business Rate Incentive Scheme

The final consultation was issued on Thursday. The basic scheme allows particular rises in the business rates tax base to be kept locally. The starting point is the Valuation List at 31 December 2004.

Early analysis of the South Kesteven position indicate

- (a) big difference in the RV quoted in the consultation paper to our records but based on our records.
- (b) £3000,000 may be received in 2005/06.
- (c) £6000,000 IN 2006/07.
- (d) £900,000 in 2007/08.

I shall firm this up later this week.

AUDIT COMMISSION**USE OF RESOURCES - BRIEFING NOTE FOR CABINET**

1. Guidance on the Use of Resources Self Assessment has now been issued. This assessment feeds into the next CPA. The scoring will be:
 - 4 - well above minimum requirements - performing strongly
 - 3 - consistently above minimum requirements - performing well
 - 2 - at minimum requirements - adequate performance
 - 1 - below minimum requirements - inadequate performance.
2. Each of the five areas will be scored. They are listed below:
 1. Financial Reporting
 2. Financial Management
 3. Financial Standing
 4. Internal Control
 5. Value for Money.
3. The use of resources assessment will be conducted annually. For 2005/2006 the self-assessment is due back by the end of September; audited by January and assessment issued by the end of March. In the first year the Auditor will score it on a direction of travel basis, ie we know where we are and we have action plans to move us to the next level. In the next CPA round a score of 3 is required if the Council is to achieve Excellence.
4. Increased emphasis is being placed upon the Value for Money self-assessment. This was an area of weakness in the first round of CPA that will be much more important this time around.
5. The definition for money is:

Value for money is high when there is an optimum balance between economy, efficiency and effectiveness - relatively low costs, high productivity and successful outcomes.

The IDEA has further extended this, 'optimum combination of whole life costs and benefits to meet the customers' requirements.

6. VFM will be judged using the following:
 - (a) community wide perspective
 - (b) gross costs
 - (c) local context and quality of service
 - (d) long term costs
 - (e) use of numerical data to start questions
 - (f) allow for local policy choices, in national context
 - (g) current judgement on VFM and how well it's managed for the future
 - (h) evidence of outcomes.
7. The self assessment focuses on
 - (a) currently achieving VFM
 - (b) manages and improves VFM.

Current Assessment, will rely on

- (a) costs comparing well with other allowing for external factors
- (b) costs commensurate with service delivery, performance and outcomes achieved
- (c) costs reflect policy decisions
- (d) keep it simple, use 'VFM'

Process of Assessment

1. Know level of local taxation and expenditure
2. Show how external factors affect costs
eg Rural Versus Urban
Old Versus Young
3. Show understanding of costs under control
 - Discretionary Versus Statutory
 - High quality does not necessarily mean high spending
 - Invest to Save
4. Finally link to Council Priorities/Customer Demands

Managing and Improving VFM

1. How to monitor and review VFM
2. Proof that VFM has worked and achieve gains
3. Procurement decisions take into account long-term costs (eg Stock Appraisal)
4. Evidence of VFM culture.

S.K.D.C. Position

1. Our score was 3 under the Use of Resources Assessment last time round.
The starting point is 2. The bar has been raised.
2. I will carry out a review of the 'bold' must haves. If we do not have them in place, we will need to put them in place. The advice from the District Auditor is do not waste time on finding evidence for something you do not do, spend the time on putting measures in place.

5. The Value for Money Assessment is a corporate issue. I saw the Service Plan/Budget Managers on Tuesday to explain the linkages and requirements between
 - Medium Term Financial Strategy
 - Use of Resources - VF Money Assessment
 - Service and Budget Planning
6. This is the top of my priority list over the coming months. Senior Managers and Resources DSP have been briefed.

TIMESCALES

MEDIUM TERM FINANCIAL STRATEGY	- AUGUST - CABINET - SEPTEMBER - COUNCIL
DRAFT SERVICE PLANS: MAJOR ISSUES	- END OF JULY
CABINET/MEMBER INVOLVEMENT - SERVICE PLANS	- JULY - AUGUST
EVIDENCE GATHERING - USE OF RESOURCES - VFM	- AUGUST
SELF ASSESSMENT SUBMITTED	- END OF AUGUST
SERVICE PLANS FOR BUDGET SUBMISSION	- MID SEPTEMBER
CABINET - BUDGET INVESTIGATION AND PRIORITY SETTING	- OCTOBER/NOVEMBER
SERVICE PLANS AND BUDGETS PRODUCED	- SEPTEMBER - JANUARY
CABINET PRESENT BUDGET	- FEBRUARY
COUNCIL SET COUNCIL TAX	- MARCH
DISTRICT AUDIT ASSESSMENT	- MARCH

POTENTIAL INFLUENCES ON DRAFT BASE BUDGET

	2005/2006 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Business Rate Incentive Scheme	(300)	(600)	(900)			
(Economies) Re-distribution of Savings - Target		200	200	200	200	200
Efficiencies Gershon Efficiency Savings Cashable	Included in Budget Requirement 2005/06	(252)	(252)	(300)	(300)	(300)
Cashable Efficiencies		252	252	252	300	300
Re-organisation costs		300	300	300	300	300
Impact of Stock Transfer - A			(1,000)	(1,000)	(1,000)	(1,000)
Impact of No Stock Transfer - B			1,250,	250	250	250
Impact of Leisure Trust				(150)	(150)	(150)
Priorities Additional Spend - recycling		250	250	150	250	250
Statutory Growth		100	100	100	100	100
Supplementary Estimate Approved	100					
Grounds Mtce base + Contract Increase		400	400	400	400	400
Scale of Charges inc above inflation		N/A	N/A	N/A	N/A	N/A
Revenue impact on Capital Programme		300	300	300	300	300

N/A = Needs Assessing

UPDATED TABLE WILL BE AVAILABLE AT MEETING