

## REPORT TO COUNCIL

REPORT OF: Corporate Head of Finance and Resources

REPORT NO: CHFR70

DATE: 6<sup>th</sup> September 2007

<b>TITLE:</b>	<b>Medium Term Financial Strategy</b>	
<b>FORWARD PLAN ITEM:</b>	Yes	
<b>DATE WHEN FIRST APPEARED IN FORWARD PLAN:</b>	In April 2007 publication	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Policy Framework Proposal	
<b>COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	Cllr M Spencer-Gregson Assets and Resources Portfolio holder	
<b>CORPORATE PRIORITY:</b>	Effective Use of Resources	
<b>CRIME AND DISORDER IMPLICATIONS:</b>	None	
<b>FREEDOM OF INFORMATION ACT IMPLICATIONS:</b>	This report is available via the Local Democracy link on the Council's website <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>INITIAL EQUALITY IMPACT ASSESSMENT</b>	<b>Carried out and appended to report?</b>  <b>To be undertaken</b>	<b>Full impact assessment required?</b>  <b>Yes</b>
<b>BACKGROUND PAPERS:</b>		

## **1. INTRODUCTION**

The Cabinet approved the development of a more strategic forward looking approach to budgeting with a more robust three year planning process, demonstrating the direction of resources towards priority services at its meeting on 10<sup>th</sup> July, 2006. Following this decision the Council approved a Medium Term Financial Strategy (MTFS) for the Council for the five year period 2007/8 to 2011/12. Although the strategy is for a five year period, it is reviewed annually to ensure it remains fit for purpose.

## **2. RECOMMENDATIONS**

- A) The Cabinet recommends to Council the approval of the revised Medium Term Financial Strategy for the period of 2007/8 to 2011/12, as attached, which takes account of annual data changes;**
- B) The Council notes that a fundamental review of the strategy will be undertaken taking cognizance of the Comprehensive Spending Review 2007 and the Local Government Financial Settlement to ensure the Council maximizes opportunities to deliver on its key priorities and overall objective to become a brilliant Council.**

## **3. DETAILS OF REPORT**

Although the MTFS has been approved for the five year period 2007/8 to 2011/12, the data contained within the strategy needs to be reviewed annually to ensure it remains fit for purpose.

The Cabinet reviewed the existing MTFS at its meeting on the 6<sup>th</sup> August 2007 and resolved the following:

- "1. The Cabinet recommends to Council the approval of the revised Medium Term Financial Strategy for the period of 2007/8 to 2011/12, as attached, which takes account of annual data changes;*
- 2. The Cabinet notes that a fundamental review of the strategy will be undertaken taking cognizance of the Comprehensive Spending Review 2007 and the Local Government Financial Settlement to ensure the Council maximizes opportunities to deliver on its key priorities and overall objective to become a brilliant Council."*

Key issues which have been addressed in the revised strategy are:

- Current economic factors

- Current spending pressures
- Early indications of the potential outcome of the Comprehensive Spending Review 2007
- Government efficiency proposals
- Establishing the baseline for efficiency savings
- The outturn position for 2006/7
- The outcome of the ballot of tenants on Large Scale Voluntary Transfer
- Opportunities for future efficiencies

It is proposed that the first 13 principles contained in the strategy remain as stated but the 14<sup>th</sup> principle has been amended to read:

“Manage the financial viability of the Housing Revenue Account (HRA) and seek opportunities for investment funding without exposing the Council to unnecessary risks”.

This amendment has been made to reflect the outcome of the ballot of tenants.

The Government is proposing a 3% per annum cashable efficiency target for the public sector commencing in 2008/9 for a three year period. At this stage the basis of this calculation has not been announced, however, it is anticipated this will be calculated based on the Council’s net service cost (£17.610m for 2008/9), on this basis the Council’s estimated efficiency target would be £528k.

Although it should be noted that if this basis of calculation is used that around £6.1m of the Council’s expenditure is not directly controllable in the short term, as the Council has spending tied up in external contracts and other mandatory spending. As there are barriers to negotiating 3% cashable savings on this type of expenditure the efficiency target effectively becomes around 4.6%.

In light of the economic factors; financial pressures; likely outcome of the CSR07; and potential grant settlement the Council should aim for an overall efficiency target of 5%. All options should be considered for generating efficiencies from the areas of expenditure which are potentially within the Council’s direct control. The options for achieving efficiency targets include:

- Lincolnshire Shared Services – the various workstreams should be evaluated to examine the level of efficiencies that may be achieved.
- In-house provided services – the Council provides a number of frontline services together with a number of support services. All services should be benchmarked to evaluate value for money and identify potential for efficiencies through market testing

- Overheads – an examination of the Council’s overhead base to establish value for money and opportunities for achieving efficiencies.

Members will receive further reports providing an update on the outcome of the Comprehensive Spending Review and the announcement of the Grant Settlement and their implications for the MTFS and the budget proposals.

#### **4. OTHER OPTIONS CONSIDERED AND ASSESSED**

The MTFS needs to be reviewed to ensure it remains fit for purpose.

#### **5. COMMENTS OF SECTION 151 OFFICER**

My comments are contained within the body of the report.

#### **6. COMMENTS OF MONITORING OFFICER**

As this strategy is part of the Council’s Budget and Policy Framework, it is essential it is reviewed annually to ensure it remains fit for purpose.

#### **7. COMMENTS OF OTHER RELEVANT SERVICE MANAGER**

None

#### **8. CONCLUSION/SUMMARY**

The MTFS has been reviewed to take account of current economic factors; current spending pressures; the potential outcome of the CSR07; the Government’s efficiency target proposals; and the likely grant settlement.

#### **9. CONTACT OFFICER**

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