

**FINANCIAL STRATEGY - UPDATE****(Report by the Director of Commerce and Technology)****1 PURPOSE**

1.1 The purpose of this report is to update the Cabinet on items that will affect the Financial Strategy report considered at their September meetings and by Council on the 28 September. At that time the Council decided to defer consideration of the Financial Strategy to their meeting on the 7 December as:

- significant changes to the Council's financial support from the government might result from changes to the grant formula.
- the clarification process with the tenderers for new office accommodation would lead to changes in the financial impact.

1.2 Subsequently, officers have been identifying another tranche of savings and have commenced reviewing the MTP. Chief Officers' Management Team have produced the guidance attached at Annex A for this purpose.

1.3 Reference was made in the report to a request to the LGA to try and get the Government to exclude Authorities in certain positions from being capped. Unfortunately the LGA considered that it would weaken their total opposition to capping if they were to approach the Government in this way.

**2 GOVERNMENT FINANCIAL SUPPORT**

2.1 The latest information is that the Council will receive the Government's draft figures in mid-November or early December. Given the significant changes in the formula this year and the LGA's recent comments that, unless the Government significantly increase financial support, average Council Tax increases of 10% will be likely the announcement may be towards the end of this time frame.

2.2 Two types of change may emerge:

- the grant resulting from the **last** formula change may be received more slowly or quickly than forecast. This will not affect the eventual level of savings required but may move the date by which they must be achieved forwards (slower receipt of grant) or backwards (quicker receipt of grant).
- The new formula may result in an underlying increase or reduction in the level of financial support that has been forecast. This will also have an impact on the date by which savings must be achieved but will also increase (less grant) or reduce (more grant) the eventual level of savings that must be achieved.

### **3. NEW OFFICE ACCOMMODATION**

- 3.1 Clarification of the lowest two tenders has now been undertaken and a robust estimate of refurbishment costs has been obtained. These figures are considered in a separate report on your agenda.

### **4. CONCLUSION**

- 4.1 Given the anticipated late notification of the draft grant settlement, the ongoing identification of savings and the review of the MTP there would be significant benefits from leaving further discussion of the Financial Strategy until the new year.
- 4.2 This would also allow members to assess the various pronouncements that the Government are likely to make on Council Tax levels though these will inevitably not give a clear indication of their proposed capping levels.

### **5. RECOMMENDATION**

- 5.1 Cabinet are asked to recommend to Council that they defer consideration of the Financial Strategy to their February meeting and consider it in parallel with the budget and 2006/11 MTP.

#### **Access to Information Act 1985**

Correspondence from the LGA and ODPM

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## GUIDANCE FROM COMT TO OFFICERS ON REVIEWING THE MTP

I refer to the email I sent at the beginning of August which asked you to undertake certain actions for the MTP Review.

COMT have now identified a list of efficiency savings and/or budget reductions and are currently checking to confirm how soon they will come on stream.

As far as the remaining efficiency savings assumptions are concerned, any major amount will reflect business process reviews or other one-off projects. It may therefore be appropriate to adjust the savings profile to reflect the sort of work programme that the Business Analysts can achieve. However, we must also continue to seek and introduce small improvements, and these should certainly be considered whenever staff "hand in their notice". Any staff departure must be seen as an opportunity to do things differently and / or to change roles and responsibilities so that the vacancy doesn't need to be filled.

The Efficiency Savings line is only part of our challenge. Total savings, based on the lowest bid for new offices requires a **cost reductions of £7.1M on top of the efficiency savings of £1.3M by 2016/17.**

We therefore need to set some guidelines to minimise abortive MTP bidding.

### **New Schemes**

Obviously any Unavoidable bids will have to be included (**as long as the unavoidable is absolute - this includes the preservation of physical assets**) but any other new bids (including new 2010/11 bids) are only worth preparing if they have a **high impact on high priority\*\*** Council targets **AND** reductions on another bid or in the base can be identified to fund them. Obviously colleagues may not share your view of priorities and may be unwilling to reduce spending in their services to accommodate an increase in spending in yours, so the easiest way to achieve this is to find the savings from within your own service area. This also applies to any areas with significant overspending where you cannot solve them by virement. [Form to be completed - separate forms for unavoidable and high impact on high priority are available].

### **Revisions to existing schemes**

Please be realistic rather than optimistic when slipping schemes. A significant proportion of the Council's underspending is due to delays in completing schemes.

If there is an increase in cost and if the scheme is high impact on a high priority and the increase is minimal or a reduction in cost then a revision form can be used. Otherwise it must be treated as a new scheme (see above).

[Shortened form to be completed - copy available]

### **Reviewing existing schemes**

We also need to review those planned schemes that will **NOT** have a major impact on a high priority area. Some/all of these are likely to be deleted because it is obviously easier to achieve reductions in planned spending by not doing something we haven't yet started than to stop something we are already doing. [List to be provided of those that are not high impact on high priority showing those that should be considered for retention]

### **Base Review**

We will need to address service reductions in the base, so if you can identify any low priorities now so that those reductions can be made sooner rather than later. [Details to be provided]

### **Efficiency projects**

Identify any significant projects that could lead to efficiency improvements (other than Customer First and BA review programme which will be reviewed anyway). [List to be provided].

**\*\* High Priority and High Impact** are defined in the table on page 7 of "Growing Success 2004/05" produced and circulated by the Policy Division in June 2005.

**COMT subsequently agreed on the 15 November that where a manager has a new "high impact on a high priority" scheme but has been unable to identify compensating savings then, if the case is supported by their Director, COMT will consider whether it should be funded by savings identified in other services.**