

BUDGET AND MTP PROCESS 2007-2012**(Report by the Head of Financial Services)****1 PURPOSE**

- 1.1** The purpose of this report is to propose the stages and timing for the review and approval of the financial strategy, the 2007/08 budget and the 2008/12 Medium Term Plan. It also explains the action being taken to identify the savings necessary to meet the targets included in the approved Medium Term Plan.

2 PROCESS AND TIMETABLE

- 2.1** The first stage of the process is to review the Council's longer term financial strategy. This will adjust the figures approved by the Council in February for inflation, interest rates, the 2005/06 outturn and any other unavoidable significant issues. It will thus enable the Council to confirm or revise the existing savings targets and set any criteria for the review of existing MTP schemes and the inclusion of additional ones.

Scrutiny (Corporate & Strategic Framework)	Cabinet	Council
5 September	7 September	27 September

- 2.2** The second stage will be the production of a draft budget and Medium Term Plan which will be a more important phase this year due to the need to review spending plans in the light of the targets set by Council. It will also take account of the provisional grant settlement, latest views on interest rates and inflation, adjustment of the MTP for timing changes, proposals for adding new items and proposals for deleting MTP schemes and elements of the base budget.

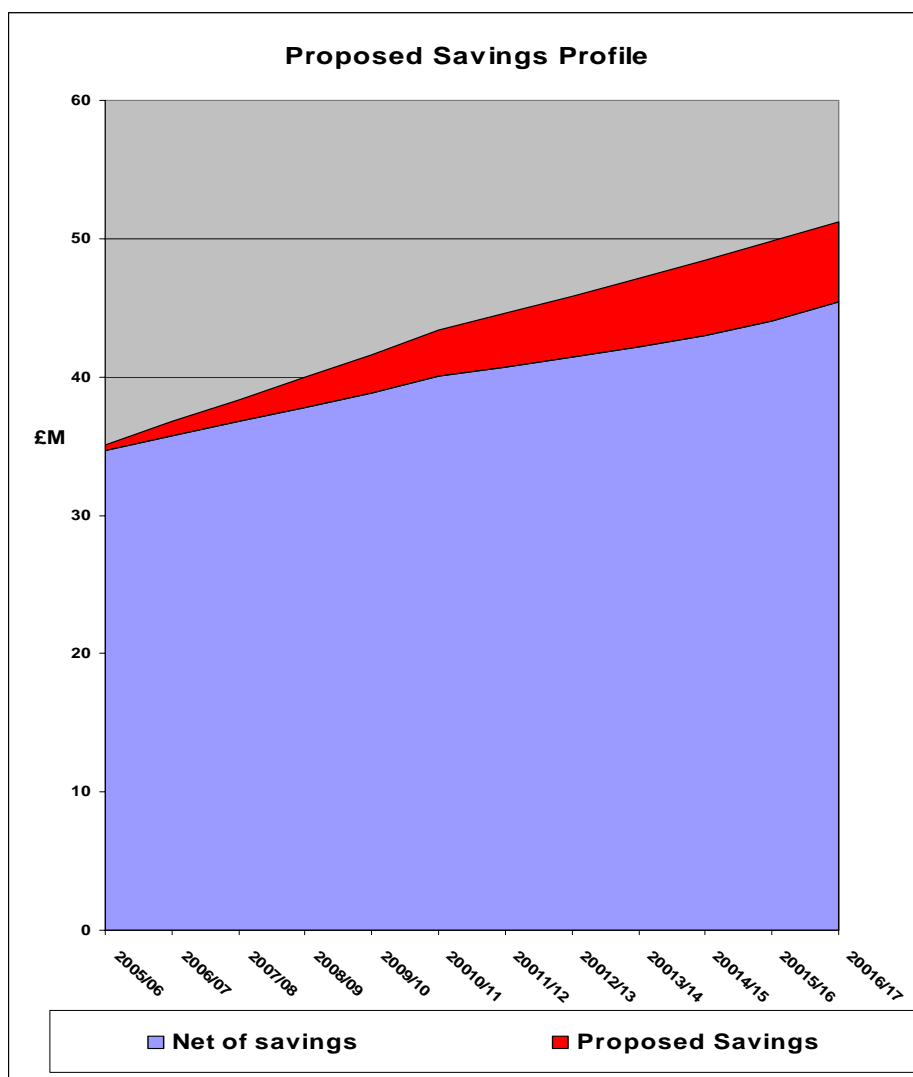
Scrutiny (Corporate & Strategic Framework)	Cabinet	Council
14 November	30 November	6 December

- 2.3** The final stage will take account of the final grant settlement figures and any other significant changes that have emerged. It will also formally adopt the budget and the level of Council Tax for 2007/08.

Scrutiny (Corporate & Strategic Framework)	Cabinet	Council
30 January	1 February	21 February

3. SAVINGS

3.1 The Council faces a significant challenge to achieve the following savings over the forecast period:



This graph is based on gross expenditure (excluding benefits) to give a reasonable indication of the relative proportions of savings to spending.

	2005/ 06 £000	2006/ 07 £000	2007/ 08 £000	2008/ 09 £000	2009/ 10 £000	2010/ 11 £000	2011/ 12 £000	2012/ 13 £000	2013/ 14 £000	2014/ 15 £000	2015/ 16 £000	2016/ 17 £000
Planned net spending before savings	17,230	19,331	20,706	22,610	24,999	26,858	27,820	28,999	30,160	31,324	32,539	33,727
Savings Required	-402	-1,026	-1,573	-2,157	-2,792	-3,342	-3,892	-4,442	-4,992	-5,492	-5,776	-5,826
Already Identified	-350	-452	-450	-448	-446	-444	-459	-459	-459	-459	-459	-459
Not yet identified	-72	-574	-1,023	-1,709	-2,346	-2,898	-3,433	-3,983	-4,533	-5,033	-5,317	-5,367

- 3.2 Given the scale of the spending review that is planned over this period and the benefits to local taxpayers of maximising the amount that can be found by efficiency improvements it is important that the process to be used is robust and effective. Significant thought and preparation therefore needs to go into this initial stage and the Council's reserves can be used, as necessary, to smooth out any changes in phasing between the above targets and what is actually achieved each year.
- 3.3 The Council should aim to reach the point where it identifies all of the savings to be introduced in a particular financial year by the previous December. It may not be possible to fully achieve this for 2007/08 by this December.
- 3.4 COMT will be responsible for proposing a menu of options for consideration ensuring that, those that are formally approved, are delivered. This process has already commenced and all Heads of Service have been asked to identify a list of savings in priority order for each of their services. Each item will need to be explicit and state if there is any impact on service delivery.
- 3.5 This will enable COMT to assess an overall priority order. In some areas it will be physically or statutorily impossible to achieve a significant saving but the aim is to identify sufficient options, whether step changes or minor modifications, to ensure that there will be opportunities already identified to develop for savings in future years.
- 3.6 There are four main strands that Heads of Service will be considering in carrying out this task:
1. Identifying areas where budget provision is more than adequate in the light of current circumstances.
 2. Identifying and evaluating efficiency savings
 3. Deleting or reducing MTP schemes that will not have a significant impact in achieving the Council's priorities.
 4. Reducing existing service levels in the least cost effective areas. (This will have most affect on those services that contribute least to the Council's priorities but there will be occasions where a lower cost initiative on a lower priority area may be better value than a higher cost initiative in a higher priority area).
- 3.7 Whilst progress and preparation on all the strands needs to run in parallel it is recognised that the savings from Strands 1 and 2 should be maximised in order to protect services to the public. Therefore decisions on Strands 3 and, particularly, Strand 4 will need to be taken in the light of the actual and anticipated progress on Strands 1 and 2.
- 3.8 Some savings will require initial investment to achieve them and it is therefore intended to fund them from future net savings as long as these can be demonstrated to the satisfaction of the Head of Financial Services (such rephrasing is permitted by the Code of Financial Management).

4. CONCLUSIONS

- 4.1 The budget/MTP process will be more challenging this year because a significant value of savings must be identified. This report therefore outlines a proposed timetable of meetings when different aspects will be considered.
- 4.2 Work has commenced on identifying the best way to achieve these savings and an update on progress can be included in the Forecast report in September.

5. RECOMMENDATION

The Cabinet is recommended to:

- **approve the timetable and stages for considering the financial strategy, budget and MTP**
- **note the approach to the identification of savings.**

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2006/07 Revenue Budget and the 2007/011 MTP

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