

Agenda Item

Executive Board

18 October 2006

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Financial Strategy – Focus on 2007/08 budget

Summary

The Executive Board adopted the Council's Financial Strategy (2007 onwards) on the 19 July 2006. This Strategy links to the priorities in the Council's Corporate Strategy and in turn its service plans, these priorities have now been debated by the Town and Parish Councils and a Joint meeting of the Council's Corporate Overview and Scrutiny Committee.

The purpose of this report is to:

- Update the Executive Board on the conclusions of those debates, including input from the Portfolio Holders at the Joint Corporate Overview and Scrutiny meeting.
- Briefly reflect on any updates in the figures originally presented in the Medium Term Financial Model.
- Form a final budget steer before the detailed preparation of the 2007/08 budget begins.

Recommendation

1. That the 2007/08 budget is prepared in line with the principles set out in the Financial Strategy as outlined in 5.1 of this report.
2. That the gap in funding highlighted in the Financial Strategy be closed through a combination of efficiency savings, the review of service specifications and increased income.
- 3 That consideration be given to establishing a process for the review of costs on a service/themed basis.

a) Reasons for Recommendation

A number of suggestions were made in addressing the estimated funding gap in 2007/08. These proposals now need to be considered by officers to determine whether they can be accommodated within the timetable for the 2007/08 budget.

b) Alternative Options

There are number of options which will be considered as part the budget process. Members have now given a more detailed steer on priorities and areas for possible savings. It will now be for officers to consider these areas in preparing the budget and determine what can be achieved in the time scale for the 2007/08 and what needs to considered for future budgets and service plans.

c) Risk Considerations

There are number of risks associated with the Medium Term Financial Model contained within the Financial Strategy in relation to assumptions that have been made. A prudent approach has been adopted in terms of future resources and although a comprehensive exercise was undertaken to assess future spending requirements additional demands not considered could arise.

d) Policy and Budgetary Considerations

These considerations are included in the Financial Strategy.

e) Date for Review of Decision

The Executive Board will receive a draft revenue and capital 2007/08 budget on 17 January 2007, this will then reviewed by the Scrutiny Committee on 24 January 2007 and Corporate Overview on 1 February 2007. The budget will then go back to the Executive Board on 7 February 2007 and then Full Council on 21 February 2007.

1. Introduction.

- 1.1 The Executive Board adopted the Council's Financial Strategy (2007 onwards) on the 19 July 2006. This Strategy is linked to the Council's Corporate Strategy and in turn the Council's service plans.
- 1.2 The Financial Strategy set a timetable for the preparation of the 2007/08 budget. This provided the opportunity for the Corporate Overview and Scrutiny Committees to consider the priorities in these plans at an earlier stage in order to have a more meaningful impact on the allocation of resources. A Joint meeting of the Council's Corporate Overview and Scrutiny Committees took place on 27 September 2006 to consider this issue. In addition the Town and Parish Councils have also now had the opportunity to review the Council's priorities.
- 1.3 This report provides a commentary of those considerations and provides an update of the figures originally presented in the Medium Term Financial Plan (MTFP).

2. Feedback from the Town and Parish meetings.

- 2.1 Meetings were held with the Town and Parish Councils within East Devon on 12 and 18 of September respectively. A summary of the feedback from each of these meetings can be found in Appendix A.
- 2.2 In general both groups agreed with the Council priorities and in common agreed they would like to see the Council do more to improve the road and rail infrastructure, enhance employment opportunities, increase re-cycling and for closer working with Parish Councils. On the reverse the Town Councils showed no enthusiasm for the development of the new community at Cranbrook, with the Parishes suggesting regeneration of Seaton and Exmouth and the development East of Exeter to be of a lower priority.

3. Feedback from the joint Corporate Overview and Scrutiny Committee meeting.

- 3.1 On the direction of the chairman Members first considered areas where it might be possible to bridge the £459,000 funding gap in next year's budget. Understandably preference was declared for efficiency savings, followed by increased income generation and bottom of the list, service cuts. Specific ideas suggested centred on the following areas.
- 3.2 Interestingly there was a feeling amongst a number of Members that the Council should increase the council tax closer to the maximum allowed by the Government. Currently up to 5%. This is higher than that the 2.5% used in the Medium Term Financial Model. For

illustrative purposes a 4.9% increase would generate an additional £152,000 next year to that shown in the Model.

3.3 Absence management and control of energy costs were put forward as areas where efficiencies might be achieved along with savings in such areas as water safety, property maintenance, discretionary rate relief and grants.

3.4 In addition to areas which might provide savings in the short term Members expressed an interest in undertaking detail service reviews, to consider procurement options and how the council might engage more closely with town and parish councils and other partner organisations. This is further referred to in 3.9 below.

3.5 Increased income was suggested in areas such as;

- Advertising on Council assets e.g. bus shelters
- Pre application advice (planning)
- Section 106 agreements
- A levy on developers of residential property to fund community amenities

3.6 The Chairman invited Portfolio Holders attending the Joint meeting to outline areas where considered savings/efficiencies might be achieved.

3.7 Portfolio Holders proposals are set out below and like those made by members of the Joint Committee they will require further investigation by service managers:

- There were a number of areas where it was felt additional income could be achieved, over and above those recommended by the Task and Finish Forum, including beach huts, boat licences/winchies, events on Council land and pre planning application advice.
- Economic Development Grants need to be reviewed to ensure value for money was being obtained and to determine if savings could be achieved.
- A review of Council leases to determine whether there is scope to reduce net costs by transferring responsibility on such matters as grounds maintenance to the lessee.
- Potential savings in;
 - Print and postage arrangements
 - The move away from reality based ICT systems, were £50,000 was considered achievable.
 - Members training be organised on a group, and not one to one basis.
 - The smarter use of ICT in relation to outside officers.
 - Review of dog waste collection and dog warden service.
 - Noise Control with the possibility of a reduced service just focussing on key times/days.
 - Review of costs on water safety.
 - Cost of achieving Green Flag - is this worth it?
 - Working with Parish Council to achieve efficiencies.
 - Discretionary grant and civic fund.

3.8 Next the Joint Committee considered areas of priority, which if funds were available, they would like to see promoted. In no particular order the following were broadly supported by the Committee:

- Cemetery funding
- Concessionary fares expansion of the scheme
- Maintenance of open space
- Bye law enforcement

3.9 Members commented that although they welcomed the opportunity to be involved at an earlier stage in budget setting they wanted that input to be meaningful. They did not feel a one-off meeting provided sufficient opportunity to absorb the vast amount of detail, to question officers and come to a considered view. If reviews were to take place during the year, looking at particular areas in detail, more relevant and informed recommendations could be made. This approach could either be service or themed based, around areas such as procurement, advertising income etc.

4. Update of Medium Term Financial Plan

4.1 The Financial Strategy presented to the Executive Board in July included the MTFP. This Plan projected a deficit in 2007/08 of £459,000. This projection was based on number of assumptions which would change as time progressed.

4.2 In the period since the July Executive:

- The Council has made recommendations in respect of the Job Evaluation exercise. Here the proposal is to provide additional protection, over the original scheme agreed with Unison, in the form of a cost of living increase payable to those on protected salaries in April 2007. Whilst this could take the cost above that allowed for in the Plan there are a number of other issues including grading appeals and staff turnover which will need to be taken into account when setting the budget.
- The pay award, based on the previous three years was assumed at 2.9%. Recent announcements made by the Government, leading up to the Comprehensive Spending Review (CSR) 2007, are that salaries in the public sector will be inline with Government inflation targets of 2%. If that were to be the case then the salary bill would be approximately £100,000 lower than had been assumed.
- The net savings predicated for the current financial year are £418,000, of which £250,000 relates to the recycling and refuse contract. As these savings are not guaranteed in future years they should not be used to fund on-going expenditure, although they are available to fund one off costs in 2007/08, for example district council elections, as long as the Council's level of reserves are maintained at the adopted advisory levels. Also further work is required to timetable the roll out of elements of new recycling and refuse contract and to calculate the effect this might have on next years budget.

5. Preparation of 2007/08.

5.1 The Finance Team with budget managers are now beginning to prepare service plans and detailed budget submissions for next year. The Financial Strategy will be the guiding document on the preparation of the budget, particularly the principles underpinning the Strategy. These being:

- The Council will annually set a balanced budget where expenditure is met from available resources year on year.
- That the General Fund balance will be maintained at or above the previously adopted advisory level of 7.5% of net budget with an annual decision taken on the use of any sums available above this target.
- In determining the annual budget, and focusing on the longer term, the Council will prioritise the funding of essential areas and in the high priority services in accordance with the

priorities and specific measures laid out in the Corporate Strategy.

- Council tax increases will be kept within annually announced Government guidelines.
- In considering the capital budget the Council will continue to follow the methodology agreed within the Capital Strategy of scheme scoring and prioritisation in terms of which projects shall be funded. The Council will also seek to maximise the use of its assets, and consider the appropriateness of holding them with the intention where appropriate to obtain a capital receipt which can then be reinvested in areas of high priority.

5.2 The areas raised by the Joint Committee and Portfolio Holders will need to be considered by budget managers and actioned where appropriate for the 2007/08 budget or timetable to be reviewed for future consideration.

Legal Implications

There are no apparent legal implications requiring comment in this report.

Financial Implications

Contained within this report and the Financial Strategy,

Consultation on Reports to the Executive

The main elements of this report are findings from a joint meeting of the Corporate Overview and Scrutiny Committees of the Council.

Background Papers

- The Executive Board minutes 19 July 2007 and the stated Financial Strategy within that meeting.
- Minutes of the Joint the Corporate Overview and Scrutiny Committee meeting on 27 September 2006.

Simon Davey
Head of Finance

Executive Board
18 October 2006